

# CONFIDENTIAL EXECUTIVE SUMMARY

&

# PRIVATE OFFERING MEMORANDUM

September 1<sup>st</sup>, 2022



**Private Offering of USD 17'600'000**

**Minimum Subscription USD 100,000**

**of**

**10'000'000 Shares of Common Stock**

**at a progressive price from USD 1.00 to USD 2.20 per share**

**Name:**

**Nº**

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## INTELLECTUAL PROPERTY SECURITIES CORPORATION: PRIVATE OFFERING MEMORANDUM

Registered Office: 251 Little Falls Drive, County of New Castle, Wilmington, 19808, State of Delaware, USA

Headquarters: 30 Wall Street, 8th floor, Suite 830, 10005 New York, United States of America

Phone: +1 310 490 3673- hayet.bouzid@swissfinanciers.com

### 1. GENERALITIES

Intellectual Property Securities Corporation, also referred to as IPSE, (the "Issuer") is willing to finance its future operations through the sale of up to 10'000'000 shares of Common Stock of the Issuer (the "Shares"), with a par value of USD 0.001 at a progressive price from USD 1.00 to USD 2.20, said sale being the "Private Offering". Pursuant to the Private Offering, up to 10% of the Common Stock of the Issuer can be sold.

The Financing Consultants in connection with this Private Offering are the members of Swiss Financiers Inc. No trading market presently exists for the Shares. The minimum investment is USD 100,000 (One Hundred Thousand United States Dollars).

The Private Offering price has been arbitrarily determined by the Management of the Issuer and approved by the Financing Consultants. The Private Offering will begin on February 1<sup>st</sup>, 2022, and continue until the Issuer has sold all of the Shares offered hereby, or at such earlier date as the Issuer may in its discretion close or terminate the Private Offering. There is no required minimum amount of capital to be sold in the Private Offering. The Issuer reserves the right to cancel the Private Offering and to refund the investment to subscribers at nominal cost, without further indemnification, if the Board of Directors believes that the amount raised through this Private Offering is not sufficient to achieve the contemplated goals.

The address of the Registered Office is:

251 Little Falls Drive

County of New Castle Wilmington, 19808 State of Delaware

UNITED STATES OF AMERICA

## 2. DISCLAIMERS

### 2.1. General

This Private Offering Memorandum ("Memorandum" or "Private Offering Memorandum") exists only in English. The language (English) of the subscription agreement executed and signed by the Investor along with this Memorandum shall prevail in case of litigation.

This Disclosure Document contains statements relating to future results of the Issuer (including certain projections and business trends) that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 (the "Litigation Reform Act"). Section 27A(b)(2)(D) of the Securities Act of 1933 (the "1933 Act") and Section 21E(b)(2)(D) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward Looking Statements made in this Memorandum are made pursuant to and in reliance upon the safe harbor provisions of the Securities Reform Act of 1995. Such statements involve risks and uncertainties which may cause results to differ materially from those set forth in those statements. In addition to those factors discussed in the Risk Factors Section of this Memorandum, actual results may differ materially from those projected as a result of risks and uncertainties, including, but not limited to, changes in political and economic conditions, regulatory conditions, government spending, government regulations, technological development, market competition, pricing pressures and other factors.

When used in this Disclosure Document the words "estimate", "project", "intend", "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such risks and uncertainties include those risks, uncertainties and risk factors identified in this Disclosure Document under the heading "Risk Factors." The Issuer does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

### 2.2. Limits of Liability

IN CONNECTION WITH THIS PRIVATE OFFERING, NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THE PRIVATE OFFERING MEMORANDUM. IF GIVEN OR MADE, SUCH REPRESENTATIONS SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER. THIS PRIVATE OFFERING DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY SHARES IN ANY COUNTRY OR STATE WHERE THE OFFER AND SALE OF SUCH SHARES IS NOT LAWFUL. THE DELIVERY OF THIS PRIVATE OFFERING MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT THE INFORMATION HEREIN CONTAINED IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

THE ISSUER RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, OR TO ALLOT LESS THAN THE NUMBER OR AMOUNT OF SHARES FOR WHICH ANY PROSPECTIVE PURCHASER HAS SUBSCRIBED.

THE SHARES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE, AS THEY WILL BE OFFERED TO ACCREDITED INVESTORS ONLY. IT IS ANTICIPATED THEY WILL BE EXEMPT FROM THE REGISTRATION PROVISIONS OF THE 1933 ACT UNDER SECTION 4(2) THEREOF.

THIS OFFERING IS BEING MADE IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 3(b) OF THE SECURITIES ACT OF 1933, AS AMENDED AND THE PROVISIONS OF REGULATION "D" PROMULGATED UNDER THE 1933 ACT ("REG. D"), THAT PERMITS GENERAL SOLICITATION AND GENERAL ADVERTISING SO LONG AS SALES ARE MADE ONLY TO "ACCREDITED INVESTORS" AS DEFINED IN RULE 501(a).

THESE SHARES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS.

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PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THE PURCHASE OF THE SHARES OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK AND IS SUITABLE ONLY FOR PERSONS OF ADEQUATE MEANS WHO HAVE NO NEED FOR LIQUIDITY IN THIS INVESTMENT. POTENTIAL INVESTORS ARE URGED TO REVIEW CAREFULLY THE RISK FACTORS SECTION OF THIS MEMORANDUM FOR THE DISCUSSION OF CERTAIN RISKS INVOLVED IN AN INVESTMENT IN THE ISSUER. THE PURCHASE PRICE OF THE SHARES HAS BEEN ARBITRARILY DETERMINED AND EACH PROSPECTIVE INVESTOR SHOULD MAKE AN INDEPENDENT EVALUATION OF THE FAIRNESS OF SUCH PRICE.

BY ACCEPTING DELIVERY OF THIS MEMORANDUM, THE POTENTIAL INVESTOR AGREES NOT TO REPRODUCE IT OR DISCLOSE ANY OF ITS CONTENTS TO ANY PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE ISSUER. THE POTENTIAL INVESTOR FURTHER AGREES TO PROMPTLY RETURN THIS MEMORANDUM AND ALL RELATED DOCUMENTS IN THE EVENT THAT SHARES WILL NOT BE PURCHASED.

THERE IS CURRENTLY NO PRIVATE OR PUBLIC MARKET FOR THE SHARES. EVEN IF A GOING PUBLIC PROCEDURE HAS BEEN INITIATED, NO ASSURANCE CAN BE GIVEN THAT ONE WILL DEVELOP. IN ADDITION, THERE ARE RESTRICTIONS UPON THE TRANSFER OF THE SHARES CONTAINED IN APPLICABLE SECURITIES LAWS IN THE UNITED STATES OF AMERICA. ACCORDINGLY, THE SHARES SHOULD NOT BE PURCHASED BY PERSONS WHO MAY NEED TO LIQUIDATE THEIR INVESTMENT.

AT ALL REASONABLE TIMES PRIOR TO THE CONCLUSION OF THE PRIVATE OFFERING, THE ISSUER WILL PROVIDE POTENTIAL SUBSCRIBERS AND THEIR REPRESENTATIVES THE OPPORTUNITIES TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THEM CONCERNING THE TERMS AND CONDITIONS OF THIS PRIVATE OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION TO THE EXTENT THAT THE ISSUER POSSESSES, OR CAN ACQUIRE SUCH INFORMATION WITHOUT UNREASONABLE EFFORT OR EXPENSE.

THE SECURITIES OFFERED HEREBY ARE SPECULATIVE, INVOLVE A HIGH DEGREE OF RISK, AND SHOULD NOT BE PURCHASED BY ANYONE WHO CANNOT AFFORD THE LOSS OF HIS ENTIRE INVESTMENT. SEE "RISK FACTORS" SECTION.

THIS DOCUMENT AND THE INFORMATION CONTAINED HEREIN ARE CONFIDENTIAL. IT IS SUPPLIED ON THE CONDITION THAT IT IS FOR THE SOLE USE OF THE PERSON WHOSE NAME APPEARS ON THE COVER PAGE AND SHALL NOT BE PASSED TO ANY OTHER PERSON. THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OR INVITATION TO THE PUBLIC TO SUBSCRIBE FOR, OR TO PURCHASE ANY SECURITIES OF THE ISSUER.

THIS MEMORANDUM HAS NOT BEEN REVIEWED, APPROVED OR DISAPPROVED, NOR HAS THE ACCURACY OR ADEQUACY OF THE INFORMATION SET FORTH HEREIN BEEN PASSED UPON BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION, OR ANY US FEDERAL OR STATE AGENCY HAVING JURISDICTION OR COGNIZANCE OVER THE SALE OF SECURITIES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

ANY DOCUMENT THAT A POTENTIAL SUBSCRIBER WISHES TO REVIEW WILL BE MADE AVAILABLE FOR INSPECTION OR PROVIDED, UPON REQUEST, SUBJECT TO ALL POTENTIAL SUBSCRIBERS AGREEMENT TO MAINTAIN SUCH INFORMATION IN CONFIDENCE AND TO RETURN THE SAME TO THE ISSUER IF THE POTENTIAL SUBSCRIBER DOES NOT PURCHASE THE SECURITIES OFFERED HEREUNDER. ANY SUCH INQUIRIES OR REQUESTS FOR ADDITIONAL INFORMATION OR DOCUMENTS SHOULD BE MADE IN WRITING TO THE ISSUER, ADDRESSED TO ITS REGISTERED OFFICE (SEE "GENERALITIES" SECTION).

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS, OR TO GIVE ANY INFORMATION, WITH RESPECT TO THESE SECURITIES, EXCEPT IN ACCORDANCE WITH THE INFORMATION CONTAINED HEREIN AND, IF MADE OR GIVEN, SUCH REPRESENTATIONS CANNOT BE CONSTRUED AS GIVEN BY THE ISSUER OR THE FINANCIAL CONSULTANTS. NEITHER THIS MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS NOT BEEN ANY CHANGE IN THE AFFAIRS OF THE ISSUER AFTER THE DATE HEREOF.

THE INFORMATION REPRESENTED HEREIN WAS PROVIDED BY THE ISSUER AND IS BEING FURNISHED SOLELY FOR THE USE OF THE PROSPECTIVE INVESTORS IN CONNECTION WITH THE OFFERING DESCRIBED HEREIN. THE FINANCIAL CONSULTANTS HAVE NOT PREPARED THIS MEMORANDUM, MAKE NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF



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THE INFORMATION CONTAINED IN THE MEMORANDUM, AND EXPRESSLY DISCLAIM ANY RESPONSIBILITY FOR THE INFORMATION CONTAINED HEREIN, EVEN IF A PROPER DUE DILIGENCE WAS PERFORMED.

THE STATEMENTS CONTAINED HEREIN ARE BASED ON INFORMATION BELIEVED BY THE ISSUER TO BE RELIABLE. NO WARRANTY CAN BE MADE AS TO THE ACCURACY OF SUCH INFORMATION, OR THAT CIRCUMSTANCES HAVE NOT CHANGED SINCE THE DATE SUCH INFORMATION WAS SUPPLIED.

THE PRICES AND OTHER TERMS OF THE SECURITIES TO WHICH THIS MEMORANDUM RELATES HAVE BEEN DETERMINED BY NEGOTIATION BETWEEN THE ISSUER AND THE FINANCIAL CONSULTANTS AND ARE ARBITRARY IN THAT THEY DO NOT NECESSARILY BEAR ANY RELATIONSHIP TO THE ASSETS, BOOK VALUE OR POTENTIAL EARNINGS OF THE ISSUER, OR ANY OTHER RECOGNIZED CRITERIA OF VALUE.

THIS MEMORANDUM SHOULD BE READ IN CONJUNCTION WITH THE EXHIBITS HERETO INCLUDED, AND, IN PARTICULAR, THE ISSUER 'S FINANCIAL INFORMATION.

THIS OFFERING IS SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY THE ISSUER OR THE FINANCIAL CONSULTANTS WITHOUT NOTICE. THE ISSUER AND THE FINANCIAL CONSULTANTS RESERVE THE RIGHT, IN THEIR SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, FOR ANY REASON, OR TO ALLOT TO ANY SUBSCRIBER LESS THAN THE NUMBER OF SECURITIES SUBSCRIBED FOR.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY OTHER THAN THE SECURITIES OFFERED HEREBY.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT OR TAX ADVICE. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR PERSONAL ADVISORS, ATTORNEYS, AND/OR TAX ADVISORS AS TO LEGAL, INVESTMENT, TAX AND RELATED ISSUES CONCERNING AN INVESTMENT BY SUCH PROSPECTIVE INVESTORS IN THE ISSUER.

IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE SECURITIES TO SATISFY HIMSELF AS TO THE FULL OBSERVANCE OF ALL LAWS OF ANY RELEVANT JURISDICTION IN CONNECTION WITH ANY SUCH PURCHASES, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

### **2.3. Investor's Suitability Standards**

THIS INVESTMENT IS, IN GENERAL, ONLY SUITABLE FOR PERSONS WHO ARE "ACCREDITED INVESTORS" AS DEFINED BELOW. THE ISSUER MAY, HOWEVER, MAKE EXCEPTIONS TO THIS SUITABILITY STANDARD AND PERMIT SALE TO PERSONS WHO ARE NOT ACCREDITED INVESTORS IF SUCH PERSONS (i) ARE NOT RESIDENTS OR CITIZENS OF THE U.S. AND (ii) ARE ABLE TO DEMONSTRATE THEIR FINANCIAL SOPHISTICATION TO THE SATISFACTION OF THE ISSUER.

THE TERM "ACCREDITED INVESTOR" MEANS ANY PERSON WHO COMES WITHIN ANY OF THE FOLLOWING CATEGORIES, OR WHO THE ISSUER REASONABLY BELIEVES COMES WITHIN ANY OF THE CATEGORIES, AT THE TIME OF THE SALE OF THE COMMON STOCK TO THAT PERSON:

1. ANY BANK AS DEFINED IN SECTION 3 (a) (2) OF THE ACT, OR ANY SAVINGS AND LOAN ASSOCIATION OR OTHER INSTITUTION AS DEFINED IN SECTION 3 (a) (5) (A) OF THE ACT WHETHER ACTING IN ITS INDIVIDUAL OR FIDUCIARY CAPACITY; ANY BROKER OR DEALER REGISTERED PURSUANT TO SECTION 15 OF THE SECURITIES EXCHANGE ACT OF 1934; ANY INSURANCE COMPANY AS DEFINED IN SECTION 2 (13) OF THE ACT; ANY INVESTMENT COMPANY REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940 OR A BUSINESS DEVELOPMENT COMPANY AS DEFINED IN SECTION 2 (a) (48) OF THAT ACT; ANY SMALL BUSINESS INVESTMENT COMPANY LICENSED BY THE U.S. SMALL BUSINESS ADMINISTRATION UNDER SECTION 301 (c) OR (d) OF THE SMALL BUSINESS INVESTMENT ACT OF 1958; ANY PLAN ESTABLISHED AND MAINTAINED BY STATE, ITS POLITICAL SUBDIVISION OR ANY AGENCY OR INSTRUMENTALITY OF A STATE OR ITS POLITICAL SUBDIVISIONS, FOR THE BENEFIT OF ITS EMPLOYEES, IF SUCH PLAN HAS TOTAL ASSETS IN EXCESS OF USD 5,000,000;

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ANY EMPLOYEE BENEFIT PLAN WITHIN THE MEANING OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 IF THE DECISION IS MADE BY A PLAN FIDUCIARY, AS DEFINED IN SECTION 3 (21) OF SUCH ACT, WHICH IS EITHER A BANK, SAVINGS AND LOAN ASSOCIATION, INSURANCE COMPANY, OR REGISTERED INVESTMENT ADVISER, OR IF THE EMPLOYEE BENEFIT PLAN HAS TOTAL ASSETS IN EXCESS OF USD 5,000,000 OR, IF A SELF-DIRECTED PLAN, WITH INVESTMENT DECISIONS MADE SOLELY BY PERSONS THAT ARE ACCREDITED INVESTORS;

2. ANY PRIVATE BUSINESS DEVELOPMENT COMPANY AS DEFINED IN SECTION 202 (a) 22 OF THE INVESTMENT ADVISERS ACT OF 1940;
3. ANY ORGANIZATION DESCRIBED IN SECTION 501 (c) 3 OF THE INTERNAL REVENUE CODE, CORPORATION, MASSACHUSETTS OR SIMILAR BUSINESS TRUST, OR PARTNERSHIP, NOT FORMED FOR THE SPECIFIC PURPOSE OF ACQUIRING THE SECURITIES OFFERED, WITH TOTAL ASSETS IN EXCESS OF USD 5,000,000;
4. ANY DIRECTOR, EXECUTIVE OFFICER OR GENERAL PARTNER OF THE ISSUER OF THE SECURITIES BEING OFFERED OR SOLD;
5. ANY NATURAL PERSON WHOSE NET WORTH, OR JOINT NET WORTH WITH THAT PERSON'S SPOUSE, AT THE TIME OF HIS PURCHASE EXCEEDS USD 1,000,000;
6. ANY NATURAL PERSON WHO HAD AN INDIVIDUAL INCOME IN EXCESS OF USD 200,000 IN EACH OF THE TWO MOST RECENT YEARS OR JOINT INCOME WITH THAT PERSON'S SPOUSE IN EXCESS OF USD 300,000 IN EACH OF THOSE YEARS AND HAS A REASONABLE EXPECTATION OF REACHING THE SAME INCOME LEVEL IN THE CURRENT YEAR;
7. ANY TRUST, WITH TOTAL ASSETS IN EXCESS OF USD 5,000,000, NOT FORMED FOR THE SPECIFIC PURPOSE OF ACQUIRING THE SECURITIES OFFERED, WHOSE PURCHASE IS DIRECTED BY A SOPHISTICATED PERSON AS DESCRIBED IN RULE 506 (b) (2) (ii) AND;
8. ANY ENTITY IN WHICH ALL OF THE EQUITY OWNERS ARE ACCREDITED INVESTORS.

## 2.4. Restrictive Legends

THE INCLUSION OF RESTRICTIVE LEGENDS FOR EACH STATE IN THIS MEMORANDUM IS NOT INTENDED TO IMPLY THAT THE SHARES COVERED BY THIS MEMORANDUM ARE TO BE OFFERED FOR SALE IN EACH OF THE LISTED STATES, OR IN ANY NUMBER OF STATES, BUT IS MERELY A PRECAUTION IN THE EVENT THAT THIS MEMORANDUM IS DELIVERED, BROUGHT OR TRANSMITTED INTO ANY STATE OTHER THAN BY THE ISSUER.

FOR RESIDENTS OF ALL STATES:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD SOLELY IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH LAWS. THERE IS NO PUBLIC MARKET FOR THE SECURITIES OF THE ISSUER. EVEN IF SUCH MARKET EXISTED, PURCHASERS OF SECURITIES WILL BE REQUIRED TO REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO SALE OR DISTRIBUTION, AND PURCHASERS WILL NOT BE ABLE TO RESELL THE SECURITIES UNLESS THE SECURITIES ARE REGISTERED UNDER THE ACT AND QUALIFIED UNDER THE APPLICABLE STATE STATUTES (OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION AND QUALIFICATION IS AVAILABLE). PURCHASERS OF THE SECURITIES SHOULD BE PREPARED TO BEAR THE ECONOMIC RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER STATE OR FEDERAL REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING NOR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. THE PRESENCE OF A LEGEND FOR ANY GIVEN STATE REFLECTS ONLY THAT A LEGEND MAY BE REQUIRED BY THAT STATE AND SHOULD NOT BE CONSTRUED TO MEAN AN OFFER OR SALE MAY BE MADE IN ANY PARTICULAR STATE. THIS MEMORANDUM MAY BE SUPPLEMENTED BY ADDITIONAL STATE LEGENDS.

