

Gov. Edwards, LPFA And Louisiana Surety Association Announce Bonding Assistance Program For Small Contractors

7.5.06 BATON ROUGE, La. – Gov. John Bel Edwards, the Louisiana Public Facilities Authority and the Louisiana Surety Association announced today an innovative program to provide small construction companies with greater access to major construction projects. The Bonding Assistance Program, administered by Louisiana Economic Development, builds on Gov. Edwards' commitment to strengthening the small business sector by expanding opportunities for small businesses to participate in the state's economy.

The program will aid small construction companies in obtaining bid, payment and performance bonds needed to obtain work on substantial building projects. Contractors that are certified clients of LED's Small and Emerging Business Development Program will be eligible for the Bonding Assistance Program, which was made possible by a low-interest loan from the LPFA.

"Small businesses play a big role in Louisiana's economy, but many that do good work face hurdles that are beyond their control," Gov. Edwards said. "If we can make it easier to put smaller, local, minority-owned and women-owned businesses to work, our communities and our state will benefit. This program will remove one hurdle for qualified small businesses that hope to grow and thrive."

"This administration is dedicated to supporting Louisiana's small businesses," LED Secretary Don Pierson said. "The Bonding Assistance Program will play a vital role in providing opportunity to our small construction businesses looking to

take part in Louisiana's growing construction industry."

Construction is big business in Louisiana, but newer and smaller subcontractors often find it hard to work for prime contractors on substantial projects because they lack bonding capacity. The program seeks to assist small construction companies in Louisiana which do quality work but do not possess sufficient collateral to obtain the bonds needed to secure contracts on construction jobs.

"LED is taking a big step in providing real opportunities for Louisiana small businesses," LPFA President and CEO James W. Parks II said. "The LPFA is proud to be a partner in this program to encourage economic development."

For companies that qualify for the program, the state can guarantee the first 25 percent of contract value, up to \$100,000, to limit a surety company's risk in providing a bond. The program covers bid bonds, which guarantee that a contractor will enter into a contract if awarded a bid; performance bonds, which guarantee that a contractor will perform the work as specified by the contract; and payment bonds, which guarantee that a contractor will pay for services and materials.

"The Louisiana Surety Association is excited to partner with Louisiana Economic Development through its recently released Bonding Assistance Program," said Andrew Sercombe, president of the 150-member association. "Our organization believes the program to be a great asset in our toolbox to help Louisiana contractors succeed."

LED does not get involved in underwriting any bonds. It remains for a surety company to make decisions on whether to issue bonds based on standard underwriting criteria. LED's role under program guidelines is to offset a surety company's risk in providing bonds to smaller companies that might otherwise have trouble obtaining bonds due to their size or

limited portfolio.

LPFA is providing the seed money for the program to allow LED to guarantee bond applications for qualifying businesses. When jobs are complete and the funds are released by financial institutions, LED will return the money to the pool for re-use with other qualifying companies.

For more information about the Bonding Assistance Program, visit www.OpportunityLouisiana.com/BondingAssistanceProgram.

For more information about LED's Small and Emerging Business Development Program, visit www.OpportunityLouisiana.com/SEBD.