



## Hudson International Group

**Serving the Surety Industry for over 25 years**

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# Introduction



Twenty-five (25) years ago we wanted to create a new model for surety consulting. Experience had shown that Surety Consulting firms tended to be too limited, lacking the diversity of expertise that might be utilized on any complex project. Therefore, the Surety Claims Professional would be forced to separately manage the efforts of an outside attorney, the consulting company, plus possibly an architect, a structural engineer, and Certified Public Accountant (CPA). This created extra management problems for the Surety. We envisioned an organization that, once hired, would manage problems rather than becoming another problem to be managed.

The Hudson International Surety Consulting Group of construction professionals includes architects, geotechnical engineers, process engineers, construction engineers, construction managers, estimators, schedulers, and certified public accountants. These individuals form a team to aggressively and accurately assess the cost for the surety to fulfill its bonded obligations. We are experienced in translating and presenting technical detail in a manner that is easily understood.

Our Surety Consulting Group is supported by experienced bond claim professionals whose responsibilities have included the management and operation of Surety Claim Departments in several major Surety companies. Our people can help meet the potential challenges in any Surety Assignment.

Whether the assignment involves a simple default, or geographically-widespread multiple defaults Hudson International will provide the best experts to assist the Surety in resolving construction problems.

The services available include:

- Estimating and Evaluating Contract Completion Costs
- Analyzing Payables
- Analyzing and Negotiating Contracts
- Schedule Preparation and Analysis
- Prequalification of Bidders and Preparation of Re-let Packages
- Managing Construction
- Preparing Construction Claims/Defense



Our goal is to provide the Surety with enough information, in a timely manner, to effectively manage its performance and payment bond obligations.

# Estimating and Evaluating Contract Completion Costs



Hudson International will provide seasoned Construction Managers to assist the Surety in assessing its potential performance bond exposure. We will evaluate the competency of the Principal and determine the status of both bonded and unbonded projects. On the problem projects, we will move quickly to identify issues and determine the extent of completion. We will coordinate with the Obligee's representatives to provide revised plans and specifications based on job-site observations. Our Estimators will then begin to determine the cost of completion.

Spread Factors on Special Subcontractors			
Material or	Labour	Materials	Overhead & Profit
30.0%	30.0%	30.0%	30.0%
30.0%	30.0%	30.0%	30.0%

ESTIMATE NOTES			
Ref. Code	Description	Amount	Notes
001	Balance and Contract Value	1,000,000.00	
002	Contract Value	1,000,000.00	
003	Contract Value	1,000,000.00	
004	Contract Value	1,000,000.00	
005	Contract Value	1,000,000.00	
006	Contract Value	1,000,000.00	
007	Contract Value	1,000,000.00	
008	Contract Value	1,000,000.00	
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098	Contract Value	1,000,000.00	
099	Contract Value	1,000,000.00	
100	Contract Value	1,000,000.00	

Our Construction Accountants and CPAs will review the financial records of the Principal. This will be a comprehensive review gathering the necessary information to provide a true picture of the Principal's condition, including collateral and the ability to proceed. Such an examination will reveal any serious issues relating to taxes, insurance, and union contributions.



Our goal is to provide a concise overall status of the Principal and projects to assist the Surety in deciding how to proceed.

# Analyzing Payables



**APPLICATION AND CERTIFICATE FOR PAYMENT** AIA DOCUMENT G702 (Instructions on reverse side) (REV. 01-01-03)

TO OWNER: PROJECT: APPLICATION NO. DISTRIBUTION TO:  
 FROM CONTRACTOR: VIA ARCHITECT: PERIOD TO:  OWNER  
 CONTRACT DATE: PROJECT NO.:  ARCHITECT  
 CONTRACTOR

CONTRACT FOR:

**CONTRACTOR'S APPLICATION FOR PAYMENT**

The undersigned Contractor certifies that to the best of the Contractor's knowledge information and belief the Work covered by this Application for Payment has been completed in accordance with the Contract Documents, that all amounts have been paid by the Contractor for Work for which previous Certificates for Payment were issued and are being received from the Owner, and that current payment should be made in full.