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FOR ALABAMA RESIDENTS ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE ALABAMA SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ALABAMA SECURITIES COMMISSION. THE COMMISSION DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR ALASKA RESIDENTS ONLY:

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR ARIZONA RESIDENTS ONLY:

THESE SECURITIES ARE BEING SOLD IN RELIANCE UPON ARIZONA'S LIMITED OFFERING EXEMPTION FROM REGISTRATION PURSUANT TO A.R. S. 44-1844.

THE STOCKS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE ARIZONA SECURITIES ACT, AS AMENDED, AND THEREFORE, CANNOT BE TRANSFERRED OR RESOLD UNLESS THEY ARE REGISTERED UNDER SUCH ACT OR AN EXEMPTION THEREFROM IS AVAILABLE.

THE PURCHASER OF SUCH SECURITIES HEREBY REPRESENTS THAT HE UNDERSTANDS THESE SECURITIES CANNOT BE RESOLD WITHOUT REGISTRATION UNDER THE ARIZONA SECURITIES ACT OR AN EXEMPTION THEREFROM. THE PURCHASER HEREBY CERTIFIES HE IS NOT AN UNDERWRITER WITHIN THE MEANING OF A.R.S. 44-1801(17), AND IS ACQUIRING THESE SECURITIES FOR HIMSELF, NOT FOR OTHER PERSONS. IF QUALIFYING AS A NON-ACCREDITED INVESTOR, THE PURCHASER FURTHER REPRESENTS THAT THIS INVESTMENT DOES NOT EXCEED 20% OF HIS NET WORTH (EXCLUDING PRINCIPAL RESIDENCE, FURNISHINGS THEREIN AND PERSONAL AUTOMOBILES).

FOR ARKANSAS RESIDENTS ONLY:

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER SECTION 14(B) (14) OF THE ARKANSAS SECURITIES ACT AND SECTION 4(2) OF THE SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE ARKANSAS SECURITIES DEPARTMENT OR WITH THE SECURITIES AND EXCHANGE COMMISSION. NEITHER THE DEPARTMENT NOR THE COMMISSION HAS PASSED UPON THE VALUE OF THESE SECURITIES, MADE ANY RECOMMENDATIONS AS TO THEIR PURCHASE, APPROVED OR DISAPPROVED THE OFFERING, OR PASSED UPON THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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THE SALE OF THE SECURITIES DESCRIBED IN THIS MEMORANDUM HAS NOT BEEN QUALIFIED WITH THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR THE RECEIPT OF CONSIDERATION THEREFORE PRIOR TO SUCH QUALIFICATION IS UNLAWFUL, UNLESS THE SALE THEREOF IS EXEMPT UNDER APPLICABLE LAW. THE ISSUER IS RELYING ON THE EXEMPTION FROM SUCH QUALIFICATION PROVIDED BY SECTION 25102(f) OF THE CALIFORNIA CORPORATIONS CODE.

FOR COLORADO RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981 BY REASONS OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED, OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE COLORADO SECURITIES ACT OF 1981, IF SUCH REGISTRATION IS REQUIRED.

FOR CONNECTICUT RESIDENTS ONLY:

THE SECURITIES REFERRED TO IN THIS MEMORANDUM WILL BE SOLD PURSUANT TO THE EXEMPTION SET OUT IN SECTION 36-490(B) (9) OF THE CONNECTICUT UNIFORM SECURITIES ACT. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF CONNECTICUT. THE SECURITIES CANNOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR FLORIDA RESIDENTS ONLY:

PURSUANT TO SECTION 517.061(11)(a)(5) OF THE FLORIDA STATUTES, IF SECURITIES ARE SOLD TO FIVE OR MORE FLORIDA RESIDENTS, FLORIDA INVESTORS WILL HAVE A THREE (3) DAY RIGHT OF RESCISSION. INVESTORS WHO HAVE EXECUTED A SUBSCRIPTION AGREEMENT MAY ELECT, WITHIN THREE (3) BUSINESS DAYS AFTER THE FIRST TENDER OF CONSIDERATION THEREFORE, TO WITHDRAW THEIR SUBSCRIPTION AND RECEIVE A FULL REFUND OF ANY MONEY PAID BY THEM. SUCH WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH SUCH WITHDRAWAL, AN INVESTOR ONLY NEEDS TO SEND A LETTER OR TELEGRAM TO THE ISSUER AT THE ADDRESS SHOWN HEREIN INDICATING HIS INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM MUST BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD (3<sup>rd</sup>) BUSINESS DAY. IF SENDING A LETTER, AN INVESTOR SHOULD SEND IT BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND TO EVIDENCE THE TIME WHEN IT IS MAILED. ANY ORAL REQUESTS FOR RESCISSION SHOULD BE ACCOMPANIED BY A REQUEST FOR WRITTEN CONFIRMATION THAT THE ORAL REQUEST WAS RECEIVED ON A TIMELY BASIS.

FOR GEORGIA RESIDENTS ONLY:

THESE SECURITIES ARE BEING OFFERED AND SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10- 5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

FOR IDAHO RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE IDAHO SECURITIES ACT AND THEREFORE CANNOT BE RESOLD OR TRANSFERRED UNLESS THEY ARE SO REGISTERED OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

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FOR ILLINOIS RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED, APPROVED OR DISAPPROVED BY THE STATE OF ILLINOIS NOR HAS THE SECRETARY OF STATE OF THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OF THIS CONFIDENTIAL DOCUMENT. IN ADDITION, THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE CONFIDENTIAL DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR INDIANA RESIDENTS ONLY:

THE INDIANA SECURITIES DIVISION HAS NOT IN ANY WAY PASSED UPON THE MERITS OR QUALIFICATION OF, NOR RECOMMENDED NOR GIVEN APPROVAL TO, THE SECURITIES HEREBY OFFERED, NOR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. PENDING PERFECTION OF THE EXEMPTION UNDER SECTION 23-1-2(B) (10) OF THE INDIANA BLUE SKY LAW, THE OFFERING IS PRELIMINARY AND SUBJECT TO MATERIAL CHANGE. THESE SECURITIES ARE SPECULATIVE, HAVE NOT BEEN REGISTERED UNDER SECTION 3 OF THE INDIANA SECURITIES ACT AND, THEREFORE, CANNOT BE RESOLD OR TRANSFERRED, UNLESS THEY ARE SO REGISTERED NOR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

FOR LOUISIANA RESIDENTS ONLY:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE LOUISIANA SECURITIES LAW AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTION ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THE SECURITIES HAVE NOT BEEN APPROVED NOR DISAPPROVED BY SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING NOR THE ACCURACY OR ADEQUACY OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

FOR MARYLAND RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE MARYLAND SECURITIES ACT, BY REASON OF SPECIFIC EXEMPTIONS THEREUNDER RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE ACT OR THE MARYLAND SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

FOR MASSACHUSETTS RESIDENTS ONLY:

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE MASSACHUSETTS SECURITIES ACT, BY REASON OF THE MASSACHUSETTS UNIFORM LIMITED OFFERING EXEMPTION RELATING TO THE LIMITED AVAILABILITY OF THE OFFERING. THESE SECURITIES CANNOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF TO ANY PERSON OR ENTITY UNLESS SUBSEQUENTLY REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE MASSACHUSETTS SECURITIES ACT, IF SUCH REGISTRATION IS REQUIRED.

FOR MICHIGAN RESIDENTS ONLY:

THE SECURITIES REFERRED TO IN THIS MEMORANDUM WILL BE SOLD TO AND ACQUIRED BY THE HOLDER IN A TRANSACTION EXEMPT UNDER SECTION 402(B)(9) OF THE MICHIGAN BLUE SKY LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER

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SAID LAW AND MAY NOT BE RESOLD EXCEPT IN ACCORDANCE WITH SAID LAW. WITHIN SIX MONTHS OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES, OR THE TERMINATION OF THE SUBSCRIPTION PERIOD AS SET FORTH IN THIS PRIVATE OFFERING MEMORANDUM, WHICHEVER FIRST OCCURS, THE ISSUER SHALL, IF SALES OF THE SECURITIES ARE MADE TO MICHIGAN RESIDENTS, PREPARE AND FURNISH TO INVESTORS A DETAILED WRITTEN STATEMENT OF THE APPLICATION OF PROCEEDS OF THE OFFERING, AS WELL AS ANY OTHER APPLICABLE STATEMENTS AND REPORTS REQUIRED TO BE FURNISHED UNDER APPLICABLE LAW.

FOR NEW HAMPSHIRE RESIDENTS ONLY:

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE UNDER THIS CHAPTER HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

FOR NEW JERSEY RESIDENTS ONLY:

THESE SECURITIES ARE OFFERED IN RELIANCE ON AN EXEMPTION FROM REGISTRATION UNDER THE NEW JERSEY UNIFORM SECURITIES LAW. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID LAW AND MAY NOT BE RE-OFFERED FOR SALE, TRANSFER OR RESOLD WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF SAID LAW OR AN EXEMPTION THEREFROM. THE BUREAU OF SECURITIES OF NEW JERSEY HAS NOT PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS MEMORANDUM AND DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THE SECURITIES.

FOR NEW MEXICO RESIDENTS ONLY:

THE SECURITIES DESCRIBED HEREIN ARE OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF NEW MEXICO. ACCORDINGLY, THE NEW MEXICO SECURITIES BUREAU HAS NOT REVIEWED THE OFFERING OF THESE SECURITIES AND HAS NOT APPROVED OR DISAPPROVED THIS OFFERING. THE NEW MEXICO SECURITIES BUREAU HAS NOT PASSED UPON THE VALUE OF THESE SECURITIES OR UPON THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PRIVATE OFFERING MEMORANDUM. THESE SECURITIES MAY NOT BE RESOLD OR OTHERWISE TRANSFERRED WITHOUT REGISTRATION UNDER THE ACT OR AN EXEMPTION THEREFROM.

FOR NEW YORK RESIDENTS ONLY:

THIS CONFIDENTIAL PRIVATE OFFERING MEMORANDUM DOES NOT KNOWINGLY CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT NOR KNOWINGLY OMIT TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN.

THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK PRIOR TO ITS ISSUANCE AND USE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON NOR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THE OFFERING OF THE SECURITIES HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL OF THE STATE OF NEW YORK BECAUSE OF THE OFFERORS' REPRESENTATIONS THAT THIS IS INTENDED TO BE A NON-PUBLIC OFFERING PURSUANT TO REG. D, AND THAT IF ALL THE CONDITIONS AND LIMITATIONS OF REG. D ARE NOT COMPLIED WITH, THE OFFERING WILL BE RESUBMITTED TO THE

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ATTORNEY GENERAL FOR AMENDED EXEMPTION. ANY OFFERING LITERATURE USED IN CONNECTION WITH THE OFFERING HAS NOT BEEN PRE- FILED WITH THE ATTORNEY GENERAL AND HAS NOT BEEN REVIEWED BY THE ATTORNEY GENERAL.

EACH NEW YORK INVESTOR WILL BE REQUIRED TO AGREE THAT HE OR SHE WILL NOT SELL OR OTHERWISE TRANSFER THESE SECURITIES, UNLESS THEY ARE REGISTERED UNDER THE SECURITY ACT OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. EACH NEW YORK INVESTOR WILL BE REQUIRED TO REPRESENT THAT HE OR SHE HAS ADEQUATE MEANS OF PROVIDING FOR HIS OR HER CURRENT NEEDS AND POSSIBLE PERSONAL CONTINGENCIES AND THAT HE OR SHE HAS NO NEED FOR LIQUIDITY OF THIS INVESTMENT. ALL DOCUMENTS, RECORDS AND BOOKS PERTAINING TO THIS INVESTMENT WILL BE MADE AVAILABLE FOR INSPECTION BY EACH NEW YORK INVESTOR AND HIS OR HER ATTORNEY OR HIS OR HER ACCOUNTANT OR HIS OR HER PURCHASER REPRESENTATIVE, AND THAT THE BOOKS AND RECORDS OF THE ISSUER WILL BE AVAILABLE, UPON REASONABLE NOTICE, FOR INSPECTION BY INVESTOR AT REASONABLE HOURS AT ITS PRINCIPLE PLACE OF BUSINESS.

ALL NEW YORK INVESTORS WILL BE REQUIRED TO REPRESENT THAT THEY UNDERSTAND THAT THE OFFERING MAY BE MADE ONLY TO THOSE NON-ACCREDITED RESIDENTS OF NEW YORK WHO: HAVE A NET WORTH (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF THREE(3) TIMES THE AMOUNT OF THE INVESTMENT AND AN ADJUSTED GROSS INCOME (ALONE OR JOINTLY WITH A SPOUSE, BUT EXCLUSIVE OF HOME, FURNISHINGS AND AUTOMOBILES) OF FIVE (5) TIMES THE AMOUNT OF THE INVESTMENT.

FOR OREGON RESIDENTS ONLY:

THE SECURITIES OFFERED HAVE BEEN REGISTERED WITH THE DIRECTOR OF THE DEPARTMENT OF INSURANCE AND FINANCE FOR THE STATE OF OREGON UNDER PROVISIONS OF OAR 441-65-060 THROUGH 445-65-240. THE INVESTOR IS ADVISED THAT THE DIRECTOR HAS ONLY MADE A CURSORY REVIEW OF THE REGISTRATION STATEMENT AND HAS NOT REVIEWED THIS DOCUMENT. THE INVESTOR MUST RELY ON THE INVESTOR'S OWN EXAMINATION OF THE ISSUER CREATING THE SECURITIES, AND OF THE TERMS OF THE OFFERING INCLUDING THE MAKING OF AN INVESTMENT DECISION ON THESE SECURITIES.

FOR PENNSYLVANIA RESIDENTS ONLY:

EACH SUBSCRIBER WHO IS A PENNSYLVANIA RESIDENT HAS THE RIGHT TO CANCEL AND WITHDRAW HIS SUBSCRIPTION AND HIS PURCHASE OF SECURITIES THEREUNDER, UPON WRITTEN NOTICE TO THE ISSUER GIVEN WITHIN TWO (2) BUSINESS DAYS FOLLOWING THE RECEIPT BY THE ISSUER OF HIS EXECUTED SUBSCRIPTION AGREEMENT. ANY NOTICE OF CANCELLATION OR WITHDRAWAL SHOULD BE MADE BY TELEGRAM OR CERTIFIED OR REGISTERED MAIL AND WILL BE EFFECTIVE UPON DELIVERY TO WESTERN UNION OR DEPOSIT IN THE UNITED STATES MAIL, POSTAGE OR OTHER TRANSMITTAL FEES PREPAID. UPON SUCH CANCELLATION OR WITHDRAWAL, THE SUBSCRIBER WILL HAVE NO OBLIGATION OR DUTY UNDER THE SUBSCRIPTION AGREEMENT TO THE ISSUER OR ANY OTHER PERSON AND WILL BE ENTITLED TO THE FULL RETURN OF ANY AMOUNT PAID BY HIM, WITHOUT INTEREST.

NEITHER THE PENNSYLVANIA SECURITIES COMMISSION NOR ANY OTHER AGENCY PASSED OR ENDORSED THE MERITS OF THIS OFFERING, AND ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

PENNSYLVANIA SUBSCRIBERS' MAY NOT SELL THEIR SECURITIES FOR ONE (1) YEAR FROM THE DATE OF PURCHASE IF SUCH A SALE WOULD VIOLATE SECTION 203(D) OF THE PENNSYLVANIA SECURITIES ACT.

PENNSYLVANIA RESIDENTS, WHO ARE NOT ACCREDITED INVESTORS, MUST MEET THE SUITABILITY REQUIREMENTS SET FORTH IN THIS MEMORANDUM AND MUST HAVE A NET WORTH (EXCLUSIVE OF HOMES, HOME FURNISHINGS AND PERSONAL AUTOMOBILES) OF AT LEAST FIVE (5) TIMES THE AMOUNT OF HIS PROPOSED INVESTMENT.

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THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER THE SOUTH CAROLINA UNIFORM SECURITIES ACT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS NOT BEEN FILED WITH THE SOUTH CAROLINA SECURITIES COMMISSIONER. THE COMMISSIONER DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF ANY SECURITIES, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF THIS PRIVATE OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

FOR SOUTH DAKOTA RESIDENTS ONLY:

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## **2.5. Jurisdictional Notices**

NOTICE TO RESIDENTS OF ALL JURISDICTIONS:

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## 3. EXECUTIVE SUMMARY

### 3.1. Introduction

Intellectual Property Securities Corporation (IPSE) is a services company that was founded in the State of Delaware, United States of America, on December 22, 2014. The Issuer's founder proposed the innovative concept of converting Intellectual Property rights (IP rights) into true securities, not just backing up bonds or other traditional securities.



### 3.2. Contact

The senior personnel are:

**Intellectual Property Securities Corporation represented by Mr. Marc Deschenaux**

#### **Headquarters**

251 Little Falls Drive County of New Castle

Wilmington, 19808, State of Delaware

United States of America

#### **New York Office**

30 Wall Street, 8th floor, Suite 830,

10005 New York

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#### **Financing Consultant: Swiss Financiers Inc. Represented by Ms. Hayet Bouzid**

Geneva Office:

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New York Office:

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United States of America

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### 3.3. Company Summary

Intellectual Property Securities Corporation (IPSE) was founded by Marc DESCHENAUX on December 22, 2014. The Issuer was created in the State of Delaware, United States. The Issuer bases its activities on the American securities law, as well as the American Intellectual Property law.

The securitization of Intellectual Property (IP) is a visionary project turned into a pragmatic activity. The Issuer's project finds its roots back in 1998 when Marc DESCHENAUX founded the World Intellectual Property Securities Exchange Corporation (WIPSEC). WIPSEC set up the first exchange of securities that incorporated IP rights. However, due to the fact that banks take ten years to accept a new exchange, six years later, Marc DESCHENAUX found a new way to list IP securities on the NASDAQ. It took another five years to have this new way accepted by the Securities and Exchange Commission and the NASDAQ.



With IPSE, the Directors of the Issuer have designed a securitization system that increases ease of alienation of their IP rights by authors, artists and inventors in order to finance their intellectual property. The conversion of IP rights into securities strengthens their protection regardless of the national regulation in force in the countries where they are created.

The securitization of IP rights made by IPSE will be supported by the international financial jurists' firm Greenberg Hornblower Deschenaux & Partners. Both companies will thus work together for the IPSE business.

Marc DESCHENAUX is convinced that IP securitization is necessary and that it will help to financially sustain research and creative projects. The securitization process will generate new funds for authors, artists, and inventors resulting from the assignment of the securities on the private or public market. The incorporation of IP rights in securities and their management by IPSE will limit the risk of loss of royalties on the works of the authors, artists or inventors.

In other words, the innovative concept of IP rights' securitization is dedicated to the profitability of the IP of artists, authors, inventors, and also more widely to research and creation.

IPSE's activities will be based in Geneva (Switzerland), New York and Los Angeles in order to have a worldwide impact.

