



Board of County Commissioners
Office of Purchasing
Title: Irrevocable Letter of Credit

Effective Date: 1/10/01 Supersedes Date:

Procedure No: PP-181

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I. Purpose

The purpose of this procedure is to provide an “Irrevocable Letter of Credit” (ILC) form which meets the approval of the County and is therefore well suited to the needs of the County and is adopted in the Purchasing Department’s Policy and Procedure Manual.

II. Definition

“Irrevocable Letter of Credit” (ILC), as used by the County, means a written commitment by a federally insured financial institution to pay all or part of a stated amount of money, until the expiration date of the Letter, upon presentation by the County (the beneficiary) of a written demand therefor. Neither the financial institution nor the offeror/Contractor can revoke or condition the Letter of Credit.

III. Procedure

- (1) If the offeror intends to use an ILC to secure types of bonds such as Performance and Payment Bonds, the Letter of Credit Form #F0071 and Letter of Confirmation Form #F0071a shall be used.
- (2) The Letter of Credit shall be irrevocable, shall require presentation of no document other than a written demand and the ILC (including confirming letter) shall be issued/confirmed by an acceptable federally insured financial institution as provided in paragraph II. of this procedure and the forms described in paragraph III. (1).
- (3) If used as an alternative to corporate or individual sureties as security for a performance or payment bond, the offeror/Contractor may submit an ILC with an initial expiration date estimated to cover the entire period for which financial security is required or may submit an ILC with an initial expiration date that is a minimum period of one year from the date of issuance. The ILC shall provide that, unless the issuer provides the beneficiary written notice of non-renewal at least 60 days in advance of the current expiration date, the ILC is automatically extended without amendment for one year from the expiration date, or any future expiration date, until the period of required coverage is completed and the Contracting Officer provides the financial institution with a written statement waiving the right to payment. The period of required coverage shall be:
 - (a) 90 days following final payment; or
 - (b) For performance bonds only, until completion of any warranty period.



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- (4) Only federally insured financial institutions rated investment grade or higher shall issue or confirm the ILC. The offeror/Contractor shall provide the Contracting Officer a credit rating that indicates the financial institution has the required rating(s) as of the date of issuance of the ILC. Unless the financial institution issuing the ILC had letter of credit business of at least \$25 million in the past year, ILC's over \$5 million must be confirmed by another acceptable financial institution that had letter of credit business of at least \$25 million in the past year.

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