



**The Better Way – of investing in
and financing companies and projects**

Royalty Entitlement Exchange & Revenue Participation or Royalty-based Contracts

Overview of Benefits, Structure, Participants and Operations

**Talk by Arthur Lipper, Interim Chairman
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GES – Business Angels
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Sharia Fair Revenue Participation Contracts and Fair Revenue Participation Contracts are U.S. and Singapore patent pending.

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Revenues are easier to predict than profits

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Increasing revenue is the objective of most business owners.

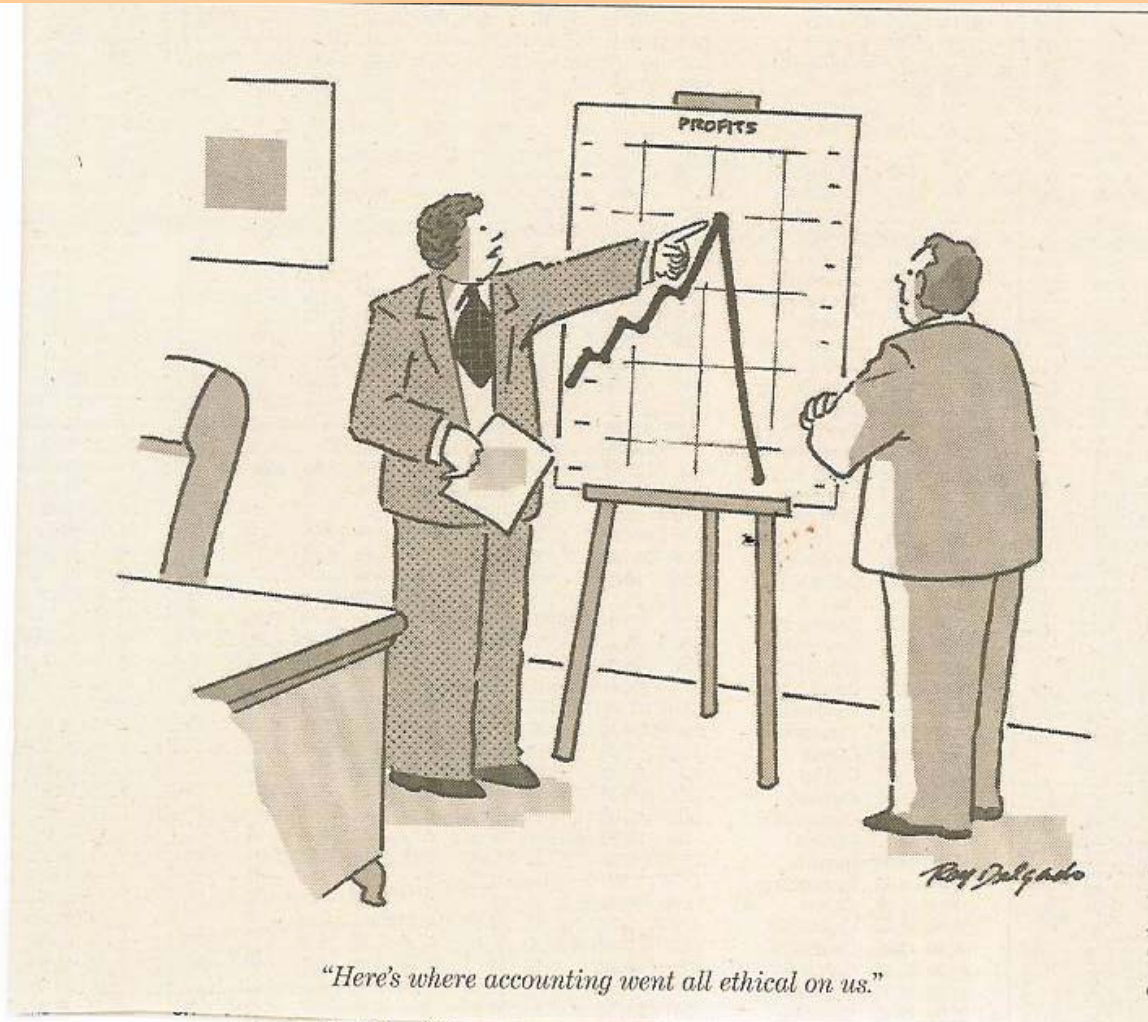
Reported profits, when revenues exceed costs, are legitimately and largely discretionary based on manager decisions as to expenditures expected to impact future revenues and profits.

