



BY ELECTRONIC TRANSMISSION (DWHITE@ABA.STATE.AR.US) AND U.S. MAIL

October 31, 2013

Mr. Doran White
Contracts Administrator
Arkansas Building Authority
Construction Section
501 Woodlane Drive, Suite G-05
Little Rock, AR 72201

RE: Revisions to Arkansas Building Authority Performance and Payment Bond Form

Dear Mr. White:

On behalf of the National Association of Surety Bond Producers (NASBP), a national trade association of firms employing surety bond producers, and the Surety & Fidelity Association of America (SFAA), a national trade association of insurance companies that are licensed to provide surety and fidelity bonds, we appreciate the opportunity to provide you with information on a possible approach to amending the existing Arkansas Building Authority Performance and Payment Bond, so it includes in one form agreement separate bond amounts for the performance bond and the payment bond. We reviewed the existing language of the form and have incorporated proposed modifications in the attached documents, representing comparative and clean versions. Although the preferred approach would be to have separate performance and payment bond forms, the intent of the proposed modifications is to provide clearly demarcated fill-in amounts for both the performance bond and the payment bond without dramatic changes to the existing form and operate as if separate forms were provided. Of course, the Arkansas Building Authority should consult with legal counsel to ensure that such proposed modifications comply with Arkansas law.

We believe that the proposed changes should not alter the way the form is perceived by surety underwriters. As you may be aware, oft-used industry standardized bond forms, such as AIA Document A312, include separate performance and payment bonds with corresponding bond amounts. Separate bond amounts for performance and payment bonds are a usual and expected industry practice. The Arkansas Building Authority also should note that surety bond premiums are not predicated on the face amounts of bonds; rather, sureties calculate their premium rates according to the contract price, which they believe constitutes their risk. As a result, separate bond amounts for the performance bond and the payment bond should not cause an appreciable increase in costs to the Arkansas Building Authority.

Letter to Mr. White
October 31, 2013
Page 2 of 2

Again, we appreciate the opportunity to provide the proposed modifications and would be very pleased to answer any questions or provide further clarification.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Mark McCallum".

Mark McCallum
NASBP
1140 19th Street, NW
Suite 800
Washington, DC 20036

A handwritten signature in cursive script, appearing to read "Robert Duke".

Robert Duke
SFAA
1101 Connecticut Ave., NW
Suite 800
Washington, DC 20036