

April 28, 2008

Ms. Victoria L. Lamica, Contract Manager
Chabot-Las Positas Community College District
5020 Franklin Drive
Pleasanton, CA 94588

Subject: Surety Bonding Requirements

Dear Ms. Lamica:

On behalf of the California Surety Federation (CSF), made up of over thirty surety carriers and brokers doing business in California, the purpose of this letter is to comment on the bonding requirements used by the District in its construction contracts. These provisions, in our opinion, will ultimately create problems for the District as well as potential cost increases for the projects affected by these requirements.

It is our understanding that Travelers, which is an "A+" rated insurance company and the largest surety writer in the United States, has sent you a letter commenting on the provisions in question. A copy of that letter is attached for your convenient reference. We agree with their comments and urge the District to carefully consider what they have proposed.

While it may seem prudent to include provisions that appear to provide additional protections to the District, in the long term including provisions that are inconsistent with long standing common practices in the industry are not in the best interests of the District.

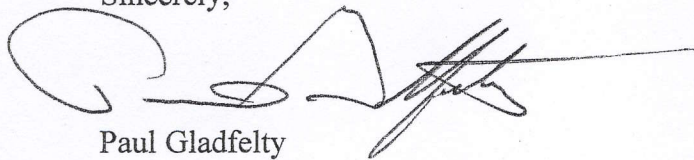
Surety bonding is a carefully balanced system formalized over decades to ensure appropriate protections and prevent needless conflict. By inserting language, for example, that only allows the surety 20 days to investigate a claim will only lead to litigation as 20 days is simply not enough time to conduct a thorough investigation. Other provisions in your bonds that grant one sided attorney's fees and compensation to the District even when they may be at fault, will lead to fewer sureties willing to write the bonds, which in turn means fewer contractors to bid the work thus increasing overall construction costs.

It may be possible to find surety's to write such business in the short term, but the long term consequences could be reduced competition for district business and unforeseen litigation as these onerous provisions are litigated.

Given the potential for challenges and the pitfalls of this approach, we urge the District to use more traditional bonding provisions in the future.

If you would like to speak about these issues in more detail, please feel free to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Gladfelty". The signature is stylized with a large initial "P" and a long horizontal stroke extending to the right.

Paul Gladfelty

cc: Senator Ellen Corbett
Assembly Member Mary Hayashi
Joel L. Kinnamon, Ed.D., Chancellor
Chabot - Las Positas Community College District
Maureen O'Connell, Gallagher Construction Services
Scott Irwin, Safeco Insurance
Janet Fitzgerald, Liberty Mutual Surety
Timothy Jacobson, Zurich North American Surety

Enclosure