1. ORIGINAL CONTRACT SUM \$

2. NET change by Change Orders \$

3. CONTRACT SUM TO DATE (Line 1 + 2) \$

4. TOTAL COMPLETED & STORED TO DATE \$ (Column 3 of G701)

5. RETAINAGE:

A. Column 4 of Completed Work \$

B. Column 4 of Stored Material \$

6. TOTAL EARNED LESS RETAINAGE \$ (Line 4 less Line 5 Total)

7. LESS PREVIOUS CERTIFICATES FOR PAYMENT \$ (List 4 from prior Certificates)

8. CURRENT PAYMENT DUE \$

9. BALANCE TO FINISH, INCLUDING RETAINAGE \$ (Line 6 less Line 8)

**ARCHITECT'S CERTIFICATE FOR PAYMENT**

In accordance with the Contract Documents, based on on-site observations and the data comprising this application, the Architect certifies to the Owner that to the best of the Architect's knowledge, information and belief the Work has progressed as indicated, the quality of the Work is in accordance with the Contract Documents, and the Contractor is entitled to payment of the AMOUNT CERTIFIED.

AMOUNT CERTIFIED \$

Specify Public: My Commission expires: \_\_\_\_\_

By: \_\_\_\_\_ Date: \_\_\_\_\_

ARCHITECT:

This Certificate is not negotiable. The AMOUNT CERTIFIED is payable only to the Contractor named herein. Issuance, payment and acceptance of payments are without prejudice to any rights of the Owner or Contractor under this Contract.

**CHANGE ORDER SUMMARY**

CHANGE ORDER NUMBER	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner		
Total approved this Month		
NET CHANGES by Change Order		

AIA DOCUMENT G702 • Form 01-01-03 • © 2003 American Institute of Architects • All rights reserved. This form may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, or by any information storage and retrieval system, without permission in writing from the American Institute of Architects. G702-1992

Our Professionals can perform a valuable service to the Surety either as part of the whole team's activity or as a separate service. The time and energy required to process these claims increases in proportion to the size and complexity of the projects. We can increase the efficiency of the claim-handling process and help to assure the accuracy of the payments.

Our approach to payment claims is to apply sound construction management analysis to each claim. We can determine the reasonableness and accuracy of the claim

through an analysis of the plans and other construction documents. This analysis reveals the planned quantities of material to be supplied to the project. This planned quantity is then compared to the amount of materials stored and incorporated into the work and provides a basis for judging the appropriateness of each claim.

Our claims specialists can work as part of our overall project team, or can be used by your claims department to supplement your staff when necessary.



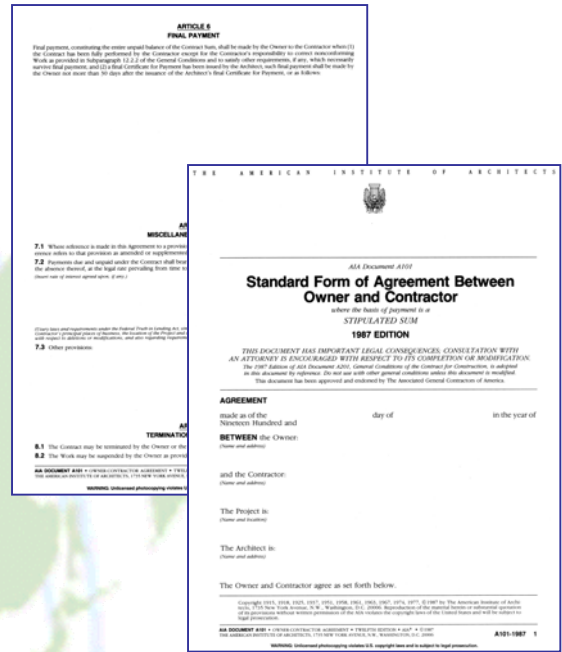
# Analyzing and Negotiating Contracts



Hudson International Specialists can assist the Surety in determining the extent it may be advisable to provide temporary assistance to the Principal whether financially or with specific areas of expertise. We will provide timely information based on our experience.

