

Glossary of Suretyship and related disciplines

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Preface

Suretyship is a discipline demanding an interdisciplinary approach. Accounting, banking, law, insurance, reinsurance, government, and, in some instances, engineering, architecture, and construction all meet on common ground, a bond or contract of suretyship; and, each must be considered as important as the others.

We, Construction Management Associates, Inc., have searched for a glossary of suretyship, comprehensive, yet with simple, clear, readable definitions. We have not found such a glossary; therefore, we decided to write one. Construction Management Associates, a surety consultant with years of experience, was well-suited to meet the challenge.

We trust that we have produced a book of value, of utility. We are proud of and satisfied with the glossary; however, we will continue to update, expand and improve this work. Hindsight has a certain clarity; we hope that our foresight will as well.

Thomas C. Schleifer

Introduction

Words to be defined are set in **boldface** type and are left of the colon. Right of the colon follows either the definition, or, parentheses enclosing words.

In the definition, words set in boldface type are defined elsewhere in the glossary. In some instances, not the word set in boldface type, but a root of that word is defined elsewhere in the book. For examples, “indemnifying,” although set in boldface, is not defined in the book; however, “indemnify” is.

In the parentheses, the operatives “see,” “also,” and “see also,” precede other words or phrases. “See” means to look up the word or phrase that follow; “also” means that the word or phrase that follows is a synonym for the word or phrase being defined; and “see also” means that the word or phrase that follows is related to, but not synonymous with, the word or phrase being defined.

Use of capitalization of words in suretyship is inconsistent, relying on context and usage, rather than on absolute rule. In this glossary, words or phrases have been capitalized only if they have been used in the literature, consistently. Whether to capitalize or not is a decision based best on a particular circumstance.

A

A-ban-don: To give up, to surrender, without intent of ever reclaiming things abandoned.

Ab-ro-gate: Authority's act to cancel, repeal or abolish.

Ab-solve: To release from obligation.

Ab-sorp-tion: System of pipes in trenches filled with crushed stone, gravel, or sand; used to drain septic tank **effluent**, and allow effluent to seep or leach into ground surrounding the pipes.

Ab-stract: Deed for land, recording history of land from the original deed to the current one.

Ab-stract of Bids: Owner's summary of unit prices enabling owner to select a contractor by comparing contractors' bids with owner's unit price list.

A-but-ment: An area, a point, or a place at which, that which supports, joins, or touches that which is supported.

Ac-cel-er-a-tion Clause: Provision in credit arrangement, e.g., **mortgage**, bond, allowing lender to call for payment of debt, in full.

Ac-cept-ed Bid: Bid that owner accepts as basis for entering into a contract with contractor who submitted the bid.

Ac-ci-dent: Sudden event that may cause injury or damage.

Ac-ci-dent In-sur-ance: Coverage **indemnifying** insured for loss of time and for medical expenses from an **accident**.

Ac-ci-dent Pre-ven-tion: Methods insurers and their insurers use to reduce accidents, e.g., changing a hazardous condition.

Ac-ci-dent Year Ex-pe-ri-ence: Matching of losses, regardless of when reported, during a twelve month period, with all premiums earned, regardless of when written, for the same period; a total value of all losses (losses paid plus loss reserves) during a defined twelve month period divided by **earned premium** for the same period.

Ac-ci-dent Year Ex-pe-ri-ence, Cal-en-dar Year Ex-pe-ri-ence: Matching **incurred losses** during a defined twelve month period with premium earned during the same period; total value of incurred losses during calendar year divided by earned premium for the same period.

Ac-ci-dent Year Ex-pe-ri-ence, Pol-i-cy Year Ex-pe-ri-ence: grouping premiums and losses from policies, begun or renewed, within a defined twelve month period; total value of all losses

(losses paid plus loss reserves) from new or renewed policies during the year divided by **earned premium** for the same policies.

Ac-count Ex-ec-u-tive: Individual, an employee of either **reinsured** or **reinsurance intermediary**, responsible for managing reinsurance account of a particular insurer.

Ac-count-ing Cy-cle: Complete sequence of procedures repeated, in same order, during each accounting period; e.g., recording and posting transactions.

Ac-count-ing Pos-tu-lates: theoretical assumptions on which modern **accounting principles** rest.

Ac-count-ing Prin-ci-ples: Foundations of accounting, based in accounting principles, from which practical rules arise.

Ac-count-ing Re-search Bul-le-tin: Organ of American Institute of Certified Public Accountants, dealing with contemporary accounting problems.

Ac-counts Re-ceiv-a-ble: amount customer owes a business on a current account.

Ac-counts Re-ceiv-a-ble In-sur-ance: insures business against loss from inability to collect outstanding **accounts receivable** because accounts receivable records have been destroyed.

Ac-cru-al Ba-sis of Ac-count-ing: Method of accounting incurred expenses and earned income for a defined period, regardless of whether expenses or incomes have been paid or received.

Ac-crue: to be obtained, to come from; e.g., profit accrues from a sale.

Ac-crued Ex-pense: Expense, incurred, but not yet paid.

Ac-crued In-come: Income, earned, but not yet received.

Ac-crued In-ter-est: Interest, earned, but not yet received.

A-cid Test Ratio (also Quick Ratio): **Quick assets** divided by **current liabilities**; measure of business's ability to pay, expeditiously, all its current liabilities.

A-cous-ti-cal Ma-te-ri-als: Sounds absorbing materials used to reduce sound levels in buildings.

Ac-qui-esce: Party's giving implied consent to an act by remaining silent.

Ac-qui-si-tion Costs: Expense insurance or reinsurance company incurs when obtaining accounts for the company.

Ac-tu-al Cash Val-ue: Actual value of property at time of its loss of damage; frequently, current replacement cost less physical **depreciation**.

Ac-tu-al Damage Clause: Provides that **architect** or **engineer** is **arbitrator** for owner and contractor in determining amount of damages from proven **breach** or contract by contractor.

Ad-den-da: Documents, issued prior to opening of bids, clarifying, correcting, or changing **bidding documents** or **contract documents**.

Ad-di-tur: Power of trial court to increase amount of inadequate award made by jury, as condition for denial of motion for a new trial, with consent of defendant whether or not plaintiff consents.

Ad-ju-di-cate: to settle, to decide by means of a court or other legal proceeding.

Ad-just-ed Base Cost: Cost, per square foot of living space, amount of which is subject to adjustments if alternate components are used.

Ad-just-or: (see **Insurance Adjustor**)

Ad-min-is-tra-tion Ex-penses: Costs incurred in operating an insurance business, excluding loss adjustment expenses, **acquisition costs**, and investment expenses.

Ad-min-is-tra-tor: Fiduciary probate court appoints to manage estate's assets of person who died **intestate**.

Ad-min-is-tra-tor, Cum Tes-ta-men-to An-nex-o: Fiduciary probate court appoints to manage an estate when deceased leaves a will but fails to name an **executor**; fiduciary probate court appoints to manage an estate when executor the deceased fails to qualify.

