



SURETY INDUSTRY RECOMMENDED SUBGRANTEE AGREEMENT BOND PROVISIONS

Subgrantee Agreement Template Language for 100% Penal Sum Bond

PERFORMANCE BOND. Subgrantee shall furnish a performance bond in the amount of 100% of the subaward amount (“Penal Sum”). The bond shall be issued by an insurance company authorized to write surety bonds in [STATE] and holding a Certificate of Authority from the U.S. Secretary of Treasury as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570. The Penal Sum of the bond shall be reduced in the following manner:

- Upon demonstrating to the [Eligible Entity] that it has completed the Work to 40 percent of the address locations to be served by the project (as set forth in Appendix ____), the Penal Sum shall be reduced to 60% of the sub-award amount.
- Upon demonstrating to the [Eligible Entity] that it has completed the Work to 60 percent of the address locations to be served by the project (as set forth in Appendix ____), the Penal Sum shall be reduced to 40% of the sub-award amount.
- Upon demonstrating to the [Eligible Entity] that it has completed the Work to the extent that 80 percent of the address locations to be served by the project (as set forth in Appendix ____), the Penal Sum shall be reduced to 20% of the sub-award amount.
- Upon demonstrating to the [Eligible Entity] that it has completed the Work to 100 percent of the address locations to be served by the project (as set forth in Appendix ____), the Penal Sum shall terminate or until the period of performance of the subaward has ended, whichever occurs first.

The bond shall be issued pursuant to either of the following formats:

1. ***If Subgrantee Furnishes the Bond*** The bond shall be in favor of [ELIGIBLE STATE ENTITY] and shall be conditioned on the completion of the work as set forth and defined in Appendix ____ of this [Subgrantee Agreement] (“the “Work”); and shall not extend to any other obligations set forth in the [Subgrantee Agreement].
2. ***If Subcontractor of Subgrantee Furnishes the Bond*** The bond shall be in favor of [ELIGIBLE STATE ENTITY] and [Subgrantee] as dual obliges and shall be conditioned on the completion of the work set forth in the contract between the Subgrantee and the Contractor.

Subgrantee Agreement Template Language for 10% Penal Sum Bond

PERFORMANCE BOND. Subgrantee shall furnish a performance bond in the amount of 10% of the sub-award amount (“Penal Sum”). The bond shall be issued by an insurance company authorized to write surety bonds in [STATE] and holding a Certificate of Authority from the U.S. Secretary of Treasury as an acceptable surety on federal bonds as identified in the Department of Treasury Circular 570. The Penal Sum of the bond shall be reduced in the following manner:

- Upon demonstrating to the [Eligible Entity] that it has completed the Work to 100 percent of the address locations to be served by the project (as set forth in Appendix ____), the Penal Sum shall terminate or until the period of performance of the subaward has ended, whichever occurs first.

The bond shall be issued pursuant to either of the following formats:

1. ***If Subgrantee Furnishes the Bond*** The bond shall be in favor of [ELIGIBLE STATE ENTITY] and shall be conditioned on the completion of the work as set forth and defined in Appendix ____ of this [Subgrantee Agreement] (“the “Work”); and shall not extend to any other obligations set forth in the [Subgrantee Agreement].
2. ***If Subcontractor of Subgrantee Furnishes the Bond*** The bond shall be in favor of [ELIGIBLE STATE ENTITY] and [Subgrantee] as dual obliges and shall be conditioned on the completion of the work set forth in the contract between the Subgrantee and the Contractor.