Creating a Revenue Royalties Income Fund ©

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Creating a revenue royalties income fund (RRIF) can be a rewarding, satisfying and highly profitable venture. The RRIF provides investors with a means of achieving higher income with less risk, business owners with non-equity dilutive growth capital and enterprise profit.

First, decisions have to be made as to who will be the investors and how to best solicit their involvement. This depends on jurisdiction and existing relationships. RRIFs are securities in most jurisdictions, even if created as a Limited Liability Company (LLC) or partnerships and therefore there are legal and regulatory matters to be addressed.

Next, decisions as to who the likely investors may be and how to reach them must be reached. The terms of the offering must be created and the investment focus of the RRIF must be determined. Will revenue royalties be acquired from new or established companies? Will there be specific royalty issuing company characteristics and what will be the terms of the revenue royalties acquired? Will the companies be in specific industries believed to have superior growth characteristics or a portfolio diversification of industries? Will there be prescribed levels of portfolio diversification or will investment concentration be practiced? Who will be the investment managers of the RRIF and what has been their professional investment experience?

Further, what will be the investor protections and how will the royalty issuing companies be able to redeem the royalties sold and therefore be relieved of the royalty payment obligation? What financial information will the privately-owned company royalty issuing companies be required to make available to investors? When will the agreed percentage of revenues be collected and when distributed to investors in the RRIF? Will all of the collected royalties be distributed or will there be a procedure for royalty reinvestment? What will be the maturity of the royalty agreements, recognizing that the longer the revenue participation the less is likely to be the royalty rate?

We believe that a RRIF should have an annual Internal Rate of Return (IRR) of 15% over the course of the royalty payment period. The Royalty

Investment Rate of Return (RIRR), depending on the Fixed Rate (FR) as predicted and achieved by the investor, will always be higher than the IRR.

We and our affiliated Pacific Royalties LLC are in business to assist and advise those interested in creating and managing Revenue Royalty Income Funds and we have the answers to the questions posed above.

The creation and management of a RRIF will allow; : investors to achieve higher returns with less risk, privately-owned business owners to obtain non-equity dilutive expansion capital on fair terms and the fund organizers and managers an excellent profit. It also must be noted that companies which expand, increasing their revenues, benefit their present and future employees, company customers, company suppliers and therefore the communities in which they operate. The success of the enterprise has an inevitable positive ripple-effect, benefiting all involved, not just the business owns.

Finally, investing in revenue sharing revenue royalties is far simpler and more socially constructive than investing in either debt—where the best that can happen is earning interest and being repaid—or equity, where as a minority investor there is usually little benefit until the investment can be sold, hopefully at a profit. The problem with equity investments in privately-owned companies is the market value of the investment is based on reported per share profitability, with corporate growth frequently requiring equity-dilutive financings.

Royalties are the better way of both investing in and financing of privately-owned companies and these are the businesses on which many economies depend.

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