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Angel Investors News

The Membership That Empowers Entrepreneurs & Investors To Make Dreams A Reality, Create Jobs, Stimulate The Economy & Create Wealth!

EDITORIAL

Entrepreneurship: The Spirit of America

BY GREG WRITER

Why is America great? Two reasons: the Entrepreneur and Innovation. The Declaration of Independence granted American citizens the "unalienable rights" of life, liberty, and the pursuit of happiness. For many Americans, that liberty means the ability to work for ourselves, and build our own busi-

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ENTREPRENEURS ACADEMY

Street Smarts put You On the Road to Success

BY HARVEY MACKAY

You learn how to be book smart in school, but you better not forget that you need to also be street smart. There's an old saying about how the "A" students in school end up working for the "B and C" students in life. I've always been amused by that notion.

I succeeded because I have street smarts. Here are some

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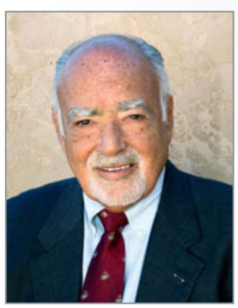
INVESTOR'S EDGE

Why Royalties are The Investor's Better Way©

BY ARTHUR LIPPER

Balanced Vision

Royalties are the better way of both investing in and financing of privately owned companies



I designed these justice scales to represent the needs of successful investors in privately owned companies. The needs are to balance a view of the future with a means of weighing and balancing risk and reward. This is also my new personal logo, which so precisely represents that which is achieved by investors funding companies through the use of royalties.

The reason most investors in privately owned companies are disappointed in the results is that they became owners in businesses which continue to require additional funding and that usually means equity dilution for early stage investors, assuming the companies are even able to get additional funding.

Those buying stock in companies are buying a share of the company's profits and losses. Profits are created by business managers who are able generate revenues and maintain costs allowing for there to be profits.

The assessment of the value

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(WHY ROYALTIES ARE THE INVESTOR'S BETTER WAY®, continued from page 1)

to the user of a product or service is easier than predicting if the product or service can be produced and distributed on a profitable basis. Predicting trends of revenues is easier for most of us investing in early stage companies than predicting specific levels of per share profits.

Therefore, is it not more logical to buy a percentage of a company's revenues for an agreed period than to buy a minority equity interest? We all should remember that the value of shares is dependent on both revenues and management's ability to control costs while supporting sales and marketing. I believe it is clearly better for the investor to own a piece of the revenues than the company. I also believe it is better for the owner/managers of the business to retain their ownership and control of the business as a result of financing the business by the sale of a royalty rather than ownership interests.

Both investors and those involved in the negotiation of financings can use REXRoyalties.com to study the impact of different and varying terms entered in a possible royalty offering. The process, which is covered by a U.S. patent issued in 2010, is fully described and the calculator produces both immediate Analytic tables and charts.

Of course, straight debt financing is the most desirable means of a business owner achieving a non-equity dilutive financing, if it can be accomplished at reasonable interest rates and without a personal guarantee. Unfortunately, this is not possible for most business owners.

I have also created a patent pending concept of combining debt and a royalty which is, for many companies, the best means of funding and also and most importantly for many investors the best means of achieving their desired Internal Rate of Return (IRR). The REXdebt- shareRoyalties.com website calculator can be used to develop a combination of a loan, at slightly more than commercial bank rates, for loans most entrepreneurs cannot obtain, and a modest and yet highly investor satisfactory royalty which commences at the maturity of the loan.

Assuming the royalty investor seeks an IRR of something in excess of 20%, over the course of the royalty payment period, they will need a much higher percentage of the royalty issuing company's revenues than will the repaid lender to achieve a similar objective. Please understand the investor's motivation to make the loan is to minimize risk while obtaining the royalty. The royalty once effective is held by the investor on the basis of the investor not having any risk, as the funds loaned had been repaid, with satisfactory interest.

Please let me know of your questions and comments for future columns by emailing me at Chairman@REXRoyalties.com.