Larry and Barry, As Investors, Considering the Advantages of Royalty Issuer Assured Return Royalties ©

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Larry: REX has a new website calculator called REX-RIAR.com and it has some unique features.

Barry: I like their other websites so I'm interested in learning about this one.

Larry: So this company, which looks pretty good to me, is offering something called a Royalty Issuer Assured Return royalty to us.

Barry: I know what a royalty is and why it is a better private company investment approach than buying stock. This is because our participation is in revenues, and is not dependent on what they decide to declare as profit.

Larry: Sure, we both understand and like royalties, but this deal is different and I think much better.

Barry: How so?

Larry: Well the company offering the royalty assures us of receiving at least an agreed minimum amount of royalty payments over an agreed period.

Barry: Is this a minimum royalty of a full deal, where we invest X amount and they agree to pay Y amount?

Larry: That depends on how we negotiate it. Obviously we are better with it being a minimum. The higher the minimum, the lower will probably be the proposed royalty rate, since our overall risk decreases with an assured return. As with any royalty deal the terms are negotiated by the parties.

Barry: And remember they will probably want redemption right so they can terminate the royalty payment obligation on terms we agree to.

Larry: And, of course, the deal is only as good as the issuer's corporate obligation.

Barry: Well, we will have the normal investor benefits of royalties being collected whenever the issuing company receives revenues, and securing their contractual obligation by the transfer or pledging of critical assets of the company.

Larry: Sure we will -- but in this case the cumulative royalty payments will likely amount to many mulitples of our investment, over time.

Barry: Ok, due to the fact that with every royalty payment we receive our risk is reduced, I am not too worried about a loss of capital.

Larry: Right, but what's great about this REX-RIAR.com website is the way they show the returns we will be earning.

Barry: What do they calculate and show?

Larry: Three different measures of return; the annual yield, the Internal Rate of Return and an Accrued Compound Quarterly Return On Investment, for which the acronym is ACQROI.

Barry: But to determine a Return On Investment there has be an assumed rate of return earned on the money received.

Larry: Yup, and the website allows the investor to enter the estimated annual return which is expected to be earned.

Barry: Due to the compounding the accrued royalty payments the cumulative returns will be very high. The chart and table showing the Accrued Compound Quarterly Return On Investment or ACQROI will probably be very high and therefore of interest. You have to understand the ACQROI is based on the annual return calculated quarterly that we, the investors, determine

Larry: I see -- with this tool, we can negotiate with the company, the amount to be invested, the level of return, the minimum assured amount, the royalty rates and their timing and the redemption right. The success of any investment in royalties depends on the royalty issuer achieving the levels of projected revenues. This tool should allow both the royalty issuing company and the investor to agree on a deal meeting their respective needs.

Barry: But, as you said, using the REX-RIAR.com approach it is the royalty issuer who is taking the greatest risk, and we are getting the benefit.

Larry: Seems so to me so let's do it. We can go over to http://www.rex-riar.com and learn more about it, start setting up some investment scenarios and learning how the different factors affect each other.