Office of the Insurance Commission and acceptable to PPA or a combination thereof as may be required by PPA, in accordance with the following schedule:

a. *Cash, manager's check, cashier's check, irrevocable letter of credit, bank draft - five percent (5%) of the total contract price*

b. *Bank Guarantee - ten percent (10%) of the total contract price*

c. *Surety Bond - thirty percent (30%) of the total contract price*

4.02 This performance security shall be posted in favor of PPA, and shall be forfeited in favor of PPA in the event it is established that the CONTRACTOR is in default in his obligation there under.

4.03 In the execution of the performance security, the following conditions shall be complied with:

a. It shall be executed in accordance with the form as prescribed in Section 4.01 hereof.

b. It shall be at least co-terminus with the final completion of the project.

c. The following provisions shall form part of the performance security: *"The right to institute action on the penal bond pursuant to Act No. 3688 of any individual firm, partnership, corporation and association supplying the CONTRACTOR with labor and material for the prosecution of the work is hereby acknowledged and confirmed."*

4.04 Subject to the conditions of the Contract, the performance security may be released by PPA after the issuance of the Certificate of Completion and acceptance of the project, provided that there are no claims for labor and materials filed against the contractor or the surety company.

4.05 Should any surety upon the bond for the performance of this Contract become unacceptable to the PPA, the CONTRACTOR shall promptly furnish such replacement security as may be required from time to time up to the sum equal to the amount of the original surety.

4.06 The CONTRACTOR shall post an *additional performance security* to cover any cumulative increase of more than *ten percent (10%)* over the original value of the contract as a result of adjustments in unit prices, and/or change orders, extra work orders and supplemental agreements. The CONTRACTOR shall cause the extension of the validity of the performance security to cover approved contract time extensions.

4.07 In case of a reduction in the contract value and for partially completed works, under this contract which are usable and accepted by PPA, and the use of which in the judgment of PPA shall not affect the structural integrity of the entire project, PPA may allow a proportional reduction in the original performance security, provided that any such reduction is more than ten percent (10%) and that the aggregate of such reduction is not more than fifty percent (50%) of the original performance security.

FROILAN U. CATURLA
Acting Port Manager

ATTY. ROLDAN G. CALEJESAN
BAC Chairman

JENNYLYN T. SARAUS
OIC-Corporate Finance Services Chief

RACQUEL R. FRANCISCO
Witness

RAMIL M. RAMOS
President