



SIMPLE ACCESS TO SBA SURETY BONDS

Visit www.foundationsurety.com for more information

KEY OBJECTIVES

- What is a surety bond
- Why are bonds important
- SBA Surety Bond Guarantee Program
- How to obtain a surety bond
- Underwriting an account
- Benefits of working with an SBA Surety Expert
- Gibbs Top 10 Tips for contractors
- Q&A



ABOUT ME

- Owner & CEO of Foundation Surety & Insurance Solutions, top SBA Surety Bond Guarantee Agency
- 32+ years helping small businesses with SBA programs
- B.S. in Accounting, Central State University
- Commissioned through CSU ROTC in 1984
- M.S. in Entrepreneurship, Western Carolina University
- Retired as Lt. Colonel in 2011
- 2023 National ROTC Hall of Fame inductee
- Born in Trinidad, raised in Brooklyn, now resides in Bowie, MD
- Husband and father of 5 daughters (including 2 sets of twins)



Peter C. Gibbs
President & CEO

Quick Facts

- ✓ 32 years of service in SBA
- ✓ Former SBA Director of Office of Surety Guarantees
- ✓ Military Veteran Army Officer 27 years of service
- ✓ Owns the only minority Surety Agency w/national footprint.



MAJOR ACHIEVEMENTS

- **Overhauled** Surety Bond Guarantee Program, making it a top public/private partnership
- **Grew Surety Partnerships** from **7** to **43** in **18 years**
- **Expanded** active **Surety Agents/Producers** from **50** to over **1200**
- **Reduced application underwriting** time from **15+ days** to under **2 days**
- **Cut claims review time** from **6 months** to under **10 days**
- **Raised** US Treasury revolving fund from **\$16M** to over **\$100M**
- **Maintained positive cash flow** for SBG program
- **Implemented 100%** online IT process
- **Developed** risk management to keep **default rate under 4%** and **loss rate at 1%**
- **Fostered** a key **relationship between the surety industry and SBA** for a successful public/private initiative



WHAT IS A SURETY BOND?

Two general categories of surety bonds: **contract** and **commercial**.

Bonds are purchased by a wide variety of businesses and individuals including construction companies



A surety bond is a three-party written agreement by which one party (***the surety***) guarantees another party (***the obligee***) that a third party (***the principal***) will perform according to the bond, statute, contract or other obligation. The surety bond protects the obligee by guaranteeing performance to the obligee

The surety bond protects the obligee by guaranteeing performance to the obligee.





WHY ARE SURETY BONDS NEEDED?

Bonds by law are required on ALL federal projects over \$150K because of the Miller Act. Most states, countries, and private entities mirror these requirements.

WHAT IS THE MILLER ACT?

The Miller Act 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.



SBA'S SURETY BOND GUARANTEE PROGRAM

The program enables surety companies to support small businesses that experience difficulties obtaining bonding.

The SBA helps small businesses facing barriers to success by creating access and opportunity for them to qualify for contract bonding, increase bonding capacity, and grow their business.

This program supports any public or private contract that requires a surety bond.



PROVIDING ACCESS & CREATING STABILITY

You gain access to bid, performance, payment, and ancillary bonds.

With the SBA's guarantee, small businesses can qualify for surety bonding with reasonable terms.



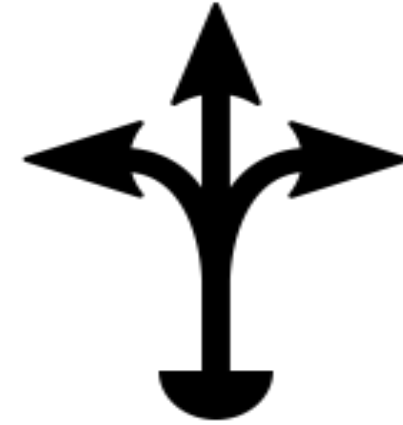
HOW DO YOU BENEFIT?



**Grow Your
Business**



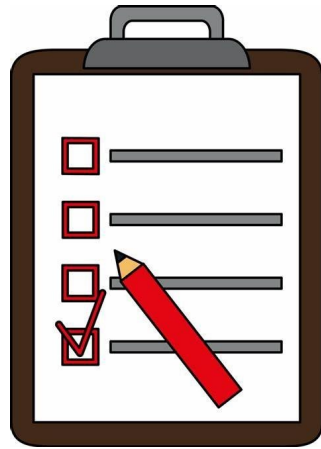
**Increase
Opportunities**



**Flexible
Requirements**



EVALUATION BASED ON THE 3 C'S



Capacity (your ability to complete the work) is based on experience in your field, key personnel experience, and day to day business management practices



