



An irrevocable letter of credit is one method that may be used to ensure that a municipality does not become responsible for the costs of installing services to a new subdivision should the work not be completed pursuant to the terms of a servicing agreement prepared under section 172 of *The Planning and Development Act, 2007*.

A letter of credit must be:

- a) irrevocable;
- b) payable to the municipality;
- c) in an amount adequate to cover all the costs for installing all the services;
- d) be in a form satisfactory to the municipal solicitor.
- e) be addressed to municipality;
- f) be issued by any of the following:
  - Schedule I, II or III bank,
  - Canadian incorporated trust company, or
  - Credit union incorporated in Saskatchewan (confirmed by Credit Union Central);
- g) be on letterhead of financial institution;
- h) contain the full name and address of financial institution;
- i) contain the full name and address of developer;
- j) provide the parcel number and legal land description of the land being subdivided;
- k) state the amount of letter of credit;
- l) specify an expiry date before which the letter of credit cannot be revoked;
- m) state that the municipality is not required to present the original of the letter of credit to receive payout;
- n) agree to pay to municipality a part or all the total amount, on behalf of developer, when demanded by the municipality;
- o) state that the letter of credit may be reduced from time to time by written notice from municipality;
- p) state that letter of credit can be called on at any time without proof provided to financial institution that conditions for forfeiture exist; and
- q) contain an “evergreen clause” such as:  
*“This letter of credit shall be deemed to be automatically extended on an annual basis without any formal amendment unless 30 days prior to the present expiry or any future expiry date as automatically extended, we shall notify you in writing that we elect not to extend the letter of credit for any further period and at the same time forward to you, together with such written notice of election, a bank draft payable to the municipality holding the letter of credit in the total amount stated above less any amount previously paid under this letter of credit.”*

A sample letter is shown on page 2.

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More information about zoning, subdivision and servicing agreements is available from:

#### Northern Saskatchewan & Central Regions

Ministry of Municipal Affairs  
Community Planning  
Room 978, 122 Third Avenue North  
SASKATOON SK S7K 2H6  
Phone: (306) 933-6937 Fax: (306) 933-7720

#### Southern Region

Ministry of Municipal Affairs  
Community Planning  
420 - 1855 Victoria Avenue  
REGINA SK S4P 3T2  
Phone: (306) 787-2725 Fax: (306) 798 -0194

For subdivision application forms and additional detail look for Community Planning and Land Use under the Program and Services link at:  
[www.municipal.gov.sk.ca](http://www.municipal.gov.sk.ca)

**Sample Letter of Credit**  
**Financial Institution Letterhead**  
**Name/Branch/Address**

Letter of Credit No.: \_\_\_\_\_  
Total Amount: \_\_\_\_\_  
Date: \_\_\_\_\_  
Developer: \_\_\_\_\_  
Parcel No. \_\_\_\_\_

To: Name and Address of Municipality \_\_\_\_\_

**UNCONDITIONAL IRREVOCABLE LETTER OF CREDIT**

We hereby authorize you to draw on **(name of financial institution)** \_\_\_\_\_ for account of our customer, **(name of developer)** \_\_\_\_\_, of **(full address)** \_\_\_\_\_ up to an aggregate amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) available by your written demand as follows:

Pursuant to the request of our customer, the said **(name of developer)** \_\_\_\_\_, we, the **(name of financial institution)** \_\_\_\_\_ hereby establish and give to you this unconditional irrevocable Letter of Credit in your favour in the total amount of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) which may be drawn by you at any time, without presentation of the original of this Letter of Credit.

From time to time, upon written demand for payment made upon us by the Municipality, we shall honour such demand without proof provided to us provided that you are to deliver to us at such time a written demand for payment executed by the Municipality, stating that the monies drawn pursuant to this Letter of Credit are to be used to perform outstanding obligations of our said customer in regard to a servicing agreement dated \_\_\_\_\_, 20\_\_\_\_ affecting the following land: \_\_\_\_\_.

Partial drawings hereunder are permitted.

It is understood and agreed that our obligation under this Letter of Credit is to pay money only and not to perform or cause to perform any of our customer's obligations in the said servicing agreement.

The amount of this Letter of Credit may be reduced from time to time on written notice to us by you.

This Letter of Credit shall be deemed to be automatically extended on an annual basis without any formal amendment unless 30 days prior to the present expiry date or any future expiry date as automatically extended, we notify you in writing that we elect not to extend the Letter of Credit for any further period. At the same time, we will forward to you, together with such written notice of election, a bank draft payable to the Municipality in the Total Amount stated above less any amount previously paid under this Letter of Credit. This Letter of Credit is irrevocable up to the present expiry date and any future expiry date, as automatically extended.

Written demand must be presented to us no later than close of business on the expiry date or renewed expiry date, as the case may be.

The written demands drawn hereunder shall state on their face that they are drawn on **(name of financial institution)** \_\_\_\_\_, Letter of Credit No. \_\_\_\_\_.

\_\_\_\_\_  
Authorized Signing Officer - Date: \_\_\_\_\_

**Revise as Required to Suit Situation**

**Have Draft reviewed by Municipal Solicitor**