

# Associated Pharmacies, Incorporated

*Pharmacists Working Together*

## **Modifications to Credit Policy in Response to Requests and in Preparation for Enhanced Brand Pharmaceutical Program Offering**

The following 3 pages are for your review of an enhancement we have made to our payment options for our pharmacies **utilizing the API warehouse.**

Page 2—**Credit Policy** This attached page details modifications made to our credit policy for **API direct warehouse purchasing**. The changes are an enhanced offering of a discounted payment terms options. Though we are aware many stores have experienced some cash flow challenges caused by Medicare Part D changes, we have also had requests to offer modifications that could provide profit margin enhancement solutions. This discounted payment terms offer is one area we have made modifications to allow accounts desiring the ability to enhance profitability via lowering purchasing costs.

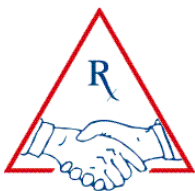
Page 3—**Payment Terms Election Form** For efficient implementation of the credit policy we will need to assign default payment terms to each accounts master customer record. This will allow our warehousing software to automatically assign payment terms selected to all invoices without the need for individual invoice assignment of payment terms. NOTE: For those accounts participating on the 3-P program or other extended dating programs for generic pharmaceuticals, this change will not impact those programs. We need each active account to complete this form and return to the API warehouse. **If you wish to use one of the discounted payment terms options you must complete and return this form.** If we do not receive this completed form your account will be assigned its current payment terms option as your default option for the future.

Page 4—**ACH/EFT Credit/Debit Authorization Form** This form is to be completed by any accounts that are **NOT** currently paying API via ACH/EFT and that wish to participate with one of the discounted payment terms option. WE DO NOT NEED THIS FORM COMPLETED BY ANY ACCOUNTS THAT ARE CURRENTLY PAYING API VIA ACH/EFT UNLESS YOU HAVE AN ALTERNATE BANK ACCOUNT YOU WANT TO USE.

There will be changes made to the brand pharmaceutical program offering that will be positive changes for those accounts choosing the discounted payment terms options. These changes are being finalized and we expect to communicate those changes to the pharmacies within 30 days.

**Thank you for your continued support and we are excited to bring these additional profit enhancement options for your review and utilization.**

**Jon Copeland, R.Ph.  
Chief Executive Officer**



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## Credit Policy

Associated Pharmacies, Inc. is a purchasing cooperative owned by member independent pharmacies. Credit losses can greatly reduce funds available for rebates to customers and patronage dividends to our members. The following policy has been implemented to protect our customers and members.

**Payment terms:** Note: A payment is past due if API has not received it by 5:00 PM Central time on the date due.

Discounted terms – Automated Clearing House (ACH) / Electronic Funds Transfer (EFT) payment method only

**Plan A** – Payment is due on Thursday, the week after invoice date. Timely payment earns a **0.25%** (1/4 of 1 percent) order discount.

**Plan B** – Payment is due 10 days from date of invoice. Timely payment earns a **0.25%** (1/4 of 1 percent) order discount.

Standard terms

Payment for products invoiced from the 1<sup>st</sup> to the 15<sup>th</sup> of the month is due on the 25<sup>th</sup> of that month. Payment for products invoiced from the 16<sup>th</sup> to the end of the month are due on the 10<sup>th</sup> of the following month.

**Payment methods:**

ACH / EFT – application available on request **OR** Fax check – application available upon request **OR** Check

**Initial credit line:**

During a pharmacy's first six months of purchases from API, credit limit size will be determined by choice of payment method, whether or not the personal guaranty\* has been completed by the owner, and the information obtained from credit information providers. Subsequent credit line adjustments will also be affected by those factors as well as payment history. Without an owner-completed personal guaranty\*, the credit line will remain at \$5,000.