### 3.4. Management

The Issuer's management consists of the following individuals:

#### Management Positions

|                    |                                     |
|--------------------|-------------------------------------|
| Marc DESCHENAUX    | President & Chief Executive Officer |
| Christian FRAMPTON | Secretary                           |
| Dourgam KUMMER     | Chief Financial Officer             |

### 3.5. Product(s) and Service(s)

The Issuer's core services are mainly divided into four sectors:

1. Securitization and management of Intellectual Property (IP) rights;
2. Financing of new projects through a crowdfunding platform;
3. Brokerage of IP securities;
4. Securitization of cryptocurrencies and tokens.

Firstly, the Issuer ensures the process of securitization of IP rights that already exist. Artists, authors, and inventors who have already owned IP rights can issue a securitization request which will be subject to four analysis criteria: property, quality, status, and profitability. Once the Issuer confirms that the IP rights fulfill these criteria, the securitization process will be granted, and IPSE will manage these rights. IP rights of States will also be securitizable by the Issuer, on a larger scale.

As mentioned above, the securitization process concerns existing works but also new artistic projects and scientific research of all kinds. The Issuer will support them by organizing their IP rights' securitization which will raise new funds necessary for the finalization of these projects. These new revenues will encourage artists, authors and inventors to pursue and broaden their research.

IPSE also intends to support new movie projects, musical works or shows through crowdfunding campaigns. For instance, IPSE will give rights and memorabilia relating to specific IP to crowdfunders who contributed to the project's financing.

Last but not least, the Issuer will be in charge of the brokerage of the securities. This activity will be developed in the New York office.

In order to guarantee the Issuer's transparency and efficiency, all IPSE's services will be executed automatically by a software. During the first year of activity, the core part of the software will be effective for the securitization and the management services. The complementary parts of the software, such as the prospecting for new clients, will be finalized during the second year.

### 3.6. Company Position in Marketplace & Competition

Although the idea of IP financing has already been materialized through specific means, such as financing by licenses or auctions of rights, the financing of IP has also been possible by using IP rights as guarantees to make consent of credits easier.

Intellectual property is the framework which underpins the economics of the entertainment industry and copyright is the currency of that framework. The economic value of entertainment IP flows from the copyright associated with original

works, their performance and dissemination and the royalties which accrue from them. These rights shape and underpin the multiple commercial deals that take place within the entertainment industry every day.

Many sub-sectors of the Entertainment Industry are therefore able to consider a novel way of raising funds through the securitization of existing and profitable IP's.

The Issuer's competitors can be classified in six categories:

- **Publishing Houses and Producers:** these companies are different from the Issuer in their process but they are charged with collecting fees on revenues generated by the authors' copyrights. In this way, they are truly competitors, and even more so because they are perceived as more accessible for IP holders who are not familiar with private and public markets.
- **Record Companies and Movie Production Companies:** these companies play a significant role in the management and financing of musicians and the cinematographic industry. This type of companies both discover new talents and promote the works of artists.
- **IP Management Companies:** these private companies are competitors only on the management aspect of the Issuer's activities. It is important to note that, in Switzerland, IP Management Companies only deal with copyrights whereas their activities should extend to trademark and patent related fields.
- **Auctions Management Companies:** these companies propose to organize auctions on IP rights, in order to sell them to the highest bidder. With Auctions Management Companies, the IP rights' holders have more freedom in their management. However, this system has a notable weakness: the price of the IP rights depends on the prices proposed during the auctions, and sometimes the price is not representative of the authentic value of the IP rights.
- **Banking Establishments:** in some banks, IP rights are used as guarantees in order to facilitate the consent to obtain loans. These banking establishments are important competitors; they attract clients by making important funds quickly available. But this system presents a major risk for IP holders. In fact, in return of the funds transferred, the IP owners lose control on their IP rights.
- **Persons and companies which made a form of securitization of IP rights:** this last category represents the most serious competitors to the Issuer. These persons and companies focus their activities on aspects very similar to IPSE's business.

In comparison to the aforementioned competitors, the strength of IPSE's offering is manifold and will be detailed in the Section on Marketing herein.

### **3.7. Incremental Price**

The principal obstacle to raising money is that early investors incur higher risk than subsequent investors. To offset this higher risk, it is necessary to offer a better deal for earlier investors. The earliest investors do not have the advantage of knowing future Issuer results before they incur the risks associated with their investment. All fund raising is based on the general principle that the longer it takes to begin the business, the more difficult it is to raise the balance of the money.

The Incremental Price system is intended to reward the earlier investors by offering them a lower price. In a simplistic sense, the pricing system is the following:

- a) The Issuer's Management determines different objective requirements in the growth of the Issuer for particular projects.
- b) Each step results in a progressive Incremental Price tied to an important event.

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In order to determine these different steps for the investor and the Issuer, objective steps need to be set. The Issuer's accountants are in charge of determining when these objective steps have been obtained. All payments are deemed dated on the previous day based solely on the accountant's determinations which are well known and respected. Subscriptions that come after an increase in price including all money transactions received after this date will be at the next higher price. This system is not intended to penalize any pending transactions. The accountants will contact the Issuer within 15 days after they render their opinion. All transactions executed before the date of such opinion, and when the receipt of payment is before the date of communication, will receive the lower price for the purchase of shares.

### 3.8. Use of Proceeds

The Issuer's use of proceeds is planned and divided as detailed below:

| Application of proceeds to the Issuer        |                    |
|--|--------------------|
| Information & technology, mobile Development | US\$ 2 520 480.00  |
| Alliance & partnerships                      | US\$ 1 950 540.00  |
| Management                                   | US\$ 1 753 480.00  |
| Furniture, office, equipment & rent          | US\$ 1 637 100.00  |
| Marketing & communication                    | US\$ 1 145 780.00  |
| Sales  | US\$ 745 385.00    |
| Representation costs                         | US\$ 540 000.00    |
| Administration                               | US\$ 528 640.00    |
| Board costs                                  | US\$ 289 100.00    |
| Computer equipment, hardware & software      | US\$ 1 252 000.00  |
| Research & Development                       | US\$ 237 495.00    |
| IPO related costs                            | US\$ 5 000 000.00  |
|  | US\$ 17 600 000.00 |

### 3.9. Exit

There are several possible exit scenarios for the investors to profit from their investment:

- 1) The Issuer is listed on the stock exchange. The shares would be sold through the stock exchange which would facilitate transferability. Increased value would be realized, less the cost of the shares, or a part of such shares, at a higher price than the subscription price. If the investors intend to sell upon the occurrence of the initial public offering, they must notify the Issuer to be registered as selling shareholders in order not to be subject to the Rule 144 lockup period.
- 2) Repurchase of the initial investment by another investor. A part of the stock of the Issuer could be sold to new investors. An increased market value is realized by the seller which would be higher in price than the subscription price.
- 3) Sale of the Issuer. All the Issuer's stock is sold in an acquisition. The increased value would be the difference between the subscription price and the acquisition price.

The management of the Issuer has chosen the first option, without excluding the others, because it believes that it will obtain the highest price for the investors. The Issuer intends to take the Issuer public in principle immediately after the public listing, but IPSE reserves the right to change this timeframe depending on the state of the stock market.

## 4. BUSINESS ACTIVITIES

### 4.1. General Description

IPSE is a services company with offices located in Geneva, New York and Los Angeles. The Geneva office will host the core activities at a first step as it contains management, legal and IT aspects of the business. The New York office concerns the brokerage aspect, which will be developed in the second phase of activities, whereas the Los Angeles office will secure the supply of new projects to be securitized, especially in the field of entertainment.

#### 4.1.1. Nature of the Business

The Issuer is the inventor of a new concept in the IP area. In order to explain the nature of the Issuer's business, it is necessary to analyze issues with IP rights. First, IP rights refer to rights due to creations protected by various types of IP:

- Movie rights;
- Copyrights, for literary and artistic creations;
- Patents, for technical and innovative inventions;
- Cryptocurrencies and tokens;
- Music rights;
- Trademarks, for the trademark's characteristics of a company (name, logo, colors in particular);
- Design, to protect the ornamental or aesthetic aspect of an object;
- Topographies of semiconductors products, protected for their tridimensional structure;
- New varieties of plants, which enable the protection of their breeder's rights.

Authors, artists, and inventors have important difficulties concerning the management of the rights relative to their works. The protection of works and the collection of royalties are often blurred. It is the same problem for institutional IP that represents IP rights held by States, for which the frame is complicated. These rights particularly concern patents of technical, scientific, and medical research.

Furthermore, IP is a complex area partly due to its abstract nature. The main difficulty is that IP protection varies by type and geography in a random way. This explains why securitization of IP assets in the narrower sense has not been done prior to IPSE.



Based on these observations, the Issuer will set up an innovative concept: the securitization of IP rights. Until now, this concept had never been exploited effectively. Some attempts at IP assets' securitization have been conducted, but the qualification as securitization was problematic in those instances.

IP rights of authors, artists, inventors, and other persons who may want to protect their works will be directly converted into securities using IPSE's system and will be generally represented by tradable securities. According to the securitization system, the security will incorporate the IP right, which will be assigned as a classical security, disposable on the private or public market. The Issuer's concept operates on a similar model to pass-through securities.

Thus, IPSE will process as follows:

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1. Analyze and pool the IP rights according to their characteristics;
2. Process the securitization of these IP rights;
3. Manage transactions concluded on IP securities between the IP holders and investors.

IPSE will thus be the intermediary between the rights' holders and investors; the Issuer will manage IP rights of authors, artists, inventors and even institutional IP rights.

### 4.1.2. Current Activities

For now, the Issuer has not begun any securitization activity. It plans to do so on a commercial basis during the first quarter of next year. During the current set up phase however, the Issuer will manually securitize two or three movies to test its procedures and develop its software. As it is an innovative concept, it is necessary to explain the basis of the business to a broader public, and in particular to persons who may wish to finance their intellectual property. However, it is important to note that IPSE is already able to securitize IP rights "manually", i.e. on a case-by-case basis. The Issuer is thus already operational and ready to bill.

It is worth noting that the managers of IPSE have important knowledge both in financial and securities areas, as well as in IP. They are financial specialists and a lawyer specialized both in financial law and in IP. The initiation of activities will thus be ensured by the experience and the network of the managers as soon as the funds of this Private Offering Memorandum have been raised.

IPSE core business is the securitization and the management of IP assets. These processes are described below.

### 4.1.3. Future Activities

Schematically, the process envisaged by the Issuer follows several steps:

1. IPSE intends to effectively set up its basic business. To that end, funds raised in this Private Offering are necessary and will enable the establishment of a team with strong abilities in financial, securities and IP's areas.
2. The funds raised will initially be used for the promotion of the Issuer. As explained above, it is useful to describe the simple system developed by IPSE. Tools such as advertising, social networks and prestigious partnerships will be used.
3. At the same time, the Issuer will develop and improve its securitization process and the management of IP rights. This will be supported by a range of software tools.
4. In this context, the Issuer will use its network in the Swiss, American and international financial hubs for the purpose of concluding partnerships with specialists and finding clients who want to simplify the management of IP rights.
5. The Issuer intends to develop the concepts and software dedicated to the securitization of IP rights, which will thus be used first internally. The software will then be licensed to external entities, generating revenues for the Issuer.

In parallel with the first development steps, the Issuer plans to set up an IP Investment Trust, based on the model of real estate investment trusts, which own or finance income-producing real estate.

With this system, investors can invest in real estate through the purchase of shares. The IP Investment Trust of the Issuer works under the same model as these real estate investment trusts, allowing investments in IP assets through the purchase of IP securities.





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The IP Investment Trust has a second advantage that is to have IP securities within the same location, thus creating a homogeneity.

Once the Issuer has established its complete operation, it plans to continue developing its activities, taking evolutions and changes into account, especially in the field of cryptocurrencies and tokens. Indeed, IP is a domain in constant evolution, and IPSE will adapt and improve its services both with regard to new regulations and developments in technology.

### 4.1.4. Future of the Business

It is sure that culture, inventions and technologies will not disappear, and on the contrary will be multiplied and developed further in the future. The core of the Issuer's activity is thus guaranteed. Based on that, IPSE intends to adapt its activities and operation to the changes affecting securities, IP and cryptocurrencies, at an international level.

The intangible nature of information technologies works and supports makes them more difficult to restrict and to protect, but also to finance. It is necessary to develop specific processes to manage these works and rights, and to constantly adapt the company's operation to technological advances.

Therefore, the Issuer intends to focus first on movies, cryptocurrencies and music works. These works have evolved into having several steps from the idea to the production. The Issuer intends to anticipate the success of a movie or a token, transforming future IP rights into securities that would be tradable on private and public markets. It is foreseeable that most coins and tokens currently sold on the market as a utility do not meet this criterion. Therefore, their securitization will automatically be a requirement if they want to legally stay in business.

The securitization of literary works, works of art or inventions will also be part of the Issuer's activities, but less than musical and cinematic works, as it is more difficult to forecast the success of such works.

If originators of IP pertaining to movies and music do not wish to pay for securitization of their IP, but IPSE recognizes the value of the IP, IPSE could purchase a permission and/or a license to securitize the IP and thus build a portfolio of IP securities that it holds and manages itself.

In the medium term, the Issuer will update its system in order to adapt to the processing of institutional rights held by States, institutions, and other legal entities, with a special focus on technological, scientific and medical research. Institutional IP rights, through patents in particular, will be securitized according to the same system as private IP rights, but on a wider scale and with the security reinforced.

Investors that invest in institutional IP assets will obviously have to be institutional investors, due to the potential complexity of the product, in a similar manner to which the sale of certain structured products is limited to institutional investors. Institutional IP securities will be able to generate important revenues for States and investors, due to the number of these rights and their potential economic importance, and in turn generate productive partnerships with IPSE as a result of their securitization.

## MOVIES

As mentioned, IPSE plans to securitize future movies and TV series. The demand for content and the resulting pressure on production companies to get bigger is only set to increase in the coming years.



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IPSE has held strategic conversations with several top Hollywood producers and the response has thus been extremely positive. Producers and notable movie production companies have expressed interest in using IPSE to finance future Hollywood movies and TV series. This positive response has allowed IPSE to receive interest from producers to finance a pipeline of blue-chip Hollywood projects through IPSE.

IPSE's initial approach is to list some of Hollywood's highly anticipated movie projects that are otherwise inaccessible to the general public. These targeted projects will be medium to high budget productions between the US\$50 - US\$+100 million range and feature A list actors, directors and producers with a planned global theatrical release.

IPSE places a strong emphasis on popular producers with reputable track record in the industry. The producer is the person responsible for shepherding a project from the development until completion. Reputable producers command influence and are able to attract the biggest directors and actors and to negotiate favorable distribution terms with studios for distributing the movie.

IPSE and its management team will continue to use their existing network and relationships for sourcing new projects. The management will begin with a roadshow to present IPSE to producers, production companies, talent agencies and larger entertainment companies. With the already initial positive response received by key industry producers, IPSE believes it will be able to gain substantially more interest to finance a pipeline of productions.

### Typical Ways to Finance a Movie:

From the typical standpoint of a Producer, financing for films can be arranged in many different ways. However, financing sources fall generally into three distinct classes:

- Industry Sources, which include studio development, in-house production deals and financing by independent distributors, talent agencies, laboratories, completion funds, and other end users such as television networks, pay cable, and home video distributors.
- Lenders, including banks, insurance companies, and distributors.
- Investors, including public and private funding pools arranged in a variety of organizational patterns.

For the Producer, there are pros and cons for each of the above financing options. Popular Producers are typically able to get funding and distribution from one of the major Hollywood Studios. The upside for producers getting their movies financed by a Studio is the production finance, the distribution and marketing finance and capabilities and brand management. However, in exchange for financing the entire project, the Studio will typically retain the IP rights of the movie. The Producer will receive his upfront Producer Fee and receive a portion of the Net Profits (if any) and will be done with the project entirely. After spending significant time shepherding the project from idea until distribution, the producer's role is finished including any control of the revenue and accountings.

IPSE offers Producers a novel approach whereas they are able to raise funds, retain majority control of the rights, finances, creative vision while still working with a Studio distributor to distribute and manage the movie globally. This is a win-win status for everyone involved in the movie industry food chain.

### Existing IP's:

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With thousands of movies released each year, there exists a plethora of movie IP's that remain iconic, timeless and keep churning revenues decades after their initial release.

The demand for existing content is driving movie and TV library values sky high. The market for old movies, that is, library assets, is rising as new deep-pocketed conglomerates — studios including Disney, WarnerMedia, NBCUniversal and tech giants such as Apple — roll out streaming services to challenge Netflix and Amazon Prime with thousands of hours of film and TV content.

The worldwide consolidation of independent production companies, which picked up pace in 2021, looks likely to continue through 2022 as the global streaming boom pushed up both demand and budgets for film and TV series.

With the significant boom in demand for existing content, IPSE intends to securitize popular existing movies and TV IP's. Producers and production companies now have a streamlined and direct approach to securitizing their existing popular content.

*"Our library has never been older and it has never generated as much revenue as it does today," says Chris Ottinger, president of worldwide television distribution and acquisitions at MGM, who adds that he's seen double-digit growth in licensing sales for his company's back catalog across SVOD, premium and cable over the past 12 months. "I think libraries are really really undervalued at the moment - shockingly undervalued, to be honest" say Ottinger.*

Recent Investments and Acquisitions:

- Vine Alternative Investments paid about US\$200 million for the Lakeshore library and its catalog of some 300 films and TV titles, including Oscar winner Million Dollar Baby and the Underworld franchise.
- Raven Capital Management paid US\$87.5 million for the assets to Donald Tang's Open Road, including rights to titles like Spotlight and Nightcrawler.
- Amazon's US\$8.45 billion deal to buy MGM.
- Reese Witherspoon's US\$900 million sale of her Hello Sunshine Shingle (producer of The Morning Show) and Big Little Lies in August to a film backed by private-equity giant Blackstone Group.
- Creative Artists Agency's Oct.4 acquisition of competitor ICM-Partners, financial details of which were not disclosed.
- The US\$775 million agreement by South Korean production giant CJ entertainment – the company behind Parasite – to acquire an 80% stake of the scripted business of Endeavor Content.
- Kids entertainment group Moonbug Entertainment, producer of CoComelon and Blippi, for a reported US\$3 billion and a deal.
- Rumors for Imagine and LeBron James' SpringHill Entertainment are being eyed for acquisition.

Popular movie libraries run forever, as the studios launch their own streaming services and pull their films off Netflix and Amazon, they are going to be even more hungry for content. DreamWorks example:

In 2002, U.S film company DreamWorks raised US\$1.5B from its extensive movie portfolio at the time in what was a rare transaction using securitization technology. DreamWorks said the financing deal substantially reduced its cost of borrowing. It also extended the closely held company's access to debt funding until October 2007. The securitization was backed by a portfolio of live action and animated films produced or co-produced by DreamWorks, the company set up by Steven Spielberg, Jeffrey Katzenberg and David Geffen in 1995.

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Under the structure, the film securitization relied on the expected revenue from movies that were then yet to be released as well as expected cash from a library of old DreamWorks films, such as "Saving Private Ryan" and "Shrek." The new financing should allow DreamWorks to produce more live-action films, its most successful business, and fund a planned computer-generated animation production unit, which would bring the number of animated filmmaking divisions to three. The DreamWorks securitization received AAA ratings by Moody's investor service.

#### The Industry:

European cinema admissions rose an estimated 38% in 2021 which, over 590 million total tickets sold, generated a 42% rise in box office to US\$4.2B compared to the all-time low year of 2020. These figures are by the International Union of Cinemas (UNIC), the trade organization representing European cinema associations. It comprises cinema exhibitors and their national trade associations across 39 European territories, some of which do not belong to the European Union.

