

CALIFORNIA  
SURETY  
FEDERATION

May 21, 2008

Ms. Donna Perez, Superintendent  
Alhambra Unified School District  
15 West Alhambra Road  
Alhambra, CA 91801

**Subject: Alhambra Unified SD Mark Keppel High School Phase 2**

Dear Ms. Perez:

On behalf of the California Surety Federation (CSF), representing over 30 carriers and independent agent brokers in California, the purpose of this letter is to bring to your attention the unorthodox surety bonding provisions the District is using in connection with your Mark Keppel High School Phase 2 project. It is our opinion that the provisions are not in the long term best interests of the school district, due to the practical effect of potentially increasing litigation, and reducing competition for bidders. The Surety and Fidelity Association of America (SFAA) sent Ms. Eddings, Director of Purchasing, a letter on this matter dated April 1, 2008 delineating these concerns. We fully endorse those concerns and are writing to underscore the importance of using only those bonding provisions that reflect traditional industry practices.

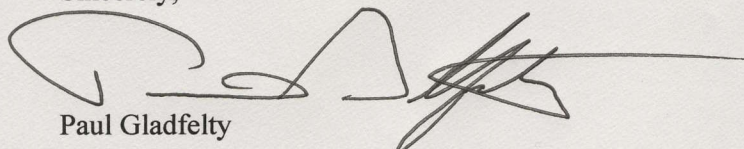
The relationship between a project owner, contractor and its surety is carefully balanced to ensure appropriate protections under conditions that are achievable and well understood. While the District may believe that including bonding provisions that are outside the norm may provide additional protections, the opposite is likely true. This three-party relationship is well established in both law and precedent. It is likely that should a significant conflict arise from one of these unusual provisions, it will undoubtedly be litigated. This will have a direct cost to the District in the short term, and there is always the possibility that the District will not prevail, costing the District even more. Furthermore, a loss will set another precedent unfavorable to the District and all its future projects will have increased costs.

Secondly, these onerous provisions could result in fewer contractors and sureties bidding on work from the District. Less competition will most certainly also result in higher costs to the District.

Attached is a copy of the SFAA letter for your reference. We ask that you review these concerns carefully and we urge the District to make the appropriate changes.

Thank you for your consideration of these comments.

Sincerely,



Paul Gladfelty

Enclosure

cc: Ms. Cynthia Martin, Assistant Superintendent  
Business Services  
Ms. Barbara Eddings, Director of Purchasing