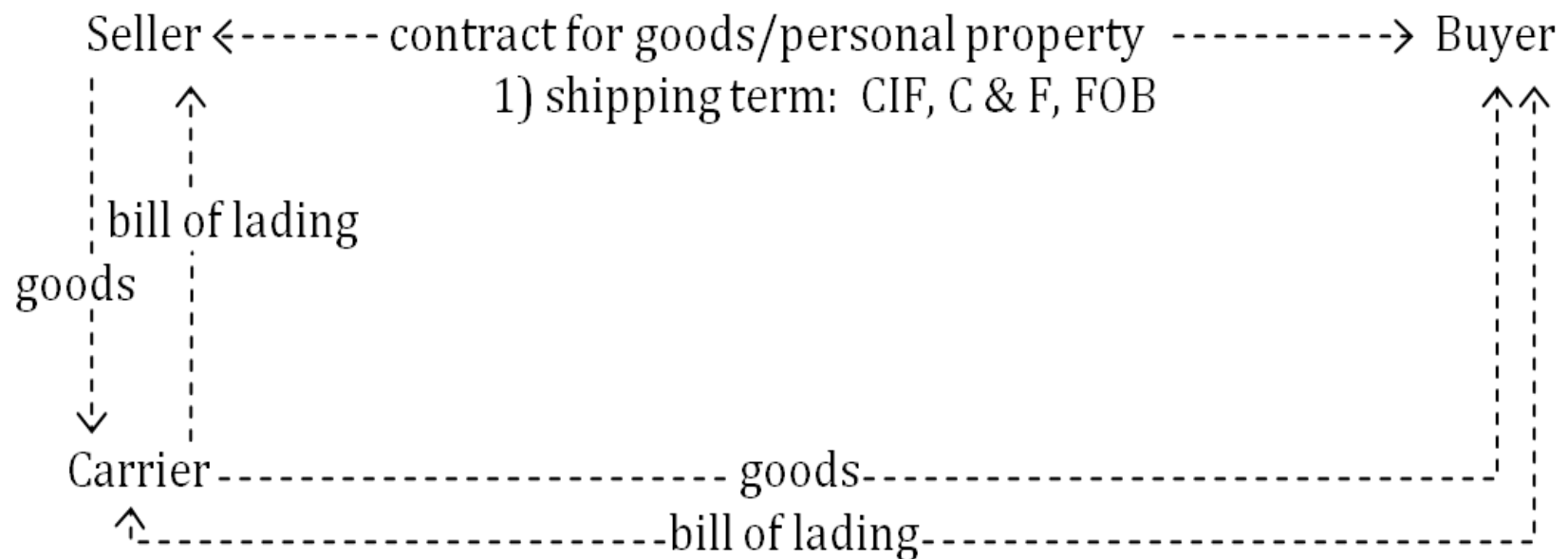


Face to Face Transaction

Seller <-----contract for goods/personal property-----> Buyer

Transacting at a distance



Commercial parties devised the documentary transaction as a means of replicating the face-to-face transaction with its inherent benefits.

DRAFT

No. 013

January 1 19 97

On March 1st, 1997

Pay to the
order of

Farmer

\$ 10,000

*****Ten Thousand*****DOLLARS

TO Omaha State Bank
Omaha, Nebraska

Grain Broker

Sight Draft

U.S. \$20,072.55

May 16, 2005

To: Commercial Bank of Greece, Athens, Greece
At Sight

Pay to the Order of Santa Claus Co., East Aurora, New York, Twenty thousand seventy two and 55/100 United States Dollars, for Value received.

Santa Claus Co.

