



Import Payment Instruments

In an effort to establish consistency in processing import documents for payment as well as enhancing compliance with US Customs and Border Protection regulations (and other governmental agencies), Lowe's has moved all payment mechanisms for imported product where LGS is the importer of record to be "bank assisted" instruments.

There are three banking partners (Bank of America, JP Morgan Chase & Bank of Montreal) providing consistent payment facilitation services (letters of credit and bank assisted open account). The review of open account invoices by the banks utilize experts in the import document process, establish consistent processing for all import transactions and leverages Lowe's headcount requirements despite tremendous import growth.

IMPACT TO VENDOR

Vendors are asked to select a preference for an LGS bank partner as well as confirm their payment method (letter of credit or bank assisted open account). The presentation of documents and payment will be facilitated through one of LGS' designated bank partners.

Please note:

- Vendors will be charged for discrepancy fees by the bank if documents are missing or not in compliance
- Vendors can establish electronic receipt of funds from the bank

The banking partners working with L G Sourcing, Inc. in this process are as follows:

- Bank of Montreal — Chicago and Hong Kong
- JPMorgan Chase — Chicago and Hong Kong
- Bank of America — Charlotte, Hong Kong and Taiwan

Representatives for each bank are listed below to help with the decision about which bank your vendors would like to use to process their L G Sourcing, Inc. payment documents.

Any changes to banking partner relationships and/or payment processes must be communicated a minimum of 30 days prior to the expected transition.

Further information about the various payment methods is provided below.

Your cooperation is appreciated.

If you have any questions, please contact email box ImportAdmin@Lowes.com or Kelly Witherspoon (336-658-7368)



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Import Payment Structures

Letter of Credit

The Letter of Credit, or LC, is an irrevocable agreement that can be utilized as a compliance vehicle on certain items for LGS as well as collateral for the vendor to be able to finance his production. This document is produced by the bank and delivered to the “beneficiary” (vendor) either via their own bank or directly (vendor’s discretion). This has been the primary vehicle of import financial transactions up to this point in time.

Information:

- A. Payment decisions are made based solely on the presentation and examination of documents at the bank where a LC is issued. LGS has basic documentation requirements that are placed in a letter of credit issuance. Any requirement that the bank is expected to examine must state what document it must appear on. Any statements made in the letter of credit without this stipulation is just that – a statement. Payments (or promise of payment) are usually made while the vessel is en route. The bank makes the payment to the vendor from funds that LGS has transferred or made available to their account.
- B. Any changes to the items on the LC after issuance (especially cancellation) requires the agreement of the vendor, as they must accept any amendment initiated.
- C. LGS LC’s are transferable-meaning that the vendor can transfer all or a portion of the LC to a third party (mostly factories). This is normally done with vendors that are U.S. representatives of overseas operations. The factory (or third party) will present the majority of the documentation required while the initial LC recipient can only substitute an invoice. If your vendor is specifically requesting a transferable LC, then it is likely that they are letting the factory produce the product, ship it and then simply substituting an invoice with the documents at a higher value than the factory invoice.
- D. LC’s always have expiry dates. Normally, the longest time for expiration of any financial instrument with LGS is 21 days from shipment (dependent on where the facilitating bank is located and the type of shipment-Full container load or Consolidated). These time constraints are in place to assist with getting accurate costs applied to the purchase orders. This expiry will relate to the last ship date of the purchase orders included in any given LC. This expiry does not mean that the vendor cannot still be paid. It simply means that if the documents are not presented prior to the expiry date, then they are automatically discrepant and payment to the vendor requires a waiver from Import Administration department.
- E. If documents presented are in full compliance with all terms requested, payment is made. Otherwise, any discrepancies are forwarded to Import Administration for review and resolution prior to payment being approved.



Bank Assisted Open Account

- A. The vendor receives a document very much like the letter of credit including instructions for what documents to present, what they must say, etc.
- B. Documents are checked only for criteria that LGS specifically requests based on purchase order data electronically processed to the bank. The bank will notify Import Administration of any discrepancies/variances from data provided and payment decision is made.
- C. This is closer to open account processing with the availability of the vendor being able to be paid in his own currency (their choice), at their own bank or via check, in their own country within the same time frame as an LC.
- D. Pre-export collateral is not available with this instrument. Any vendor financing is negotiated outside the instrument.

Payments with Dating/Terms

Letter of Credits whose payment terms are other than sight have an impact on the credit lines for LGS at the banks. Once documents are approved for payment—this is defined as an Acceptance. There is a cost associated with this acceptance creation as well as a cost related to the # of days the item will be outstanding until LGS pays the bank. Charges from the banks for any negotiation of payments for purchase orders under Letters of Credit that require payment terms other than “sight” will be at the cost of the vendor. These costs should be considered during negotiation of price, payment terms and payment type with vendors.

Bank Assisted Open Account whose payment terms are other than sight do not impact the LGS credit line. There is no creation of an acceptance and therefore no additional cost for these terms. If the vendor chooses to “discount” (accept a lowered payment from the bank to be paid earlier than the due date of funds from LGS), any charges related to this process will be for their account. However, these costs as well as the cost of money should be taken into consideration during the product price negotiation process.

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Import Administration questions can be emailed to:
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