

SECTION 1 – CREDIT POLICIES AND PROCEDURES

This guideline highlights the generally accepted industry procedures used to achieve proficient administration of our accounts receivable. Emphasis is placed on the constant growth and change of proper credit, collection, and financing policies, as well as the assessment and control needed to ensure effective administration of the accounts receivable operation.

Accounts Receivable and Credit

The accounts receivable cycle begins with the company's decision to extend credit and ends when settlement is received in payment for the goods and/or services rendered. It is crucial that Tallard's accounts receivable credit, collection, and financing policies complement its overall marketing and sales objectives. The effective management of the credit function can maximize sales, which directly affect a company's bottom line, while the skillful collection of accounts receivable can lower the company's cost of financing.

Importance of Credit Policy

In as much as the application of credit policy affects several areas of the company (sales, inventory management, shipping, and accounting), all departments must understand the company's credit guidelines and apply them evenly. Credit decisions should be made as quickly as is consistent with sound judgment.

Credit Quality Standards

Credit quality standards have been incorporated to control the receivable risk by determining the possibility that a given customer will pay slowly or not at all. The standards determine the minimum financial strength required for a customer to be an acceptable credit purchaser. Some factors used in determining customer credit potential can be quantified to determine a likelihood of default. Although these probabilities are subjective, these assessments can provide fairly accurate estimation of default for each class of customer. The following are some of the standards:

- *Capacity.* Measures the customer's ability to pay obligations when due, and is based on the buyer's payment record. Ability to pay may be quantified by calculating the quick and current ratios, and the firm's net working capital. (Capacity measures for newly-formed businesses, i.e., doing business for one year or less, may have to be based on credit rating information available from external sources, and visits to the business).
- *Capital.* Represents the long-term financial means available if additional liquidity is required. The debt/asset ratio is considered because, by its nature, it is the relationship between what the customer owes and owns.
- *Conditions.* Refers to general economic tendencies and estimates, specific industry, political and technological conditions that may affect the customer's ability to pay and Tallard's disposition to grant credit.
- *Character.* Refers to the buyer's soundness as perceived by Tallard, and is a subjective judgment. This may involve a visit to the customer's place of business in order to have a better opportunity to appraise the company. Capital.

Credit Period

The credit period is the length of time credit is granted from invoice date to due date. It has a direct impact on the cost of financing receivables and also on collection risk. Whereas deviation from the standard may result from time to time and for one or more reasons, Tallard's traditional terms are between Net 30 and Net 45 days depending on current history and brand.

The date payment is deemed to be received is the date the payment arrives at our lockbox, and/or the day we deposit the funds (if payment comes directly to Tallard).

Credit terms

Tallard Technologies uses the following terms to transact business:

- *Prepay.* Prepaid terms are usually given to prospective customers who have not completed their application process, or do not have financial statements, or are not creditworthy (either because of their financial information or due to their payment history with Tallard). This means that the merchandise being purchased will not be shipped until such time as the payment is received and applied to the account. If the money received is insufficient, the customer will be notified and will have to send the balance due before the order is shipped.
- *C.O.D.* Cash on Delivery terms are to be used only with those customers using our wholesale accounts, and certain other customers who do not qualify for open terms, but have established a relationship with Tallard.
- *N15.* Payment is due within 15 days from date of invoice.
- *N30.* Payment is due within 30 days from date of invoice.
- *N45.* Payment is due within 45 days from date of invoice. (Note: Must obtain Credit Manager's approval before offering).
- Any current extended beyond 45 days needs to have expressed approval by the credit committee, CFO or the President.

- L.O.C. Letter of Credit will be used when necessary. Because there are numerous ways in which a letter of credit can be written, it is important that the Sales Department check with Credit so that the LOC can be written in a way that is advantageous to Tallard and our customer.

As a note, at any time Tallard may ask the customer for some type of security/collateral for a particular transaction or series of transactions in order to minimize its exposure.

