AFS
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BENEFITS OF A LEDGER LINE OF CREDIT (LLOC)

- *Monetizes a dormant asset (Receivables and Inventory) on your Balance Sheet.*
- *You are NEVER out of pocket Cash, as long as you are creating receivables.*
- *Principal and Interest is paid back by Receivable collection*
- *Never worry about having cash available for Payroll or Bills again*
- *It is the cheapest Short-Term Financing available for a Business*
- *85-90% Today- Great for Cash Flow of a Business*
- *It is NOT FACTORING, it's a Line of Credit based on what your outstanding Receivables are. Factoring rates increase as the Receivable ages, interest is charged on the Gross (full) amount of any invoice and you are forced to take the full advance allowed. In an LLOC, you draw what you need only, rates are fixed monthly and are charged on the average balance you advance yourself in that particular month.*
- *Very flexible tool- finance only what you need to*
- *Pay your suppliers quicker and negotiate down the cost by doing such*
- *The Interest is Tax Deductible!!!!*
- *Your Liquidity Grows as Your Revenue Grows!*

FACTS/KEY DEFINITIONS:

- *Return on Investment (ROI)-* ROI measures the amount of return on an investment relative to the investment's cost.
- *Cost of Funds (COF)-* Cost of funds is the interest rate paid by an institution for the funds that they deploy in their business.
- *For a LLLOC, there are 2 components to COF:*
  - Prime Rate (currently 4.25%) + a spread
  - Monthly monitoring fee

  For example*, a lender would offer Prime plus 2% APR rates with a monthly 1% fee. 6.25 (Prime +2%) + 12% (12 months X 1%)= Total Annual cost of 18.25%, or a monthly charge of 1.52% (18.25% divided by 12 months)
- *True Cost of Funds* is calculated as COF minus ROI. If a business has an annual ROI of 12% and the COF of the LLOC is 18.25%, the true cost of the financing tool is 6.25% (18.25 minus 12% or .52% per month, 6.25% divided by 12)

* Note: Rates vary per specific deal, above is an average rate that AFS has obtained for clients recently.

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LLOC FINANCING EXAMPLE

Assumptions:

- *A Business averages $500,000 in Receivables per Month.*
- *The Average collection cycle of any Receivable is 30 Business Days.*
- *The Business has a ROI of 15%.*
- *The Advance Rate allowed is 85%*
- *The Prime Rate plus spread is 6.25% (Prime is 4.25%, spread is 2%)*
- *Monthly Monitoring is 1%*
- *Total Monthly Cost of Funds is 1.52% (18.25% divided by 12)*
- *True Cost of funds is 3.25% (.27% per month) COF minus ROI*

If you obtain a LLOC of $500,000, this means as long as you have Receivables of $575,000 on average, you will always have access to $500,000 (85% X $575,000= $500,000) You Do Not need to take the full amount, only what you may need.

If you average $300,000 in advances throughout a month, your COF in this would be $4,560. This is what the lender will charge you for that month's advance. Your True Cost of Funds though is $810 as you have earned 15% on that advance (15% X 300,000 divided by 12 months= $3750)

The Higher the ROI of a Business, the better this formula works!!!

Help your clients with Liquidity:
Some of your clients are struggling with Cash Flow as well and would be willing to pay a little bit more for products or services if you offer payment terms rather than cash on delivery. Taking the above example, if you charge 1% more on the invoices that made up the $300,000 you advanced yourself, that is $3,000 per moth (1% X $300,000). You have just covered that $810 cost and made $2,190 by advancing yourself cash you are owed!! Your Profit Margin just increased.

For Manufacturing:
Pay your suppliers quicker and request a discount on the cost of your goods. If your cost of goods was $60,000, imagine reducing it by 1% or $600, combined with the other changes, you now increased your profit to $2,790.

Call us Today for a FREE Consultation on how we can show you 866-751-4999 or email us at Info@AlexanderFS.com