Our contract specialists will obtain and review existing construction contracts, including any additional supplements or special conditions. Our professionals will check the status of change orders and also create an analysis of payment applications and payments. We will analyze the exact nature of the Principal's performance under each contract. Our team can then assist the Surety in accurately assessing its obligations under the Payment and Performance Bonds.

Construction Contract Managers will assist the Surety by providing a practical, experience-based work product in support of the legal analysis of the Surety's obligations, and if necessary can appear as expert or fact witnesses.



# Scheduling Preparation and Analysis



The Hudson International Surety Group has several experienced Schedulers. Our Schedulers will assist the Surety in the determination of the overall project status, including the true percent complete and any potential problems.

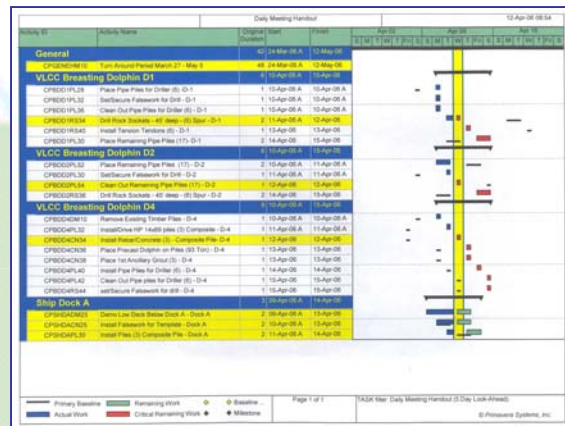
This information can be updated through an analysis of “as planned” versus “as built” data as the project continues. Our analysis can be helpful to the Principal and the Surety by identifying the cause and corrective measures encountered during severely delayed projects.

Schedulers will identify the software program being used and analyze existing construction schedules to get an understanding of the timeliness of construction activities and if the schedules

are adequately updated. Our schedulers will also identify important breaks in the timeline that may prove invaluable in dealing with potential construction claims.

After accurately establishing the scope of the completion work, Schedulers will prepare a new timeline and will incorporate any possibilities for acceleration or fast

track scheduling. The goal is to provide the Surety information helping to delineate its obligations under the bond. The resulting schedule will identify critical points in the timeline aiding in the defense or pursuit of subsequent delay claims.