Comparing results for the second half of 2019 with the same period in 2021, box office revenues for territories where data was available were on average 35% below pre-pandemic levels.

UNIC underlined that encouraging box office results in major territories, such as France, which bounced back during the last quarter of 2021; the UK which was down 26%; Russia down 29.5%; Poland minus 24.3% nevertheless serve to demonstrate the strength of the sector's recovery in recent months.

"Spider-Man: No Way Home" with an over US\$1.77B haul at the global box office and counting stood out as evidence that movie theaters can continue to attract audiences and create global events even during challenging times, UNIC said.

#### Global Market:

Numbers were significantly up in 2021, with global box office estimated at US\$21.4B, 78% higher than 2020, according to Gower Street Analytics. At US\$7.41B, China was 44% of the worldwide haul – with 84.5% of its grosses coming from local titles as it refused release dates for some of Hollywood's biggest films.

To be sure, these figures overall are still well below the record-breaking tallies we saw in 2019, but they do give rise to optimism for better days ahead. This was a year of transition; in 2020, the whole world was shut, but 2021 had various pockets of up-and-down activity.

A lesson that's being learned by studios, producers and more, opines a finance source, is that films can only be released when most of the key major territories in the world are open. You can't look just at domestic market, you have to look at Asia, Europe, Brazil and Mexico to get an idea when movies can be released.

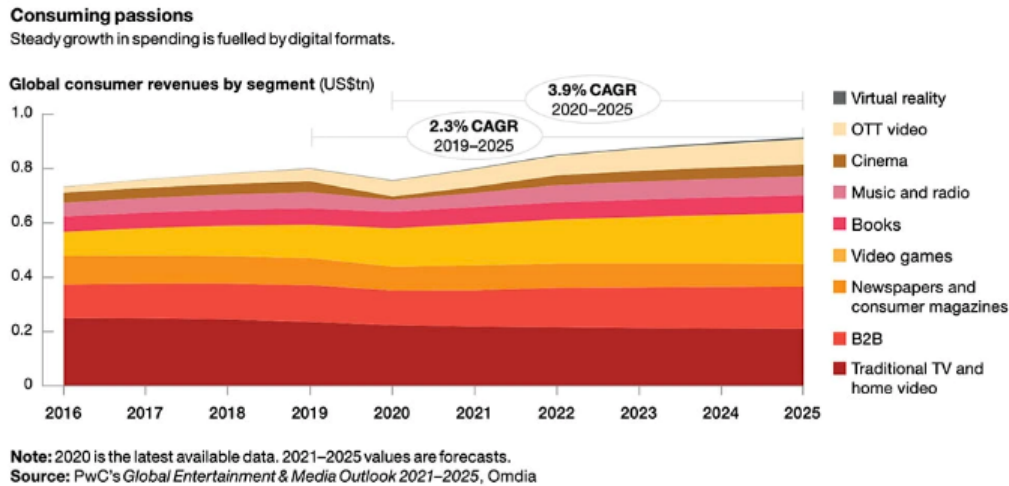
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Looking ahead at the years 2021–2025, PwC forecasts global industry revenue to bounce back 6.5% this year as more territories emerge from lockdown and a further 6.7% in 2022. From 2020 to 2025, PwC projects a healthy five-year compound annual growth rate of 5.0%, taking revenues to US\$2.6 trillion.



## STREAMING

Global Streaming Video revenue is to hit US\$94B in 2025 according to PwC forecasts.

With the emergence of streaming, this created the biggest shift in the industry since the introduction of sound in films. This also means that the streamers are hungry for content to keep subscribers happy. This presents a unique era in the market where studios and streamers are acquiring and spending on content at a record pace.

The Issuer and its management team has already begun discussions with some of the big streamers to finance a pipeline of content through IPSE. Streamers are able to finance new content and avoid incurring more further debt in this process. The scenario is a win-win for all parties involved, especially considering that some streamers are in a precarious position with slowing subscribers and the need to incur more debt to finance new content. This teetering of slowing subscribers with the need for new and better content faster than ever before creates a dilemma that IPSE can alleviate.

The price of admission for those fighting the streaming wars will continue to escalate, projected to jump 10% in 2022 to US\$140.5B for the nine biggest media and technology companies, according to Wells Fargo data.

The figures are expected to continue rising in coming years too, hitting US\$172B in cash outlays by 2025. Those spending outlays are driven by competition to attract and keep subscribers, expand programming to reach broader global markets, and provide coverage of sporting events. At stake is dominance in a transformed media business that connects media companies directly with their customers in markets around the planet.

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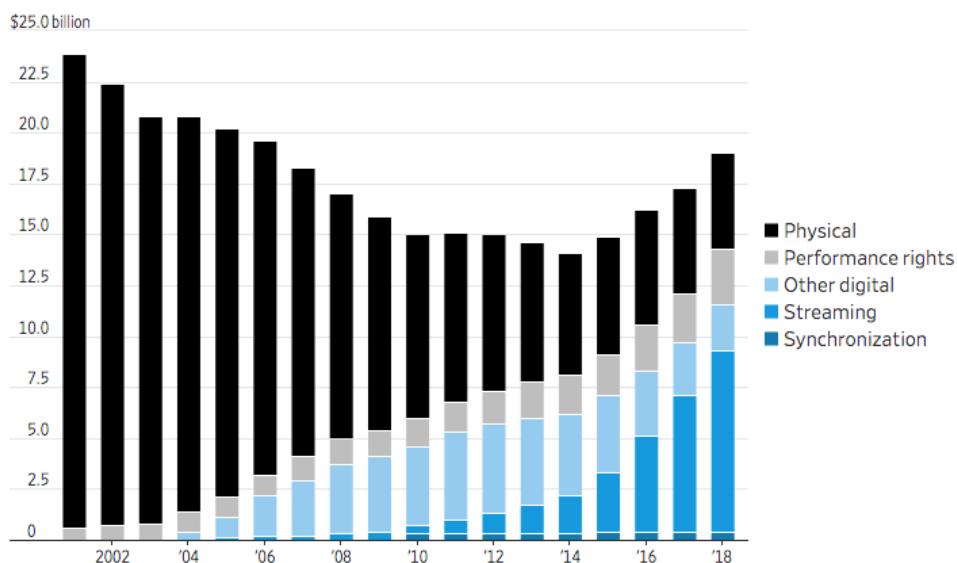
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**Streaming Strength**

A breakdown of global recorded-music industry revenues from 2001 to 2018



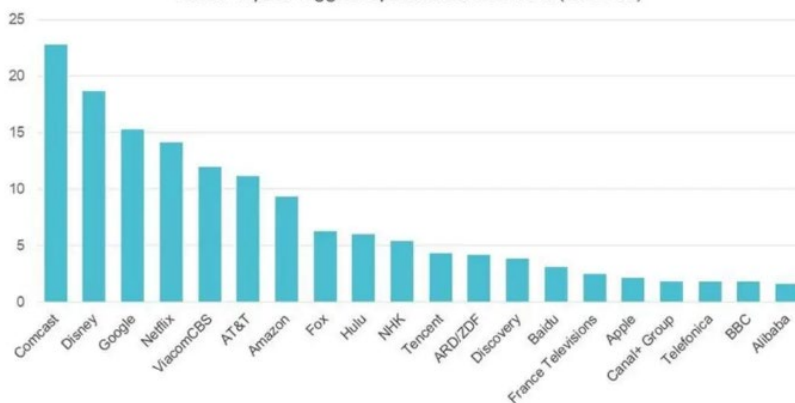
Source: IFPI

Content spending is expected to reach US\$230 billion in 2022

| COMPANY     | 2022 content spending |
|-------------|-----------------------|
| DISNEY      | US\$ 33B              |
| NETFLIX     | US\$ 25B              |
| WARNER BROS | US\$ 22.4B            |
| PARAMOUNT   | US\$ 15B              |
| SONY        | Unknown               |
| AMAZON      | US\$ 13B              |
| UNIVERSAL   | US\$ 18B              |



2021: Top 20 biggest spenders on content (USD bn)



Source: Ampere Markets – Content  
 Note: All spend data is on a P&L basis, year-end 2021 data is forecast

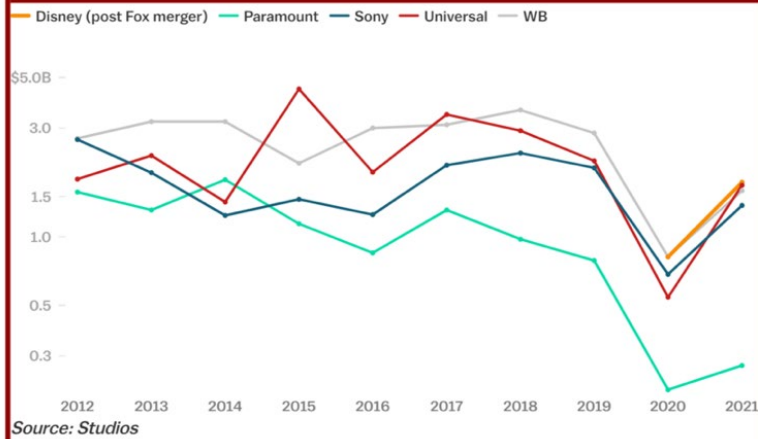
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## 2012-21 INTERNATIONAL BOX OFFICE TOTALS



## WORLDWIDE BOX OFFICE 2021 STUDIO RANKINGS

|   | STUDIO              | DOMESTIC GROSS | INTERNATIONAL GROSS | INTERNATIONAL MARKET SHARE | TOTAL GROSS     |
|---|---------------------|----------------|---------------------|----------------------------|-----------------|
| 1 | <b>Disney</b>       | \$1.171B       | \$1.734B            | 27.2%                      | <b>\$2.905B</b> |
| 2 | <b>Sony</b>         | \$1.059B       | \$1.372B            | 21.5%                      | <b>\$2.431B</b> |
| 3 | <b>Universal</b>    | \$0.714B       | \$1.687B            | 26.4%                      | <b>\$2.401B</b> |
| 4 | <b>Warner Bros.</b> | \$0.667B       | \$1.592B            | 25.0%                      | <b>\$2.259B</b> |
| 5 | <b>Paramount</b>    | \$0.278B       | \$0.272B            | 4.3%                       | <b>\$0.550B</b> |
| 6 | <b>Lionsgate</b>    | \$0.116B       | \$0.049B            | 0.8%                       | <b>\$0.165B</b> |

Source: Studios

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2021 Biggest Studio Earners:

|   |  |
|---|--|
|    | <p>Compared to 2020, it's up 131% globally and 113% overseas. The company, including its titles from 20th Century Studios, Marvel, Pixar and other labels, relied heavily on new IP in 2021. That includes Free Guy (US\$331.5M global box office/US\$209.9M international box office), Encanto (US\$203.6M/US\$113M), Cruella (US\$233.5M/US\$147.4M), Jungle Cruise (US\$220.9M/US\$103.9M), Eternals (US\$401.4M/US\$236.8M) and Shang-Chi and the Legend of the Ten Rings (US\$432.2M/US\$207.7M). The latter two are related to the MCU but feature all new characters.</p> |
|   | <p>Adding more than US\$1.7B from October through December alone thanks to Venom: Let There Be Carnage, Ghostbusters: Afterlife and Spider-Man: No Way Home. Internationally, where No Way Home made over US\$700M in December, Sony lands at No. 4 (US\$1.372B) — explained to a degree by the strength of its titles domestically where it was the No. 2 studio of the year. Overall, the worldwide take is up 106% on 2020.</p>   |
|  | <p>Universal's F9 release in a handful of key markets, five weeks before its domestic bow broke multiple records and logged the then-biggest Hollywood debut at the international box office during the pandemic era. The savvy rolling strategy saw it final at US\$553.2M overseas and US\$726.2M worldwide to become the No. 5 film of 2021 globally.</p>   |
|  | <p>The studio's No. 4 global (US\$2.259B/+109% on 2020) and No. 3 international (US\$1.592B/+95%)</p>  |



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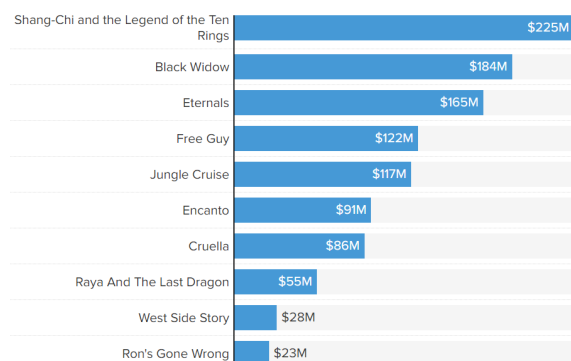
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### Disney

#### Disney's top-grossing films in 2021

North American box office



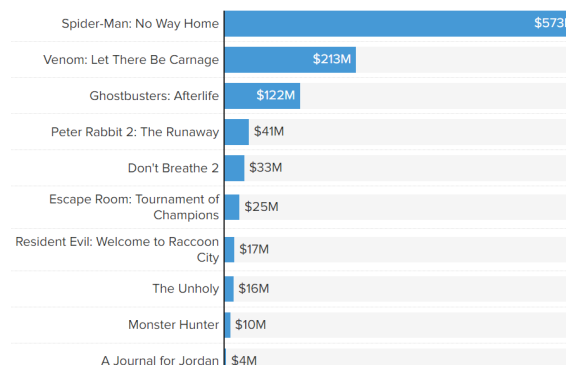
Source: Comscore



### Sony

#### Sony's top-grossing films in 2021

North American box office



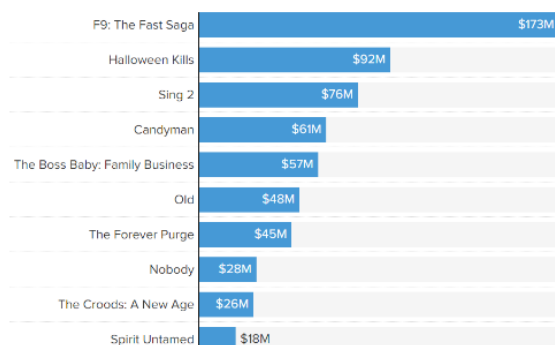
Source: Comscore



### Universal

#### Universal's top-grossing films in 2021

North American box office



Source: Comscore



## MUSIC

Copyright protection arises once a musical work has been created. A musical work constitutes musical notes (with lyrics, where relevant) written down, arranged or recorded. The exploitation of musical notes, lyrics or works triggers the payment of royalties. Unlike other forms of intellectual property, music royalties have a strong linkage to individuals.

Royalty payment obligations are based on the value of music sales. Royalties will accrue to a songwriter, as an owner of the copyright in the Song, or a subsequent owner of the copyright (e.g. the Company), when that Song is played, published or used (as further detailed below). Royalties have historically been regarded as investable assets due to their protected cash flows and the fact that those returns are generally not correlated to equity or fixed income markets. These income streams are protected by copyright law.

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### Music Catalogue Appeal

The sale of music catalogues has recently gained much attention and focus with artists and record companies looking to cash in on future revenues of their popular music catalogues. Music catalogues offers a steady and fairly accurate flow of revenues which is extremely appealing to any investor, with music industry valuation standards indicating possible net yearly yields of between 5% and 16%.

While artists and publishing houses have sold their music catalogue rights in the past, IPSE offers an alternative to entirely giving up their own music rights. IPSE will be alluring to music artists and publishers as it will allow them to raise funds from their own works while still remain mostly in control of their own rights.

The motivations for these catalogue sales varies from additional sources of income, financing new projects, re-acquiring previous song-rights sold, estate planning and ensuring their music legacy is properly managed for future generations. While these mega deals to acquire music albums are in the spotlight, you can be certain that this trend is only going to accelerate and once the general public catches wind of these stable sources of income, IPSE would be one, if not their only option to profit from.

There is currently about US\$3.2 billion in total invested in funds focused on music royalties, according to Massarsky Consulting, a New York consulting firm that performs catalog valuations for music publishers and record labels. While declining to give exact growth figures, Massarsky says the royalty-fund business has grown “immeasurably” in the last two years. Only a few music-royalty funds are publicly traded. A major one, Hipgnosis Songs Fund Ltd., founded by Merck Mercuriadis, a music-industry veteran who has managed artists including Beyoncé and Elton John, listed on the London Stock Exchange last year. In its first results as a public company, the fund reported a yield of 6.1% on assets invested between June 8, 2018 and March 31, 2019, while the net value of its underlying catalogs rose 2.2% over the same period. The S&P 500 rose 2% in that time, and yielded 1.82%, according to FactSet.

### Recent and notable music catalogue sales:

- Bob Dylan: 100% of his publishing catalogue. Est US\$400M.
- Neil Young: 50% of his catalogue. Est US\$150M.
- David Guetta : back catalogue. Est US\$100M.
- Imagine Dragons: 100% of their catalogue. Est US\$100M.
- Whitney Houston : 100% of her catalogue. Est. unknown.
- Shakira: 100% of 145 songs. Est. unknown.
- Red Hot Chili Peppers: all pre 2020 songs. Est. US\$140M.
- Bruce Springsteen: 300 songs, 20 studio albums, 23 live albums and more from Sony. Est. US\$500M.
- David Bowie: 100% of his catalogue. Est. US\$250m

### Music Market Figures

All of the major music publishing houses are reporting strong growth in revenues due to this growth in streaming. In 2019, Universal, Sony, and Warner generated a combined US\$8.4B in revenues from streaming – an increase of approximately 21% compared to 2018. Across all income types, the ‘Big Three’ earned a combined US\$14.9B in revenues in 2019, which was an increase of approximately 11% compared to 2018 (sources: Billboard, Rolling Stone).

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Global total music revenue was US\$37.1B in 2020, down from US\$57.0B from the previous year due to the COVID-19 pandemic. But global revenue is forecast to recover, increasing at a 12.8% CAGR to US\$67.9B in 2025.

North America remains the largest regional market, with a revenue of US\$15.9B, accounting for 43% of the worldwide total in 2020. Music revenue in the region is set to increase at an 11.9% CAGR over the forecast period to US\$27.9B. Revenue in EMEA will rise at a faster CAGR of 15.7%, while Latin America will increase at a 14.6% CAGR, although its revenue base is far smaller by international comparison. Meanwhile, the Asia Pacific region will see growth of a 10.6% CAGR to 2025.

The US was the world's largest national music market in 2020, with revenue totaling US\$15.0B, ahead of Japan (US\$5.2B) and Germany (US\$2.7B).

Spotify remained the leading international music-streaming provider, with 155M subscribers and 345M monthly active users at the end of 2020, corresponding to year-on-year increases of 24% and 27%, respectively. But Spotify's average revenue per user declined last year due to the discounted subscriptions it offered in its major markets to attract new customers, as well as to the lower rates it charges in countries such as Russia. The company announced in February 2021 that it is looking to roll out a premium, CD-quality service called Spotify HiFi this year, although it did not reveal pricing.

In February 2021, Spotify also unveiled plans to extend its global footprint with the rollout of services in an additional 85 markets, including markets in Asia, Africa and the Caribbean. On completion of the expansion program, Spotify streaming will be available in more than 170 countries, and the company says all of them will be able to access its full global music library.