Ad-min-is-tra-tor, De Bo-nis Non: (see **Administrator, Cum Testamento Annexo, De Bonis Non**)

Ad-min-is-tra-tor, Pen-den-te Li-te: Fiduciary probate court appoints to preserve assets of decedent's estate when will is contested, or other circumstances delaying qualification of **executor** if there is a will, or appointment of administrator if there is no will.

Ad-min-is-tra-tor, Spe-cial: (see **Administrator, Pendente Lite**)

Ad-min-is-tra-tor, Tem-po-rar-y: (see **Administrator, Pendente Lite**)

Ad-mi-ral-ty Court: Courts dealing with matters of the sea.

Ad-mit-ted As-sets: Assets which state insurance laws recognize for determining solvency of insurers and reinsurers.

Ad-mit-ted Com-pa-ny: Insurer or reinsurer licensed or approved to conduct business in a particular state.

Ad-vance Bil-ling: (also **Progress Billing, Overbilling;** see **Front End Loading**)

Ad-vance De-pos-it Pre-mi-um (also **Banking Plant**): Amount, held for payment of reinsured's losses, **reinsured** pays to **reinsurer**; returned less losses and **reinsurance premium** at some defined time.

Ad-vance Pay-ment Bond: Guarantees that **principal** will repay or **liquidate** money advanced related to construction, supply bonds, or other **contracts**.

Ad-verse Se-lec-tion: Deliberate **cession** of risks appearing unattractive to **ceding company**.

Ad-ver-tise-ment to Bid (also **Invitation to Bid**): Public notice of work to be undertaken, giving contractors opportunity to bid for the work.

Af-fil-i-ate Com-pa-ny (also **Affiliate**): Company that another company controls.

Af-fi-da-vit: Sworn written statement made, especially under oath or on affirmation, before authorized official.

A-gen-cy Re-in-sur-ance: Reinsurance of one or more policies of an agent acting under authority of **ceding company**.

Ag-gre-gate: Inert materials, e.g., sand, gravel, stone, to be mixed with other materials, e.g., **cement** to form a **mortar** or **plaster**, e.g., **concrete**.

Ag-gre-gate Ex-cess of Loss Re-in-sur-ance (also **Excess of Loss Reinsurance, Stop Loss Ration Reinsurance**): Excess of loss reinsurance **indemnifying reinsured** against amount by which its **incurred losses**, after reinsurance recoveries, during a defined period, exceed either a defined amount or defined percentage of another business measure, e.g., average insurance in force during the same period.

Ag-gre-gate Work-ing Ex-cess: Per risk **reinsurance** in which primary company keeps its normal **retention** on each risk and, additionally, an aggregate amount exceeding its normal retention.

A-gent: party, who for a **consideration**, represents another party in producing business for the second party; e.g., representative for company of **surety**.

AIA Do-cu-ment A311: American Institute of Architects standard agreement for separate **performance** and **payment bonds**.

AIA Do-cu-ment A370: American Institute of Architects standard **bid bond**.

Al-co-hol Bond (also **Liquor Bond**): Given in compliance with federal or state laws or regulations administering sale, manufacture, or warehousing of alcohol; if alcohol is for beverages, bond frequently is called a liquor bond or intoxicating liquor bond.

A-li-en Com-pa-ny: Insurer or **reinsurer domiciled** outside the United States but conducting business in the United States.

A-lign-ment: Surveyed points on piece of land, needed to lay out a road, railroad, pipeline, etc.

Al-low-a-ble Stress: Maximum stress law, ordinance, code, or engineering experience permits; theoretical yield plus a factor or margin for safety.

All Risk Pol-i-cy: Insurance against loss from causes other than those excluded by name in the policy.

Al-ter E-go: Second or other self; under doctrine of alter ego, court holds individual responsible for acts intentionally done in the name of the corporation; places liability on the individual who uses corporation to conduct his own personal business; liability arises from fraud not against corporation but against people dealing with the corporation.

Am-bi-gu-i-ty: Uncertainty of meaning; lack of clearness.

Am-or-ti-za-tion: Gradual extinguishment of financial obligation by periodic payments, including an interest charge.

Am-or-ti-za-tion Pe-ri-od (also **Payback Period**): Amount of time required to extinguish a financial obligation; number of periodic payments, plus an interest charge, spread over a defined time, necessary to eradicate a financial obligation.

An-chor:

1. Locking of the **tendon**, in **pre-stressed concrete**, to prevent it from moving
2. Attaching of **precast concrete** sections to a frame or **superstructure**

An-no-ta-tion: A commentary on a written passage, meant to explain its meaning.

An-nu-al Bond: Covers contracts or bids awarded or submitted during a twelve month period, or during a period ending with the fiscal year.

An-nu-al State-ment (also **Convention Blank**): Summary of company's financial operations for a particular year; includes **balance sheet** supported by detailed exhibits.

An-nu-al Sup-ply Con-tract Bond: Guarantees that contractor will furnish commodities needed during a fiscal year.

Ap-peal Bond: Filed in court by party against whom judgment has been rendered, to stay execution of judgment pending appeal to a higher court; guarantees party will pay judgment if appeal fails.

Ap-pel-late Court: Court having powers of appeal and review of cases **litigated** in lower courts.

Ap-pli-ca-tion: Written **contract** calling for information from applicant for a bond, describing the nature of the **bond** and containing applicant's promise to **indemnify surety**, and agreeing to pay bond's premium.

Ap-pli-ca-tion for Pay-ment: Form, with supporting documents that **contract documents** require, which contractor, requesting payment, issues to owner.

Ap-por-tion-ment: Determination of amount each policy, when more than one are in force, contributes to settle a loss.

Ap-prais-al: Analysis and evaluation of property to determine its value; an authorized evaluation or estimate of amount of loss.

Ap-pre-ci-a-tion in Value: Increase in an **asset's fair market value**.

Ap-proved E-qual: (see **Equivalent Materials**)

Ap-pur-te-nance: Something accessory or ancillary to decide a dispute.

Ar-bi-ter (also **Arbitrator**): Person selected to decide a dispute

Ar-bi-tra-tion: Method, in lieu of **litigation**, for settling disputes between parties to a contract: an impartial authority appointed by parties or by statutory authority reviews evidence and renders a judgment.

Ar-bi-tra-tion Clause: Provision in a contract in which parties agree to submit any dispute loads without failing.

Arch: Material shaped into a curve to span an opening, and designed to distribute loads without failing.

Ar-chi-tect: Party qualified, and usually certified as such by statute, to analyze construction projects, to create and to develop designs compatible with project and properties of materials to be used in project's completion, to prepare detailed drawings and specifications, and to administer execution or project.

Ar-rears: Money overdue and unpaid, e.g., overdue insurance premium.

As Built Draw-ings: (see **Record Drawings**)

As If: Recalculation of prior period of loss experience demonstrating **underwriting** results of a particular program if program had been in force during that period.

As Per: In accordance with, according to the terms of.

As-phalt: Constituent of most unrefined petroleum, or produced as a byproduct of refining, a black-brown highly viscous, occasionally solid material.