Capital is based on your company's profitability and the quality of your financial statements

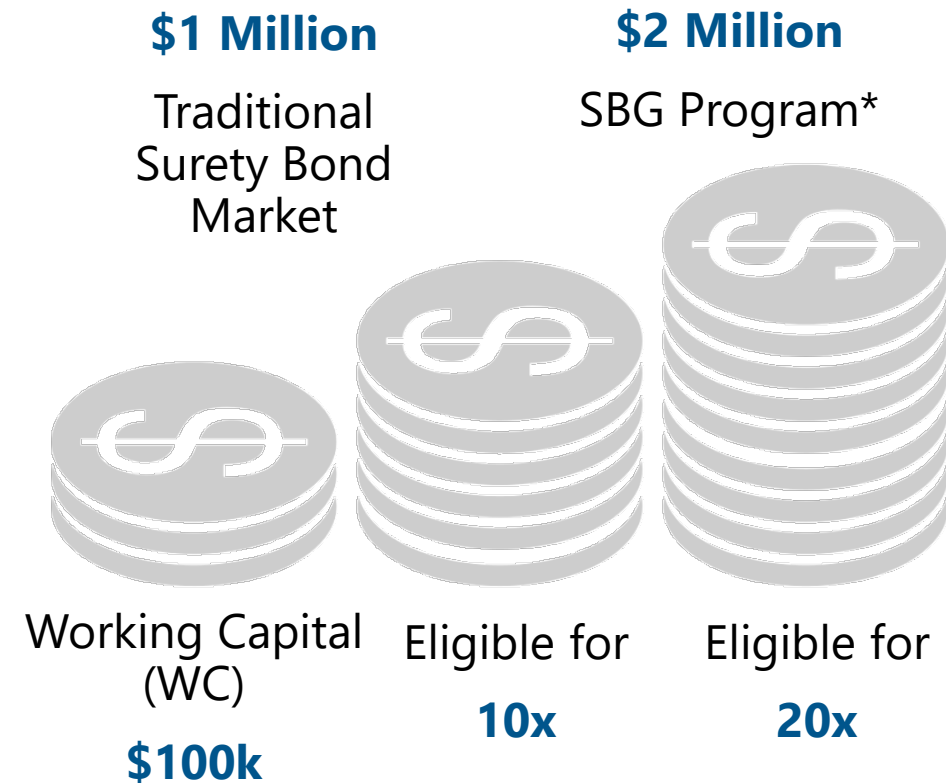


Character refers to the small business owner's personal credit history and business reputation



BENEFITS OF THE SBG PROGRAM

- Working capital requirement is about half of what is normally required for contract surety bonds
- Lower working capital requirements allow small businesses to qualify for up to twice as much bonding capacity
- The unused portion of bank lines of credit (BLOC) is counted as working capital
- Surety credit may be available on larger projects with internal financial statements



PROGRAM QUALIFICATIONS FOR SMALL BUSINESSES

- ✓ Be current on taxes and repayment agreements
- ✓ Pass underwriting standards
- ✓ Possess good character
- ✓ Need a bond that business is unable to obtain elsewhere

- ✓ Be a U.S. based for profit business with legal resident owners
- ✓ Be eligible to do business with the federal government
- ✓ Not be involved in a current bankruptcy proceeding

