**CREDIT POLICY – JANUARY 31, 2014**

**PURPOSE:**

The extension of credit terms represents an opportunity to increase existing business and / or generate new business and build customer relationships while at the same protecting our substantial investment in accounts receivable. Our policy is to provide credit to applicants that represent a prudent credit risk.

**GOAL:**

Our goal is to limit bad debt expense to 0.2% of sales, (10% of net income), maintain an average accounts receivable turn of 39 days and limit accounts receivable more than 30 days past due to 5% of the total outstanding balance.

**CREDIT RESPONSIBILITY;**

The credit department reports to the Corporate Controller. The Credit Manager is responsible to for all functions relating to the extension of credit, collections and cash application. The credit manager may establish credit limits up to and including $50,000. Credit limits in excess of $50,000 must be approved by the Corporate Controller. Credit limits in excess of $100,000 must be approved by the Chief Financial Officer.

In the event the Credit Manager puts an order on hold because of credit problems, the Vice President of Sales may appeal to the Corporate Controller or Chief Financial Officer to release the hold. If consensus cannot be reached the decision will be referred to the President for a final decision.

When the normal collection activity is exhausted, the Credit Manager may recommend use of a Collection Agency. The Controller or Chief Financial Officer will approve such requests. The Vice President of Sales will be notified before the account is turned over to a Collection Agency.

**ESTABLISHING CREDIT:**

The credit process begins when the prospective customer submits a completed and signed credit application. Upon receipt the credit department will run a Cortera Credit Report and potentially check credit references. The Cortera Credit Report will be the primary tool used for credit analysis. To maintain fair and consistent credit decisions the following criteria will determine credit worthiness:

|  |  |  |
| --- | --- | --- |
| **CURRENT CPR SCORE** | **PAYMENTS RISK** | **CREDIT WORTHY** |
| 500 - 900 | 4 - 6 | YES |
| 400 - 500 | 3 | MAYBE |
| BELOW 400 | BELOW 3 | NO |

Applicants whose score falls into the 400 – 500 CPR Score / 3 Risk will be evaluated further by checking trade references and a bank reference. To the extent all references come back positive credit will be extended for a conservative amount and monitored closely for compliance with credit terms and limit

The Credit Manager’s determination of credit terms will be communicated to the Vice President of Sales and the Saleman. To the extent credit is not extended the Credit Manager will state the reason to both the Vice President of Sales and the Salesman. The Salesman may ask the Chief Finacial Officer to contact a Company representative to work out a credit arrangement. If an agreeable structure cannot be arranged, the President will have final authority to extend credit.