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As appearing in the October 23, 2006 issue of Barron's -
The Dow Jones Business and Financial Weekly

The caption reads " Here's where accounting went all ethical on us."





The better way to invest and to finance companies is to focus on that which is more predicable

- **Angel investors are an important asset to any community as well as to entrepreneurs.**
- **The asset of Angel investors will be adversely impacted unless Angel investors enjoy a positive experience as a result of risking their capital.**
- **Those investing by purchasing an agreed percentage of a company's revenue for an agreed period of time are likely to have a better experience than those speculating on the profitability of a venture.**

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Creating conservative projections and making the numbers is the essence of entrepreneurial survival

Adobe Photoshop Album Starter Edition 3.0 - Larry and Barry re RPC (10).jpg



Larry: "His revenue participation proposal is great. That way we keep all our stock."

Barry: "But what if we don't make even our worst-case profits? You don't think they'd make us pay royalties to them if we were losing money?"





Transactions based on revenues are both better for capital providers as well as for capital consumers

The raising of capital through the sale of a percentage of future revenues allows the retention of equity and does not incur debt.

Business owners and managers can therefore make better long term decisions.



The process of the REX or Royalty Entitlement Exchange (S) Ltd.

A member of the REX negotiates with the owner / managers of a company 4 primary issues. These issues are:

- **Amount to be raised in an Initial Public Offering of Revenue Participation Contract units.**
- **The percentage of revenues or royalty to be paid quarterly.**
- **The period of time for which there will be a royalty payment obligation.**
- **The critical assets of the company which will be transferred, on receipt of the funds, to an independent Singapore registered and regulated trustee company to be held for the benefit of the royalty entitlement contract holders until the end of the payment period.**



Royalties are the new and better way of financing companies

- **The REX is an exchange.**
- **The REX is not an underwriter or investment banker.**
- **The REX members will be firms actively engaged in the international financial service industry, probably being members of securities and commodities exchanges worldwide.**
- **The REX is the electronic, 24/7, market mechanism through which REX members will be able to buy and sell royalty contract units of companies underwritten by REX members.**
- **The REX members will assist companies in creating information offering circulars describing their businesses and the industries in which they compete.**



What's likely to be considered a fair and reasonable risk / return relationship?

- **The terms of the royalty contract is likely to be a function of the underwriter's view of the level of risk and probability of the company achieving the projected revenues.**
- **The range of royalty will probably be 1% to 5% of revenues.**
- **The period of payment will likely range from 10 to 50 years.**
- **Royalty levels can vary with levels of payments made and achievement of issuer predicted events.**

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The making of decisions resulting in lower near term profit for the sake of achieving greater long term profit can be difficult for managers with shareholders having shorter term perspectives

Adobe Photoshop Album Starter Edition 3.0 - Larry and Barry re increasing sales.jpg



Larry: "More sail, the waves are getting bigger."

Barry: "It's just like you always want to increase sales by cutting prices."



The logo for REX (Royalty Entitlement Exchange) features the letters 'REX' in a bold, yellow, sans-serif font with a slight 3D effect, set against a green rectangular background.

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The presence of the trustee is that which permits royalty holders to have the confidence necessary to accept the risk of providing capital on attractive terms

The underwriter and the company issuing the royalty contract units will agree as to the identification of the critical assets of the company, those assets which the company requires to continue in business, which will be transferred to the trustee company on the closing of the underwriting.

The trustee will grant to the company an exclusive, international, right to use those assets, without fee, for so long as the company is not in default of its obligations to the royalty holders.



Mechanism for collection and distribution of royalties

- **The patent pending approach for which the REX is the exclusive, worldwide licensee envisions the following procedure:**
- **Companies underwritten by REX members will select banks into which they agree to deposit all revenues derived from the sale of goods or services.**
- **Directors and controlling shareholders of the royalty contract issuing companies will personally attest to the trustee as to the accuracy of the deposited funds being all of the revenues received by the companies.**
- **The companies will issue to these banks irrevocable instructions to deduct from deposited funds the agreed percentage of revenue.**
- **Quarterly the selected banks will transfer to the trustee company the deposited and withheld funds.**
- **Quarterly the trustee company will distribute to the royalty contract holders the funds received from the selected banks.**
- **There will be an annual audit of revenues by a firm of auditors approved by the REX.**



There are vast amounts of funds held in the accounts of those requiring adherence to Islamic law

As revenue participation is a fair and reasonable basis for the sharing of risk between those having and requiring capital we are advised the REX approach is Sharia compliant. We are in the process of obtaining the necessary “fatwah” or confirming decree from internationally recognized Muslim scholars.

