

Kennewick
113 E. Columbia Dr.
Kennewick, WA 99336
(509) 582-5156
Fax (509) 582-515

Hermiston
80484 HWY 395 N.
Hermiston, OR 97838
(541) 567-3317
Fax (541) 567-2405

Sunnyside
615 Alexander Rd
Sunnyside, WA 98944
(509) 837-8304
Fax (509) 837-8302

La Grande
11400 Island Ave
La Grande, OR 97850
(541) 963-4622
Fax (541) 962-7121

Walla Walla
1219 W. Poplar
Walla Walla, WA 99362
(509) 529-5590
Fax (509) 529-1911

Caldwell, ID
1614 Industrial Wy
Caldwell, ID 83605
(208) 455-9646

CREDIT POLICY

MISSION:

It is the credit department's mission to maintain a healthy accounts portfolio by establishing guidelines for offering credit to new customers, maintaining current credit accounts with periodic reviews of credit limits and payment terms, and promoting payment arrangements for customers with sub-optimal credit history.

GOALS:

The credit department will develop its annual goals to review alignment with corporate and sales goals to help facilitate company stability and growth in response to local and global economy.

The credit department also has the following goals that will be reviewed annually:

1. Under 10% of all accounts listed as no payment as of due date
2. Automatic approval of all new accounts with credit score over 70
3. Under 7-day turnaround from application to open account for new customers
4. Under 10% of total past due amount over 90 days out
5. Timely filing of necessary paperwork for Job Accounting

ROLES & RESPONSIBILITIES:

Credit Manager is responsible for the review of all new applications to determine creditworthiness and offer of credit account, credit limit and terms. Credit Manager is also responsible for decisions to alter credit limits, terms and payment options for all current accounts. Credit Manager communicates issues with customer.

Credit Assistant is responsible for entering new accounts into software program, creating new files, posting payments, and maintaining customer files both paper and electronic. Minor adjustments to accounts are allowed by Credit Assistant. The assistant does not make any decisions on offers of credit and works under the direction of the Credit Manager.

All members of the A/R team handle past due letters, collection calls, communication with sales, and statements.

CREDIT EVALUATION POLICY:

Credit applications are processed by the Credit Manager. The review process is to determine the creditworthiness of applicants through third party information systems such as credit bureaus, industry trade groups, trade references, customer experience/history, applicant's financial information (as needed) and any other pertinent information available to the company. The offer of credit, terms, and credit limits are determined based on our evaluation of all of the above factors. New accounts are set up as Net 30 days. Requests for credit limits over \$50,000 must be reviewed by corporate officer.

All credit decisions are at the sole discretion of the company.

The following guidelines and processes are in place for applicants:

All applications must be completed in full for consideration of credit.

BUSINESS/CONTRACTOR APPLICATIONS: Applicants that have filled out a business credit application and signed personal guarantee will have both business and personal credit score ran during the review process. Business credit scores over 70 are automatically approved if there are no adverse actions against business such as bankruptcy, judgements, UCC filings, or other miscellaneous actions. Contractors must have a surety bond or savings in lieu of bond on file with their primary state of business. If no credit limit is requested, credit limit will be ½ of the surety bond amount or less. A reseller permit must be included in order to receive Tax Exempt Status at time of opening account.

Business applicants with under 70 credit score may qualify for credit if there is a personal guarantee and primary applicant has a personal credit score of over 700, also considering any adverse actions against both business and/or personal credit history.

Business applicants with a credit score between 50-70 with no personal guarantee will be reviewed for credit risk on a case-by-case basis. A small credit line may be offered with surety bond/savings to enable the customer to begin building credit again. The account can be reviewed within six months to a year to increase the credit limit if the payment history warrants an increase.

Business applicants with a credit score under 50 will be reviewed on a case-by-case basis to determine history of business, longevity in the community they serve, banking, and other credit references before offering credit.

Business applicants can also offer collateral, corporate or personal guarantee to increase creditworthiness.

Contractors who regularly work on jobs can request job accounting credit accounts, which entail a Credit Limit by Ship To (Per Job) but must submit job sheets for each unit of all jobs to A/R.

