



National Association of Surety Bond Producers

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BY ELECTRONIC TRANSMISSION (sadie-greiner@uiowa.edu) AND U.S. MAIL

October 28, 2013

Ms. Sadie Greiner, Associate Director
Planning, Design, and Construction
University of Iowa Facilities Management
200 University Services Building
Iowa City, IA 52242

**RE: Hancer Auditorium Replacement Facility, Bid Event, #3, Project No.
0257007**

Dear Ms. Greiner:

I am contacting you on behalf of the National Association of Surety Bond Producers (NASBP), a national trade association of companies employing licensed surety bond producers, including those in Iowa, about the long-term warranty provisions that have been included in the above-referenced project's contract.

The warranty period of twelve (12) months in Section 3.5.3 of the Uniform General Conditions has been extended through various Supplementary Conditions throughout the contract. For instance, the warranty period for "materials or Work" has been extended to ten years in a number of supplementary sections. A lengthy warranty period, such as one of (10) ten years, as specified throughout the supplementary conditions, poses considerable problems from a surety underwriting perspective. Sureties are usually comfortable in issuing bonds for contracts with a warranty obligation of one or two years. Durations longer than two years increase substantially the uncertainty regarding underwriting projections about the contractor's future viability. Simply put, sureties cannot gauge the soundness and financial wherewithal of a particular construction company for periods extending too far into the future. The vagaries of the present economic environment further underscore the difficulty, if not the impossibility, of underwriting guarantee obligations of long durations. Likewise, in the present economic environment, sureties are reviewing contract requirements more closely to discern provisions that pose special underwriting difficulties or that shift risk imprudently.

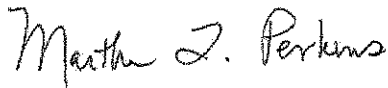
Long-term warranty obligations also reduce competition from the standpoint of eliminating from the bidder/proposal pool all but the largest contractors, since only large contractors can shoulder the higher risks inherent in such contracts. Small contractors effectively are precluded, for they likely will not have the sophistication to adequately price such long-term warranty obligations and likely will not have a sufficient level of financial capital on hand to

provide the surety with assurance of the small contractor's fiscal strength and ability over an extended period of time.

We respectfully request that the University of Iowa reconsider the 10-year contractor warranty and remove the extended warranty periods from the contract. A contractor warranty term of one or two years is a pragmatic approach, and the longer warranty obligation should be provided solely by the manufacturer.

We appreciate your prompt consideration of our concern. Please feel free to contact me at 202-464-1214 or mperkins@nasbp.org should you wish to discuss further this matter.

Yours sincerely,

A handwritten signature in cursive script that reads "Martha L. Perkins".

Martha L. Perkins
General Counsel

cc: Mark H. McCallum, CEO