In addition, each company issuing royalty entitlement contract units will require a fatwah confirming the company operates in compliance with the principles of Islamic laws and is not engaged in activities which are offensive to Muslims. These activities include; the loaning of money for interest and business relating to pork products, entertainment or defence. The royalty issuing companies wishing to attract Sharia compliant investors will have to secure the necessary fatwah and be subject to an annual Sharia audit.

ARTHUR'S ANCIENT ARABIC SAYINGS

A good transaction is one which brings a smile to the face of both parties in recollection.

المُعَامَلَةُ الْجَيِّدَةُ تُجَلِّبُ الْإِبْتِسَامَةَ إِلَى وَجْهِ الطَّرْفَيْنِ عِنْدَ جَلْيِ الْأَرْبَاحِ.

Al-moamalatu al-Jayidatu tajlibu al-ibtisamati

ila wajhi at-tarafain inda janyil-arbah

Capital risked by one for the benefit of another is a noble act and appropriately rewarded by a sharing of revenue.

تَضْحِيحَةٌ فَرَدُّ بِجُزْءٍ مِنْ رَأْسِ مَالِهِ مِنْ أَجْلِ فَائِدَةِ الْآخَرِينَ

عَمَلٌ نَبِيلٌ يَجِبُ مُكَافَأَتُهُ بِطَرِيقَةٍ مُنَاسِبَةٍ مِنْ خِلَالِ الْمُشَارَكَةِ فِي الْأَرْبَاحِ.

Tadhiyatu fardin bi-juzin min rasi malihi min ajli faedti al-akhareen

amalon nabeelon yajibu mukafatohu bi-tariqatin munasibah

min khilali al-musharakati fi al-arbah

The sharing of the revenues between parties is a fair and honest means of sharing benefit without the complexities of profit determination.

إِقْتِسَامُ الدُّخْلِ الْعَامِ بَيْنَ الْأَطْرَافِ الْمُتَعَاوِدَةِ يُمَثِّلُ

طَرِيقَةً عَادِلَةً وَتَرِيهَةً لِلْمُشَارَكَةِ فِي الْفَائِدَةِ دُونَ الدُّخُولِ فِي تَعْقِيدَاتِ حِسَابِ الرِّبْحِ.

Iqtisamu ad-Dakhli al-Ami baina al-atrafi yumathilu tariqatan

Aadilatan wa nazeehatan lil-musharakati fi al-faedati doona

ad-Dukhooli fi Taaqidati hisabi ar-ribh.

Transactions which conclude as anticipated by the contracting parties reflect a satisfactory business relationship.

خِتَامُ الْمُعَامَلَةِ بِنَفْسِ الصُّورَةِ الَّتِي تَوَقَّعَتْهَا كُلُّ الْأَطْرَافِ الْمُتَعَاوِدَةِ يَكْسِبُ عِلَاقَةً تِجَارِيَّةً مُجْزِيَّةً لِلشُّرَكَاءِ.

Khitamu al-muamalati bi-nafsi al-surati al-lati twaqaat'ha

kullu al-atrafi al-muaqaedati ya-kisu ilaqatan

tijarivatan mujziyatan lish-shurakaa.



Revenue participation is the better way of investing in and financing companies and projects

- **Business owners can raise capital without sharing ownership or incurring debt.**
- **Investors can provide capital while still allowing managers to make decisions which will lessen reported earnings.**
- **Investors benefit from having a greater ability to predict revenue growth than profitability.**
- **Investors will receive quarterly distributions which will increase with the success of the contract issuer.**

Do we agree these are good things?

If “yes, we do” then I have succeeded.

Thank you.



