

# COST OF CARRYING A/R – Payment Terms & Supply Chain Financing Costs

|         | Ending A/R | Annual Borrowing Rate | Daily Cost of Borrowing - Annual Rate / 360 | Daily Cost of Carrying the A/R (Daily Rate x AR Amt) |
|---------|------------|-----------------------|---|--|
| Example | 20,000,000 | 4.5%                  | 0.01250 %                                   | 2,500.00   |

| Line # |                           | New Terms | Former Terms | SCF Terms, Option 1 | SCF Terms, Option 2 | 2% 10, N30 | Formula  |
|--------|---------------------------|-----------|--------------|---------------------|---------------------|------------|--|
| 1      | Invoice Amount            | 500,000   | 500,000      | 500,000             | 500,000             | 500,000    |  |
| 2      | Payment Terms             | 75        | 30           | 15                  | 30                  | 10         | For SCF, Days until Supplier Bank partner pays   |
| 3      | Discount Amount           | 0%        | 0%           | 0%                  | 0%                  | 2%         | Cash Discount for Early Pay                      |
| 4      | Suppliers Interest Rate   | 4.5%      | 4.5%         | 4.5%                | 4.5%                | 4.5%       | Either borrowing rate or Internal Rate of Return |
| 5      | Daily Rate                | 0.01250%  | 0.01250%     | 0.01250%            | 0.01250%            | 0.01250%   | Line 4 / 360                                     |
| 6      | SCF Rate                  | n/a       | n/a          | 3.75%               | 3.75%               | n/a        | Supplier's Bank Interest Rate for Vendors        |
| 7      | Daily SCF Rate            | -         | -            | 0.010417%           | 0.010417%           | -          | Line 6 / 360                                     |
| 8      | Days Carried              | 75        | 30           | 15                  | 30                  | 10         | Same as Payment terms, Line 2                    |
| 9      | Suppliers Carrying Cost   | 4,688     | 1,875        | 938                 | 1,875               | 625        | Line 5 x Line 8 x Line 1                         |
| 10     | Days Financed             | n/a       | n/a          | 60                  | 45                  | n/a        | For SCF, New Terms (75) - Line 2                 |
| 11     | Finance Charge (Discount) | 0         | 0            | 3,125               | 2,344               | 0          | Line 7 x Line 10 x Line 1                        |
| 12     | Cash Discount             | n/a       | n/a          | n/a                 | n/a                 | 10,000     | Line 3 x Line 1                                  |
| 13     | Payment                   | 500,000   | 500,000      | 496,875             | 497,656             | 490,000    | Line 1 - Line 9 (or Line 10, for discount terms) |
| 14     | Net Payment               | 495,313   | 498,125      | 495,938             | 495,781             | 489,375    | Line 13 - Line 9                                 |
| 15     | Effective Discount        | 0.938%    | 0.375%       | 0.813%              | 0.844%              | 2.125%     | (Line 1 - Line 14) / Inv. Amount                 |

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