

**2023-09-07**

Use this Section to specify security for performance of the contract and for payment of claims for labour and material, when the estimated contract cost is between \$100,000.00 and \$250,000.00 inclusive.

It is Infrastructure policy to specify bid security, contract performance security and security for payment of claims on all contracts whose estimated value is \$100,000 or greater. Project specific exceptions may be made in special circumstances where an exception may be in the department's interests. Consult with the department's Procurement Section if an exception may be appropriate.

It is also Infrastructure policy to permit "cash" security as an alternative to surety bonds when the estimated contract cost is between \$100,000.00 and \$250,000.00 inclusive. This Section provides for "cash" alternatives to surety bonds, in the form of a certified cheque, bank draft or irrevocable letter of credit.

This Master Specification Section contains:

- .1 This Cover Sheet
- .2 Specification Section Text:
  - 1. Acceptable Forms of Contract Security
  - 2. Surety Bonds
  - 3. Certified Cheque or Bank Draft
  - 4. Irrevocable Letter of Credit
  - 5. Contractor Default

Editing: Use this Section as is, do not modify in any way.

**2023-09-07**

**Section 00 61 13  
Contract Security**

**Changes made in this Section Update (2023-09-07):**

1. Article 2.1.3: Updated link to 00 61 90B-A eForm.

**1. ACCEPTABLE FORMS OF CONTRACT SECURITY**

.1 The Contractor shall provide contract security to the Province, to ensure the Contractor's performance of the Contract and payment of labour and materials used in the performance of the Work. Acceptable forms of security include:

- .1 surety bonds,
- .2 certified cheque,
- .3 bank draft, or
- .4 irrevocable letter of credit.

**2. SURETY BONDS**

.1 If the Contractor wishes to provide contract security in the form of surety bonds, the following conditions apply:

- .1 Submit to the Province, within 15 Days after date of issuance of a letter of acceptance of bid:
  - .1 a performance bond in the amount of 50% of the Contract Price, and
  - .2 a labour and material payment bond in the amount of 50% of the Contract Price.
- .2 The performance bond shall be in accordance with the Canadian Construction Documents Committee (CCDC) Standard Form of Performance Bond, CCDC Document No. 221.
- .3 The labour and material payment bond shall be the latest edition of the Government of Alberta standard form of **Labour and Material Payment Bond**, Form number **00 61 90B-A eForm**. An electronically fillable version of the form can be downloaded from:  
<https://www.alberta.ca/contractor-forms-owned-infrastructure#jumplinks-0>
- .4 Bonds shall be issued by a duly incorporated surety company authorized to transact business of suretyship in the Province of Alberta.
- .5 Consign bonds to "His Majesty the King in right of Alberta, as represented by the Minister of Infrastructure".

**3. CERTIFIED CHEQUE OR BANK DRAFT**

- .1 If the Contractor provided bid security in the form of a certified cheque or bank draft, and unless the Contractor promptly notifies the Province that the Contractor wishes to provide contract security in the form of surety bonds or an irrevocable letter of credit, the Province will cash the certified cheque or bank draft provided as bid security and retain those funds as contract security.
- .2 If the Contractor provided bid security in the form of a bid bond and wishes to provide contract security in the form of a certified cheque or bank draft, submit to the Province, within 15 Days after date of issuance of a letter of acceptance of bid, a certified cheque or bank draft in the amount of 10% of the Contract Price.
- .3 If the Province holds contract security funds from a certified cheque or bank draft, the following conditions apply:
  - .1 The Contractor may request:
    - .1 release of 50% of the contract security funds six (6) months after the date of the Province's acceptance of the Work, and
    - .2 release of the remainder of the contract security funds after expiry of the warranty period.
  - .2 The Province will release the contract security funds upon request, provided the Contractor is not in default of its warranty obligations or other obligations under the Contract at the time of the request.

**4. IRREVOCABLE LETTER OF CREDIT**

- .1 If the Contractor wishes to provide contract security in the form of an irrevocable letter credit, the following conditions apply:
  - .1 Submit to the Province, within 15 Days after date of issuance of a letter of acceptance of bid, an irrevocable letter of credit in a form acceptable to the Province.
  - .2 If the Contractor submitted bid security in the form of a certified cheque or bank draft, the Province will return the bid security to the Contractor upon receipt of an irrevocable letter of credit in a form acceptable to the Province.
  - .3 The letter of credit shall be provided by a chartered bank as listed in the Bank Act (Canada) or by ATB Financial.
  - .4 The letter of credit shall be in the amount of 10% of the Contract Price.

- .5 The expiry date of the letter of credit shall be one year after the Contract completion date specified in the Contract.
- .6 The letter of credit shall be irrevocable. Partial drawings shall be permitted.
- .7 The letter of credit shall provide for payment to the “Government of Alberta”.
- .8 The letter of credit shall provide that claims shall be honoured on presentation by the Province, without inquiry by the bank as to whether the Province has a right to make a claim, and without recognizing any claim of the Contractor, subject to the terms and conditions of the letter of credit being complied with.

**5. CONTRACTOR DEFAULT**

- .1 If the Contractor:
  - .1 is, and is declared by the Province to be, in default under the Contract, or
  - .2 fails to make payment for all labour and material used or reasonably required for use in the performance of the Contract,the Province, without prejudice to any other right or remedy he may have, may:
  - .1 request the surety company to honour its bond obligations,
  - .2 convert to his own use all or part of the contract security provided in the form of a certified cheque or bank draft, or
  - .3 make a claim on the irrevocable letter of credit for all or part of the amount provided.

**END OF SECTION**