As-phalt Con-crete: Hot mixture of high quality, refined **asphalt** and high quality **aggregate**, **compacted** into a dense mass.

As-phalt Pave-ments: Pavements with surface of **aggregate** bound with **asphalt** on a base of **asphalt**, crushed stone, gravel, **concrete**.

As-set: Entire property of a party subject to payment of party's debts.

As-set, Cur-rent: Cash and resources reasonably expected to be realized, sold, or consumed in normal operation of a business.

As-set, Fixed: Permanent or semi-permanent resources, not available as **working capital**, needed for or used in successful operation of a business.

As-sign-ment: Transfer of interest in a policy to another party, usually following sale of property that policy covers.

As-sign-ment of Con-tract: Written document authorizing payments due on a **contract** to party other than **contractor** or **subcontractor**.

As-so-ci-ates: (also **Syndicate**; see **Pool**)

As-sume: To accept **ceding company's insurance** or **reinsurance** on a risk.

As-sumed Li-a-bil-ity (see also **Contractual Liability**): **Liability** from agreement between people.

As-sumed Port-fo-li-o: **Insurer's** transfer of insurance **liability** to a **reinsurer** by: (a) paying unearned premium reserve on those policies, or, (b) transferring liability for outstanding losses under those policies by insurer's paying outstanding loss reserve to reinsurer.

As-sump-tion Cer-tif-i-cate (also **Cut-Through Clause**): Reinsurer's statement guaranteeing payment to party not in **privity** with **reinsurance** contract.

As-sump-tion En-dorse-ment: (also **Cut-Through Clause**; see **Assumption Certificate**).

As-sure: To make certain, to insure, e.g., by **guaranty** or **bond**.

A-tri-um: Large lobby, frequently with walls of glass, with connecting rooms at each floor level on at least three sides.

At-tach-ment: Seizure of defendant's property by legal process in advance of trial as security for payment of judgment, plus interest and costs, that may be rendered against defendant.

At-tach-ment Bond, Defendant's Bond to Discharge or Release: **Bond** from defendant conditioned for payment of judgment, plus interest and costs, that may be rendered against defendant.

At-tach-ment, Plain-tiff's: Bond which court requires plaintiff to furnish, **indemnifying** defendant against loss or damage if there is no judgment against defendant.

At-tach-ment Point: Retention under an excess **reinsurance** contract.

At-test: Technical name of one of the parts of **surety bond**, i.e., "Signed, sealed and dated this _____ day of _____, 20__".

At-tor-ney in Fact: Person authorized, by written instrument, **power of attorney**, to act on behalf of another party: e.g., agent to whom **surety** gives **power of attorney** to execute **bonds**.

Au-dit: Formal examination and verification of accounts.

Au-to-ma-tic Co-ver: Clause providing **coverage**, not exceeding a defined amount, for limited time on newly acquired property.

Au-to-ma-tic Re-in-state-ment: Clause in insurance policy providing automatic return of **coverage** to original amount after loss has been paid or property restored.

Au-to-ma-tic Trea-ty: (see **Obligatory Treaty**)

A-ward-ing A-gen-cy: Party for whom work under a **contract** is done.

B

Back-bond: a **bond indemnifying a surety**.

Back Charges: Billings for costs that a party incurs that, in accordance with agreement, should have been incurred by the party billed.

Back-Fill: Material used to replace material removed during construction, e.g., material used to fill a trench.

Back Hoe: Machine, with an articulated arm to which a digging device ("bucket") is attached, used to make narrow **excavation**, e.g., trenches, ditches, foundations.

Back-log: Revenue **contractor** expects to realize from work to be performed on uncompleted contracts, including new contracts on which work has not begun.

Bad Debt: An uncollectable debt.

Bad Faith: Design to deceive another; conscious wrong-doing.

Bail Bond: Bond person under arrest furnishes to obtain release; conditioned on individual's remaining within a defined territory and appearing in court when ordered; if individual **breaches** bond, entire **penalty** of bond is forfeited.

Bail-ment: Delivering property in trust to another for a defined purpose and for limited, defined period.

Bal-ance: Under surplus share reinsurance, desired relationship between reinsurer's written premium and his maximum limit of **liability**; if relationship for a particular **treaty** is achieved, treaty is called balanced.

Bal-ance Sheet: Detailed listing of business's **assets** and **liabilities**, representing its financial status at a particular time.

Bal-last:

1. Gravel, broken stone, securing railroad ties and providing drainage in railroad and highway construction
2. Heavy material carried to steady moving equipment

Bank-ers Blan-ket Bond: (see **Financial Institutions Blanket Bond**)

Bank-ing Plan: (see **Advance Deposit Premium Plan**)

Bank In-quir-y Let-ter: Correspondence to contractor's bank investigating contractor's financial soundness; part of credit investigation **surety** performs before issuing **bond**.

Bank In-quir-y Let-ter, For-mal Res-ponse, Based U-pon In-for-ma-tion A-vail-a-ble: Opinion from contractor's bank when financial statements are not available, based upon contractor's balances that bank carries; a positive response, bank believing that contractor is capable of undertaking the project.

Bank In-quir-y Let-ter, For-mal Res-ponse, Ne-ga-tive: Response from contractor's bank when information is too limited for bank to express an opinion.

Bank In-quir-y Let-ter, For-mal Res-ponse, Un-fa-vor-a-ble: Opinion from contractor's bank, based on its analysis of contractor's finances, that contractor is not financially sound, and that **surety** should be cautious dealing with **contractor**.

Bank In-quir-y Let-ter, For-mal Res-ponse, Un-qual-i-fied: Opinion from contractor's bank, based on its financial analysis of contractor's finances, that contractor is good moral risk, and has management capability and financial security to undertake the project.

Bank Rec-on-cil-i-a-tion: Adjusting bank statement with depositor's ledger account.

Bank-rupt-cy: Insolvency, under laws of bankruptcy, in which court declares organization subject to having its **assets** administered to pay its creditors.

Bank-rupt-cy bond: Bond given to **fiduciary** or others in compliance with National Bankruptcy Act.

Bid Bond (also **Proposal Bond**): **Bond surety** issues for **contractor** competing for a project, guaranteeing to recipient of contractor's bond that if bid is accepted, **contractor** will execute a contract and provide **performance bond**; if bid is accepted and contractor fails to execute contract, surety is liable to recipient for amount equal to difference between contractor's bid and bid of next lowest qualified bidder.

Bid Date: Date owner establishes on which to receive bids.

Bid-ding Doc-u-ments: All written materials defining or describing the project, or modifying prior written materials for the same project.

Bid-ding Phase (also **Negotiation Phase**): Fourth phase of **architect's** services, during which prospective contractors bid for the project.

Bid Let-ter (also **Surety Consent, Surety Agreement**): Commitment agreeing that **surety** will execute bidder's final **bond** if **contractor** is awarded **contract**.