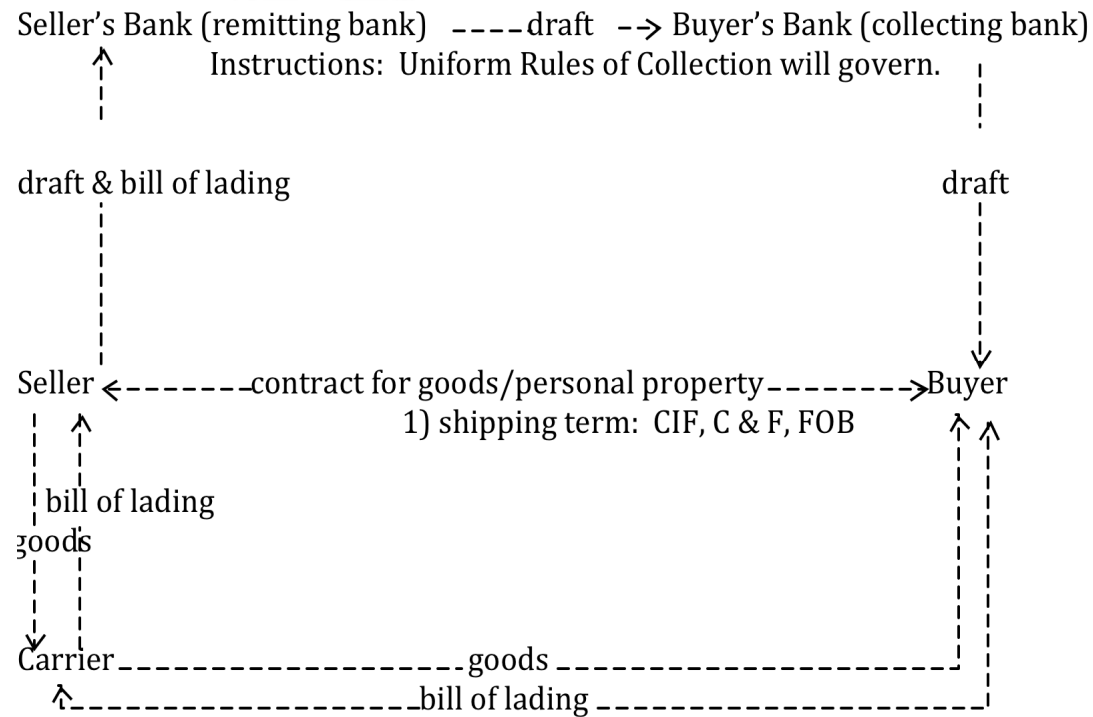
Rachel Smith
Export manager

Drawn under Letter of Credit No. 34576, confirmed by Marine Midland Bank-Western
Import Lic. No. 143210

