

## Pierce Transit Care-a-van Program Acceptable Forms of Financial Security

The Pierce Transit Board of Commissioners has approved the Care-a-van program, in part based on the requirement that the recipient post a refundable security deposit ("Deposit") in return for transfer of title upon execution of the Agreement Relating to the Conveyance of Vehicle for Transit Related Services - Pierce Transit Care-a-van Program ("Agreement").

The Deposit is held by Pierce Transit for the twelve month term of the Agreement to secure the performance by Recipient of all of the terms, covenants and conditions of the Agreement. If Recipient defaults under the Agreement, Pierce Transit may use, apply, or retain all or any part of the Deposit for any expenditure, loss or damage which Pierce Transit may suffer as a result of such default. When Recipient fully performs all of the terms and conditions of the Agreement, Pierce Transit will return all or part of the Deposit to Recipient within thirty (30) days following the expiration of the Agreement.

Forms of security<sup>1</sup> that are acceptable to Pierce Transit under the Agreement include:

- **Cash/Check.** Cash and checks will be deposited by Pierce Transit, and refunded in whole or in part as appropriate and in accord with the Agreement. These deposits are non-interest bearing.
- **Surety Bond.** A surety bond is a promise by a surety or guarantor to pay one party (the *obligee, here, Pierce Transit*) a certain amount if a second party (the *principal, here, the Recipient*) fails to meet some obligation, such as fulfilling the terms of a contract. The surety bond protects the obligee against losses resulting from the principal's failure to meet the obligation. A surety bond can normally be purchased through an insurance agent or a bond company at a cost of approximately 10% of the value of the Bond.
- **Stand by Letter of Credit.** A stand by letter of credit is a guarantee of payment issued by a bank on behalf of a client that is used as "payment of last resort" should the client fail to fulfill a contractual commitment with a third party. Stand by Letter of Credits are created as a sign of good faith in business transactions, and are proof of a buyer's credit quality and repayment abilities. A stand by Letter of Credit can usually be issued from your bank. The bank may charge applicable prices and fees for standby letters of credit, which may include an issuance fee, annual maintenance charge, processing fee for each drawing, and amendment fee. Please contact your bank for additional information.

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<sup>1</sup> The value of any security must be in the in the full amount of the estimated Kelley Bluebook Value of the Vehicle if sold at public auction in "Good" condition as set forth in the parties' Agreement.