

ABC Company of Arizona Credit Policy

Rev 11-2019

Mission:

The Credit Department is responsible for maintaining a high quality of accounts receivable while selling to all customers that represent prudent credit risks. We will provide flexible mechanisms to protect our substantial receivable investment.

Goals:

Our goals are to minimize credit losses and to reduce as much as possible accounts receivable in excess of 120 days beyond terms. We will visit customers whenever necessary and strive to resolve all disputes and past due account issues before these become 90 days beyond terms.

Organizational Responsibilities:

The Credit Manager reports directly to the President. Functions include the approval of new applications for credit, application of payments, establishing credit limits, monitoring collection of receivables, and approving any deductions including waiver of finance charges. In addition, the conversion of seriously delinquent accounts to secured promissory notes.

The Credit Manager establishes all credit limits. If credit privileges are withdrawn from a customer, it is our policy to advise sales personnel of the decision.

When accounts cannot be collected with normal means, the Credit Manager may refer accounts to a Collection Agency or attorney. If appropriate, other means such as conversion to a secured promissory note may be used. The Credit Manager negotiates and approves settlements when appropriate.

Credit Evaluation:

The Credit Manager establishes credit limits for all active customers. Such limits are based on trade information and financial statements when necessary.

The Credit Manager reviews larger limits on a periodic basis. All limits are subject to revision, based on changing levels of credit worthiness. Individual orders are referred to the credit department when an account is over its limit or 90 days past due, and an effort is made to resolve such problems. If satisfactory arrangements cannot be made, the order is withheld.

Collection:

We strive to have a consistent and courteous approach to collection. All customers are contacted when they are 90 days past due. If there is no response, further appropriate action, at the discretion of the Credit Manager may be taken.

In the case of bankruptcies, the Credit Department files proofs of claim. The department represents our company with creditor committees and coordinates activities with attorneys.

Terms of Sale:

Terms have been established as Net 30 days. All credit worthy customers are expected to pay within this period. Any exceptions must be based on competitive practices in accordance with established procedures or industry specific standards. An account must be in good standing in order to qualify for any policy exceptions.

All accounts that exceed 90 days beyond terms will automatically be placed on credit hold. The Credit Manager may approve individual exceptions for good cause. Additionally, The Credit Manager may place accounts not yet 90 or more days beyond terms on credit hold for good cause. In either case, the Branch Manager and Salesperson assigned to the subject account(s) will be notified of the decision to place the account(s) on credit hold. Collaboratively, The Credit manager, Branch Manager and salesperson will determine who will contact the customer to inform the customer of the decision.

Receivable Maintenance and Service:

The Credit Department initiates the handling of all deductions promptly to assure quality receivables. Customer inquiries always receive immediate attention.

We are dedicated to behaving in a moral and legal manner. The sharing of business information and other credit matters will be in compliance with all applicable laws and ethical standards

This policy will be reviewed on an annual basis, and may be amended as appropriate.

Credit Evaluation

For any new customer, the appropriate sales representative will obtain a credit application. This will include a minimum of three trade references and telephone numbers, a bank, and the names of the principals. The sales representative will estimate the amount of credit which will be needed to service the customer within normal terms of sale. If the required credit limit is above \$50,000, a financial statement may also be obtained.

Incomplete credit applications will not be processed, at the discretion of the Credit Manager until the missing information is provided.

For credit limits under \$5,000, three trade references will be called. The credit manager will consider if the customer has demonstrated an ability and willingness to pay at the required level, and a judgmental decision will be reached. If enough information is not available, additional sources such as trade reports may be ordered.

For credit limits that are requested in excess of \$5,000, the credit department will always obtain a trade report from an appropriate business credit reporting agency. In the absence of derogatory information such as judgments or liens, an appropriate limit will then be established.

For any credit limit in excess of \$50,000, a financial statement will be required and reviewed. Considerations will include liquidity and debt capacity. In general, we will require positive working capital, a debt:equity ratio of no more than 3:1, and our limit will not exceed 25% of the applicants net worth.

If necessary, the credit department may rely on guarantees or Letters of Credit to complete sales.

If open terms cannot be justified, the customer will always be given the opportunity to purchase on a cash basis.

Special Situations and Exceptions

Normal terms offered are Net 30 days. At times, we may find that a customer is offered a longer set of terms by competition. This procedure outlines steps that we will take when a customer requests that we be competitive in this area.

The sales representative will confirm that different terms of sale are truly being offered by a competitor. We will not initiate non-standard terms, but we will consider meeting competitive practices.

The Branch Manager will review the request and determine if marketing factors justify granting this request.

The Credit Manager will make a final decision. If the arrangement is approved, the Sales Representative will be instructed to notify the customer.

The Credit Department will take steps to adjust ageings and delinquency letters to reflect new arrangements. The department will monitor the account to be sure that the special arrangement is followed.

Approvals:

President/CEO _____

Date _____

CFO/Treasury _____