INDIVIDUAL APPLICATIONS: Individuals requesting credit terms will have personal credit score report pulled. Any applicants with a credit score over 750 will be automatically approved if there are no adverse actions on file. Individual accounts will generally not have a credit limit of more than \$2500.

Individuals with a credit score between 500-650 will be reviewed for credit risk and may be offered a small credit line up to \$1500; 651-750, a credit line up to \$2000; and over 750, a credit line up to \$2500.

Individuals with a credit score under 500 will only be offered a cash account with the option to be reviewed after 6 months to a year for better creditworthiness.

New accounts are set up as Net 30 days. Requests for credit limits over \$50,000 must be reviewed by corporate officer.

CREDIT REVIEW POLICY:

Existing customers credit accounts are reviewed regularly to ensure a healthy portfolio of customer accounts with credit application and personal guarantees reviewed as well. Credit limits, terms, and payment history are reviewed by credit department as well as requested by the customer. Customers continuously exceeding their credit limit will be asked if they would like their limit increased provided the account is in good standing.

Every two years, customer accounts are reviewed for accuracy and updated authorized purchaser list. Accounts that have failed to return credit application updates will be put on hold. This policy is in effect to protect both the company and the customers.

TERMS OF SALES POLICY:

Credit department will work with Sales department on individual invoices with special terms. These terms must be approved and included on the sales invoices prior to shipment/pickup of any product. Sales managers and credit manager can change the terms on the sales orders.

CREDIT CARD POLICY:

The company accepts credit card payments. Purchases at the counter with a credit card do not incur any fees. Payments received on account for Accounts Receivable balances incur a 2% fee for Mastercard/Visa cards and 3% fee for Discover/American Express. If customer has 2% discount terms and is paying with credit card within the discount time frame, the discount and fee will balance out so customer will just pay the invoice amounts.

DELINQUENT ACCOUNTS POLICY:

Past Due letters are sent out the middle of each month. Collection calls are completed for any accounts over 60 days past due.

Accounts with invoices over 90 days will be sent to collections and accounts will be put on HOLD until accounts are paid in full. Accounts with invoices over 60 days will be put on COD. Accounts on COD will not be allowed to purchase products on their account until account is brought current.

JOB ACCOUNTING: Customers with Job Accounting will be notified of any jobs that have gone 60 days without payment. Jobs that go over 75 days without payment will have a lien placed on the property and proceed with the lien process. Conditional and Unconditional Waivers are filled out only when the moneys have been deposited into the financial institution of the company.

jobs that have a long duration (over 270 days) anticipated will be set up with progress payments made to KIE to ensure accounts will stay current and customers do not get over 90 days out on any jobs. Joint check agreements can also be put in place with large jobs to ensure supplies are paid.

MERGERS, ACQUISITIONS, AND CHANGES IN OWNERSHIP POLICY:

When an account is sold or restructured, a new credit application must be filled out and submitted to company. Any outstanding balance of previous owner/operator must be cleared up prior to the new account being opened under the new name/operators/FIN number.

TAX EXEMPTION POLICY:

Federal, state, local government as well as nonprofit or not for profit organizations are exempt from sales tax. Any other account must submit a state recognized tax exemption form to be exempt from sales tax (i.e. reseller permit or farmers exemption form). The credit department will go back one month after receiving acceptable tax-exempt form to credit back taxes.

ACCOUNT DISPUTES POLICY:

All invoice disputes must be made within 120 days of the original invoice date. Anything over 120 days will be considered extremely delinquent and be forwarded to proper collections agency.

INCENTIVE POLICY:

The company has developed an incentive program to encourage sales and reward loyal customers for their business. The program is detailed under a different policy. Any customer wishing to become a part of the incentive program must sign a letter accepting the terms and conditions set forth. Any customer not within 15 days of their accounts receivable terms of credit account will not qualify for the incentive program.

CREDIT POLICY REVIEW:

This credit policy will be reviewed bi-annually for changes in policy. Minor changes to the policy can occur between reviews. Changes to the policy will go into effect immediately upon approval. The newest version will be available on the company website or upon request by customer.