Secured Finance Network

ADDENDUM TO SFNET COMMENT LETTER DATED 11_17_21

PROPOSED APR CALCULATION FOR DISCOUNT FACTORS

Assumptions:

a. Assume that the estimated face amount of the accounts to be purchased by the Factor over the course of one year from the prospect will equal $2,500,000.

b. Assume that the prospect's accounts which are being sold to the Factor have varying maturities of between sixty (60) and one hundred twenty (120) days with the (non-weighted) average being sixty (60) days. For purposes of the APR calculation assume a maturity of sixty (60) days for all purchased invoices.

c. Assume that the purchase price (less the reserve) is advanced by the Factor to the prospect immediately after the date the goods are shipped to the prospect's customer. Further assume for purposes of the APR calculation that all of the prospect's customers pay on the maturity date of the invoice and the APR calculation does not include late fees of any type.

d. While various accounts are intended to be sold to the Factor by the prospect immediately after the date the goods are shipped to the prospect's customer other sales are intended to be sold to the Factor by the prospect closer to the maturity date of the invoice. For purposes of calculating APR we will assume that all sales are purchased by Factor immediately after the date the goods are shipped to the prospect's customer.

e. While it is totally within the discretion of the Factor and the prospect as to which of the prospect's accounts will be sold to the Factor we will assume for APR calculation purposes that the Factor purchases accounts with a face amount of $2,500,000.

f. Assume for APR calculation purposes that the Factor's "reserve" is twenty (20%) percent and therefore the Advance is eighty (80%) percent.

Finance Charges:

a. Assume that the total amount of Finance Charges (as outline below) are to spread, for APR calculation purposes, over the gross amount of sales purchased during the one year period ($2,500,000).

b. The discount fee charged by the factor on the face amount of the purchased accounts is 1.5% for the first 30 days and .5% for each additional 10 days the funds are outstanding.

c. The Factor in addition to charging the discount fee also charges a one-time origination fee of $2,000.which directly relates to credit investigation, filing fees, ledgering services and collection fees and will be included as a component of the Finance Charge.

APR Calculation:

The total discount fee for the year would be $75,000 ($2,500,000 multiplied by 3% as the fee is 1.5% for each 30 days of funding), plus the Origination Fee.

The APR is therefore 23.1% per annum.

How calculated:

- Total advance/borrowings for the year equal $2,000,000 ($2,500,000 multiplied by an 80% advance rate).

- Origination Fee of $2,000.

- Monthly average advance/borrowings equals $333,333 ($2,000,000/6x) as the accounts turn six times per year using a 60 days payment assumption.

- Total fees of $77,000, inclusive of the Origination Fee, divided by the average advance of $333,000 equals .231 or 23.1%.