

122:15-1-01

EDGE bond guarantee program-definitions.

- (A) "Bid bond" means a bond conditioned upon the bidder on a contract entering into the contract, and furnishing the required payment and performance bonds.
- (B) "Contract" means a written obligation of the principal requiring the furnishing of services, supplies, labor, materials, machinery, equipment, or construction. A contract does not include a permit, subdivision contract, lease, land contract, evidence of debt, financial guarantee, warranty of performance or efficiency, warranty of fidelity, or release of lien (other than for claims under a guaranteed bond). Contracts may include a maintenance agreement of two years or less which covers defective workmanship or materials only. With the development service agency's written approval, it can also include a longer maintenance agreement covering defective workmanship or materials, or a maintenance agreement covering something other than defective workmanship or materials. To qualify for such approval, the agreement must be ancillary to the contract for which the development service agency is guaranteeing a bond, must be required to be performed by the same principal, and must be customarily required in the relevant trade or industry.
- (C) "Final bond" means a performance bond and/or payment bond.
- (D) "Loss" means:
- (1) In the case of a bid bond, the lesser of the penal sum or the amount which is the difference between the bonded bid and the next higher responsive bid. In either case, the loss is reduced by any amounts the surety recovers by reason of the principal's defenses against the obligee's demand for performance by the principal and any sums the surety recovers from indemnitors and other salvage; or
 - (2) In the case of a payment bond, the sum necessary to pay all just and timely claims against the principal for the value of labor, materials, equipment, and supplies furnished for use in the performance of the bonded contract and other covered debts, or, at the surety's option, the penal sum of the payment bond. In either case, the loss includes interest (if any), but loss is reduced by any amounts recovered (through offset or otherwise) by reason of the principal's claims against laborers, subcontractors, suppliers, or other rightful claimants, and by any amounts recovered from indemnitors and other salvage; or
 - (3) In the case of a performance bond, the sum necessary to meet the cost of fulfilling the terms of a bonded contract or, at the surety's option, the penal sum of the bond. In either case, the loss includes interest (if any), but loss is reduced by any amounts recovered (through the offset or otherwise) by reason of the principal's

defenses or causes of action against the obligee, and by any amounts recovered from indemnitors and other salvage; or

- (4) In addition, for each type of bond described in paragraphs (F)(1) to (F)(3) of this rule, loss shall include all reasonably and customary expenses incurred by the surety in adjusting claims, in meeting bond obligations and in securing, or attempting to secure, recoveries.

(E) "Obligee" means:

- (1) In the case of a bid bond, the person requesting bids for the performance of a contract; or
- (2) In the case of a final bond, the person who has contracted with a principal for the completion of the contract and to whom the obligation of the surety runs in the event of a breach by the principal.

(F) "Payment bond" means a bond that is conditioned upon the payment by the principal of money to persons who have a right of action against such bond, including those who have furnished labor, materials, equipment and supplies for use in the performance of the contract. A payment bond cannot require the surety to pay an amount that exceeds the claimant's actual loss or damage.

(G) "Performance bond" means a bond conditioned upon the completion by the principal of a contract in accordance with its terms.

(H) "Premium" means the amount charged by a surety to issue bonds. The premium does not include surcharges for extra services.

(I) "Principal" means an EDGE business enterprise who in the case of a bid bond, is the business bidding for the award of a contract. In the case of final bonds, principal means the EDGE business enterprise liable to complete the contract, and the business whose performance or payment is bonded by the surety.

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Certification

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Date

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