Subject to credit approval the following limits will apply:

	<u>Credit line</u>
If you pay by fax check or ACH / EFT, and complete a personal guaranty*	\$18,000
If you pay by check, and complete a personal guaranty*	10,000
All payment methods <u>without</u> an owner personal guaranty*	5,000

**With completed application, owner personal guaranty\* and previous two years' financial statements (or business income tax returns) an increased initial credit line may be issued, subject to credit approval.**

\*Note: If **all** the following conditions are met, the personal guaranty requirement may be waived:

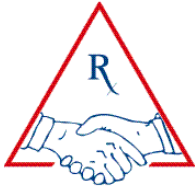
1. A D&B Paydex score of at least 75 for prior 3 months and 12 months
2. API receives a copy of pharmacy's most recent prime vendor statement indicating timely payment pattern
3. The pharmacy-owning entity has been in business at that location for at least 3 years
4. A report from API's credit information provider indicates owner has satisfactory personal credit history

No orders, quarterly rebates, or patronage dividends will be sent to customers with past due invoices.

A late charge of .2% (two tenths of one percent) will be charged twice per month on past due invoices. Unpaid late charges will be subtracted from quarterly rebates.

API reserves the right to limit or refuse credit or modify terms of credit for any customer at any time at its sole discretion. For questions about API credit policy, contact the credit department: **(800) 243-8521**.

Revision Date: September 6, 2007



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## Payment Terms Election Form

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Store Name-PLEASE PRINT

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API Customer Number

Please check one (1) payment terms option (Discounted or Standard) –

### **Discount Terms:**

- Payment is due on Thursday of the calendar week following invoice date. Timely payment earns a **0.25%** (1/4 of 1 percent) order discount.
- Payment is due 10 days from date of invoice. Timely payment earns a **0.25%** (1/4 of 1 percent) order discount.

### **Standard Terms:**

- Use my current payment terms and form of payment as my default payment terms.

**Discounted payment terms are ONLY available for those who use the ACH / EFT payment method. If you selected the Discounted Terms option please check one below.**

- I am already paying by ACH / EFT payment method. Use my current account on file.
- A completed ACH / EFT Authorization Form is being faxed with this election (**Complete and fax the ACH / EFT Authorization Form and copy of voided check**)

Please note: **ANY changes** will be effective within 2 business days after API receives this election (and the ACH / EFT Authorization Form, if applicable). Payment terms will apply to all invoices issued on or after the date the change is in effect. If you would like to choose a later effective date enter that date here \_\_\_\_\_ (**Optional effective date**)

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Signature

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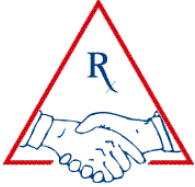
Date

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Print Name

**Fax completed form(s) to 888.560.4442**

**Attn: Shasta**



# Associated Pharmacies, Incorporated

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## **ACH / EFT CREDIT/DEBIT AUTHORIZATION FORM**

I (we) hereby authorize **Associated Pharmacies Inc.** (THE COMPANY) to initiate debit entries to my ( ) checking ( ) savings account(s) at the financial institution listed below (THE FINANCIAL INSTITUTION), and if necessary, initiate adjustments for any transactions credited in error. This authority will remain in effect until THE COMPANY is notified by me (us) in writing to cancel it in such time as to afford THE COMPANY and THE FINANCIAL INSTITUTION a reasonable opportunity to act on it.

\_\_\_\_\_  
**(Name of Financial Institution)**

\_\_\_\_\_  
**(Address of Financial Institution-Branch, City, State & Zip)**

\_\_\_\_\_  
**(Signature-must be listed on bank account signature card)**

\_\_\_\_\_  
**(Date)**

\_\_\_\_\_  
**(Tax ID Number)**

\_\_\_\_\_  
**(API Account #)**

\_\_\_\_\_  
**(Store Name-PLEASE PRINT)**

\_\_\_\_\_  
**(Address-PLEASE PRINT)**

**Checking/Savings Account Number:** \_\_\_\_\_

**Financial Institution Routing Number:** \_\_\_\_\_

**(PLEASE ATTACH A VOIDED CHECK FROM THE ACCOUNT THAT YOU WISH TO DEBIT)**

Accounting fax 888-560-4442