Recent factors influencing the royalties' market:

◆ *Music revenues are on an upward trend*

After a 15 years' decline in music revenues influenced by piracy and illegal downloading, global revenues from recorded music have steadily increased since 2014 (source: IFPI). In 2019, the global value of music publishing, including songwriters and composers, increased to US\$20.2B, from US\$18.7B in 2018 (source: IFPI). The Investment Adviser believes, based on industry forecasts, that by 2027 revenues will once again reach the previous peak of 1999 (in nominal terms).

◆ *Growth driven by streaming revenues*

Meanwhile, the PwC report notes that "music industry, which many analysts believed had been left behind by the digital era, is enjoying a renaissance, spurred by strong growth in digital streaming and a strong rebound in live performances".

Music streaming has driven the recent growth in recorded music revenues as the music industry continues to embrace the technology which caused it great damage in the first decade of this century. The global uptake of broadband and mobile technology, the global penetration of new technology and the proliferation of social networking sites have made music more accessible than ever before. The establishment and rapid growth of DSPs such as Spotify, Apple Music,

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Tidal, Deezer, YouTube Music, Pandora and Amazon Music, coupled with innovation in mobile technology, has transformed the way in which music can be accessed. See also “Technological Developments in the Music Industry” of Part IX (Operating and Financial Review) of this document.

In addition, the payouts to songwriters or copyright owners have increased. In January 2018, the US Copyright Royalty Board ruled to increase songwriter rates for interactive streaming by 44%.

◆ *Geographical expansion*

The global growth of streaming has resulted in an increase in the monetization of Songs in jurisdictions that were traditionally difficult to recover accurate (or any) royalties, due to a range of factors including high piracy rates or poor revenue collection methods.

◆ *The Covid-19 pandemic*

The Covid-19 pandemic has significantly affected the music industry with reductions in public performance and live income being experienced globally as lockdowns impact the leisure and live entertainment industry. Yet, despite these negative impacts, the music industry has continued to grow, including earnings relating to music publishing and songwriters. For 2020, Song-related revenues across music publishing are expected to have grown by approximately 3.5%. (source: Goldman Sachs (Equity Research)).

## 4.2. Business Model(s)

The Issuer will operate as an investment bank, under the system of pass-through securities, as mentioned above. As an investment bank and being responsible for the management of IP rights, IPSE will benefit from several revenue sources.

### 4.2.1. Pass-Through Securities

A pass-through security is a security passing payment arising out of the underlying assets from an issuer to the holder of the security, usually an investor.

### 4.2.2. Revenue Model(s)

The Issuer will collect fees at the different steps of its process. The IPSE's operation works as follows: the IP's holder makes a request to the Issuer, for the securitization and the management of its rights, and the Issuer decides to accept or refuse the request. Then, in case of approval, the securitization process is made, and rights are classically turned into a tradable security (they exist independently from the support, which is thus not necessary). Finally, investors interested in securitized IP assets purchase them through IPSE.

There will also be revenues generated from the use of the Issuer's software (licenses).

At the first step of development of the activities, the Issuer's staff will be in charge of the transactions with investors, then, at the second step, the brokerage's network will be there to manage those transactions.

IPSE's business is based on a cash-flow oriented system, meaning that even if there are strictly no dividends generated for shareholders, in its traditional sense, the Issuer is able to produce and to distribute important cash flows through IP securities. This system is advantageous for investors who will have monetary benefits linked to every transaction on IP assets.

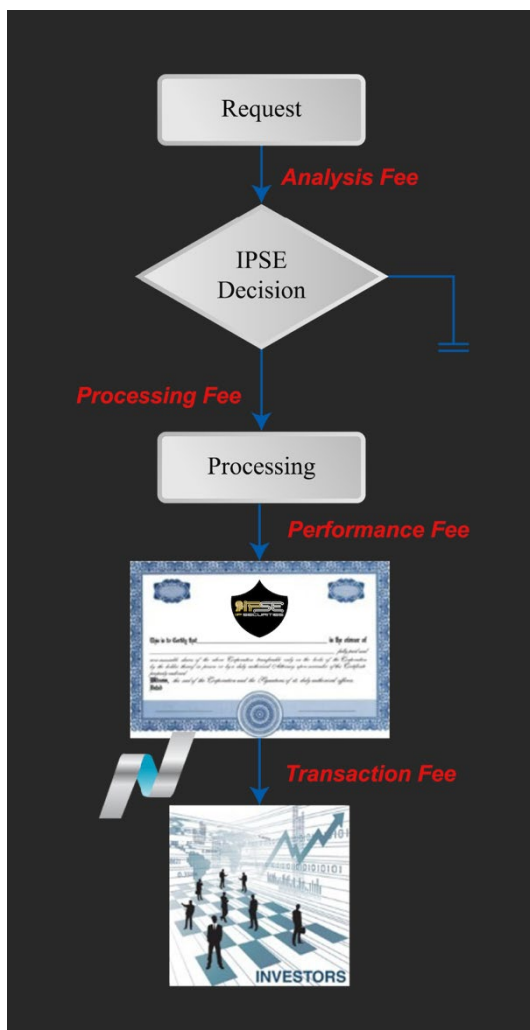
The revenues will be divided as follows:

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- Flat fees for the analysis of the request
- Flat fees for the securitization process
- Variable fees based on the value of the right / security
- Transaction fees based on the value of the traded security
- License fees from the company using the integrated software

### 4.2.3. History

IPSE was created by Marc DESCHEAUX and was incorporated in the State of Delaware, United States of America, on December 22, 2014. The founder's competences in financial law, securities law and IP, private banking, and private equity further led him to build the IPSE project.

The Issuer has its origins in a project developed in 1998, initiated by Marc DESCHEAUX and which encompasses the basic concept of IPSE. The initial company was named WIPSEC (World Intellectual Property Securities Exchange Corporation), and put IP securities on a local stock market. However, this system needed and still needs a specific law to make securitization automatic.

Marc DESCHEAUX made a contribution of US\$ 2.5 million for WIPSEC, to set up the securitization process for IP securities on the

stock market and for the leasing of a local professional. The problem was at this point that banking establishments took several years to validate a stock market, so terminating the WIPSEC's project. Marc DESCHEAUX repurchased investments already made, with 10% of interests, for an amount of about US\$3 million.

The total amount spent by Marc DESCHEAUX for the initial project of IP securitization's company was therefore close to US\$5.5 million and was integrated into IPSE.

Today, it is finally possible to securitize IP rights on the public market. IPSE now has all the tools to realize IP rights securitization.

The project was born upon the observation that IP rights' protection is difficult to ensure permanently, due to the intangible nature of these assets, representing artists', authors' or inventors' works' rights. The system developed by IPSE enables the creation of tangible IP rights, convertible into valued and negotiable securities. With regard to the uniqueness of services proposed by the Issuer, it is planned to legally protect the Issuer's process and know-how at the earliest opportunity in order to avoid the use of this innovative concept by potential competitors.

### 4.3. Unique Aspect(s) and Competitive Advantage(s)

The Issuer's concept is a unique innovation. It is a new process both in IP and in the trade in securities on private and public markets. IPSE will transform intangible IP rights into tangible and negotiable assets and will manage the disposition and the

status of these assets, by positioning itself as an intermediary or an investment bank between issuers of IP assets and investors.

#### 4.3.1. General Uniqueness

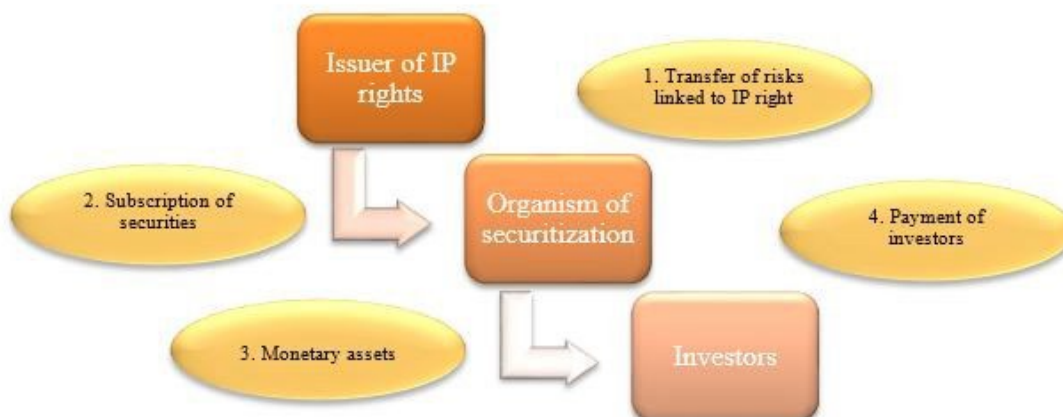
This process of IP securitization, with three different actors, enables the disposition of IP rights as classical securities on private and public markets, and improved protection for rights' holders. The uniqueness of the concept can be appreciated on several levels:

1. The Issuer's concept would be the first process that concretely links IP and securities negotiation on a public market, in this instance on OTC markets in New York and potentially the NASDAQ. The pragmatic system proposed by the Issuer would allow the securitization of IP whilst also having the management of said IP being conducted by the Issuer.
2. Some kinds of securitization of IP rights took place in the past, but the legal characterization as securitization was problematic. For example, the famous "Bowie Bonds", issued by the Pullman Group, through which David Bowie marketed published and unpublished IP rights, were not seen as a securitization by the Supreme Court of New York [1]. The "Bowie Bonds" were thus more of a movable pledge process.
3. The Issuer intends to integrate a software into its operation in order to optimize its management's efficiency. This software will bring a new characteristic to its business, automating transactions and management as well as ensuring the transparency and the security of activities.

To conclude, the unique advantages of the Issuer, the expertise and knowledge of the founder in legal, financial, IP, and private and public financing are able to guarantee a successful activity and a constant evolution of the business. The Issuer has all the tools to ensure its unique position on the market, being the first one to create a distinct and tangible IP rights securitization process.

#### 4.3.2. Uniqueness of the Process

A classical IP rights' securitization scheme may be defined as following:



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The process of securitization and management of securities by IPSE:



[1] Pullman Group, LLC v/ Prudential Insurance Co. of America; Supreme Court of New-York, June of 2003, after appeal.



## 5. PRODUCT(S) AND SERVICE(S)

Despite the fact that IPSE is a services company, it uses and proposes some products linked to its services' activities.

### 5.1. Management Software

In the short term, the Issuer intends to develop management software to automate the securitization process and the management of prospection, as well as to have a reporting system for its transactions.

As a first step, the securitization will be made "manually", that is to say on a case-by-case basis, without a complete software package used to automate the process, and instead with the skills of the IPSE's team. With such manual system, the Issuer is able to make one securitization per month. Some parts of the Issuer's software will be active from the beginning of the business, during a period of approximately one year. Thereafter, the complete and optimal software will be accessible not only internally, but also for external use (within a timeframe of approximately two years). Three developers will be assigned to the development of the Issuer's software.

Once the software is operational, it will be made available for licensing to external entities. Obviously, the software will be protected by a patent before being availed to the public.



The Issuer's software is considered as follows: all of the securitization process will be automated, with several steps of the operation. It will contain standardized and analytic tools for both the rights' analysis and the securitization process (the transformation of the IP rights into securities). In concrete terms, the software will enable the automation of securitization, the automatic management of prospection and a reporting system for transactions made.

Like all the aspects of the Issuer's activities, the software will be regularly controlled and updated, to meet changing client needs and in order to adapt to a changing market. In particular, the software is intended to be adapted to the securitization of institutional IP rights.

#### 5.1.1. Indirect IP Security

If one held the rights to a movie, one could place these rights in a corporation and sell shares of the company to raise funds for the production of the movie. A holder of such shares would be the holder of an Indirect IP Security. Similarly, IP may be put into an Investment Trust, and a holder of units of such a trust would be the holder of an Indirect IP Security.

#### 5.1.2. Direct IP Security

A Direct IP Security refers to the direct ownership or co-ownership of IP rights that have been turned into a security. Notably, the minority co-owner of a Direct IP Security would not necessarily be entitled to reproduce the IP or use the IP for a commercial use.

The intended business of the Issuer will have a significant effect on the nature of IP ownership. When investing in IP securities, one of the interests of an investor would be pecuniary in that an investor would seek to obtain a return on his investment. However, there would also be another intangible interest in the creativity that underlies the security. A person who invests in an IP security also obtains a Direct IP Security.

With an investment in IP, investors have a percentage relative to the IP asset concerned. For example, a person investing in a patent will hold a part of this patent, proportional to the value of its investment. The investor thus becomes the owner

of a part of the patent, and as such is entitled to decisional power, in proportion of his/her participation in the investment, on the IP and its effects on the work.

This system thus presents an advantage in that a company would not be required to both hold and manage the IP securities and associated investments, only an administrative management company would be necessary to deal with these matters.

### 5.1.3. Entitlement to Ancillary Revenue

In purchasing a direct IP right, the Issuer also proposes entitlement to ancillaries associated to the IP which the investor buys. As stated previously, the IP in question may include artistic, musical, and cinematic works. The idea underlying the securities, either due to success or for the purpose of promotion, will generate derivative products which will be intended to be sold to the public. This includes, but is not limited to, toys, games, apparel, books, games.

## 5.2. Services

From a financial point of view, securitization is a financial operation that consists of the transformation of assets owned by a company, individual, or group of individuals, into securities that may be traded over the



counter and potentially both on a regulated trading venue and a National Stock Exchange in the sense of the 1934 Securities Exchange Act. From a legal point of view, securitization is a legal process by which a right is turned into a security. Therefore, the right is inseparable from the security into which it is embedded [\[1\]](#).

IP rights will be thus convertible into securities according to these definitions. In this context, the securitization is “elaborated” or “contractual”, that is to say it is the Issuer that decides which rights will be turned into securities. IPSE, as any private company that

intends to securitize IP rights, would use the contractual form of securitization. This element will not change without the adoption of local laws that would establish the automatic securitization [\[2\]](#).

The Issuer proposes services based on these elements.

### 5.2.1. Analysis of the Request

The Issuer’s services will not be available to all IP rights’ holders, as there will be a screening process prior to the securitization of the IP. This selection is justified for both legal and pragmatic reasons. For the purpose of protecting the credibility of the concept of securitizing intellectual property rights, only rights which appear capable of generating future cash flows will be taken into account for this process.

To this end, the Issuer and its staff will analyze each request for IP rights securitization. The decision to securitize a right will be based on the following points:

- The ownership of IP rights: documents evidencing the ownership of rights will be provided to IPSE, in order to assess which persons may exploit these rights.
- The quality of IP rights: the applicant shall provide documents relating to the nature of each of these rights. Only rights that may be reasonably considered to be capable of producing future economic benefits may be accepted for securitization; social and moral rights are excluded with respect to the Issuer’s activities.
- The nature of IP rights: the Issuer will assess the IP rights to determine if the rights are “cash flow assets” or “assets with implicit value”. Cash-flow assets may be defined as IP rights to which royalties directly accrue due to licensing, whereas assets with implicit value may be considered non-licensed IP rights [\[3\]](#). As investors are generally more attracted by the first category of assets, IPSE will generally prefer them in its assessments, but

assets with implicit value are not to be excluded. For the latter, it will be necessary to estimate their business and potential liquidation value.

- The profitability: the Issuer will finally examine a more subjective aspect of the rights, namely the future profitability of said assets, specifically the potential success of the work protected by IP, and thus the profits that securitized rights are able to generate.

Once these preceding criteria are considered by the Issuer to be fulfilled, the securitization process will be initiated.

## 5.2.2. Securitization of Existing IP

As a first step of the development of its business, IPSE will focus on the securitization of existing IP rights on works for which protection has already been granted. There will be several phases in this securitization process, including with particular note the stringent processing and close management of IP securities' transactions.

### 5.2.2.1. Securitization Process

The securitization process has several purposes: first, the process will transform intangible IP rights into material assets, assigning them with negotiable values which would consequently be disposable as a classical security. The security that embeds the IP right is the material support of the right, which allows for increased clarity; it is not required to create a security which exists independently from any support or book-entry form.

The second purpose is the amortization of investments. Revenues will be generated by securities that guarantee not only the reimbursement of funds invested, but also future revenues derived from the securitizable assets.

Finally, the securitization addresses a third purpose at the level of the investor. Investors are ready to invest in ideas, such as those protected by IP laws, but they are reluctant to be in charge of the management of the risks and difficulties associated with IP rights. The securitization process proposed by the Issuer solves this problem by transforming intangible rights into material assets and enabling simpler management of these otherwise intangible assets.

Furthermore, from a medium-term perspective, IPSE's securitization process, and its software, will be able to securitize institutional IP rights held by States, and thus convert important IP rights existing in technical, scientific, and medical areas into mark-to-marketable and productive IP assets.

It is interesting to note that the securitization of existing IP rights will allow the Issuer access to European funds aimed to support culture.

### 5.2.2.2. Management & Securities Syndications

After securitization, IPSE will be in charge of the management of securities and of the pertaining transactions. The Issuer's role at this step of the process is a strategic and pro-active mission. As securities are able to generate revenues for investors, it is necessary to be able to assess the securities' capacities to generate revenues, such that investors are provided with the best financial information with which to choose their investments.

The Issuer's team, with specialized knowledge of both private and public markets, will assess the future profitability of securities of IP, and thus select the most attractive transactions adapted to those securities.

In this context, IPSE will manage IP securities with a syndicate of companies or similar entities undertaking private and public offerings, including IPSE itself. This syndication group will manage the organization, the offering, and the guarantee of IP assets and will determine the price of the aforementioned, pooling the expertise of each entity to obtain an optimal result for both IP holders and for investors.

Regarding the securitization of institutional IP rights, the Issuer will manage them in a different manner with respect to private IP rights, due to the specific nature of institutional IP. Only accredited investors may invest in these IP rights, which

reduces the number of potential investors but ensures investments from experienced investment establishments and larger volumes.

The securitization of these institutional rights will warranty, as will all securitized IP rights, the anonymization of the holders of the security, but the Issuer will segregate them, in order to reserve them for institutional investors and transactions with important financial structures.

### **5.2.3. Future Projects**

#### **5.2.3.1. Securitization of Future IP**

In a later stage, IPSE intends to securitize future IP rights. Future IP rights refer to artistic or cinematic works that are not yet completed or not yet begun, but that are expected to be completed and accordingly are expected to generate future economic benefits.

Due to the fact that future IP rights are in fact rights on unfinished works of art or creativity, the preliminary analysis of such rights will differ from that which is implemented for existing, completed IP rights. As such, the process will be as follows:

- The Issuer will examine the profitability of the works concerned, in terms of expected sales and success of the creative intangibles that are to underlie the securities as well as with regard to the economic state of the marketplace in which they are to be traded.
- Consequently, IPSE will assess a value of these future rights to justify and enable their securitization. Investors may thus choose to invest in future assets generated by promising projects protected by IP rights, and in so doing provide support to artists, musicians, film producers, game designers, and even pharmaceutical companies with the funding to produce new intellectual property.

It is important to note that in this context, investors will invest their funds in IP rights, which are convertible into securities, and not in the works themselves. The return on their investment for investors will thus be an investment in a securitized IP rights with implicit value.

#### **5.2.3.2. Crowdfunding and Research Services**

Crowdfunding is a collective financing without the participation of a traditional financial intermediary. Crowdfunding networks are now generally maintained by online crowdfunding platforms, and the information about the companies seeking this collective funding is generally disseminated on social networks and through other online resources.