Bid Se-cu-ri-ty: Financial guarantee to recipient of bid, submitted with a bid, that **contractor**, if awarded **contract**, will execute contract in accordance with **contract documents**.

Bid Shop-per: Buyer who allows **suppliers** or **subcontractors** to compete with one another, so that buyer can purchase materials or services at lowest prices.

Bid Shop-ping: Before and after submitting bids, **contractors** attempt to obtain from potential **subcontractors** and **suppliers** prices lower than contractor uses in calculating his bid; after owner awards project, contractor attempts to convince subcontractors to lower subcontract price contractor used in the bid.

Blan-ket Crime Pol-i-cy (see also **Comprehensive Dishonesty, Disappearance and Destruction Policy**): Similar to Comprehensive 3-D policy, providing coverage in a single amount, rather than on individual risks.

Blan-ket Fi-del-i-ty Bond: Covers loss of insured's money or property from his employees' dishonesty.

Blan-ket Po-si-tion Bond: Fidelity bond securing **insured** against loss from dishonesty or fraud each covered for a uniform amount; if loss is from **collusion** of insured's employees, insured may recover amount of **bond** for each individual participating employee.

Blue Sky Bonds: Required of security dealers **indemnifying** purchasers against loss from false representation.

Bo-na Fide: In good faith, real, genuine.

Bond (see also **Specific Bond Names, e.g., Performance Bond**): **Collateral** agreement in which one party, called **surety**, obligates itself to a second party, called **obligee**, to answer for **default** of third party, called **principal**.

Bond-ing Ca-pac-i-ty: Total value, based on **surety's** analysis of total volume of work that **contractor** can support, of **bonds** that surety will **underwrite** for a particular contractor.

Bond-ing Com-pany: Business authorized to issue bonds.

Bond Pen-al-ty (see **Penal Sum**)

Bo-nus Clause (see also **penalty clause**): Clause in contraction contracts providing for payments to contractor exceeding contract price as reward for meeting or exceeding contract requirements.

Book of O-ri-g-i-nal En-try: Document, recognized by law or custom, in which transactions are recorded and from which postings are made to ledgers.

Breach: Infraction of a law, obligation, contract or standard.

Broker: Party responsible as **general contractor** for performance of **contract**; party enters into **subcontracts** with others for performance of substantially all construction that contract requires.

By-laws: Organization's rules and regulations governing its members and regulating its affairs.

C

Ca-pac-i-ty: Insurer's financial strength to issue **coverage**; maximum coverage available from **insurer** or **reinsurer**, or from bonding company.

Cap-i-tal Stock:

1. All shares, representing ownership of business
2. Corporation's liability to its stockholder's, less creditors' liquidated claims

Cash Basis of Accounting: Method of accounting in which income is recorded only when received in cash, and **expenditures** recorded only when paid.

Cash Flow: Origins and uses of a business's cash funds during a particular period.

Certificate of Substantial Completion: Document stating that, in engineer's opinion, work is sufficiently complete, in accordance with **contract documents**, for work to be utilized for intended purposes.

Certified Copy: Reproduction of a document, that authority having custody of original signs and attests as a true, genuine and authentic copy.

Change Order: Written document, from **owner** to **contractor**, issued after effective **date of agreement**, authorizing **contractor** to alter the work in a defined manner.

Character: Principal's personal traits, e.g., moral integrity, conscience, **surety** uses to evaluate risks in prospective bonding.

Charge: An obligation or duty.

Claim: Party's demand for something believed due from another party.

Claims: Amounts exceeding **contract price** that **contractor** seeks to collect from parties for their delays, errors, unapproved change orders and other unanticipated losses.

Claimant's Bond: If, pending final decision of case's merits, property is released to party claiming ownership of property, but not party to the litigation, claimant may be required to furnish **bond** conditioned for return of property should court order.

Claim Expense (also loss expense, loss adjustment expense): Cost of investigating and settling a **claim**.

Claim Expense, Allocated: Expenses directly related to particular **claim**, including expenses of claim investigation, legal work, court costs, and interest, but excluding payment of losses.

Claim Expense, Unallocated: Expenses, including overhead and incidental expenses, not directly related to particular claim.

Claims Made Basis: Provision in insurance and reinsurance contracts covering only losses occurring and claims made during term of contract.

Clarification Drawings: Graphics illustrating addendum, modification, change order or field order; illustrates alterations to original drawings.

Clause: Distinct article in a formal written agreement.

Clear Title: Title free from **lien, encumbrance**, or obstruction.

Closed Shop: A business operation hiring only union employees.

Closed Spec-i-fi-ca-tions: Descriptions of materials, defined in **contract documents**, and not subject to substitution.

Col-lat-er-al: Anything of value party pledges to protect interests of another party who has obligated itself for debts or actions of first party.

Col-lu-sion: clandestine cooperation to deceive or steal.

Col-lu-sive Loss: Loss caused by dishonest employees acting together.

Com-bi-na-tion Pol-i-cy: Policy of **insurance** covering several **hazards**.

Com-mer-cial Blan-ket Bond: Blanket fidelity bond issued in a defined amount on regular employees of business, securing against loss from employees' dishonesty.

Com-mer-cial Pa-per: Negotiable instruments for payment of money, e.g. **promissory notes**, bank checks.

Com-mite-tee (also **conservator, curator**): Individual court appoints to manage estate of person declared legally incompetent.

Com-mon Law: Unwritten legal principles evolved from judicial proceedings, court precedents, and customs; originally introduced into the United States from England.

Com-mon Law Li-a-bil-i-ty: Obligation established under **common law**, **breach** of which may require **compensation**.

Com-pen-sat-ing Bal-ance: Deposit bank lending money requires borrower to maintain; usually ten to twenty percent of amount borrowed.

Com-pen-sa-tion: Act which court orders a person to, or money a person to pay, because that person's acts or omissions have caused another person a loss or an inquiry; required so that person suffering loss may receive equal value for the loss.

Com-plet-ed and Ac-cept-ed: Procedure under completed contract method of accounting allowing closing a project on completion of construction and on owner's formal acceptance of project as defined in **contract documents**.

Com-plet-ed Op-er-a-tions In-sur-ance: Coverage for injuries or damage, excluding damage to completed work itself, occurring after completing an operation, but attributed to that operation.

Com-plet-ed Val-ue Prop-er-ty In-sur-ance: Coverage, amount of which is derived from contract sum and adjusted to final insurable cost on completion of project, written at start of project.

Com-plet-ing Contractor: Contractor completing project supported by surety because original contractor **defaulted**.

Com-ple-tion Bond: Bond owner gives to lender or mortgage guaranteeing that borrower will use money to finance completing the project, free and clear of **liens**, described in agreement to loan.

Comp-trol-ler (also **controller**): Public official or officer of a business auditing accounts and sometimes authorizing disbursements.

Con-ceal-ment: Failure to disclose, with intent to **defraud**.

Con-di-tions of Bid: Terms in **invitation to bid**, stipulating manner in which bids are to be prepared, submitted, and processed.