# Prequalification of Contractors & Preparation of Contract Re-let Bid Package

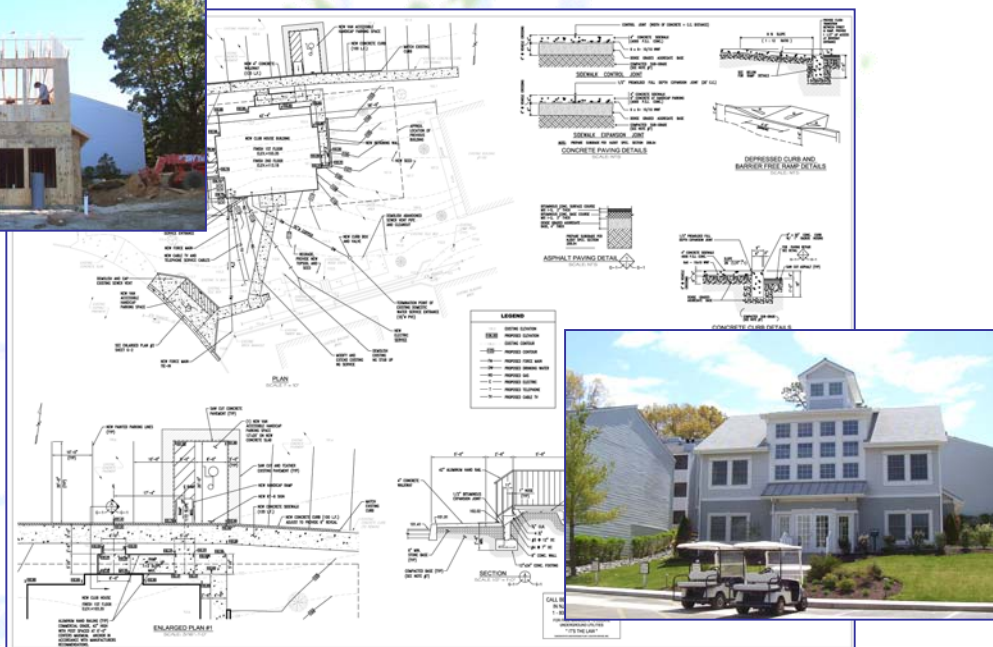


SCHEDULE OF BID PRICES							
BID ITEM NO.	APPROX. QTY.	LINE ITEM DESCRIPTION	FOOTNOTES	UNIT BID PRICE WRITTEN		AMOUNT BID	
				DOLLARS	CENTS	DOLLARS	CENTS
			For				
			For				
			For				
			For				
			For				
			For				
			For				
			For				
SUB-TOTAL PRICE BID CARRIED FORWARD:							

Our Construction Managers make sure that the Surety avoids run-away completion costs. We will pre-qualify the Principal's ability to complete the project. We will also identify other potential completion contractors from the original bid list or of qualified contractors in the geographical area, giving the Surety a clear understanding of its options.

Our Construction Managers will present a full bid package for the completion of the work. This package will be based on a review of the contract, plans and specifications, inspection of each job site and will thereby determine the scope of work remaining. Our Construction Managers will interview selected pre-qualified completion contractors and retained subcontractors, and develop a full completion bid package. They will then escort prospective bidders on a walk-through of the projects, evaluate the submitted bids, and assist the Surety in selecting a contractor.

Our goal is to assist the Surety Professional by initiating a decisive plan to get the completion work underway.