The use of crowdfunding platforms may prove to be useful in raising liquidity to kick-start IP creation. One proposed method of doing so would be to initially use existing crowdfunding platforms to raise money for creative projects, and subsequently transform the intangible IP into a more tangible financial asset via securitization. These securitized future IP rights may subsequently be traded on over-the-counter markets, and the proceeds from the sale of such securities could be used to further fund the projects, as well as to reimburse early investors involved at the crowdfunding stage.

At a later stage, IPSE proposes the possibility of developing its own crowdfunding platform for the specific purpose of raising funds for creative projects. Similarly to the aforementioned method, these projects may have their incomplete IP securitized, and the subsequent over-the-counter trading of these securities would aid in the further financing of the creative projects.

This process of funding future projects is not restricted to creative projects. The possibility of using the abovementioned methods to provide funding and financing structures for research in medical, technological, engineering, and scientific domains also has potential.

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It must be stated that in all of the scenarios mentioned, investors face the risk that the projects may never be completed and that all capital invested may be irrecoverable. As such, that such offerings should be restricted to accredited investors and investors that can afford to withstand the loss of the capital sum invested is a valid suggestion.

### 5.2.4. Brokerage Network

The Issuer will set up a brokerage network for the purpose of enabling the most efficient execution of its business. The brokers will be active post-securitization in order to distribute the securitized IP assets through an over-the-counter network.

Brokers will be recruited based on their knowledge, experience, and the success with which they have conducted transactions on behalf of relevant parties associated with IPSE. All brokers will act in the name of the Issuer and will require the explicit authorization of the Issuer to conclude each transaction.

In the eventual instance of these IP securities being traded on a National Stock Exchange, the market which the Issuer has decided upon is the NASDAQ. This eventuality will significantly broaden the possibility for the fund raising and increase the interest in and appeal of investing in securitized IP.

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[1] Granier, Thierry & Jaffeux, Corinne, La titrisation, aspects juridique et financier (in French)

[2] Without a local law that regulate the IP assets securitization, all processes of securitization relative to IP is contractually, and so made case-by-case and not automatically.

[3] Distinction established by the WIPO Magazine of September 2008 (5/2008)

## 6. MARKETING

### 6.1. Industry and Market(s)

The general context of the IPSE's industry is the financing of IP creation. As already said, the securitization of IP rights as developed by the Issuer is an innovative concept, not yet well developed and understood, but some persons have already expressed an interest for this area. Furthermore, other kinds of IP financing exist, and take part of the IP rights' securities market.

The various sorts of IP financing are the following [\[1\]](#):

- The traditional financing, generated by licenses on IP rights or direct selling of trademarks or patents.
- The auctions of IP rights: this process, operated by private companies, created a market until then non-existent.
- The use of IP rights as guarantees, especially for companies, as a credit's strengthening. It may be for example pledges, as the Supreme Court of New York characterized the "BowieBonds" [\[2\]](#).
- The securitization of IP rights: as said above, the Pullman Group issued some IP rights, including the "Bowie Bonds" [\[3\]](#), and the issue of collateralized rights obligations of Nickolas Ashford and Valerie Simpson, songwriters and producers of hit songs.

In a general context, the Issuer takes place in the market of IP various ways of financing, which are quite different to each other. Each of them has advantages and disadvantages, and each has a different operating system. IPSE distinguishes itself by its operating system that is the undisputable innovation and uniqueness of the Issuer.

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[\[1\]](#) Based on the WIPO Magazine of September 2008 (5/2008)

[\[2\]](#) Pullman Group, LLC v/ Prudential Insurance Co. of America; Supreme Court of New-York, June of 2003, after appeal. More information about the "Bowie Bonds" at page 32.

[\[3\]](#) See above.

## 6.2. Competition

The competitive environment of IPSE concerns the IP's ways of financing, which use IP rights to make business and to generate incomes. Therefore, there is a heterogeneous variety of competitors.

### 6.2.1. Publishing Houses and Producers

Publishing houses and producers, namely record companies for music, and movie production companies, although they have not the same aim and process as the Issuer, are the first category of competitors. Publishing houses are in charge of the management and the profitability of authors' copyright, and they collect fees on revenues generated. Record companies and movie production companies are responsible for finding funds for a cinematographic or a musical project and have a role in choices concerning the IP work.

Working for the IP financing, these professionals represent a competition for the Issuer, a fortiori as they are the first and traditional way of IP financing. IP holders, especially persons who lack sufficient expert knowledge of the intricacies of private and public markets may have the tendency to choose these actors of IP financing and to manage the profitability and cash flow generation of their IP rights.

In this context, the main competing companies, in Switzerland and in the United States, according to locations of the Issuer's activities, are those detailed below.

#### 6.2.1.1. Publishing Houses

On 2018, a ranking of the more important book publishers in the world, on the basis of their revenues, was made [\[1\]](#). The first five leading publishing houses are the following (data mentioned are for 2017):

- Pearson Corp., an English company with revenues of US\$ 6.070 B.
- RELX Group (Reed Elsevier) Corp., a UK, Nederland and United States' company, with revenues of US\$ 5.609B.
- Thomson Reuters, a Canadian company held by The Woodbridge Company Ltd., which generated US\$ 4.941B.
- Bertelsmann\*, a German firm owned by Bertelsmann AG, which generated US\$ 4.24B.
- Walters Kluwer\*\*, a Dutch company with revenues of US\$ 3.994 B.

\* Over the past several years, results from Penguin Random House alone represented Bertelsmann's publishing activities. Since 2016, a newly created, separate "Educational" division has been added under the roof of the parent.

\*\* For Walters Kluwer, the division "Governance, Risk & Compliance", created in 2015 to focusing clearly more on direct business services, an only indirectly on the published content, has been excluded from the publishing revenue in 2017.

#### 6.2.1.2. Record Companies and Movie Production Companies

Record companies that manage and find financing for works of musicians, play an important role in the musical industry's market. There are four biggest record companies, which are leaders of the music recording industry (numbers in billion):



Universal Music Group: the global music leader, which discovers artists, internalizes the developing of recordings of their work, and releases the finished product to the market in its promotion. The Group had revenues of US\$ 8.82B in 2020 [\[2\]](#).

Sony Music Entertainment: one of the most important recording labels, controlled by Sony Corporation of America, and which generated US\$ 8.53B of revenues in 2021 [\[3\]](#).

Warner Music Group: the third part of the “big three”, with revenues of US\$5.3B in 2021 [4].

EMI Recorded Music: EMI Group was purchased by Vivendi SA and Universal Music Group on September 2012. The revenues of EMI Recorded Music are now included to those of Universal Music Group.

### IP Management Companies

IP Management companies are private companies founded by holders of copyrights and related rights in order to assert their rights collectively when individually management is not possible or not pertinent. They represent a competition for the Issuer’s activities, in terms of the management aspect to them. However, the management of IP rights is not the main revenue driver for the Issuer’s plan. The Issuer will concentrate its first activities on musical and cinematographic areas (protected by a copyright) because Swiss IP management companies concern only the copyright’s aspect of IP, excluding other parts of it (trademarks and patents essentially).

The main companies that may be a competitor for IPSE are the following:

In Switzerland, an accreditation by the Swiss Federal Institute of Intellectual Property is necessary to ensure the compulsory management of copyright and related rights. There are currently five companies:

- ProLitteris, for literary and photographic works and plastic arts.
- Société Suisse des Auteurs, for dramatic literary and musical works.
- Suisa, for musical and non-theatrical works.
- Suissimage, for audiovisual works.
- Swissperform, for related works.

In the United States, IP management companies not only concern copyright, but also other IP areas. They propose to IP right’s holders to manage these rights, at all stages of the rights’ existence. The main companies which manage IP rights are:

- Thomson IP Management Services, which is the world’s leading source of IP information for business and professionals.
- Intellectual Property Management Company, which provides corporate domain name Management services.
- Anaqua, Inc., which developed the world’s first comprehensive software made for intellectual assets management.
- CPA Global, is the IP software specialist and has the world leader in web-based IP management software.

### 6.2.2. Auction Management Companies

Another method of funding IP is through the auction thereof. Some companies propose to hold auctions on IP rights, thus selling said rights to the highest bidder. This mechanism has the interest of making tangible immaterial rights. All IP rights are able to be auctioned, and there are two different kinds of these auctions:

1. Entities specialized in auctions, which organize live and online auctions events several times a year. The most well-known names in this domain are Ocean Tomo and IP Auctions Inc.
2. Online IP exchanges, which facilitate the trading between IP rights on technologic marketplaces. The main platforms of exchanges are IPXI Trading Innovation and Asia IPExchange.

The system of auctions and online exchange for IP rights has the advantage to emancipate the IP rights’ holders from IP use and protection classical rules, and to give them a liberty in their management. However, these systems have also



disadvantages in comparison with the Issuer's business. They present important random elements and risks on incomes collected: once the auction started, IP rights will be sold or exchanged at the last price or product proposed, even it is a low price.

### 6.2.3. Banking Establishments

Some banks propose to use IP rights as material assets, making them a credit enhancer. IP assets will be in this context used as guarantees of a loan, and this system may increase the amount loaned. The holders of IP rights have already demonstrated their willingness leverage their respective IP, patents, trademarks or works protected by copyright as a guarantee, and obtain thus more funds for their loan. As a result, there exists a market for an intangible asset, such as IP, that functions as a form of collateral much in the same way that securities, such as common shares, may be pledged as collateral to banks in exchange for the ability to borrow.

Banking establishments may thus represent a competition for IPSE, as they are able to attract some clients who need important funds quickly for their projects, and who are holders of IP rights that can increase their borrowing capacity. This system is not optimal, due to risks generated. Banking establishments will become holders of IP rights and will have the control under them, and this is a significant or the IP owner, the debtor, its potential company and the licensees granted on the IP rights.

### 6.2.4. Actors of the Securitization

Persons and companies that made a form of securitization of IP rights are the more serious competitors of the Issuer, due to their activities, for whom the core is quite similar to IPSE business. Therefore, both the Issuer and other actors of securitization propose to IP holders the securitization of their rights to make transactions of IP securities on marketplaces.

The most notable instances of the securitization of IP in the past 2 decades are the following [\[19\]](#):

- The first creation of securitized Intellectual Property took place in the United States in 1995. The issuer was Millennium Investors, LLC, the securitizer was Fox and the arranger was Citicorp. The IP assets were rights on movies, for USD 1 million raised in a private offering.
- In 1997, the Pullman Group, as the arranger, managed the securitization of David Bowie IP rights, with Jones/Tintoretto Entertainment Co., LLC as the issuer, the "Bowie Bonds". Coming publishing and recording rights of 287 songs had been sold for US\$55 million, in a private offering.
- The Pullman Group managed the Ashford & Simpson IP rights' securitization in United States in 1999, issued by Nick-O-Val, LLC, raising US\$10 million for publishing, recording and performing rights of 247 songs, with a private offering.
- During the same year, the Pullman Group managed also James Brown publishing, recording and performing rights for 750 songs, issued by James Brown, LLC, in United States, raising US\$30 million through a private offering.
- In 2005, Meryl Lynch managed the securitization of Marvel's rights, linked to future revenues for adaptation and exploitation rights, rights on derivative products for 10 movies and copyrights. The issuer was MVL Film Finance, LLC, which raised US\$525 million in a private offering.



In parallel with these famous IP securitization's forms, there were some other cases, which concerned various IP rights, on copyright, trademark, patents or know-how, and the vast majority of them conducted through private offerings. However, as precedent examples show this, the securitization of IP assets made by IPSE presents a number of differences in comparison with them.

1. First, the securitization's processes made until now included several actors, several companies that intervene in the process. Classically, securitization's processes need three various actors. In IPSE's system, there are only the IP rights holder and the Issuer, to whom rights have been transferred for independent management.
2. Then, the securitization's process of IPSE and of other entities are not the same. While the seconds kept IP rights to issue in counterpart securities linked to the rights, the Issuer converts directly IP rights into securities, making them material and negotiable both on private and public markets.
3. Finally, if the strict definition of the securitization is applied, the various securitization's forms above may be problematic. The rights' allocation wouldn't be a real securitization, as it was, from case to case, a mortgage, a pledge, a contribution to an ad hoc company, an assignment of royalties, of rights on works or of a debt [\[11\]](#). These processes look more like legal mechanisms than a strict securitization process that transforms an asset directly into securities (as the Issuer's concept).

It is important to note that most of the securitization's actors conducted transactions with IP assets only on the private market. Until today, the public market was really difficult to access to IP securities, due to the initial immaterial aspect of IP rights, which complicates the stock index pricing, and to the due diligence necessary before an IPO. Indeed, as due diligence consists in analyzing what risks are inherent to an issuer's company and to the targeted market, it is difficult to determine accurately what risks are included in an IP asset.

The Issuer developed a pragmatic process of securitization and management of IP assets, which not only takes IP rights to generate securities in counterpart, but also transforms these rights directly into securities. IPSE developed indeed a specific and confidential system of IP rights' securitization, making them material and negotiable.

#### 6.2.5. IPSE Position

As mentioned above, IPSE's securitization has some advantages in comparison with classical ways of IP financing. These advantages intervening at various levels are able to explain why a concrete IP rights' securitization has not been realized until now. Through its unique advantages, IPSE places itself as a market-maker.

- **Materialization:** IP assets will be convertible directly into securities, making them concrete and negotiable on marketplaces, and without necessity to involve other actors of securitization, another legal or financial concept to complete the securitization. The Issuer process is self-sufficient.
- **Anonymization of IP rights:** the securitization allows the anonymization of rights on IP works, which ensures a protection against investments based on the personality of the IP holder or persons around (producers of movies or music as an example) rather than investments on the rights themselves.
- **Trades on the stock market:** the IPSE's specific system of IP rights' securitization includes as an innovative aspect of the business the possibility to negotiate IP securities on the stock exchange, namely the NASDAQ, thanks both to the materialization of IP rights that fosters the index pricing of these rights and the analyze of risks linked to investments.
- **Transfers directly enforceable:** with securitization, transfers of IP assets will be automatic and enforceable from the transaction's conclusion, without necessity of any other formality.
- **Costs:** the concept of the Issuer will avoid to IP assets' holders important costs and losses on rights' assignments and protection. Private and public offerings will generate important funds for them and for investors, and the Issuer will collect its commission directly in these funds raised.

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- Taxes free: as the securitization does not imply the creation of a legal person, there will not be taxes to pay for it. It represents important savings. This point is the corollary of the low costs, due to the economy of about 20-30 % that will be generated. In terms of marketing, this tax element is an "optimization niche".
- Accessibility & rapidity: The securitization in general and the Issuer's processes especially are easy to access, even if the purchase of securities is not very well known to the general public.
- Complete management: IP assets will be convertible and managed by the Issuer with regard to all transactions realized with them, without the need for the IP rights' holder to intervene in the process. Furthermore, IPSE and its team have an important and accurate knowledge in securities law and IP, to manage efficiently and profitably IP securities.
- Securitization of institutional IP: IPSE will convert IP rights held by States into securities, especially rights on technical, scientific or medical researches protected by patents, a process that has never been achieved before. Institutional IP assets will thus become tangible, negotiable and highly productive for States and investors.



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- [1] The "Global 50" Ranking of the International Publishing Industry 2018 The Ranking of the International Publishing Industry 2018 Rüdiger Wischenbart, with Michaela Anna Fleischhacke
- [2] Numbers provided by Vivendi SA, owner of Universal Music Group. (<http://www.statista.com/statistics/273044/universal-music-groups-annual-revenue/>)
- [3] Numbers from the website Statista.com (<https://www.statista.com/statistics/235116/revenue-of-sony-corporations-music-segment/>)
- [4] Numbers from the website Statista.com (<http://www.statista.com/statistics/264541/revenue-of-the-warner-music-group/>)
- [5] Numbers provided from the website Statista.com (<http://www.statista.com/statistics/276499/time-warners-quarterly-revenue/>)
- [6] Numbers provided from Wikipedia ([https://en.wikipedia.org/wiki/Sony\\_Pictures\\_Entertainment](https://en.wikipedia.org/wiki/Sony_Pictures_Entertainment))
- [7] Numbers provided from the website Statista.com (<http://www.statista.com/statistics/193263/revenue-of-the-walt-disney-company-in-different-regions/>)
- [8] Numbers provided from the website deadline.com (<http://deadline.com/2015/08/universal-pictures-highest-grossing-box-office-year-in-industry-history-1201492365/>)
- [9] Information from La titrisation des actifs intellectuels (in French), Alexandre Quiquerez, 2013, Larcier editors; p. 570.
- [10] See above, footnote 12.

## 6.3. Market(s) Analysis

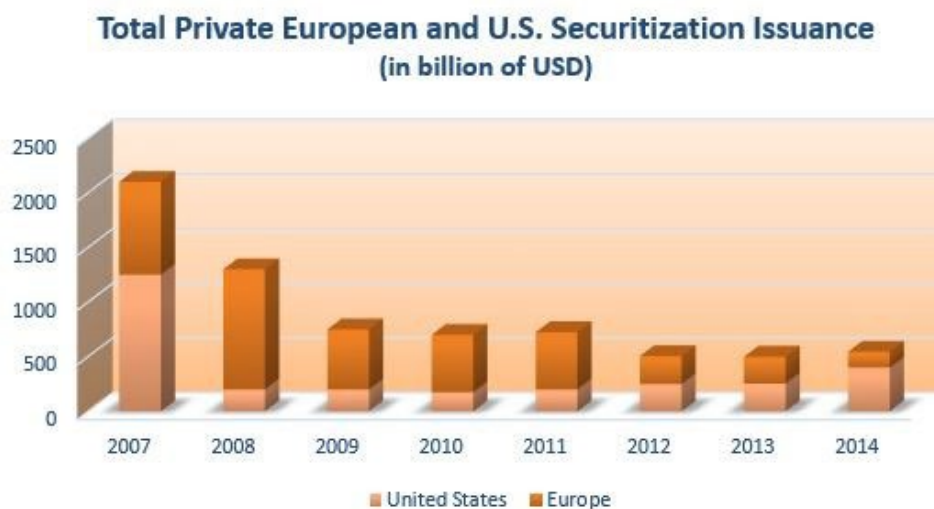
### 6.3.1. Large Segment of the Market

The market of IP ways of financing is a large market, which includes a wide range of categories of IP financing, as the Competition part of this Memorandum shows it (licensing, copyright, auctioning, credit enhancer, securitization in particular).

Therefore, it is quite difficult to quantify this large market; its scope of categories includes various activities that have the same aim, but really not the same process. Thus, each actor of the market's segment of IP financing develops its strategy and be positioned with regard to its specific branch of activity and to customers targeted.

In this context, the Issuer forms part of the actors of IP securitization, but it distinguishes itself by its specific and strict securitization process and its management of IP assets.

The following graphic describes the funds generated thanks to the securitization between 2007 and 2014 [\[1\]](#).



The market's segment of IP rights' securitization is a growing segment, due to the importance of IP protection and financing and to the profitability of the process. While today IPSE is the only one to securitize IP assets directly with a specific process, not using other assets in counterpart of IP rights, and while this process will be protected by the know-how, variants of it will probably be used by new actors of IP securitization, increasing thus the market of IP securitization.

### 6.3.2. Market Entry Barriers

Some barriers to entry may be mentioned regarding to the IP securitization market's segment, due to the innovative aspect of the IP securitization, concerning the Issuer's particular process. These barriers are the following:

- The lack of laws regulating the IP securitization that would allow an automatic securitization instead of the contractually securitization as the only solution [\[2\]](#).
- The immaterial aspect of IP rights and their corollaries, the heterogeneity of IP, namely the various IP's protection (copyright, trademark, patent, etc.) and the randomness of it that may have no value as an important value.
- The trades on the stock market, regarding the securitization's process needed to go public and with the difficult determination of a pricing index and the risks.
- The difficulty to convert IP rights directly into securities, not using these rights as counterparts to other assets.

