SPECIALIZING IN:

- BID BONDS
- PERFORMANCE & PAYMENT BONDS
- COURT BONDS
- FIDUCIARY BONDS
- FIDELITY BONDS
- LICENSE & PERMIT BONDS
- SUBDIVISION BONDS
- AND MORE….

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CONSTRUCTION BONDS & ADVOCACY SERVICES

Hensel Phelps Construction Co. Head Start Bonding Program

In today's economic climate, Contractors need proof of bonding in order to qualify for many work projects and statutory compliance surety requirements. Hensel Phelps Construction Co. (HP) recognizes bonding limitations as a major restraint which keeps small businesses from participating in a significant role on larger projects. To alleviate this restraint, HP entered into an exclusive agreement with The Barbour Group (Surety Agent) and RLI Insurance Company, surety company, to provide construction bonds to small contractors.

The Hensel Phelps Head Start Bonding Program will assist in supporting subcontractors who financially need assistance and/or are first time bond users. This program will assist the subcontractor, not only in financial literacy but in bond training as well. Our program establishes a training program around each individual contractor's specific need, not only on the construction end, but in grooming their company's internal structure and honing it for stronger bonding support.

Head Start Bonding Program:

- Securing bonds for over $75,000,000 HP subcontracts
- 92% of submissions receive bonding
- No bond failures
- Bonds secured with pre-approved special premium

Objectives:

- Improve participation of qualified small businesses on HP projects
- Support "first-time" bond users and/or firms requiring additional bonding capacity to win HP subcontracts
- Help small business obtain their long-term business objectives

Program Features:

- All small business associated with Hensel Phelps are eligible to participate
- Company specific training program tailored to help a small contractor overcome their business financial and management weaknesses
- Small contractor should self-perform their own work
- Small contractor must meet working capital Requirements
- HP will provide assistance in:
  - Bid Preparation
  - Craft Management
  - Change Order Management
  - Scheduling
  - Jobsite and Company Accounting
  - Insurance Requirements
  - Quality Control

The Barbour Group, LLC's Approach to Assist Small Businesses:

- We don't gloss over problems; rather we take a no-nonsense approach to overcoming business challenges
- We take a positive approach to our work and share a love for the contracting industry
- We are passionate about helping contractors grow their businesses in the RIGHT direction
- We are pioneers in breaking down bonding barriers for small businesses
- We eliminate uncertainty in the surety bond approval process by using multiple approaches:
  - Separate labor from material if needed
  - Unbundle scope packaging
  - Early payments
  - Pre-approved rates

Surety Definitions:

Suretyship: Suretyship is a three-party agreement between project owner, principal and surety. While regulated under the insurance codes of state insurance administrations, it is not insurance. Insurance is a two-party contract and does not requires the policy holder, owner and spouses to pay back any incurred losses. Surety companies require the company, its owners and spouses to indemnify against any losses incurred due to default under the performance bond and for any payments made to payment bond claimants. If the company and its owners are unable to pay back the surety company, the surety company will typically issue a 1099-loan forgiveness. A bond is guarantee of payment not an insurance policy. It guarantees every term and condition of a contract. Not having the correct general liability insurance in place can constitute a default if not remedied timely, for example.

- Principal: Contractor or subcontractor in need of bonding and indemnifies to the surety against any losses and legal fees incurred.
- Obligee: Project Owners including Private Owners/Developers, General Contractors, Federal, State and Local governments
- Surety Company: Company guaranteeing recovery to bond claimants under the performance and payment bond.
- Bid Bonds: A bid guarantee that a contractor will comply with terms of solicitation and is pre-qualified for the potential award. If low bid estimate is more than 10% to 15% of the second bidder, surety may opt to pay the penalty of the bid bond (5% to up to 20% of the bid amount) to requirement. If surety pays out the penalty of the bid bond, it will seek recovery from its corporate and personal indemnitors (owners and spouses).
- Performance Bonds: Guarantees that bonded principal will comply with the terms and General Contractor/Obligee. Amount of the bond is typically 100% of the contract value which includes the bond costs. Premium is computed on the entire contract value, including bond costs.
- Payment Bonds: Guarantees that the bonded principal will pay its subcontractors, suppliers and labor according to the subcontract/contract document. Non-payment by General Contractor/Obligee is often not a defense for non-payment. First tier subcontractors have one year to file suit on the payment bond. Second tier subcontractors have 90 days to file suit.
- Maintenance Bond: Guarantees that the work performed is free of defective workmanship for one year, typically. It can extend for a longer term depending on what is stated in the subcontract/contract documents.

Surety – It's the Law

The Miller Act: (ch. 642, Sec. 1-3, 49 stat. 793,794, codified as amended in Title 40 of the United States Code) requires prime contractors on some government construction contracts to post bonds guaranteeing both the performance of their contractual duties and the payment of their subcontractors and material suppliers—ultimately designed to protect tax payer dollars that fund construction projects (performance bond) and to offer lien rights to contractors who otherwise cannot lien public property (payment bond)

The Little Miller Act: The Miller Act statute adopted by each state.

Barbour Group

RLI | cbic an RLI Company

HENSEL PHELPS
Plan. Build. Manage.