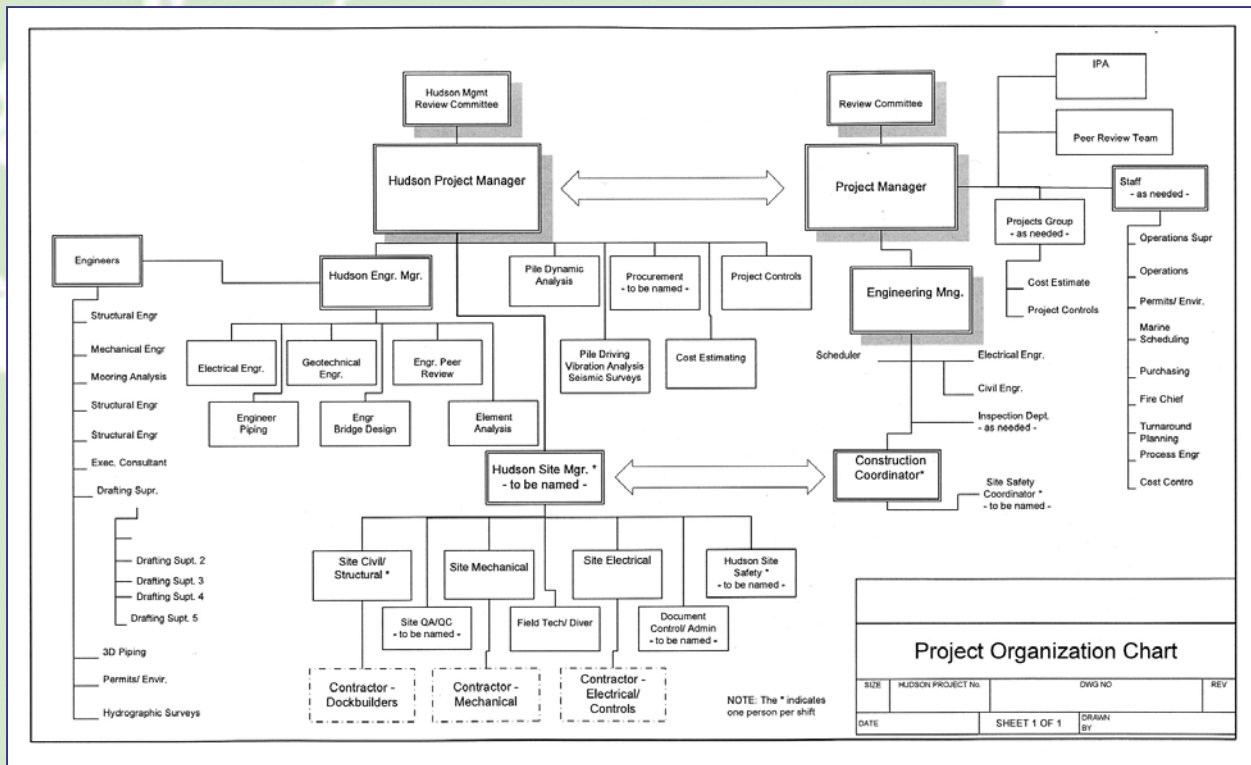


# Construction Overview and Management



In completing a construction project, whether by financing the Principal or engaging a new completion contractor, the Surety may choose to exert some degree of control over the construction process. Our Field Representatives and Construction Managers provide necessary services ranging from monitoring the project as necessary, to performing the role of Construction Manager to coordinate completion of the project.

As the Construction Manger, we will provide the same project coordination and contract management services for which the Principal was responsible under its contract with the Oblige.





# Clientele



ACE – INA  
ACSTAR Insurance Co.  
Admiral Insurance Co.  
Aetna  
AIG  
Allstate Insurance Co.  
American Druggists  
American Employers Insurance  
American Reinsurance  
American States  
Amwest Surety  
Capitol Indemnity  
Chubb & Sons  
Cigna  
CAN  
Commercial Union Insurance Co.  
Connecticut Specialty Group  
Continental Guaranty Insurance  
Group  
Crum & Forster  
CUMIS Insurance Society  
Employer's of Wausau  
FDIC  
Fidelity & Deposit  
Fireman's Fund  
First Horizon Insurance Co.  
First Indemnity of America  
Frankona Insurance  
Granite State Insurance  
Great American Insurance Co.  
Hartford  
Highlands Insurance Co.

Home Insurance Co.  
IMO DeLaval  
Imperio Reinsurance Co.  
INA  
Indiana Insurance Co.  
Industrial Indemnity  
Integrity Insurance Co.  
Kemper Group  
Lincoln Center Bank  
Liquidation Bureau, State of New  
York  
Liquidator, State of Ohio  
Lumberman's Mutual  
Manufacturers Hanover Trust Co.  
Maryland Casualty  
Mercantile & General  
Merchants Bonding  
Merchants National Bank  
NAC Reinsurance  
National Bonding  
North River Insurance  
Ohio Casualty  
Old Republic Surety  
Pine Top Insurance  
Reinsurance Company of America  
Reliance  
St. Paul  
The Trinity Companies  
Union Indemnity  
USF&G  
Xerox Corporation

# Mission Statement



We at Hudson International Group pledge to always strive to:

- Carefully listen to our clients and act responsively in their best interests.
- Adapt to change in:
  - Case law,
  - Codes and regulations,
  - Methods of construction,
  - Electronic technology, and
  - Digital communications
- Use our skills and knowledge for the benefit of the Surety Industry.

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#### Other Locations

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**(800) 735-0030**      **(949) 497-2651**      **(845) 341-1641**      **(352) 668-3032**