



## **Lacks Enterprises, Inc. Credit Policy**

The overall intent of establishing a credit policy for Lacks Enterprises, Inc. is to minimize credit risk through prudent analysis and communication. In today's challenging automotive supplier business environment, credit risk will be constantly present and the intent of establishing a credit policy for our organization is to assume **calculated credit risks** with respect to new and existing customer relationships in order to minimize cash collection issues.

- 1) Standard terms are net 30 days. In order for a sales team member to extend terms beyond the standard net 30 days, approval must be obtained from director of sales and vice president.
- 2) All new customers and significant new business with existing customers will need to be submitted to our credit risk underwriters (Euler Hermes) for credit review and approval. We will have the ability to exercise good business judgment and take on commercial relationships where the credit risk is uninsurable but we need to be armed with this information up-front and allow executive approval to override any rejections of credit insurance coverage.
- 3) We will commence using credit limits by customers to prevent extending credit beyond coverage and/or notify our A/R and sales teams that we need to seek additional credit coverage if available.
- 4) In the event that customer terms are extended beyond the standard net 30 day terms, the estimating team will build into the price quote for new jobs a "cost of money" factor based on expected payment beyond the 30 day timeframe. This will help quantify and capture the impact of credit risk assumption.
- 5) Upfront executive level approval is required for all directed source modifications from Tier 1 to Tier II/III customer/supplier relationships.
- 6) COD or advance payment terms to be directed by executive level when necessary based on financial and other subjective assessments.
- 7) The Lacks Enterprises, Inc. credit terms and conditions should be articulated in all sales quotes and communicated to customers with the expectation that these terms are included in purchase orders that we enter into with customers.