✓ **SBA Criminal History Rules Changed May 30**

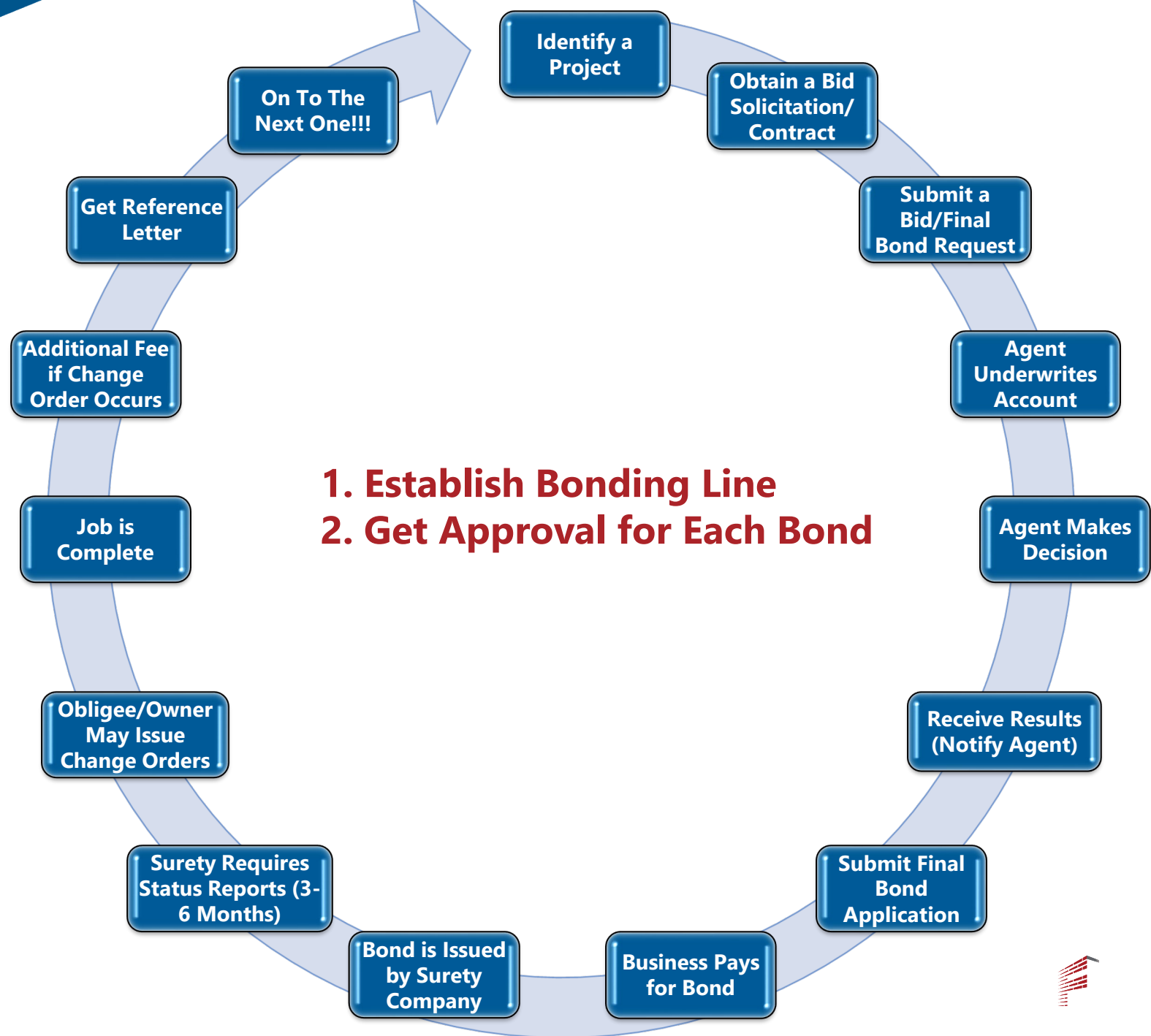
An applicant is ineligible for SBA bond guarantees only if a principal is currently incarcerated or under indictment for a felony.

Must be categorized as a small business based on NAICS code

- Average annual revenues for construction, service, and supply firms
- Average number of employees for manufacturers



THE BONDING CYCLE



UNDERWRITING CHECKLIST

- Contractor's Questionnaire
- Financial Statements or Tax Returns
(3 years)
- Current Work in Progress Report
- Business & Personal Bank Statements
- Personal Financial Statement
- Resume of Owners & Key Personnel
- Job Cost Breakdown
- Reference Letters from Previous Projects
- List of Completed Projects
- Business Line of Credit with Current
Balance



FEES ASSOCIATED WITH SURETY BONDS



Bid bonds no cost to the principal

Contractor's fee is a percentage of the contract amount that is paid to the SBA

The **surety premium** is a charge paid to the surety company for the bond



GIBBS' TOP 10 TIPS FOR CONTRACTORS

1. Hire an accountant as your first full-time employee.
2. Maintain a strong banking relationship.
3. Focus and excel in one trade.
4. Start small and grow gradually.
5. Develop a solid surety relationship with an agent.
6. Avoid venturing into unfamiliar areas when profits begin.
7. Avoid joint ventures without thorough knowledge of the company's books and records
8. Understand your competition and contract job cycles
9. Learn government operations before becoming an 8(a) contractor
10. Diversify with both private and government contracts.



HELP US, HELP YOU

- Submit a complete and accurate application.
- Consult your agent instead of guessing.
- Communicate promptly with your agent.
- Work with a construction accountant
- Build a strong relationship with your agent
- Acquire bonds early; understand requirements
- Set up a bonding line with your agent
- Ensure your agent advocates for you
- Keep your financials current



QUESTIONS?



CONTACT INFORMATION



Peter C. Gibbs
President & CEO



Mobile 301.404.8826
Office 240.835.0865



info@foundationsurety.com
pgibbs@foundationsurety.com



17000 Science Drive, Suite 106
Bowie, MD 20715
MD License No. 3002602357

