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Retainage Substitution

- The ability to earn money on idle retainage dollars
- Not a release of retainage, but an exchange carried as a receivable

Retainage Substitution

Who is it good for?

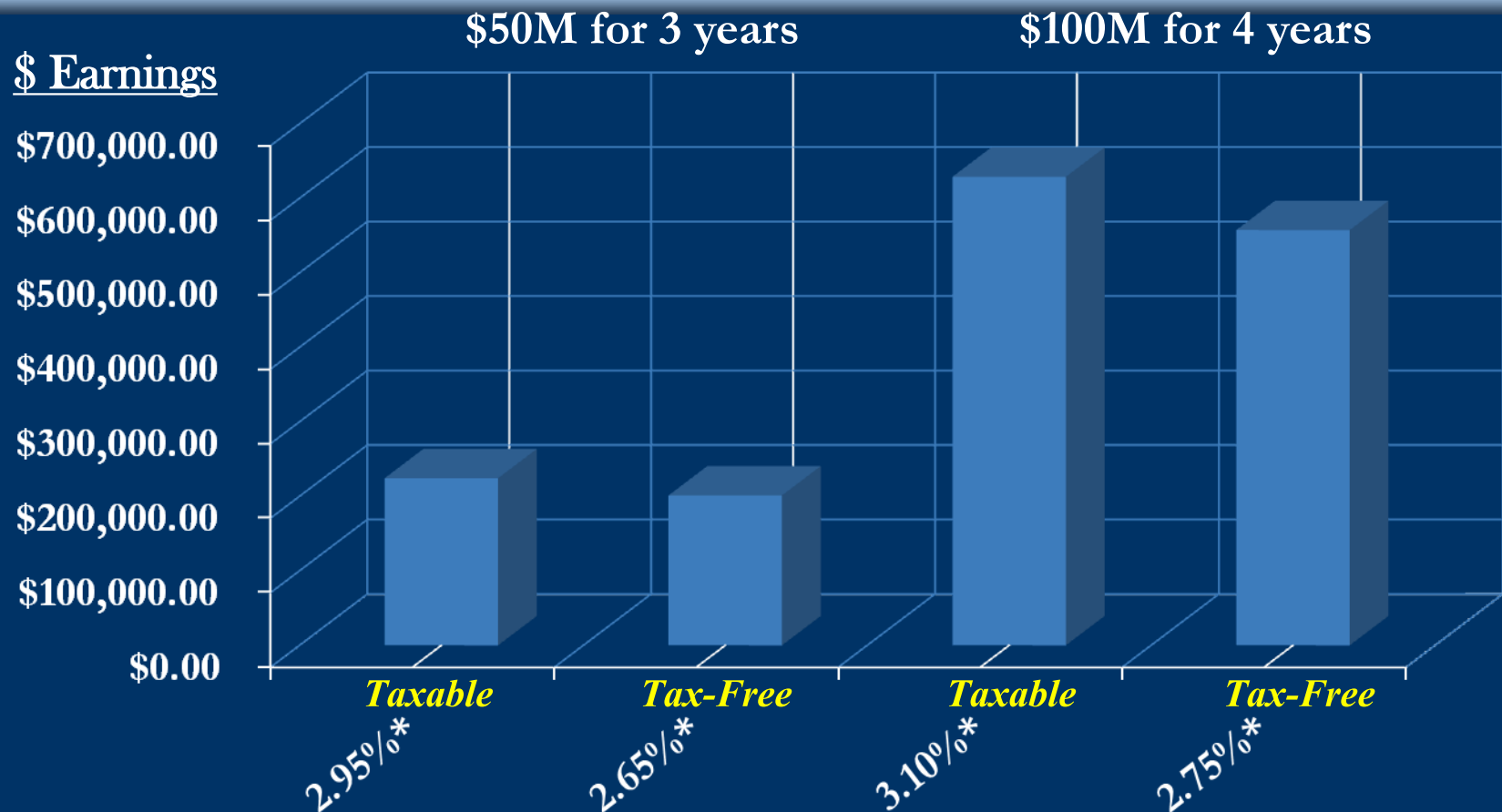
- General Contractors working in the public or private sectors

RETAINAGE

Why is it utilized by contractors

- Earns interest and/or capital appreciation where no previous earnings existed
- May help lower contractor's bid
- Augment contractor's profitability. Bonding company favors it. Unsecured receivable is now a hard corporate asset.
- May add to earnings reported to shareholders

