

COMPANY CREDIT POLICY

PURPOSE

To define the requirements for establishing and maintaining credit lines and payment terms for Progressive Materials customers. This policy also provides alternative payment requirements for accommodating sales to customers who do not qualify for credit with Progressive Materials.

SCOPE

This Policy applies to all sales of Progressive Materials products to customers. All departments within Progressive Materials responsible for the sale, marketing, contract approval, order acceptance; scheduling and shipment of products must adhere to the policy and guidelines below.

POLICY

In order to facilitate the flow of orders and shipment of products, it is Progressive Materials Policy that credit will be extended to all customers who demonstrate both the ability to pay and history of timely payments of debts. Credit limits will be determined by comparing the following averages: customer's working capital, average credit limits granted by trade references and customer credit line needs. The credit department will evaluate all new customers to determine what payment terms and methods will be required and what level of credit will be established.

The credit department will also periodically review and re-evaluate payment terms and credit lines of existing customers to support new customer requirements and to manage risk as financial and business conditions change. In its day-to-day operations, the credit department will consistently adhere to all company policies regarding fair and equitable treatment in customer communications and relations.

RESPONSIBILITY

The credit manager is responsible for managing the credit review and approval process and accounts receivable balance to minimize collection exposure in accordance with the overall corporate operational and financial objectives.

It is the responsibility of the credit department to authorize all communications with the customers regarding credit acceptance status, credit line value, and payment terms and methods.

The credit department will authorize all communications with the customers and determine which financial information is required, and what dollar credit limit will be approved.

The sales department is responsible for ensuring that the credit application form is submitted to the credit department by a prospective new customer, in advance of order acceptance. The Sales representative also is responsible for instructing the customer regarding the respective roles and requirements of the credit, order administration and sales departments for introducing the customer to the appropriate representative of these departments.

GUIDELINES

A. Credit Lines and Payment Terms

A credit evaluation is performed by the Credit Department in order to recommend a credit line, payment terms, and any other conditions of sale specific to the customer. The proposal is submitted via analysis completed and signed off by the appropriate signature levels. Once approved an E-mail informing the Sales Representatives will be sent out, informing all of the appropriate people involved for shipment.

The standard form of credit is an open credit line without a secured interest. Based on the credit evaluation, the credit department has the discretion to require some tangible form of security in order to continue the credit approval process. The additional security requirements can include, but are not limited to, any of the following:

- a) Irrevocable letter of credit
- b) Personal guarantee of owners or principals

The standard corporate payment terms of sale are net 30 days from date of invoice (product shipment) by company check. All customers are net 30-day terms. Prepayment discounts are not offered in the standard corporate payment terms.

Temporary situations can occur where the credit line is not adequate to cover the short-term business requirements. In these situations, it is up to the credit department who will work in conjunction with the President to recommend to the sales and shipping departments what action is required.

All other non-standard terms or conditions require approval from the President for all amounts over the Sales Managers authority level.

B. Alternatives to Credit

The result to the credit evaluation may be a denial of credit to a customer whose risk factors are assessed as too great or whose level of risk is indeterminable due to insufficient information or background history. The denial of credit does not constitute, and therefore will not be communicated as, a rejection of the customer.

Alternative payment terms that can be approved by the credit department and extended to these customers are:

- a) Cash In Advance (CIA) – payment is delivered to Progressive Materials and receipt of funds is confirmed by the credit department prior to operations release of the product shipment.
- b) Cash on Delivery (COD) – certified funds- payment is made directly to the freight carrier with a check certified by an approved bank of financial institution at the time the product is delivered to the customer.
- c) Credit Card (CC) – payment is made electronically using PayPal. Upon authorization and approval, product is delivered to the customer.

C. Credit Holds and Releases

The credit department can place an account or shipment on credit hold due to any of the following reasons:

- a) Credit Line is or will be exceeded
- b) Payments are overdue or inconsistent
- c) Customer faces financial hardship or operational setback
- d) Termination of the business relationship with the customer
- e) Any other reassessment of risk by the credit department

Due to the sensitive nature of credit hold status, only the credit manager or sales representative can communicate this condition to the customer.

The credit department will notify the sales representatives, in advance, of all pending shipments that are being put on credit hold. The credit department will begin to work with the sales departments to effectively resolve these issues immediately upon institution of the credit hold.

No orders or shipments with a credit hold status can be released without approval from the credit department.

D. Credit Card Payment Policy

- a) Payment by credit card may be made prior to material shipment with no additional fee.
- b) All credit card payments made after material shipment will incur a 3% transaction fee.

E. Restocking Policy

- a) A 20% restocking fee will be assessed to any order returned within 90 days of shipment of material.
- b) No material may be returned after 90 days of material shipment.