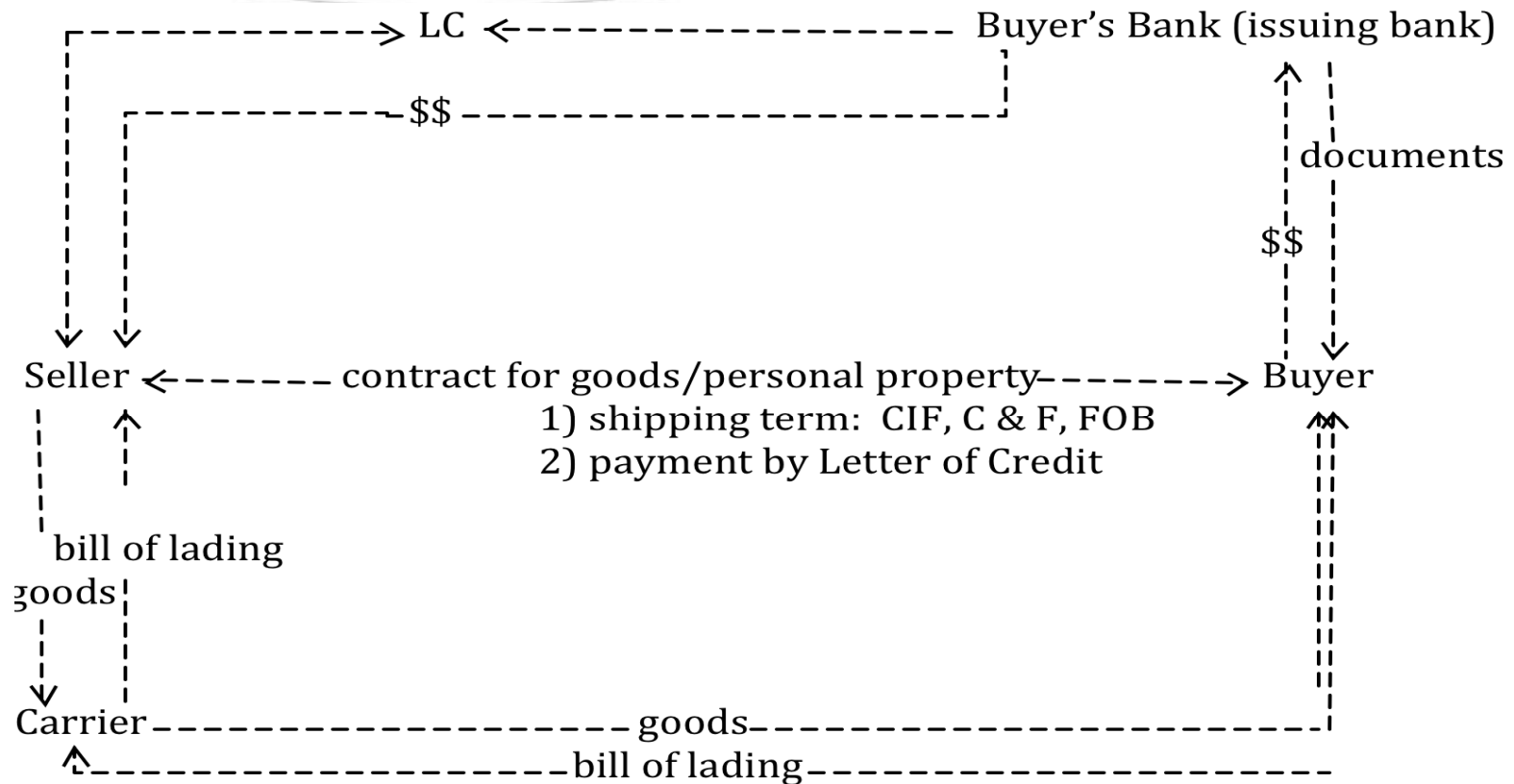
Time Draft

		January 1 19 97	
On March 1st, 1997			
Pay to the order of	Farmer	①	\$ 10,000
*****Ten Thousand*****		*****DOLLARS	
TO	Omaha State Bank Omaha, Nebraska	DATE	PAYABLE AT
		LOCATION	SIGNATURE
			Grain Broker

Documentary Collection



Letter of Credit Transaction



FORM 2-4
Commercial Letter of Credit

Banco do Brasil
18 Setor Bancario Sul
Rio de Janeiro, Brazil
Mr. Paulo Netto

GLOBO Products, S.A.
76 Rua Rui Barbosa
Rio de Janeiro, Brazil

July 5, 2010

Dear Mr. Netto:

We have been instructed by the Mid-America Bank of Worthington, Ohio, USA that it has opened an irrevocable credit in your favor in the amount of USD \$82,235 available by your sight drafts on the Mid-America Bank accompanied by:

1. Full Original Set On Board Negotiable Bills of Lading in triplicate endorsed to the Banco do Brasil, Rio de Janeiro Branch.
2. Insurance Policy covering marine risk at 110% of value.
3. Commercial invoice in triplicate issued by Globo Products covering:
 - 50,000 Christmas Lights in Red, Green, and Yellow
 - 5,000 White Angel Ornaments
 - 5,000 Candy Cane Ornaments
 - 5,000 Sparkling Red Bells
 - 10,000 Super Deluxe 18" Christmas Wreaths

All documents must indicate Letter of Credit No. 7151-C. All drafts must be marked "drawn under Letter of Credit No. 7151-C confirmed by the Banco do Brasil, Rio de Janeiro Branch." Drafts must be presented to us by no later than July 31, 2010.