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- The general idea that financial transactions on private and public markets are difficult to access.
- The resistance that may be generated by professions competed by IPSE's process, especially lawyers and jurists.

These barriers are effective for the market's segment of IP securitization, because of the process of securitization used until now that does not make strict securitization.

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[1] Based on the "Securitization: The Road Ahead", prepared by Miguel Segoviano, Bradley Jones, Peter Lindner, and Johannes Blankenheim p. 5 (<http://www.imf.org/external/pubs/ft/sdn/2015/sdn1501.pdf>)

[2] See the Services part (6.2; page 37) for more details about the consequences of the lack of law.

## 6.4. Marketing Strategy

As explained in the Competition part of this Memorandum, the business of the Issuer presents various characteristics which give it a specific status on the marketplaces. This status is primarily due to the elements mentioned above, materialization, anonymization of IP rights, trades on the stock market, transfers directly enforceable, costs, taxes free, accessibility & rapidity, complete management and securitization of institutional IP. In addition, with these elements that take part to the marketing strategy of IPSE, there were other criteria to take into account to estimate the advantages of the Issuer on marketplaces, and in particular the uniqueness of the process of securitization.

Relating to its strategy, IPSE and its team first intend to make the company known by a large public, and then to establish itself on the market.

The first milestone of the strategy will be thus a promotion phase, to present to public the Issuer and its features. Promotion will be made by classical ways as advertising, and thanks to the new generation of communication's ways, as internet and social networks. The aim of the promotion will be double: as a presentation of a new actor on the IP financing market, and to explain the accessible business of the Issuer.

The second milestone of the strategy, once the Issuer is known to the public will be to establish itself in the market. This goal shall be achieved with the expected positive results of the activity, due to the innovation of the business, its advantages of operation and to qualifications of the personnel. The fundamental element is the uniqueness of the Issuer's business, with regard to the operating system. Unlike competitors who realized securitization of IP assets in the past, the Issuer does not use IP assets as counterparts of a transaction. The securitization is directly on IP assets concerned, they are not taken and exchanged against another assets.

The Issuer will also solve some existing problems regarding IP assets' securitization, thanks to its process. Especially, the harmonization by the Issuer of an area until now heterogeneous and random is an indisputable innovation and an important advantage for IPSE. This harmonization will be generated by standards provided by the Issuer regarding IP securitization, with standard contracts in particular.

Therefore, the three key criteria which are able to guarantee the establishment and the success of the Issuer are the following:

- The directness of the securitization process, which converts directly the IP assets into securities and which includes the direct enforceable nature of transfers.
- The trades of IP assets on the public market that are an innovation in an area blocked by specific difficulties due to intangible assets.
- The harmonization generated in a heterogeneous and random area.

## 6.5. Prospecction

The customers targeted by the Issuer represent a broad spectrum of the population. The securitization and the management of IP rights are focused on IP assets' holders of any category and especially holders of rights on musical and cinematographic works. IP protection and revenues generated by it are permanently expanding, due the frequent new regulations controlling IP's area.

The products and services proposed by the Issuer to IP's holders and intended to be sold to investors are therefore accessible to a large part of the population. Consequently, the challenge is to do an effective and clear promotion of the Issuer's activities, in order to make understood to public the easy access to the IP assets' securitization. Nowadays, financial transactions on the public market are perceived as reserved to professionals of finance, and transactions on the private market are not known from a number of persons. To reach this objective, the Issuer will place emphasis on

information of its operation and particularity, bringing forward the simple access to this kind of securitization and management of IP assets.

## **6.6. Strategic Growth**

As explained above, the Issuer intends to set up an important information and promotional network, to be able to establish itself on the market of the IP financing. Then, IPSE will not leave out the promotional and informative strategy. On the contrary, the Issuer plans to adopt a philosophy and an operation on permanent evolution, adapted to the changes of the markets, of persons targeted by its activities and of regulations.

Therefore, at this stage of the IPSE business' development, the emphasis will be on the consolidation of the achievements, with regard to the information to public and services of securitization and management of IP securities. Promotional processes will still take place, but the Issuer will more rely on its reputation, created by good results expected on the business. IP holders and investors satisfied shall talk about the Issuer within their professional network, bringing thus new clients to IPSE.

Besides, the Issuer plans to securitize institutional IP, held by States, and this securitization that needs specific analysis and protection will be developed and updated from the beginning of IPSE's activities, in order to be able to securitize important packages of institutional IP. Investments made in institutional IP assets will generate significant funds both for States, for investors, as well as for IPSE.

## **7. SALES**

### **7.1. Order Book**

No customers exist nor has any offer been made in the marketplace, however IPSE expects substantial demand for its services, due to the innovation and the accessibility of its services coupled with the evidence of the willingness of IP holders to pledge their IP as collateral, where possible.

### **7.2. Distribution Contracts**

The management team will be in charge of determining the relevant distribution contracts to be entered into.

### **7.3. Network**

The Issuer is setting up a network of partners to improve the efficiency of the business, in terms of securitization process and promotion in particular, as well as developing a network of brokers in order to diffuse its activities and make transactions.



INTELLECTUAL PROPERTY SECURITIES CORPORATION: PRIVATE OFFERING MEMORANDUM

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Headquarters: 30 Wall Street, 8th floor, Suite 830, 10005 New York, United States of America

Phone: +1 310 490 3673- hayet.bouzid@swissfinanciers.com

## 8. ISSUER'S STRUCTURE

### 8.1. Generalities

The Issuer will divide its activities into three major offices in Geneva, New York and Los Angeles.

The details of the Issuer's formation are as follows:

#### Intellectual Property Securities Corporation

|                                |  |
|--------------------------------|--|
| Incorporation Date:            | Incorporated: December 22 <sup>nd</sup> , 2014<br>Re-incorporated: May 10, 2018  |
| Incorporation Number:          | Incorporated: 5662460<br>Re-incorporated: 6880180  |
| E.I.N. (IRS) Number:           | 47-2931346   |
| Initial Shareholder Structure: | Dionysos Corporation 10%<br>ParF Ltd. 10%<br>Deschenaux & Partners, LLP 20%<br>Fromond Enterprises Corporation 15%<br>Diamond Global Vision 9%<br>WIPSEC former Shareholders 10%<br>Incentive Plan 6%<br>Investors 20% |
| Directors and Officers:        | Marc DESCHENAUX President & Chief Executive Officer<br>Christian FRAMPTON Secretary<br><br>Dourgam KUMMER Chief Financial Officer  |
| Legal Counsel:                 | Deschenaux & Partners, LLP   |

## 8.2. Registered Office

The Registered Address of the Issuer is 251 Little Falls Drive, County of New Castle, Wilmington, 19808, State of Delaware, United States of America.

## 8.3. Property & Facilities

The Issuer has established its headquarters at 30 Wall Street, 8th floor, Suite 830, 10005 New York, United States of America and a subsidiary address at IPSE Inc., c/a Corporate & Tax Advisors SA, Place des Eaux-Vives 8, P.O. Box 3076, CH – 1211 Geneva 3, Switzerland.

The Geneva office, which will host the core of the activities as a first step, contains management, legal and IT functions of the business.

The New York office will revolve around the brokerage activity and the marketing department of IPSE, which will be developed in the second milestone of activities. The address of the New York office is the following: 340 Madison Avenue, 10173 New York, United States.

## 8.4. Department Structure

IPSE intends to divide its company's structure according to a scheme like the following:

- Management Department;
- Information and Technology Department – Software engineering and maintenance;
- Legal Department;
- Marketing Department;
- Research & Development Department;
- Intellectual Property Trade Department;
- Administrative Department.

The Management Department, the Legal Department, the Information and Technology Department and the Research & Development will be located in the premises of the Geneva office.

The Marketing Department will be located in the New York office and the Intellectual Property Trade Department will be based in the Los Angeles office.

The brokerage's network will be actuated by the Issuer within its relations and be linked to IPSE, but brokers will act externally of the structure and managed from New York.

## 8.5. Subsidiaries

The Issuer has no subsidiaries as of yet.

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## 8.6. Ownership Structure

### 8.6.1. List of Shareholders & Percentages

| <b>IPSE Shareledger</b>                                       |                |                    |                       |
|---|----------------|--------------------|-----------------------|
| <b>31st Decembre 2021</b>                                     |                |                    |                       |
| Shareholder's names   | Percentage     | Number of shares   | Shares Certificate N° |
| Alia Deschenaux   | 1.00%          | 1 000 000          | Not Issue             |
| Aston Messiqua  | 2.00%          | 2 000 000          | Not Issue             |
| Christian Frampton  | 2.00%          | 2 000 000          | Not Issue             |
| Diamond Global Vision Ltd represented by Manouk der Stepanian | 1.00%          | 1 000 000          | Not Issue             |
| Dourgam Kummer  | 2.00%          | 2 000 000          | Not Issue             |
| Erfisa SA Perfiktus Fund                                      | 10.00%         | 10 000 000         | See breakdown below   |
| Fromond Enterprises Corporation Richard Ormond                | 13.00%         | 13 000 000         | Not Issue             |
| Gene Massey   | 1.00%          | 1 000 000          | Not Issue             |
| Gilles Léraillé   | 1.00%          | 1 000 000          | Not Issue             |
| Glenn Proellochs  | 0.10%          | 100 000            | Not Issue             |
| Guillaume Rozenblat   | 0.50%          | 500 000            | Not Issue             |
| Leila Deschenaux  | 0.50%          | 500 000            | Not Issue             |
| Manfred Wättinger   | 0.50%          | 500 000            | Not Issue             |
| Marc Deschenaux   | 17.50%         | 17 500 000         | Not Issue             |
| Marie Majkowiez   | 1.00%          | 1 000 000          | Not Issue             |
| Maxime Lagane   | 0.30%          | 300 000            | Not Issue             |
| Michael Horner  | 2.00%          | 2 000 000          | Not Issue             |
| Olfa Deschenaux   | 1.00%          | 1 000 000          | Not Issue             |
| Olivier Pahud   | 1.00%          | 1 000 000          | Not Issue             |
| ParF Ltd. represented by Oded Aviel                           | 11.00%         | 11 000 000         | Not Issue             |
| Stefano Sateriale   | 0.60%          | 600 000            | Not Issue             |
| Swiss Financiers Inc.   | 5.00%          | 5 000 000          | Not Issue             |
| TFI Holding SA represented by Jean-Paul Uldry                 | 6.00%          | 6 000 000          | Not Issue             |
| WIPSEC Former Shareholders represented by Hayet Bouzid        | 10.00%         | 10 000 000         | Not Issue             |
| Other Investors   | 10.00%         | 10 000 000         | Not Issue             |
| <b>TOTAL</b>  | <b>100.00%</b> | <b>100 000 000</b> |                       |

## 9. BOARD OF DIRECTORS

### 9.1. Officers

The Board of Directors has 3 members. The Issuer intends to increase the number of Directors with several experienced persons representing the financing groups.

| Officers             | Position                |
|----------------------|-------------------------|
| • Marc DESCHENAUX    | President               |
| • Christian FRAMPTON | Secretary               |
| • Dourgam Kummer     | Chief Financial Officer |

2 new members in the name of:

- Mathias Rasandimanana
- Eric Marcozzi

will be submitted by the Board of Directors for nomination at the 2022 Ordinary General Meeting.

The Board of Directors is meeting at least every 3 months.

### The President of Intellectual Property Securities Corporation is Marc DESCHENAUX.



Marc DESCHENAUX is a world expert in Corporate Finance from Private Offerings to Initial Public Offerings (IPO's). He raised private and public equity and debt, for companies, internationally. He also financed various types of operations, from import/export transactions to Real Estate Investment Trusts and organized governments' loans. His specialization is corporate generalist legal and financial advisor with strong financing expertise and experience.

He provides preemptive legal support in French, Italian, English or German and focuses on securities law, trading law and intellectual property. He adds high premium on contract drafting and complex financing negotiation and was involved in Entertainment & Music Industry. In 1998, he founded the World Intellectual Property Securities Exchange Corporation (WIPSEC), the first exchange quoting a new generation of securities representing ownership of a patent, a trademark, a music work, a movie or a technology. For the first time, an investor could invest purely in artistic creation or in technology without worrying about management. In this venture, he allied the two fields he was involved in and made one of his dreams come true: to help artists and inventors raise the funds they need to create, through a financial market investing purely in the implementation of an idea. He sat on the Boards of Directors of more than fifty companies worldwide. He founded 48 companies, he sold 32 of them at a profit and only 7 failed.

### The Secretary of Intellectual Property Securities Corporation is Christian FRAMPTON.

Christian Frampton is a Partner of Swiss Financiers which is specialized in orchestrating the process of taking companies to the public market. Christian is also Managing Partner & CEO of Providenzia Capital Group (Suisse) SA, which is specialized in early-stage investments and business nurturing. Christian is also partner at Genii Capital, which has taken stakes in a wide range of businesses and acts as a holding company to the partners' varied interests.



Prior to that, Christian Frampton co-founded Helvetica Wealth Management Partners SA, a company that was dedicated to creating and implementing integrated financial solutions for institutions and wealthy individuals. Before this, Christian worked at Banque Piquet & Cie, where he was a shareholder and part of the management team. Christian has also worked for PricewaterhouseCoopers, the worldwide audit practice, Clariden Bank (part of the Credit Suisse Group) and Banque Scandinave (today engulfed within the European Banking Group).

### The Chief Financial Officer of Intellectual Property Securities Corporation is Dourgam KUMMER.



Held several Financial Executive and Board of Directors positions from start-ups to international companies listed at the Swiss Stock Exchange and Nasdaq. Skilled in team management,

- structured, trade, project and equity financing:/fundraising.
- company structuration and restructuring using process management
- Going public at the Swiss Stock Exchange as well as the Nasdaq

Followed several business administration and structured finance courses at the IMD (International Institute for Management).

## 9.2. Compensation

Each Director of the Issuer has chosen to receive stock options for each year s/he holds her/his position. A Director will receive US\$3'500 for each Director's meeting as long as they are Issuer's Directors.

## 10. MANAGEMENT TEAM

### 10.1. Managers

The IPSE management team will be appointed by the Board of Directors which will be responsible for the various tasks' execution assigned to each department to help the Directors reach their assigned objectives.

The Issuer intends to increase the Management team with several qualified experienced persons. The Management will meet at least every month and as many times as necessary.

#### 10.1.1. CEO - CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of Intellectual Property Securities Corporation is Marc DESCHENAUX (see 10.1 above)

#### 10.1.2. CFO - CHIEF FINANCIAL OFFICER

The Chief Financial Officer of Intellectual Property Securities Corporation is Dourgam KUMMER (see 10.1 above)

#### 10.1.3. CEIRO - CHIEF ENTERTAINMENT INDUSTRY RELATION OFFICER

The CEIRO of Intellectual Property Securities Corporation is Aston MESSIQUA.



Aston hold a Bachelors in Business Entertainment. Specialized in Film & TV production & development. Working with major Hollywood Producers in a U.S entertainment company to produce/distribute a slate of movies for a global audience while securing studio distribution.

Previously launched a development fund to acquire and sell movie screenplays to major studios.

Mentored by former president of production at Universal Pictures.

On the management team of a Hollywood SPAC to acquire a major Hollywood Studio. Aston has worked on the development of entertainment initiatives in the Middle East and act as a bridge to Hollywood. Founder of a Saudi based entertainment company to develop entertainment initiatives in the region. On the board of Hidden Worlds, a next generation of immersive and digital entertainment theme parks. Aston was born in Los Angeles where he did his film studies and grew up in Geneva Switzerland.

#### 10.1.4. COO - CHIEF OPERATING OFFICER

The position of the COO of Intellectual Property Securities Corporation is currently vacant, expecting for a nomination

#### 10.1.5. CSIRO - CHIEF SHAREHOLDERS AND INVESTORS RELATION OFFICER

The Chief Shareholders and Investors Relation Officer of Intellectual Property Securities Corporation is Hayet BOUZID.



Hayet is a confirmed private banking professional specialized in MENA & GCC countries, strong with a longstanding experience of 19 years in the major private banks in Geneva such as Citi Private Bank, BNP Paribas, NBAD. Solid compliance experience in one of the best global banks. Wide and diversified experience in Private Equity, business development, leveraging on high networking and communication capabilities. Education background varying from several languages to pluri-disciplinary qualifications in translation, law & economics within a high ethical reputation and a

deep human approach to business.

#### 10.1.6. CMD - CHIEF MARKETING OFFICER

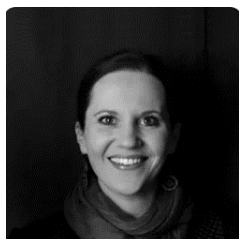
The position of the CMD of Intellectual Property Securities Corporation is currently vacant, expecting for a nomination.

### 10.1.7. CTO - CHIEF TECHNOLOGY OFFICER

The position of the CTO of Intellectual Property Securities Corporation is currently vacant, expecting for a nomination.

### 10.1.8. CIO - CHIEF INFORMATION OFFICER

The position of the CIO of Intellectual Property Securities Corporation is Marie MAJKOWIEZ.



Marie is a communication specialist, content writer and project manager with a financial background. She achieved marketing and communication studies at CEFCO, Lausanne, Switzerland and started working for a private financial company in 2008. Thereafter, she ran her own company operating in project management and funding as a CEO for almost 10 years and moved her activities to the United States in 2019.

Marie has an outstanding experience in popularization of science, gained through her 4 years collaboration with FJML, a Swiss non-profit organization. She has been working for more than a decade as a press secretary and/or communication specialist for private companies, as well as various non-profit organizations, like Experts Without Borders and the European Press Agency.

## 10.2. Compensation

The following table sets forth the annual compensation planned to be paid to the officers for the first full year of operations.

In addition to this compensation, the Issuer will provide bonuses or stock options to the officers' pro rata based on their performance to the Issuer.

| Position                    | Annual Compensation (USD) |
|-----------------------------|---------------------------|
| Board Members               | US\$ 3,500/board meeting  |
| Board Members (operational) | US\$ 200,000              |
| Management Positions        | US\$ 120,000              |

Should it be necessary, allocations will be made to reconcile relocations and expenses for travel.

## 10.3. Management Fidelity

The founders and top management have contractually and collectively committed themselves to the Issuer. This agreement prohibits them from competing with the Issuer.

Their stock position in the Issuer is the best assurance of their commitment to the long-term success of the IPSE.

No member of the management team, no director, nor any major investor in the company has ever been arrested, convicted, or charged in any material crime. Personal credit reports will verify that all individuals have excellent credit ratings and have no overdue debt outstanding.

## 11. PERSONNEL

### 11.1. Recruitment

Aware of the expected difficulties in managing a unique business, the Issuer's management has started a recruitment program for choosing experienced personnel for the key positions in the Issuer. Due to the specificity of its business, IPSE is recruiting a number of persons who will work in the Geneva office and who must have a background both in IP and financial and securities areas. These persons are divided as follows:

- 10 jurists;
- 5 senior jurists;
- 4 IT developers.

Thereafter, the Issuer intends to recruit other specialist in IP and finance who will work in the United States. Some marketing specialists and a responsible of commercial relationships will be also recruited to complete the staff as persons who manage the external and pragmatic points of IPSE's activities. The Issuer also has experienced individuals from the IP and financial sector to strengthen its Board of Directors.