CONTRACTORS POTENTIAL EARNINGS in States with a 10% factor



**Assumed interest rate = interest rate according to US Treasury website of 10 year historical average*

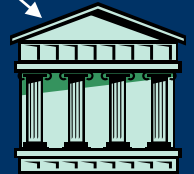
How It Works

Municipality

*1) Retainage Dollars
Released to escrow agent*



*2) Double Diamond purchases bonds and
simultaneously receives payment from
escrow agent*



BANK

(escrow agent)



RETAINAGE

Where this concept is applicable

- **36 States have approved the practice**
- **Others may be negotiated**
- **Most state, city, county, municipal, and town work**
- **Most state agencies (OK to have federal funding)**

33 States approved this practice:

1. ALABAMA (P)
2. ARIZONA (P)
3. ARKANSAS (P)
4. CALIFORNIA (P)
5. CONNECTICUT (P&PR)
6. DELAWARE (P)
7. FLORIDA (P)
8. GEORGIA (P)
9. INDIANA (P)
10. KENTUCKY (P)
11. LOUISIANA (P)
12. MAINE (P&PR)
13. MISSISSIPPI (P)
14. MISSOURI (PR)
15. MONTANA (P)
16. NEVADA (P)
17. NEW HAMPSHIRE (P)
18. NEW JERSEY (P)
19. NEW YORK (P)
20. NORTH CAROLINA (P)
21. NORTH DAKOTA (P&PR)
22. OHIO (PR)
23. OKLAHOMA (P)
24. OREGON (P&PR)
25. PENNSYLVANIA (P)
26. RHODE ISLAND (P)
27. TENNESSEE (P&PR)
28. TEXAS (P)
29. UTAH (P)
30. VIRGINIA (P)
31. WASHINGTON (P)
32. WEST VIRGINIA (P)
33. WYOMING (P)

RETAINAGE

Where this concept is not applicable

- **Federally sponsored work:**
 - GSA
 - Armed Services
 - Post Office
 - Other Federal Agencies
- **Municipal work:**
 - NYS D/A
 - Port Authority NY/NJ
 - NYC Public Development Corporation

RETAINAGE

How it is accomplished

- **Approval from owner (if required)**
- **Establish Escrow Account**
 - **Local Bank**
- **Invest in Securities – length of job, etc.**
 - 1. Approved Investments – Vary by State and/or Agency**
 - a) Municipal Bonds of state**
 - corporate bonds
 - federal agency bonds
 - b) Treasury Instruments**
 - T-Bills
 - T-Notes
 - T-Bonds

The Role of DDIG

Award through completion

1. Contractor sends RCI to DDIG
2. DDIG negotiates details with owner
3. DDIG sets up an Escrow Account- separate account for each job
4. Contractor sends copy of payment requisition to DDIG
5. DDIG invests in securities & transfers same to escrow agent
6. DDIG collects earnings from escrow agent (if desired)
7. DDIG works in conjunction with the agency and escrow agent to negotiate release of retainage

The Role of DDIG

Additional Services

1. Track contractor to assure substitutions are done in timely manner
2. Provide strategic and tactical expertise regarding positioning of assets
3. Analyze quality of corporate and municipal bond offerings in light of reduction of revenue to towns, cities, states, and federal governments
4. Assure fair market values assessed to securities
5. Monitor portfolios for matured securities and provide contractor two week's notice
6. Track cost basis of security investments

**Some of these items are state specific and may not apply to all contracts*

The Role of DDIG

Additional Services (CONTINUED)

8. Track Minimum Market Values required by agency
9. Keep all records and transactions at our fingertips for 10 years+
10. Monitor portfolios for over-collateralization
11. Help to correct any contractor problems throughout job
12. Seek to improve the overall system
 - We had law changed in KS and FL
 - We had NYC alter their system to allow DVP for rollovers
 - We provide substitution in states that don't have a law on books
 - We research any job (subcontractor, private...) to achieve substitution
13. Keep all the state laws at our disposal and have previously worked with many of the states and various agencies and thus have forms and proper contacts already established.

**Some of these items are state specific and may not apply to all contracts*

Division of Earnings

- Earnings are reported through the business unit
 - May be reported as misc. income
 - May be allocated to specific project
 - Tax free income, may only be subject to state tax
 - Subchapter S corp. Pass-through

SUMMARY PAGE

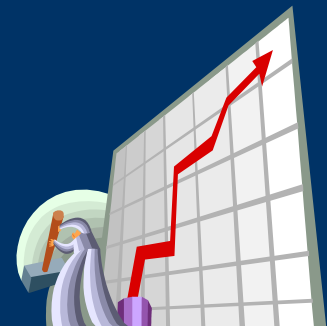
PUBLIC AND PRIVATE
CONSTRUCTION



INCOME IN YOUR POCKET



STRENGTHEN BOTTOM LINE





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