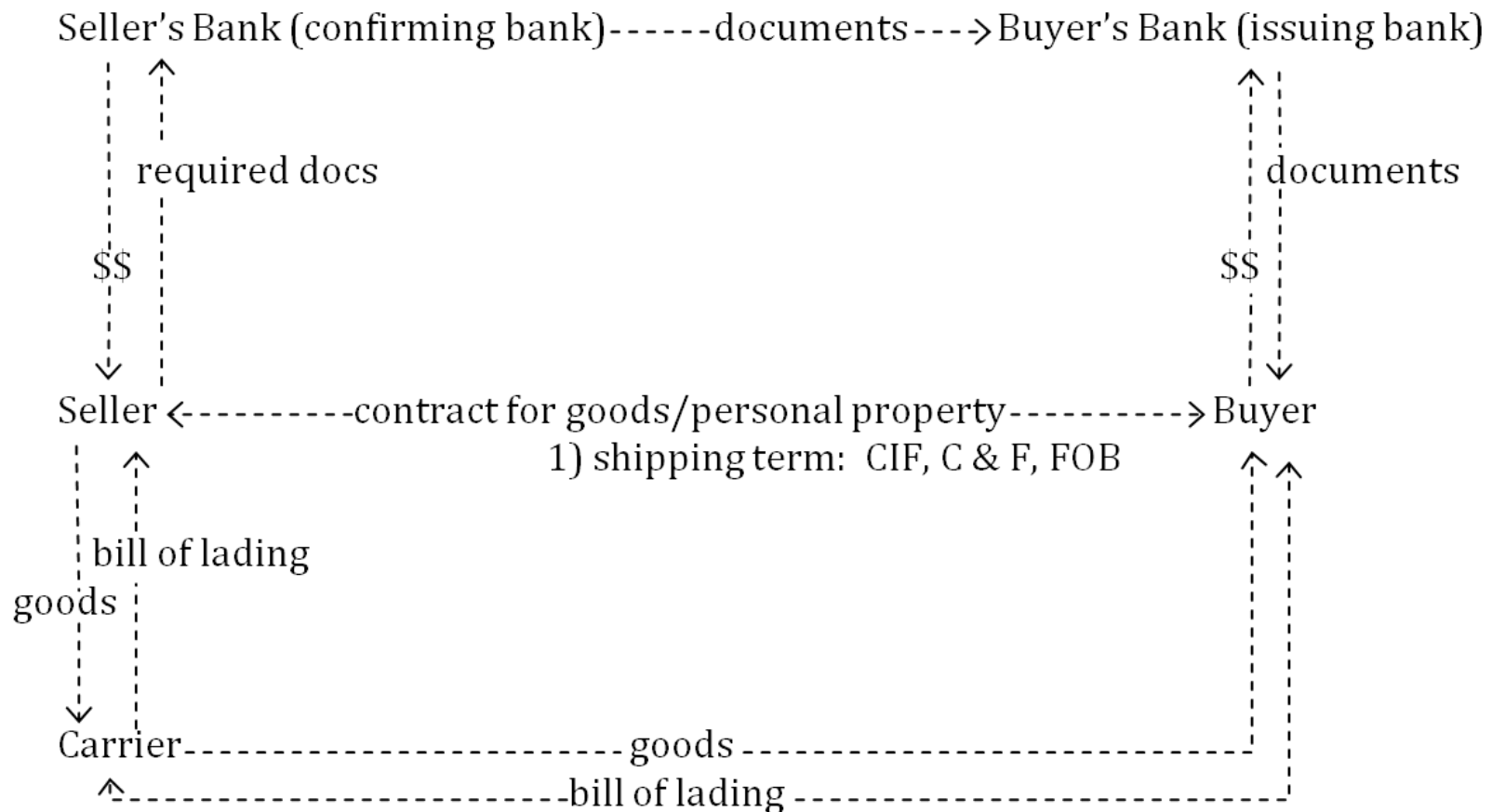
This credit is subject to the Uniform Customs and Practice for Documentary Credits (UCP 600) 2007 version, International Chamber of Commerce Publication No. 600.

