

1. LETTER OF CREDIT IN LIEU OF HOLDBACK

- 1.1 The Contractor may, as an alternative to retention of holdback in accordance with the provisions of Section 00630 - Payment Conditions, provide, at any time, an irrevocable, standby, Letter of Credit, subject to the provisions specified herein.
- 1.2 If the Contractor provides a Letter of Credit meeting the requirements specified herein and otherwise acceptable to the Minister, the Minister will release all holdback monies previously retained, if any, and will not retain holdback on any subsequent progress payments.

2. LETTER OF CREDIT

- 2.1 The Letter of Credit shall be provided by a domestic chartered bank as listed in the Bank Act (Canada), "Schedule A, Domestic Chartered Banks", "Schedule B, Foreign Chartered Banks", or the Alberta Treasury Branches.
- 2.2 The Letter of Credit shall be irrevocable. Partial drawings shall be permitted.
- 2.3 The amount of the Letter of Credit shall be calculated by multiplying the holdback percentage, as specified in Section 00630 – Payment Conditions, by the Contract Price as specified in Section 00525 – Agreement Form.
- 2.4 The expiry date shall be six months after the last day of the Contract Time.
- 2.5 The Letter of Credit shall provide that claims shall be duly honoured on presentation by the Minister, without inquiry by the bank as to whether the Minister has a right to make such claim, and without recognizing any claim of the Contractor, provided that the terms and conditions of the Letter of Credit are complied with.
- 2.6 The Letter of Credit shall be subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce, Publication 500.
- 2.7 The Letter of Credit shall be in the form of the Alberta Transportation standard form of Letter of Credit, Document 00614A, a copy of which is appended hereto.

3. AMENDMENTS TO LETTER OF CREDIT

- 3.1 The Minister may, from time to time, require the Contractor to amend the Letter of Credit by:

- .1 increasing the amount of the Letter of Credit if changes in the Work, or quantity variations of Unit Price items, result in a significant increase in the Contract Price, such revised amount being calculated in accordance with clause 2.3,
 - .2 extending the expiry date of the Letter of Credit if there is a significant extension of Contract Time pursuant to Section 00725 - General Conditions, or for any other reasonable cause, the length of such time extension being determined by the Minister.
- 3.2 The Contractor shall, within 14 days after being requested to do so, provide to the Minister an amendment to the Letter of Credit containing the required changes.
 - 3.3 If the Contractor fails to comply with clause 3.2, the Minister may:
 - .1 retain holdback from subsequent progress payments,
 - .2 withhold all or part of subsequent progress payments, or
 - .3 draw funds on the letter of credit, as required to protect the interests of the Minister or third party claimants.

4. DRAWING FUNDS ON LETTER OF CREDIT

- 4.1 The Minister may draw funds on the Letter of Credit at any time the Minister determines there is a need to establish a holdback fund in order to protect the interests of the Minister or third party claimants.
- 4.2 The Minister shall notify the Contractor not less than 14 days before drawing funds on the Letter of Credit and stating reasons for the intention to draw funds.
- 4.3 The cumulative amount of any funds drawn by the Minister shall not exceed the amount of holdback the Minister would have otherwise been entitled to retain under the Contract.

5. RETURN OF LETTER OF CREDIT

- 5.1 Notwithstanding the provisions for release of holdback specified in Section 00630 - Payment Conditions, the Minister shall return the Letter of Credit with final payment only.

END OF SECTION