

A Successful Surety Bond Program

Top 10 Do's And Don'ts

Jon Fosburg: jon@reedsurety.com

Reed Surety

714-508-7832

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

A Successful Surety Bond Program

Two Important Points

1. Securing a bonding program is hard but not impossible. Surety companies are looking for well run, well performing companies.
2. They are not asking you to do anything that a savvy businessperson would not already be doing managing his or her company.

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

A Successful Surety Bond Program

I want and need Bonding!

So what do I do!

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

Top Ten Do's

NUMBER ONE! *Know what sureties are looking for*

- Character, Credit and Capacity (and sometimes collateral)
- Past Experience
- Management Capability
 - Ability to Bid and Acquire Work
 - Accounting Process
 - Project Management
- Working Capital, Bank Line of Credit (Staying Power)
- Net Worth (Loss Paying Power)
- Credit Score
- Type of Work, Size of Project, Geographic Range

Top 10 Do's

NUMBER TWO ! *Research Your Options*

- SBA Bond Guarantee Program
- Group Programs
- Collateral Programs
- Teaming Opportunities
- Individual Sureties

NUMBER THREE! *Prequalify Surety Brokers*

- Knowledge of the Federal Marketplace
- Experience with Teaming Agreements
- Relationship with Surety Managers (Get a Reference List)
- Attitude Regarding Small Accounts
- Knowledge of Accounting and Finance
- Who was the Agent Trained By?

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

Top 10 Do's

NUMBER FOUR! *Tell Your Own Story*

- The Surety Submission
 - History of the Company
 - Business Strategy and Plan
 - Key Employees and Roles – Include Resumes
 - Continuity Plan
 - Relationships with Subcontractors (Generals if a Sub)
 - Review of Work in Progress
 - Discussion of Pertinent Completed Projects
 - Capital Expenditure History and Plan
 - Capabilities in Estimating and Bidding

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

Top Ten Do's

NUMBER FOUR! Tell Your Own Story (Continued)

- Banking Relationships
- Credit Report
- Cash Management
- Recap of Financial Reports
 - 3 Years CPA Prepared Financial Statements
 - Trends of Profitability
 - Sources and Uses of Cash
 - Project Trend of Profitability (From WIP to Closed)
 - Ratio Analysis
- Surety Needs – Single Project and C2C (Cost to Complete)
- Personal Financial Statements

Top Ten Do's

NUMBER FIVE! *Meet the Underwriter*

- Discuss with the underwriter attitudes about:
 - Increasing single project size
 - Increasing C2C limit
 - Geographic Expansion
 - Teaming Agreements
 - Design/Build
 - Expansion of type of construction
 - Reporting Requirements (Frequency of WIP and FS)
 - Rates

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

Top 10 Do's

NUMBER SIX! *Manage Your Business*

- You are first a businessperson, then a construction contractor
- Plan, Organize, Direct and Control
 - Monthly Reviews of Operational Results
 - What is working and what is not working
 - Do I have the right People, Process, Environment?
 - Double check the internal controls. Are they working?

NUMBER SEVEN! *Broadcast Your Successes*

- Let the surety know what you are doing well

Top 10 Do's

NUMBER EIGHT! *Memorialize Failures*

- The surety will have more confidence in you if you can tell them what went wrong, how you responded and what you learned

NUMBER NINE! *Get a CPA with Construction Knowledge!*

NUMBER TEN! Get a Bank Line of Credit and Increase it Whenever Possible

Top Ten Don'ts

- NUMBER ONE! *Don't manage around your tax returns*
 - *Minimize taxes and but retain earnings*
 - *Underwriters are looking for retained earnings*
- NUMBER TWO! *Don't rush into partnerships*
 - *Understand what your partner is looking for*
 - *Due Diligence is key*
- NUMBER THREE! *Don't use your company as a bank*
 - *Owner receivables are not considered valued assets*
 - *Prepare a cash budget and stay informed of your cash position*

Top Ten Don'ts

- NUMBER FOUR! *Don't over reach, know your limits*
 - *Bid within your strike zone*
- NUMBER FIVE! *Don't lie to the surety*
- NUMBER SIX! *Don't use one job costs to cover another job cost*
 - *Watch job borrows*
- NUMBER SEVEN! *Don't market yourself to the surety as you would the federal government. Two different approaches*
 - *Know what the surety wants and stay within the boundaries*

Top Ten Don'ts

- **NUMBER EIGHT!** *Don't completely rely on your agent for bonding expertise, get familiar with the process.*
 - *Get familiar with the bonding process.*
- **NUMBER NINE!** *Don't let a NO stop you*
 - *Some sureties may not be a fit. Your broker should help in this area.*

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832

Top Ten Don'ts

- AND NUMBER TEN DON'T!

**DON'T BE AFRAID TO TAKE
CHARGE OF YOUR BOND
PROGRAM**

Contact: Kevin Reed 714-469-5788 or
Jon Fosburg 714-508-7832