



SURETY ONE

SURETY BONDS · FIDELITY BONDS & FINANCIAL GUARANTEE

A MEMBER OF THE POINDEXTER GROUP OF COMPANIES

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SURETY BOND FOR NORTH CAROLINA GENERAL CONTRACTORS

During decades of surety bond business we have written this bond obligation once, and for a very large foreign company that deposited one million dollars in cash collateral with our institution. The inclusion of a statutory provision that allows bond in lieu of financial strength makes the bonding company subject to adverse selection. We are frankly surprised that the state of North Carolina still has it on the books.

In order to approve a principal for this level of surety, we would require three years of audited financial statements. If most principal applicants had the GCLB's mandatory minimum working capital then he/she would not need the bond based on the Board's formula. Additionally, in order to qualify for \$1,000,000, \$2,000,000, etc., in surety capacity we would expect the principal to evidence a capitalization of no less than ten times the bond amount. So, if the principal is not a \$10mn to 20mn company, it will not qualify. Further, the bond form is not cancelable and can be claimed on for any reason, by third parties, FOREVER. This just isn't a bond that a GC would want to seek based on its current treatment by the NC GCLB.

We hope that this explanation is helpful in understanding this obligation. If you need anything further on any other bond need, we will be available to you.

Sincerely,

Your Lovable Surety One, Inc. Underwriters