Con-di-tions of the Con-tract: Articles in **contract** defining or describing terms, responsibilities or **owner** and **contractor**, performance and payment schedules and the like.

Con-sent of Sure-ty: Surety's written consent on **performance bond** or **labor and material payment** bond to **change orders**, to reductions in contractor's **retainage**, or to waiving notice of contract changes.

Con-se-quen-tial Loss: Loss not caused directly by damage, but resulting from such damage; e.g., damage to rare books because fire damaged humidity control.

Con-ser-va-tism: Understating business's financial affairs to insure that uncertainties are considered.

Con-sideration: That which one party does or promises to do, done or promised by one party in return for another party's action or promise.

Con-sol-i-date: To unite or unify into one mass or body, as to consolidate funds.

Con-struc-tion Loan: Money lender gives to contractor or to management agency for completing a particular project.

Con-struc-tive: Implied from legal interpretation.

Con-tin-gent Li-a-bil-i-ties: Liabilities that may occur, but have not yet occurred.

Con-tra Bal-ances: Balances in accounts that are the opposite of such accounts, e.g., account payable and a debit balance.

Con-tract: Binding agreement between parties.

Con-tract Ad-min-is-tra-tion: Architect's or engineer's managing a project during its construction.

Con-tract Bal-ance: Portion of **contract** remaining to be completed.

Con-tract Bond (see also **Labor and Materials Payment Bond, Performance Bond**): Guarantee that contractor furnishes, indemnifying owner against failure of contractor to comply with terms of contract.

Contract Cost Break-down: Contractor's itemized list, prepared after receipt of contract, showing cost of each element and phase of the project.

Con-tract, Cost Plus: Provides for reimbursement of defined costs plus a fee, representing profit.

Con-tract, Cost Plus, Cost Plus A-ward Fee: Provides for reimbursement of defined costs plus a two-part fee: (a) invariable amount, fixed at onset of contract and, (b) amount based on performance (e.g., quality, cost effectiveness).

Con-tract, Cost Plus, Cost Plus Fixed Fee: Provides for reimbursement plus a fixed fee.

Con-tract, Cost Plus, Cost Plus In-cen-tive Fee: Provides for reimbursement of costs plus a variable fee, dependent on cost or performance.

Con-tract, Cost Plus, Cost Plus In-cen-tive Fee, In-cen-tive Fee Based on Cost: Provides for reimbursement of costs plus a variable fee, within a defined range, adjusted by a defined formula relating total costs to a target cost established at the outset.

Con-tract, Cost Plus, Cost Plus In-cen-tive Fee, In-cen-tive Fee Based on Per-form-ance: Provides reimbursement of costs plus a variable incentive fee based on performance compared to stated performance targets; if targets are surpassed, fee increases; if targets are not met, fee decreases.

Con-tract, Cost Plus, Cost Shar-ing: Provides for reimbursement of a defined portion of costs, with no additional fee.

Con-tract, Cost Plus, Cost With-out Fee: Provides for reimbursement of a defined portion of costs, with no additional fee.

Con-tract Doc-u-ments: Agreement, **addenda**, supporting documents, **general conditions**, **supplementary conditions**, **specifications** and **drawings** and modifications to the agreement.

Contract, Fixed Price (also Lump Sum Contract): Contract not adjusted for contractor's costs.

Contract, Fixed Price, Providing for Performance Incentives: Provides incentives for contractor to surpass defined performance targets; if targets are surpassed, profit increases; and, if targets are not met, profit decreases.

Contract, Fixed Price, with Economic Price Adjustment: Provides for revision of contract price relative to defined contingencies, e.g., fluctuations in material prices.

Contract, Fixed Price, with Firm Target Cost Incentives: Provides at outset a firm target cost, firm target profit, price ceiling and formula relating final cost to target cost, establishing final price and profit.

Contract, Fixed Price, with Prospective Periodic Re-determination of Price: Provides firm fixed price for initial period with subsequent price redeterminations at defined intervals during remaining period.

Contract, Fixed Price, with Retroactive Re-determination of Price: Provides ceiling price and, after completion of contract, retroactive price redetermination within ceiling price, relative to performance.

Contract, Fixed Price, with Successful Target Cost Incentives: Provides, at outset, target cost, target profit, price ceiling, formula for establishing the firm target profit, and a time at which formula will be used.

Contract Item (also Pay Item): Defined unit of work, for which contract provides price.

Contract Limit: Boundary, illustrated on drawings or in other contract documents, on job site beyond which no construction can be done.

Contractor: Party obliging itself to perform a defined project or service.

Contractor's Equipment Float-er: Policy insuring against loss or damage to contractor's equipment and tools away from contractor's premises.

Contractor's Liability Insurance: Insurance protecting contractor from defined claims arising from contractor's operations.

Contractor's Option: Statement in contract documents allowing contractor to substitute equivalent materials or services for those given in contract document.

Contract Over-run: Amount by which final contract price, from additional costs from change orders, exceeds original contract price.

Contract Price: Amount owner pays to contractor, as defined in contract documents.

Con-tract Time: Period defined in agreement for completing the work.

Con-tract, Time and Ma-te-ri-als: Provides payment to contractor based on hours at fixed rates and cost of materials or other defined costs, including a profit factor.

Con-tract Un-der-run: Amount by which final **contract price**, from deletions from **change orders**, is less than original contract price.

Con-tract, U-nit Price: Pays contractor defined amount for every defined unit of work contractor performs.

Con-trac-tu-al Li-a-bil-i-ty: Another's obligation that a party assumes under contract or agreement.

Con-ver-sion (also Embezzlement): Illegal taking of property entrusted to one's care.

Con-vey-ance: Transfer of **title** to land from person to person by deed.

Cor-po-rate Sure-ty: Corporation that state insurance laws license to act as **surety**.

Cor-po-ra-tion: Artificial, legal entity existing separate from its individual stockholders; legal "personality" with powers and duties defined in corporation's charter.

Cost of the Work: Contractor's cost to perform the work properly.

Co-sure-ty: One of **surety** companies participating in a **bond** and sharing **liability**.

Coun-ter-feit: Imitation of written document intended to deceive and to be taken for the original.

Coun-ter Claim: Claim defendant gives, opposing plaintiff's claim.

Coun-ter-sig-na-ture: Signature added after another's to authenticate a document.

Cov-e-nant: Written agreement between parties, especially for the performance of defined action.

Cred-i-bil-i-t-y: Measure of belief attached to statistical experience used in ratemaking.

Cred-it: Ability of business to borrow money.

Cur-rent Li-a-bil-i-ties: Debts or obligations whose payment or **liquidation** is reasonably expected, requiring expending **current assets**.

Cy-cle Bil-ling: Dividing accounts receivable ledgers into groups based on common characteristics, e.g., geographical location of customer, and then billing each group at a different time.

D

DBA (doing business as)

De-ben-ture: **Bond** or **promissory note**, evidence of debt or right to demand money.

Deb-it: Entry in accounting, increasing in **asset** or decreasing a **liability**.

Debt-worth Ratio: Current debt divided by tangible net worth.

