

# **Means by which revenue participation or royalty arrangements may be modified**

**By: Arthur Lipper, Interim Chairman  
Royalty Entitlement Exchange (S) Ltd.**

**Revenue participation or royalty agreements between companies (Issuers) receiving capital from purchasers (Investors) are negotiated between members of the Royalty Entitlement Exchange (REX), acting as Underwriters and the Issuers.**

**The terms of royalties can be adjusted and modified to suit the needs of the Issuers and the Investors, Following are some of the variations possible, subject to the approval of the REE.**

## **Duration:**

**Royalty entitlements can be for fixed periods of time, which is the most common form, as determined by negotiation between REX Underwriter and Issuer.**

**They can also be:**

**for a period of time after which an agreed minimum amount of money had been paid by the issuer to the Investors, such as after X times the amount of the original purchase price paid at the time of Underwriting by Investors.**

**for a period of time after the Issuer achieves an agreed objective, such as; the achievement of X level of revenue, the issuance of a patent, the completion of construction, the opening of a facility, etc.**

## **Revenue percentage:**

**The percentage of revenue to be paid quarterly by the Issuer to Investors can be fixed, which is the usual case, or it can be adjusted.**

**Changes to revenue percentages can be based upon:**

**the minimum amount previously paid, in an agreed period of time, by the Issuer to the Investors, such as reducing the percentage if X amount had been paid with the first 10 years. Conversely, the revenue percentage might be increased were revenues to be less than an agreed level within an agreed period.**

**The achievement of specified objectives by the Issuer, such as reaching an agreed level of revenues for a 3 year period, having a patent(s) granted, obtaining specified licenses, etc.**

**Royalty entitlements or revenue participations can be:**

**modified as to royalty percentages which scale up or down depending upon circumstances.**

**secured by the pledge of assets or third party guarantees.**

**Royalty entitlements or revenue participation contracts can be simple or complex all depending on the needs of the parties. In all cases, they have the mutual benefit of focusing the rewards of Investors on achieved revenues and not discretionary profit declarations or determinations.**

**The REX will establish a committee to approve proposed terms of revenue participation contracts as being fair to all of the parties.**

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