We confirm the credit and hereby undertake to purchase all drafts drawn as specified above and accompanied by the documents so specified.

Sincerely,

Cesar Calmon
General Manager, International
Credit Dept.

Confirmed Letter of Credit



WHEN TO USE LETTERS OF CREDIT

- **HIGH RISK COUNTRY (CONFIRMED)**
- **MEDIUM OR LOW RISK COUNTRY (ADVISED OR “UNCONFIRMED”)**
- **HIGH RISK OR NEW BUYER**
- **CUSTOMIZED PRODUCT THAT WOULD BE DIFFICULT TO RE-SELL IN CASE OF BUYER DEFAULT**

Common Discrepancies

v General:

- L/C Expired
- Original L/C not Received
- Buyer / Seller's names do not match L/C
- Wrong # Original and/or Copies presented
- Late Shipment
- L/C Overdrawn
- Stale Documents
- Documents not signed
- Documents inconsistent with each other
- Documents Missing

Common Discrepancies

- v Draft:
 - Not Presented
 - Amount does not Match Invoice
 - Incorrect Tenor
 - Sight
 - xx Days Sight
 - xx Days Shipping Date
 - Not Signed
 - Not Endorsed
 - Not Drawn Properly

Common Discrepancies

- ✓ Commercial Invoice:
 - Description of Goods on Invoice vs. L/C
 - Shipping Terms not shown on Invoice
 - Not Signed / Legalized
 - Partial Shipment
 - Not Issued by Beneficiary
 - Applicant' s Name & Address not per L/C

Common Discrepancies

- ✓ Shipping Documents:
 - Capacity of Signer not Identified
 - All Originals not Presented
 - Not marked Prepaid/Collect
 - Not Endorsed
 - Consigned Incorrectly
 - Additional Merchandise
 - Alterations not Approved
 - On Board Notation Missing or Incomplete

Common Discrepancies

- ✓ Insurance:
 - Insufficient Coverage of Insurance (110%)
 - Required Risks
 - Dated after Ship Date
 - Not Endorsed
 - All Originals not Presented

Complications

✓ Discrepancies:

- **Void the L/C, and its Confirmation**
 - **Risk Non-Payment**
 - **Slows Down the Payment Process**
 - **Banks Deal in Documents; Not in Goods or Performance**

✓ Amendments:

- **Timely**
- **Costly**
- **Necessary if L/C does not meet your Needs**

Fraud Exception to Payment of Letters of Credit

UCC § 5-109

(a) If a presentation is made that appears on its face strictly to comply with the terms and conditions of the letter of credit, but a required document **is forged or materially fraudulent, or honor of the presentation would facilitate a material fraud by the beneficiary on the issuer or applicant:**

(1) the issuer **shall** honor the presentation, if honor is demanded by (i) a nominated person who has given value in good faith and without notice of forgery or material fraud, (ii) a confirmer who has honored its confirmation in good faith, (iii) a holder in due course of a draft drawn under the letter of credit which was taken after acceptance by the issuer or nominated person, or (iv) an assignee of the issuer's or nominated person's deferred obligation that was taken for value and without notice of forgery or material fraud after the obligation was incurred by the issuer or nominated person; and

(2) Unless otherwise agreed when documents appear on their face to comply with the terms of a credit but a required document is forged or fraudulent or there is fraud in the transaction