



Year-End Bonding Tips

Significant Transactions

Will you be distributing money to owners? Will owners be borrowing from the company? Will you be financing a large amount of equipment? **Discuss all significant transactions with your broker and bond company prior to the activity.**

Financial Compliance

Will your company lose money for the year? **It is important that you are forthcoming with your surety.** Most bond companies will continue support of a contractor losing money if they have a specific plan to get back to being profitable. Be proactive with your bank if you will be in violation of your financial covenants.

Maintain Your Bond Line

Do you know what working capital, equity, and debt/equity ratio your surety company expects from you? **Knowing this will help you avoid being over/under capitalized and able to maintain the bond line you want or need.**

Cash and Credit

Did you know bond companies make decisions now based on financial statements that are often 2-3 months old? Do as much as you can within law and reason at fiscal year end to **bolster your key financial metrics that your bond company and bank evaluate you on.** This is the same with your quarterly statements.

Overhead Structure

Can you show you can break even in 2013 with your carry-over backlog and overhead structure? Are the work and profit margins available to co-exist with your business plan? In this tough marketplace with long bid lists and decreased profit margins, **you should have at least 50% of your overhead covered with work carrying into 2013.** Without this, you need a game plan in the case you don't win sufficient work by mid-year.