De-ci-sion Tree: Graphic representation of relationships between possible actions, and their effects.

De-fault: Failure to do that which agreement, duty, or law requires.

De-ferred Charges: **Expenditures** not chargeable to fiscal period in which they were made, but carried on asset side of balance sheet.

De-ferred In-come: Income paid in advance, but not yet earned.

Def-i-cit:

1. Liabilities exceeding assets.
2. Liabilities or expenditures exceeding assets allocated for these items.

De-fla-tion: State of declining profits and depressed business.

De-lay Claim: **Contractor's claim** that project was not completed as scheduled because owner caused, by numerous **change orders**, contractor's delay.

De-mur-rer: Party's petitioning to **litigation**, assuming truth of matter alleged by opposite party, maintaining that law does not support opposing litigant's claim or that fault in the action constitutes legal reason to end the litigation.

De-ple-tion: Reduction, from removing or using an **asset**.

De-pos-it for Bid-ding Doc-u-ments: Money given, temporarily, to owner for bidding materials.

De-pre-ci-a-tion: Decrease in property's value from use and from **obsolescence**.

De-sign De-vel-op-ment Phase: Second phase or **architect's** services, includes preparation or **drawings** and **specifications** detailing project and estimation of total cost of construction.

De-tail: Drawing, an enlarged or magnified portion of another drawing, more completely illustrating item or area than original drawing.

De-val-u-a-tion of Assets: Adjusting downward the value of **fixed assets** if their current **fair market value** is significantly below their book value.

Dis-burse-ment: Money paid to satisfy a debt or to cover an expense.

Dis-charge: Removal of obligation or **liability**.

Dis-clo-sure: Act of making known something previously unknown or known to only a few.

Dis-cov-er: To obtain knowledge for the first time.

Dis-so-lu-tion: Act of dissolving or terminating.

Dis-solve: To cancel, terminate, disjoin, **abrogate**.

Div-i-dend: Portion of **corporation's** net earnings distributed to stock holders in proportion to number of shares owned.

Di-vi-sion: Part of a **corporation**, created for defined purpose, whose **assets** are not separate from those of corporation; corporation is responsible for division's debts.

Dom-i-cile: Place of person's fixed, permanent home or business establishment.

Dou-ble En-try Book-keep-ing: System, recording both **debit** and credit for each **transaction**.

Draw: **Progress billings** currently available to contractor under a contract with fixed payment schedule.

Draw-ings: Graphics that **engineer** prepares or approves, and referred to in **contract documents**, showing character and scope of work to be completed.

Du-al Ob-li-gee Rid-er: Attached to a **bond**, especially **performance** and **payment bonds**, providing for financial risks of multiple owners or lenders.

Due Care: Absence of negligence; that care which a prudent person would be expected to exercise in a particular circumstance.

E

Earned Estimate: Figure used in accounting, based on estimated amount of work completed within a defined period.

Ef-fec-tive Date of A-gree-ment: Date on which all documents comprising agreement between **owner** and **contractor** have been signed and accepted.

En-cum-brance: Outside, legal right to property; e.g., **lien** for work and materials.

En-dorse-ment (see also **Rider**): Amendment added to a written document, particularly an agreement between parties, altering its provisions.

En-gi-neer: Person, firm, or corporation named as such in **contract documents**; responsible for managing the quality of materials and workmanship and structural integrity of the project.

En-join: To prohibit or forbid by legal action.

Eq-ui-ty: Pecuniary value of property exceeding **claims** and **liens** against it.

E-quiv-a-lent Ma-te-ri-als: materials or equipment that **contractor** substitutes for those defined in **contract documents**, claiming that materials are equal to those defined; contractor must provide sufficient proof to **engineer**, who decides if materials are equal.

Es-ca-la-tion Clause: **Contract's** article providing adjustments of price of specific items as conditions change.

Es-crow: Thing of value person gives to a third person for him to deliver to grantee on fulfillment of a defined condition.

Es-ti-mate (bid function): Costs **contractor** anticipates for a project; described in contractor's bid proposal.

Es-ti-mat-ed Cost to Com-plete: Anticipated additional cost of materials, labor, and any other item required to complete a project within a defined period.

Es-ti-ma-tor: Party who appraises value, worth, or cost of items, especially construction equipment and materials.

Es-top-pel: Legal objection preventing a party from denying or alleging a fact because party had acted to the contrary previously.

Ex-cul-pa-to-ry: Excusing from alleged guilt.

Ex-pen-di-ture: Spending or paying money.

Ex-po-sure: Estimate of probability of loss from a **hazard**, contingency, or condition.

Ex-tras (also **Customer's Extras**): Work added to original plan, billed separately, and not altering original contract amount, that owner requests contractor to do.

F

Fair Market Value: Price at which a buyer and seller, under no compulsion to buy or to sell, will trade.

False Entry: Entry into accounts, intentionally to misrepresent the truth, to deceive or to defraud.

Federal Construction Contract Bond: Construction contract bond with United States of America as obligee.

Fiduciary: Person occupying position of trust, especially one managing the affairs of another.

Fiduciary Bond (also Probate Bond): Required of **administrators, executors, guardians, trustees, and committees**; guarantees faithful and legal performance of duties.

Field Directive: Written order **engineer** issues, ordering minor changes in work.

Field Work Order: Order from work site to **subcontractor** or to **vendor**, for materials or services.

Final Acceptance: Customer's certification, from **architect** or **engineer**, that project is complete, according to **contract documents**.

Final Inspection: **Architect's** or **engineer's** final review of project before owner gives final payment.

Financial Analysis: Examination and interpretation of **financial statements** to evaluate business's financial status.

Financial Analysis, Comparative Analysis: Evaluating trends in successive **financial statements**.

Financial Analysis, Internal Analysis: Examining items in an accurate, complete **financial statement**, and their relationship to one another.

Financial Statement: Written document recording financial operations of a business for a defined period.

Fixed Limit of Construction Cost: Maximum cost of construction work, defined in agreement between **owner** and **engineer or architect**.

Float:

1. Checks, credited to depositor's account, but not yet debited to drawer's bank account.

2. Time between when a check is written and when it is deducted from drawer's account.

For-bear-ance: Refraining from taking an action.

Force Ac-count: Work ordered to be done, when no agreement for **lump sum** or unit payment is in force; to be paid for **flat cost**, plus overhead and profit.

For-fei-ture Bond: **Bond** in which amount is forfeited if condition of bond is **breached**, regardless of amount of loss or absence of loss or damage.

Fraud: False presentation or representation of facts with intent to make another party surrender property, money or rights.

Free and Clear: Not encumbered by **liens**.

Front End Load-ing: Assigning higher values to work to be completed in early **contract** stages than to work to be completed in later stages, to increase cash receipts at outset at project.

G

GAAP (Generally Accepted Accounting Principle): Method of representing an insurer's financial results, by assigning income and **disbursement** to their proper period; similar to going concern basis of other businesses.

Gen-er-al Build-ing Con-trac-tor: Party whose principal business is constructing buildings involving unrelated building trades.