Revenue Participation is the better way

To learn more about the Royalty Entitlement Exchange process and application of royalties to the financing and investing needs of both entrepreneurs and Angels attend our Executive Briefing on:

When: ***Wednesday, November 1st, 14:00 - 18:00***
Registration commences at 13:00 on the 1st level

Where: ***Room 208 at SunTec Conference Centre.***

Attendance fee: **\$50.00 for attendees of this meeting
vs \$150 for the general public. Please
register at www.rex.sg/ges.html**

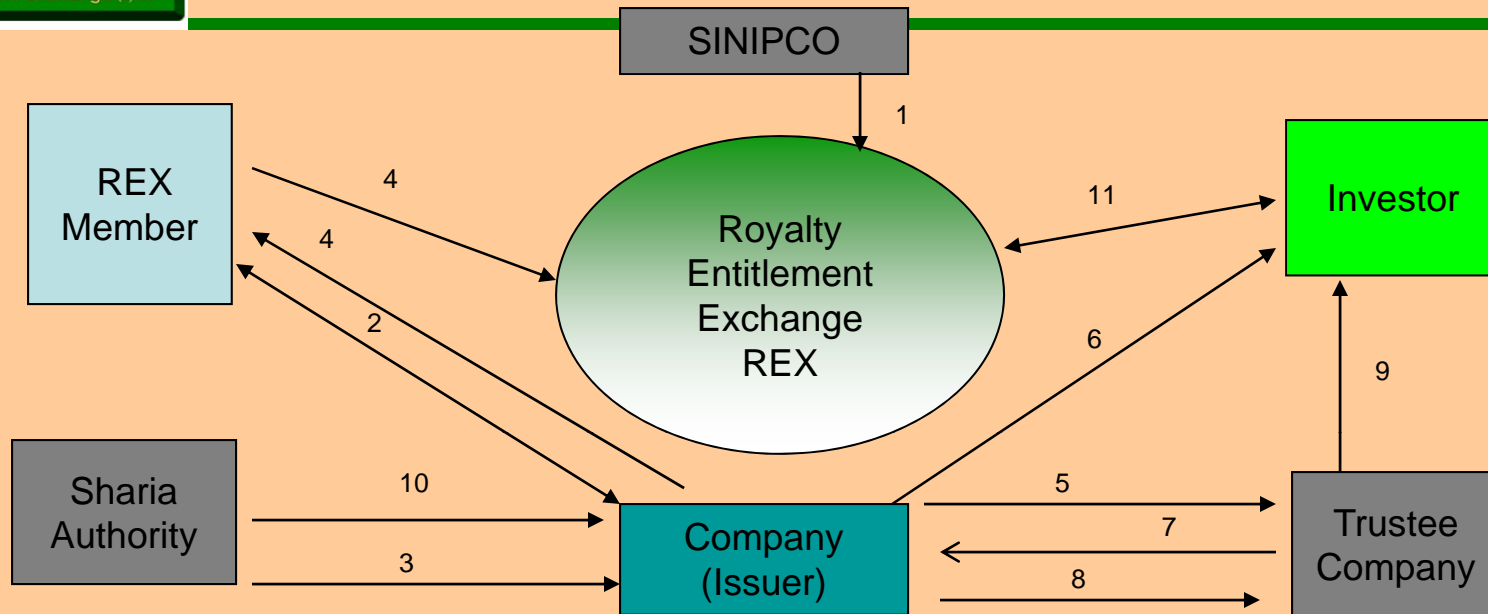
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Process Flow: From Initial Issue to Secondary Market



1. SINIPCO licenses its patent pending IP to REX in consideration of a licence fee.
2. REX member and company agree to the terms of SFRPC or FRPC and underwriting, specifically the 4 elements;.
3. Sharia scholar opines Sharia compliance of issuing company and the SFRPC transaction
4. Company creates and REX member distributes information memorandum to prospective investors
5. Company transfers agreed critical assets to Trustee
6. Issuing company issues SFRPC or FRPC to investors against receipt of funds

7. Trustee licenses Company to use critical assets free of charge during term of SFRPCs and returns ownership of the assets to Company after Company has fulfilled its obligations to SFRPC owners.
8. Royalties transferred quarterly to Trustee (directly from Company's bank, which has irrevocable instructions to do so).
9. Trustee transfers quarterly royalty distributions to registered holders of SFRPC or FRPC contract units
10. Sharia Compliance & Revenue Audits
11. Investors have the ability to buy or sell SFRPC or FRPC contract units of on REX 24X7

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Congratulations.

The grasping and acceptance of new ideas is never easy.
Now you are entitled to wear the following badge.

