JUL 2 8 2009

SUBJECT: Contractors' Bond Requirements

TO: All Telecommunications Program Borrowers

FROM: DAVID VILLANO
for Assistance Administrator
Telecommunications Program
Rural Utilities Service

The purpose of this memorandum is to further clarify the Telecommunications Program policy on contractor's bonds for equipment contracts. In consultation with the Office of the General Counsel, the Telecommunications Program will no longer require a contractor's bond for equipment contracts under certain conditions. 7 CFR1788.49, *Contractors' bond requirements*, requires that, for a construction contract in amounts in excess of $250,000 for facilities, the contractor shall secure a contractors' bond. However, for purposes of RUS financing of equipment contracts that include installation, we will not consider installation of equipment to be "construction" when the installation is insignificant (constitutes 20% or less of the cost of the equipment to be installed). When the installation meets these criteria, RUS will not require a bond even if the total contract amount for equipment and installation exceeds $250,000.

RUS would consider installation costs to be insignificant only when the bidder's responsibility to engineer, furnish, deliver, install, align and test the equipment, materials, and software described in the specifications does not include associated construction such as grounding field, construction of towers, earth station antennas, placement of equipment huts, or site work such as driveways, etc., or other related construction works.

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