

REX Royalty Writings and Calculators

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Royalties – Much of that which I know and believe about royalties is viewable in the articles in the library of www.Royalties.Website and in the library of www.PacificRoyalties.com or www.ChinaRoyalties.com.

The specific website calculators I have developed are:

www.REXRoyalties.com, the first and simplest.

www.REXComparator.com, which allows royalties having different terms, but using the same set of projected revenues, to be compared.

www.REXdebt-shareRoyalties.com, which allows for a combining of debt with a royalty to commence on the repayment of the debt.

www.ScaledRoyalties.com, which allows the users to see the impact of the issuer both over and under achieving the projected revenues and the resultant “carrot and stick” change in future royalty payment obligations.

www.REX-PV.com, which shows the terms for which the original purchaser of a royalty must receive in the sale of that royalty to achieve the targeted return. It also calculates the Internal Rate of Return for both the original purchaser, including the premium, which must be paid by the seller, all assuming achievement of the projected revenues.

www.REX-RIAR.com, which will result in the lowest payment of royalties by the issuer and probably the best risk/reward calculated return for the investor. In using the Royalty Issuer Assured Return approach the risk is transferred from the investor to the issuer and therefore justifies the payment of a lower royalty rate.

As required in the various website calculators the royalty issuer's Compound Annual Growth Rate (CAGR) of Projected Revenues are either entered directly by the issuer or are calculated based on the issuer's provided early year's projected revenues and suggested CAGR. The projected revenues remain a constant, whereas the variables, such as the following, are entered by the users of the websites and instantly calculated:

**amount to be paid for the royalty,
royalty payment period,
royalty rate,
loan interest rate,
loan amortization periods,
possible percentage change in projected revenues,
change in terms based on change in revenues,
investor's and prospective buyer's targeted return,
year of projected sale,
targeted return of the secondary buyer of the royalty and
amount of royalty payments or multiple of cost assured by
issuer in agreed period.**

These websites are intended to allow both the royalty issuers and the royalty investors to view the results of the transaction if the projected revenues are achieved. There are sample scenarios presented for each website. It is believed that using the websites the parties to the transaction can determine which of the six approaches to using royalties in the financing of a business will best meet the needs of the parties, all assuming the revenue projections are achieved.

The royalty investor's primary consideration is the sustainability of the issuer and the minimum achievement of the projected revenues. There is no issuer valuation focus as ownership of the issuer's business is neither contemplated nor desired.