

SAMPLE LETTER OF CREDIT

APPENDIX I

(Bank Letterhead)

IRREVOCABLE LETTER OF CREDIT

Date

Letter of Credit No.

Town of Freeport
30 Main Street
Freeport, Maine 04032-1209

Gentlemen:

We, [Name of Bank](the "Bank"), hereby open our Irrevocable Letter of Credit in favor of the Town of Freeport (the "Town") in the original amount of _____ (\$)
for the account of [Developer] (such amount is herein called the "Stated Amount").

We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions hereinafter set forth, by a sight draft in the aggregate amount not exceeding the Stated Amount. Partial drawings under this Letter of Credit are permitted.

Subject to the foregoing and the further provisions of this Letter of Credit, a demand for payment may be made by you by presentation of your sight draft, accompanied by your certificate in the form of Annex A hereto to the effect that [state conditions secured by Letter of Credit: for example, "Developer has failed to complete construction of (name of project), as approved by the Freeport Project Review Board, prior to required completion date."]

A sight draft under this Letter of Credit must bear on its face the clause:

"Drawn under Letter of Credit Number _____"

The demand for payment hereunder shall not exceed the Stated Amount.

Demand for payment under this Letter of Credit may be made prior to expiration at any time during the Bank's business hours at its office at [Bank address] on a day on which you and the Bank's office are open for the purpose of conducting commercial banking business (a "Business Day"). Any demand for payment and all other communications to the Bank relation to this Letter of Credit shall be in writing and addressed and presented to [Bank officer], as its office at [Bank address] and shall make specific reference to this Letter of Credit by number. If demand for payment is made by you hereunder before 4:00 P.M., prevailing time, on a Business Day and provided that such demand for payment conforms to the terms and conditions hereof, payment shall be made to you of the amount demanded, in immediately available funds not later than 10:00 A.M., prevailing time, on the next succeeding Business Day.

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The Town agrees that periodically upon completion of required improvements, the applicant may request in writing to the Town a reduction in the amount of the performance guarantee to reflect satisfactory completion of such items. Requests for reductions may be made no more than monthly and are subject to review and approval by the Town.

This Letter of Credit, including the attached Annex A. sets forth in full the terms of our undertaking and this undertaking shall not in any way be amended or amplified by reference to any document, instrument, or agreement referred to herein (except the Uniform Customs defined below) or to which this Letter of Credit relates and, in any such reference, shall not be deemed to incorporate herein by reference any document, instrument or agreement.

This Letter of Credit is not transferable.

Except as otherwise expressly stated herein, this Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication Number 500, and any subsequent revisions thereof approved by the International Chamber of Commerce (the "Uniform Customs"). As to matters not governed by the Uniform Customs and as to the obligations of the Bank upon presentation of a sight draft by the Town, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of Maine.

This Letter of Credit shall expire on the Bank's close of business at its office in [Bank address] on the earlier to occur of:

- (a) 4:00 P.M., Prevailing Time, on [at least 30 days after deadline for completion of improvements] or, if that date is not a Business Day, on the first Business Day after that date; or
- (b) the date on which we receive a certificate from the Town that no amounts are due [under stated conditions.]

Very truly yours,

Bank

By: _____
Title

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ANNEX A

(To Letter of Credit Number _____)

Certificate of the Town of Freeport

[Bank]

Attention: [Bank]

Re: Irrevocable Letter of Credit Number _____

Gentlemen:

The undersigned, being duly authorized officer of the Town of Freeport, hereby certifies to [Bank] as follows:

- A. The amount of \$ _____ is due and payable to the Town of Freeport because [state conditions in default].
- B. The undersigned is making demand for payment under the Letter of Credit identified above in the amount of \$ _____.

IN WITNESS WHEREOF, the undersigned, a duly authorized officer of the Town of Freeport, has executed and delivered this Certificate this ____ day of _____ 200 ____.

TOWN OF FREEPORT

By: _____
Its
Duly Authorized