SECTION 2 – Payment Methods

Tallard will accept the following payment methods from our customers:

- Wire Transfers
- Company Checks
- Credit Cards
- Letter of Credit

SECTION 3 – Políticas de Cobro

It is Tallard's policy to collect past-due accounts immediately once the account is past-due. Normally, we send each past-due customer an Account Statement every week so that they can reconcile their payables. This is always followed-up with a call from the Administrative Assistant - A/R, the Credit Supervisor, or the Credit Manager. Accounts that are past-due will be assessed a finance charge of 1.5% per month of the past-due balance. Shipments may be held up if the past-due condition is not cleared (including finance charges).

Generally speaking, accounts over 60-days past due are given to a collection agency or a law firm to collect. In actual terms, this will not happen if the lines of communication with the customer are open and they are responsive to our calls. Some situations will require special treatment and Tallard is always willing to work with customers who show a desire to pay but have run into financial difficulty.

Customers with overdue accounts will, occasionally, request further credit. In these special cases the Credit Department will determine how best to handle each situation on individual merit. We will evaluate the customer and what benefit can be derived from going through with the transaction. In such situations the following actions could be applied:

- Request immediate payment of the account,
- Withhold approval or refuse to ship further goods (or provide service) until all past due payments are made,
- Withhold approval until a partial payment is made, or
- Refuse further credit.

When, on occasion, one or more of these guidelines comes into conflict with a sale, the decision to ship or not will be made by the Credit Manager and/or CFO. As a rule, no merchandise is allowed to be shipped to a reseller whose account is past-due for more than 30 days, and/or has exceeded its line of credit. However, in keeping with our sales goals, sometimes exceptions are made and approvals are based on the individual merit of the sale itself, taking into account the relationship between the reseller and the end-user, who the end-user is, and the reseller's relationship with Tallard.

Customer Information required to establish a credit account

- 1) A business plan is submitted
- 2) A completed credit application, which includes at least two trade and bank references.
- 3) A complete set of financial statements for the last two fiscal years and most recent interim financial. The financial statements should preferably be audited.
- 4) A copy of your Articles of Incorporation, Apostille, or Corporate Registration.
- 5) A copy of last changes made to the Articles of Incorporation, Apostille, or Corporate Registration and/or minutes of Board Meeting affecting any corporate changes including legal representatives.
- 6) A customer number is assigned and set up in the Accounting System and with the following terms:
 - If the required sets of financial statements are submitted, and a preliminary review depicts good financial condition, a preliminary credit limit equal to no more than 20% of the average capital is given.
 - Credit and Bank references are sent out
 - Financial statements are spread
 - Credit reports requested
- 7) Once Financial spread, credit reports obtained and a majority of the trade/bank references are returned with a response, a final credit line/ terms is approved and communicated to the customer and the sales rep. A letter is sent to the customer.

- 8) In spreading the financial statements, we are looking for minimum ratio criteria. These minimum ratios are a bench mark for the company to use. Significant deviations are investigated by contacting customer and documenting responses.
- 9) Credit reports are reviewed and placed in customers file.
- 10) If a customer needs a credit limit greater then the amount their financial condition warrants, they would be asked to obtain a Standby Letter of Credit for the benefit of Tallard Technologies, Inc. for an amount equal to the excess of the line given.

Existing customers with established credit and terms requesting increase in line:

- 1) Request must be in writing and accompanied by their latest financial statements (Audited if possible). Frequency of financial reports is biannually.
- 2) Financial statements are spread and the same ratio criteria as for new customers are required.
- 3) Payment history on their account with us is reviewed for payment habits.
- 4) Sales manager is consulted for their input.
- 5) New credit/bank references is performed again.
- 6) Customer notified of outcome.

SECTION 4 – Others

On an ongoing basis, accounts with credits and terms are reviewed periodically and updated financial requested at least once a year. Accounts may be put on credit holds if they become overdue or if they reach or surpass their credit limit. A 10% over the limit extension may be approved by the Credit Manager and Credit Supervisor acting jointly. Finally the Credit Committee may act in this approval process.

Financial charges will be charged according to the policy. Forgiveness of finance charges can only be approved by Credit Manager, Controller, CFO or Credit Committee.

Credit Forms

[Form A](#)

[Form B](#)

[Form C](#)