Gen-er-al Con-di-tions: Portion of **contract documents** defining and describing rights and responsibilities of parties to the **contract**.

Gen-er-al Con-trac-tor: Party entering into **contract** with **owner** and taking full responsibility for project's completion.

Gen-er-al En-gi-neer-ing Con-trac-tor: Party whose principal business is heavy construction, e.g., highways, dams, bridges.

Go-in Price: The price at which a contractor begins work on a job, exclusive of any change orders or other price changes that must be made after the work has begun.

Good-will: In accounting, difference between business's total worth and sum of value of its individual assets.

Guar-an-tee-d Max-i-mum Cost: Amount defined in contract between owner and contractor as the upper limit of money available for completing a project.

Guar-an-tor: Party undertaking that another party will pay or will perform.

Guar-an-ty: Undertaking a collateral contract that another party will pay or will perform.

H

Haz-ard: Condition creating or increasing probability of loss from a defined peril.

Heard Act: Act of Congress, 1894, requiring that anyone entering into written contract with United States must supply a **surety bond**, conditioned first in favor of the United States' government, and then to persons supplying labor and materials for the work; repealed in 1935 and replaced by the **Miller Act**.

Home Of-ice: Place where company maintains its executive and general supervisory departments.

I

Im-plied In-dem-ni-fi-ca-tion: That arising from law rather than from **contract**.

In-curred Ex-pense (other than loss expense): Expense that has occurred but that may or may not have been paid.

In-dem-ni-fy: To secure against loss, hurt or damage.

In-dem-ni-tor: Party entering into **indemnity** agreement with a second party, securing second party against loss.

In-dem-ni-ty: Security against, and **compensation** for, hurt, loss, or damage.

In-dem-ni-ty A-gree-ment: **Contract** entered into between **indemnitor** and **surety** in which indemnitor secures surety against loss surety may sustain on bond in behalf of another.

In-de-pend-ent Con-trac-tor's In-sur-ance: **Liability coverage** for claims from occurrences, usually from **contractor's** or **subcontractor's** operations.

In-sol-ven-cy: Inability to pay debts as due in operation of business; business **liability** exceeding monetary equivalent of **assets**.

In-spec-tion: Comparison of actual work with requirements in the **contract**.

In-stal-la-tion Float-er: Coverage for equipment in transit to **job site**, and until equipment has been installed, tested and approved.

In-stru-ment: Written document, e.g., **contract**, deed, security.

In-sur-able In-ter-est: Interest in property such that damage to property causes the **insured** a monetary loss.

In-sur-ance: Contractual relationship in which one party, **insurer**, for money, **premium**, agrees to reimburse another, **insured**, or pay for loss on defined subject from defined **hazards** or **perils**.

In-tan-gi-ble Assets: Valuables such as trademarks, copyrights, **accruing** to a business.

In-ter-nal Con-trol: Organizing a business so that **assets**, **liabilities**, **expenditures** and revenues can be properly managed.

In-vit-ed Bid-ders: The only contractors from whom owner will accept bids.

J

Joind-er: Parties united as litigants.

Joint Ven-ture: Contractors combining their skills and financial resources to undertake construction contracts for mutual benefit of participants.

K

Kit-ing: Writing check against bank account having insufficient money to cover check, hoping that money will become available before check is deducted from drawer's account.

L

La-bor and Ma-te-ri-al Pay-ment Bond (also **Payment Bond**, **Labor and Material Bond**): **Bond** that **contractor** gives in which **surety** guarantees to **owner** that contractor will pay for labor and materials used in executing the contract.

La-bor Con-stant: Amount of labor required to complete a unit of work.

Let-ter of A-gree-ment: Letter from one party, addressor, to a second party, addressee, stating terms of agreement between the two parties; addressee's signing is acceptance of defined terms as legally binding.

Let-ter of In-tent: Letter stating intention to enter into formal agreement; usually stipulating agreement's requirements.

Li-a-bil-i-ty: Legally enforceable obligation.

Liq-uid: Capable of being readily converted into cash.

Liq-ui-dat-ed Dam-age Clause: Provision in **contract** defining amount of **liquidated damages** **contractor** must pay to **owner** if work is not completed within defined period.

Liq-ui-dat-ed Dam-ages:

1. Money paid when a tribunal decides degree of damage and fair **compensation**.
2. Defined amount stipulated in a contract that one party to a **contract** must pay to other if the first party commits a **breach** of contract.

Liqui-da-tion:

1. Conversion of assets into cash.
2. Determining by agreement or **litigation** exact amount of indebtedness.

Liq-ui-da-tion Val-ue: Value of property sold to settle a debt.

Lit-i-gate: To settle a controversy in a court of law.

Long Tail Li-a-bil-i-ty: Third party liability exposures, e.g., **malpractice**, in which incidence of loss and determination of damages frequently extend beyond **term** of **insurance** or **reinsurance contracts**.

Losses Out-stand-ing: Losses occurred but not paid.

Low-est Re-spon-si-ble Bid-der: **Contractor** who submits lowest bid, and, additionally, whom owner considers to be least risk.

Lump Sum: Money given in one payment.

M

Main-te-nance Bond: **Bond** that **contractor** gives to **owner**, guaranteeing to correct defective workmanship or materials for defined period after completion of project.

Mal-prac-tice: Alleged professional misconduct or lack of skill in performing a professional act.

Merg-er: Companies joining together to form a single company.

Mis-fea-sance: Illegal or improper performance of a legal action.

Mit-i-gate: To cause to become less harsh.

Mon-o-lith-ic Concrete: **Concrete** case with no joints.

N

Neg-li-gence: Failure to exercise level of care that reasonable and prudent person would be expected to exercise in same circumstance.

Ne-go-ti-at-ed Con-tract: Agreement for construction developed without competitive bidding by negotiating specifications and terms.

Net Quick (also **Net Quick Assets, Working Capital, Net Working Capital**): **Current assets** exceeding current **liabilities**.

Non-fea-sance: Failure to do what ought to be done.

O

Ob-ser-va-tion of the Work: Architect's function, during project's construction; to determine if work is being performed according to contract documents.

Ob-so-les-cence: Devaluation of product's functional or physical assets or value, from technological changes, not from deterioration.

Op-er-at-ing Cy-cle: Circulation of current assets in normal business.

Op-er-at-ing In-come (also **Operating Profit**): New investment income plus new underwriting income in a defined period.

O-pin-ion, Au-di-tor's Dis-claim-er Of: **Auditor's** opinion, after analyzing business's financial records, that he is unable to express an independent opinion because he was unable to use all normal tests of accounting records.

O-pin-ion, Au-di-tor's Qual-i-fied: **Auditor's** opinion, after analyzing business's incomplete financial records, that records examined fairly reflect business's financial status for period examined.

O-pin-ion, Au-di-tor's Un-qual-i-fied: **Auditor's** opinion, after analyzing business's financial records, that records examined accurately reflect business's financial status for the period examined.

Owner: The owner of the project under construction for whom the contractor performs the construction work.

P

Part-ner-ship, Gen-er-al: Joint venture in which individuals, each of which is responsible for business acts of the others, combine resources to engage in business, usually permanently.

Part-ner-ship, lim-it-ed: Joint venture, organized under Uniform Limited Partnership Act, in which limited partners, each with cash or tangible property investment, have a limited **liability** in business operations.

Pay-a-bles: That to be paid.

Pen-al-ty Clause: Article in construction contract providing for reducing amount defined in **contract** to **contractor** as penalty for failing to meet defined targets, or for failure to meet contract's **specifications**.

Per-cent-age of Com-ple-tion Meth-od: An accounting system used on certain long-term contracts, in which profit is **accrued** over life of **contract** according to progress made (percentage of completion) each year.

Per-form-ance Bond: Guarantees faithful performance of terms of written **contract**; secures owner against contractor's failure to perform contract.

Per-son-al Sure-ty: Individual guaranteeing acts of another.

Pow-er of At-tor-ney (see also **Attorney In Fact**): Written **instrument** authorizing another to act as one's agent.

Pre-bid Con-fer-ence: Meeting held between **owner** and prospective **contractors** before bidding, allowing contractors to familiarize themselves with the project and to learn any of owner's further requirements.

Pre-paid Ex-penses: Cost incurred, frequently recurrently, to obtain goods or services not yet received, consumed, or expired.

Pre-qual-i-fi-ca-tions: Owner's written approval authorizing **contractor** to bid on a project, when bidders are required to meet certain defined standards.

Prime Con-tract: Agreement between **owner** and **contractor** for completion of a project.

Prime Con-trac-tor: Contractor entering into **contract** with **owner** of project for completion of that project.

Prin-ci-pal: Party primarily liable under a **bond of suretyship**.

Prof-it and Loss State-ment: **Financial statement** showing **contractor's** profits and losses for a defined period; a measure of contractor's performance in a defined period.

Pro For-ma State-ment: **Financial statement** for an anticipated, but not yet completed, **transaction**.

Pro-gress Bil-ling (also **Advance Billing**): Amounts **contractor** bills **owner**, according to **contract**, based on progress to date on the project.

Pro-gress Pay-ment: Money **owner** gives to **contractor**, according to **contract**, based on progress to date on the project.

Punch List: List made near completion of project indicating items **contractor** or **subcontractor** must do to complete work in accordance with **contract**.

Pu-ni-tive Damages: Damages awarded, usually because of malice, in addition to compensatory damages, to punish the wrongdoer and possibly to deter others.

Q

Quick As-sets: **Liquid assets**, e.g., cash, **accounts receivable**, **marketable securities**, that can be easily and rapidly converted into cash.

R

Re-ceiv-a-ble: That which is owed to a party.

Re-ceiv-er: Person appointed to hold in trust and to administer property under **litigation**.

Rec-on-cil-i-a-tion State-ment: Document to bring accounts showing a discrepancy to a common, correct amount.

Re-or-gan-i-za-tion: **Corporation** in financial trouble radically altering, through actions taken, in court, its capital structure to forestall **bankruptcy**, to pay creditors, and to strengthen the company.

Re-place-ment Cost: Cost to substitute equivalent items for equipment or services.

Req-ui-si-tion: Written request, from one department of a company to another department, e.g., purchasing, central supplies, for a defined item.

Res-i-dent Pro-ject Rep-re-sen-ta-tive: Engineer's authorized representative assigned to **job site**.

Re-tain-age: Contract balances held back for payment to contractor on completion of contract.

Re-ten-tions: Amount **owner** withholds from **progress billings** until contractor satisfactorily completes project.

Re-vers-sing En-tries: In accounting, entries into a journal at the beginning of a fiscal period to reverse entries made at the end of the prior fiscal period.

Risk: Probability of loss in insuring a person or thing.

S

Sched-ule of Val-ues: Document showing the amount of the total contract sum to be allocated to each phase; owner give schedule to **architect** or **engineer** who uses it to evaluate **contractor's** application for payments.

Sealed Bid: An offer, sealed in an envelope to be opened at a designated time and place, to perform work defined and described in a contract.

Sol-ven-cy: Ability to satisfy all financial obligations.

Spe-cial Con-di-tions: Additions to **general conditions** and **supplementary conditions** of **contract documents**; define and describe requirements peculiar to a particular project.

Spe-cial-ty Con-trac-tor: One whose business is a specialized trade, e.g., heating and cooling, plumbing.

Spec-i-fi-ca-tions (also **Specs**): Complete, detailed written description of all materials and work required to complete a project.

Stan-dard Pro-vi-sions: Conditions and requirements common to many projects; a part of **contract documents**.

Stat-ute of Lim-i-ta-tions: A law establishing a period within which a specific legal action must be taken.

Stip-u-la-tion: That which is defined, as in an essential requirement in a **contract**.

Sub-con-tract: **Contract** between party to an original contract and another party, especially contract to provide work provided in original contract.

Sub-con-trac-tor: Party contracting to perform part or all of another's **contract**.

Sub-ro-ga-tion: Assignment, to one party suffering a loss, of lawful right or claim of another party legally liable for the loss, so that the first party can recover amount of loss.

Sub-ro-gee: Party succeeding to rights of another by **subrogation**.

Sub-ro-gor: Party whose rights are assigned to another by **subrogation**.

Sub-stan-tial Com-ple-tion: Point at which **engineer** expresses in his **certificate of substantial completion**, that work is sufficiently complete, as defined in **contract documents**, to be utilized for its intended purpose.

Sup-ple-men-ta-ry Con-di-tions: Part of **contract documents** adding to or modifying the **general conditions**.

Sure-ty: Party **collaterally liable** for payment of money or performance by another party.

T

Take Off: Estimating amount of material needed for a particular project.

Tan-gi-ble As-sets: Things of value that can be felt or touched, i.e., something corporeal.

Time-ly Com-ple-tion: Finishing work on or before time designated in **contract documents**.

Trade In-quir-y: Financial investigation **surety** undertakes, without using reporting agencies, to evaluate financial soundness of business that surety may **bond**.

U

Un-bal-anced Bid: Bid in which portion of **contract price** a **contractor** allocates to a particular item or phase, does not reflect accurately cost, overhead and profit for that item or phase; e.g., **front-end loading**.

Un-earned In-come: Income received but not yet earned.

V

W

Waiv-er: Intentional, voluntary renunciation of known right, or of chance to take advantage of wrong.

War-ran-ty: Promise that what is asserted is true.

War-ran-ty Pe-ri-od (also **Maintenance Period**): Period, defined in **contract**, after **contractor** completes project and **owner** accepts it, during which contractor must provide maintenance, for which contractor must give maintenance bond.

Work-ing Draw-ings: Graphics illustrating in sufficient detail work to be done that the **work** can be performed with no other instructions.

Work on Hand: Amount of money **contractor** has remaining in his **contracts** to complete all projects; total **estimated cost to complete**, excluding advance payments to be earned and amount of losses.

Z