### 11.2. Stock Awards

The Issuer has established a stock awards plan for its employees. According to this plan, the directors and employees who hold the key positions in the Issuer are eligible to receive stock over the next five years.

### 11.3. Stock Options

The stock options will be determined by a subcommittee of the Board of Directors, chosen by the Board of Directors. This committee will have the authority to determine the terms and conditions applicable to the stock options.

### 11.4. Remuneration

The remuneration of employees is determined as described below (in USD or CHF):

- |                       |         |
|-----------------------|---------|
| ▪ Assistant & support | 80 000  |
| ▪ IP purchaser        | 180 000 |
| ▪ IP purchaser senior | 220 000 |
| ▪ Legal staff         | 130 000 |
| ▪ Office staff        | 80 000  |

It is important to note that employees, and especially jurists, will be linked to Deschenaux & Partners, LLP (GHD), that is to say some jurists will work both for GHD and IPSE, as they are employed by GHD which manages IPSE's operation. We calculated average yearly costs, but it can change due to the business developed. Thus, jurists working for IPSE will have their remuneration calculated based on their specific qualifications and the traditional fees of DHP visible on their website under "tariff".

The IT work will be subcontracted to a specialized firm.



## **12. ADVISORS**

### **12.1. Lawyers**

The Issuer currently uses a Swiss International Jurists firm: Deschenaux & Partners LLP, Rue François-Bonivard 10, 1201 Geneva, Switzerland,

### **12.2. Bankers**

The Issuer's Bank Agency is the following: Chase Manhattan Bank

1120 Avenue of the Americas - New York, NY 10036, United States of America

### **12.3. Consultants**

Deschenaux & Partners, LLP. are also consultants for the Issuer, as its team will closely advise IPSE.

## 13. LEGAL INFORMATION

### 13.1. Disputes & Litigation

IPSE is a new company that has recently been re-incorporated and that has just begun its activities. The management of the Issuer is not involved in any litigation or pending litigation nor is it aware of any suit or litigation that threatens the operations of IPSE. There is no dispute with anyone, nor has the Issuer received any judgments that attack the business or individual persons related thereto, except for the ongoing dispute as described hereunder.

### 13.2. Rules & Regulations

IPSE is subject to rules relating to the right to work, tax rules, and the rules governing the normal functioning of a company. The Issuer based its activities on the respect and the using of the American law, specifically American securities law and the American Intellectual Property law. Therefore, the Issuer intends to produce its own regulation, with standard contracts concluded.

### 13.3. Intellectual Property Rules

IP rights are affected by a large number of specific rules in each country and by international regulations. Even if IPSE is bound by the American law, it will be attentive to the respect of these rules by endeavoring to convert IP rights into securities in compliance with legal requirements of the IP holder's country. The Issuer intends to focus especially on works from the musical and film industries, therefore IPSE has to pay attention particularly to copyrights regulations.

Regarding the locations of the Issuer's activities (in Switzerland and in the United States), a relevant distinction has to be highlighted regarding the definition of copyright:

- In Switzerland, the copyright gives two kinds of rights to the author: property rights and moral rights. The author has automatically these moral rights on his work starting from the creation. There are inalienable rights and include several prerogatives such as the exclusive rights of paternity and divulgation and the right to decide whether, when and how her/his work is used according to the Federal Act on Copyright and Related Rights [1].
- In the United States, the Copyright Act of 1976 did not integrate the entirety of these moral rights as part of the copyright and considered them as alienable. This restriction of the rights granted by the copyright wasn't retained for all the authors when the United States joined, on November 16th, 1988 the Berne Convention of 1866 that recognized the moral rights of the author in its article 6bis [2]. In order to adjust Federal law to the requirements of the Berne Convention, the Visual Artists Rights Act was enacted in 1990. This amendment of the Copyright Act of 1976 granted moral rights, and especially the right of attribution and the right of integrity to authors of visual work [3]. The Visual Artists Rights Act only applies to visual work, and as such includes paintings, prints, drawings, photographs and sculptures as works of visual art. [4] Moral rights of the artists received also legal protection from the States of California and of New York which respectively signed the California Art Preservation Act of 1979 and the Artists Authorship Rights Act of 1984.

The Issuer will ensure that its securitization process excludes moral rights of the author. The securitization process will also not apply to moral rights of the performers recognized by the Federal Act on Copyright and Related Rights of 1992.

During the analysis of the IP holder's request, IPSE will verify the legal requirements of copyrights. Among these legal requirements, registration is no longer required for copyrights. In Switzerland, registration and filing formalities are not required, the copyright is created as soon as the work has been done [5]. In the United States, registration is not mandatory since the "Berne Implementation Act" of 1989, works are automatically protected starting from the point of their creation.

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[6] Registration at the Copyright office remains worthy of interest. The filing of this formality allows copyright owners to bring an action for infringement before the American jurisdictions. [7]

IP rights include copyrights, but also patents and trademarks. Regarding patents, the Issuer will have to verify the compliance of the patent with the law of the country in which the patent was filed [8] and the compliance with the Paris Convention for the Protection of industrial property of 1883 that Switzerland and the United States joined. The Issuer will also examine within the request of securitization of trademarks that these ones are in compliance with the Paris Convention for the Protection of industrial property of 1883. Among the Convention's requirements, the owner has to fulfill the national registration requirement of the country in which (s)he wants to give trademark protection.

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[1] <http://www.admin.ch/opc/en/classified-compilation/19920251/index.html>

[2] [http://www.wipo.int/treaties/en/text.jsp?file\\_id=283698](http://www.wipo.int/treaties/en/text.jsp?file_id=283698)

[3] <http://www.copyright.gov/title17/92chap1.html#105>

[4] <http://cyber.law.harvard.edu/property/library/moralprimer.html>

[5] <https://www.ige.ch/en/copyright/copyrights.html?type=h>

[6] <http://www.galia-partners.com/intellectual-property/faq.html>

[7] <http://www.galia-partners.com/intellectual-property/faq.html>

[8] <http://www.wipo.int/patents/en/>

## 13.4. Securities Rules

The business of IPSE is bound by the American rules, especially regarding securities. Thus, the five major American securities laws are the following:

- The Securities Act of 1933: obligations and prohibitions regarding the sale of securities;
- The Securities Exchange Act of 1934: creation of the Securities and Exchange Commission (SEC) and of its broad authority over all aspects of the securities industry;
- The Trust Indenture Act of 1939: regulation of debt securities offered for a public sale;
- The Investment Company Act of 1940: regulation and organization of companies, including mutual funds, that invest or trade within securities;
- The Investment Advisors Act of 1940: regulation of investments advisors.

It is important to note that IPSE is not bound by the Trust Indenture Act, due to the fact that IP rights securitized by the Issuer are assets and not debts, contrary to a traditional securitization's approach.

Therefore, IPSE will adapt its business and its securitization process to these major American texts regulating securities, as well as to all the American rules of this area, and more broadly those relevant regulations in the financial domain. In addition, the Issuer intends to respect, for the trades made on the stock market, the rules of the NASDAQ, as IPSE plans to make these transactions on this specified marketplace.

The documents and the acts relative to sales of securities on the stock market will be thus always made according to the rules and recommendations of the SEC. In this way, the Issuer maximizes the cases of important successes regarding the transactions on IP securities made on the stock exchange, namely the NASDAQ for IPSE.

## 13.5. Standard Contracts

One of the barriers existing in IP securitization is the lack of laws. There are no local or global laws regulating this specific area of securitization. As a consequence, the securitization of IP assets has to be contractual; they cannot be automatic thanks to the laws adopted to regulate this area.

Consequently, the Issuer intends to produce standard contracts that will encourage the standardization of relevant legislations, including non-homogenous legislations, in order to comply with the lack of laws.

The existence of laws would indeed allow an automatic securitization, without the necessity of a contractual intervention to provide a framework between parties concerned. These standard contracts will contain a basis of main elements regarding IP assets securitization, as a general regulation by a law, and will only have to be completed with specific points relative to IP rights and their holder.

## 13.6. Conflicts of Interests

There might be conflicts of interests as several companies around the Issuer such as Deschenaux & Partners, LLP are related parties, because they have common shareholders, managers, directors and premises. Therefore, it is impossible to list in detail all potential conflicts of interests arising out of these circumstances. However, the Issuer has implemented a strict internal policy of disclosure of said conflicts to both the Board of Directors and the Shareholders' General Meeting.

The investors in the Issuer will be told of any conflicts of interests, and the possible existence of a conflict of interest, and the investors must renounce any legal rights against IPSE concerning any conflicts of interests.

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### 13.7. Insurance(s)

The insurances necessary for the business are:

- Property and Fire Insurance;
- Civil / Product liability Insurance;
- Life and Health Insurance;
- Commercial general liability insurance;
- Excess/Umbrella liability Insurance;
- Workers Compensation and Employer's liability.

The Issuer intends to obtain insurance policies required to meet its risks exposures and provide adequate employee benefits.

The Issuer will contract for the insurance before the beginning of its activities and obtain the insurance coverage when this Private Offering has raised money.

The following table details the insurances' characteristics:

| Insurance Policy                       | Principal Covered Risks  | Maximum LRP cover  |
|--|--|--|
| Property & Fire                        | Premises Insurance   | Stated in Each Lease   |
| Civil liability<br>Product liability   | Product Errors   | USD 100,000,000  |
| Life & Health                          | Key Management/<br>Major Medical   | 1x's earnings  |
| Commercial General liability Insurance | Bodily injury or property damage cause by direct or indirect actions of the Insured.<br>Protects the buildings and content.<br>Protects from liability caused by injury to guests from products the Issuer sold or supplied. | Each occurrence:<br>USD 1,000,000<br><br>Damage to rented premises: USD 300,000<br><br>Pers. & Adv. Injury:<br>USD 1,000,000<br><br>General Aggregate:<br>USD 2,000,000<br><br>Products – COMP/OP Agg.:<br>USD 2,000,000 |

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|  |   |  |
|--|---|--|
| <p>Excess/Umbrella Liability Insurance</p>             | <p>Provides coverage over primary liability coverage of general liability, auto liability, employer's liability, liquor liability, garage liability and professional liability.</p> | <p>Each Occurrence:<br/>USD 3,000,000<br/><br/>Aggregate:<br/>USD 3,000,000</p>  |
| <p>Workers Compensation &amp; Employer's liability</p> | <p>Injury or disease of employees arising out of employment.</p>  | <p>E.L Each accident:<br/>USD 100,000<br/><br/>E.L Disease – Each employee:<br/>USD 100,000<br/><br/>E.L Disease – Policy Limit:<br/>USD 500,000</p> |

### 13.8. Taxes

The majority of taxes includes social expenses, ordinary taxes on the Issuer profits, sales tax, taxes on salaries, and customary charges on the Issuer's business.

According to the regulation in force in Delaware, the Issuer does not have to pay corporate taxes in this State, because the activities do not take place in its territory, except a lump sum (~US\$250 per year).

Certain taxes may apply in countries in which IPSE operates.

Currently IPSE has not yet made a profit and therefore does not pay taxes on such profits.

## 14. INTELLECTUAL PROPERTY

### 14.1. Patents

The securitization will be made “manually” at first by the employees of IPSE, but the process will quickly be handled automatically thanks to the installation of a software, with parts of it first and subsequently with the complete software thereafter (within two years).

The Issuer is considering patenting its software and will do so if it is seen as patentable by the relevant authorities such as the United States Patent and Trademark Office (USPTO), as it is expected to be.

The software will set up a unique automatic data processing that will gather standardized tools in order to analyze IP rights' quality, profitability, and their ability to be converted into securities.

### 14.2. Trademarks

In parallel with the fact that the Issuer intends to develop its own software that will ensure the guarantees of profitability and protection of these securitization process, IPSE is aware that the registration of a trademark is necessary.

Therefore, to protect its company's name and its logo, IPSE will file Trademark applications to defend its identity at the USPTO. The Issuer will so apply both for a word mark and a figurative mark, in order to protect its name, Intellectual Property Securities Corporation, and its trademark in its entirety, namely the logo, the graphic, the font and the colors.

### 14.3. Know-How

Know-how is an important element regarding the Issuer's IP protection, due to the innovation of its specific process of securitization. As this process is different from other processes used to securitize IP rights in the past, IPSE's process will probably be more efficient than other processes and thus its know-how will have to be protected.

As for information, in Switzerland, know-how does not have a classical protection as have other areas of IP (patent, trademark, copyright) that need an application from the competent authority and a formal protection granted. Know-how may thus be protected by industrial security, contractual measures, and laws against unfair competition.

Furthermore, in United States, it is possible to protect a business method with a specific patent that is a kind of technical know-how. The Issuer intends to process the application for a business method patent in the United States, in order to protect sufficiently its know-how regarding its securitization process for IP assets.

It is important to note that works, material and immaterial, realized by employees during their work for the Issuer will be considered as “works for hire”.<sup>[1]</sup>

### 14.4. Copyright(s)

Certain descriptive material that the Issuer may develop may be eligible for Copyright production, beginning with the concepts of products described in this Private Offering such as its software (the material support concerning the software creation is protected by copyright). All intellectual productions materialized on material supports (paper, computer supports in particular) issued by IPSE will be protected for their creation by Copyright, except the technical elements relative to the software.

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Any reproduction or copy of this material, concerning the idea as well as the realization, are protected by the Copyright, because they are the result of a pure creation of the Issuer. Particularly, the website of IPSE and all its aspects are protected by the Copyright.

It is important to remember that in European Law, the Copyright is created automatically when a work is created, or an idea materialized. In United States Law, since the "Berne Implementation Act" of 1989 a registration of the right is possible but is not compulsory. Consequently, it is not necessary to make any formality to protect legally and efficiently the Issuer's Copyright creations.



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[1] "Work for hire" means that the works of employees in their work's context are the exclusive property of the employer, as its own IP.



## 15. RESEARCH AND DEVELOPMENT

### 15.1. Objectives & Purposes

The Research and Development department aims to develop innovative ideas for IPSE's services in order to ensure the profitability and the protection of IP rights as far as possible. The strengthening of the authors, artists, and inventors' rights and the support in their creation and research processes are both objectives that the Issuer intends to achieve by updating its software. The Issuer will endeavor to develop its software with cutting edge technology.

The Issuer also plans to research the results of the Issuer's securitization process for the IP rights holders. The Issuer intends to conduct surveys and focus groups on the IP holders to better understand how they experience the Issuer's services. This data handling will aid in improving the software's ability to correspond to the client's needs and expectations.

As the Issuer's business begins to grow, it is anticipated that Research and Development will be a major activity and one of the largest items of expenditure of the Issuer. The Research and Development department will be based in Geneva.

## 16. DESCRIPTION OF THE FINANCING

### 16.1. Guarantees

There are no personal guarantees within the framework of this financing.

### 16.2. Conditions

There are no specific conditions on the financing set forth in this Private Offering. Nevertheless, the Issuer reserves the right to cancel the Private Offering in the sole discretion of its Board of Directors even if some shares have been sold. The Issuer, the Board of Directors, and its principal shareholders will endeavor to take the Issuer public on a public stock exchange in principle immediately after the public launching, but the IPSE reserves the right to change this timeframe depending on the state of the stock market.

### 16.3. Financial Proposal

Pursuant to this Private Offering, IPSE is raising US\$17'600'000 (US Dollars Seventeen Million and Six Hundred Thousand) for an incremental price from US\$1.00 to US\$2.20. The minimum investment is US\$100,000 (One Hundred Thousand United States Dollars).

The number of shares that can be sold pursuant to this Private Offering is 10,000,000. Once all the shares are sold at the incremental prices, the Issuer's value is expected to increase as set forth in the table below in Section 17.6. Pursuant to the Private Offering of 10% of the stock of the Issuer can be sold.

The present fundraising will result in a dilution to the Founders' stockholdings in the Issuer. The sales proceeds, net of commission, raised pursuant to the Private Offering, will be available to be used by the Issuer.

There is no minimum number of shares which must be sold pursuant to this Private Offering. The sales will begin on the date of this Private Offering and will continue until the following objectives have been attained:

- The Issuer has sold all the shares offered by this Private Offering;
- The Issuer cancels or stops this Private Offering;
- The Issuer stock is traded on public exchanges;
- The Issuer files to go public with the U.S. Securities and Exchange Commission.

Every investor must represent that (s)he is purchasing the stock for investment purposes and not for resale. Furthermore, each investor should be aware that (s)he will be required to bear the financial risks of the investment for an indefinite period of time, or until such shares can be sold under an applicable securities law exemption.

At the moment of the subscription, each investor is required to pay the full amount of the investment by either transfer or check made payable to the order of IPSE. If a subscription is not accepted, the funds will be returned, without interest and with no deductions.

At the moment, the Issuer does not foresee paying any dividends.

Each share has one vote.

There are no preference shares, nor is it expected that any will be issued.

### 16.4. Timing

The sale of all the shares pursuant to this Private Offering is expected to be carried to completion.

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### 16.5. Investor's Obligations

The investor is not obligated to the Issuer other than its financial investment and confidentiality provisions set forth in the Private Offering Memorandum.

If an investor purchases at least US\$5,000,000 in stock, (s)he will have the right to appoint a person to the Board of Directors.

The Issuer encourages interested investors to consider their commercial relationships that may pertain to the commercial business of the Issuer. Interested investors are encouraged to inform the Issuer of their commercial relationships. In each case, IPSE will strive to offer the best commercial conditions possible.

### 16.6. Incremental Pricing

This refers to the issue price for the 10,000,000 shares being sold. Pursuant to this Private Offering this will be based on an incremental price starting at US\$1.00 and increasing to US\$2.20 per share. The price increments are set forth in the table below:

| STAGE   | PERCENTAGE OF SHARES | PRICE     | # OF SHARES | VOLUME IN US\$ |
|---------|----------------------|-----------|-------------|----------------|
| STAGE 1 | 10.00%               | US\$ 1.00 | 1 000 000   | US\$ 1 000 000 |
| STAGE 2 | 25.00%               | US\$ 1.40 | 2 500 000   | US\$ 3 500 000 |
| STAGE 3 | 30.00%               | US\$ 1.80 | 3 000 000   | US\$ 5 400 000 |
| STAGE 4 | 35.00%               | US\$ 2.20 | 3 500 000   | US\$ 7 700 000 |

The incremental price is intended to compensate the earlier investors who have accepted the higher risks of the venture by investing earlier than other investors. The more cautious investors who wait until various matters have materialized will have a more expensive subscription price which corresponds to a lesser risk and a greater likelihood of success.

The different stage prices were determined objectively based on the development of the Issuer's business, and in case there is a dispute to determine which price is applicable, the decision of the Arbiter shall be final. The possible balance of shares not sold will be held in the treasury of the Issuer.

### 16.7. Method of Subscription

Upon subscribing to purchase stock in the Issuer, each potential investor must complete, date, sign and return the subscription document to the Issuer. A copy of the subscription document is attached hereinafter. Each investor must pay the corresponding amount subscribed for such stock. The Issuer reserves the right to reject a subscription for whatever reasons among the different interested parties.

## 17. EXIT STRATEGIES

There are several ways for an investor to sell her/his investment:

- Public offering (with restrictions according to Regulation D rules);
- Sell the shares to a new investor or Repurchase of shares;
- Trade sale;

The first option is the preferred option of the Issuer. The other options are nevertheless alternatives to be considered.

### 17.1. Public Offering (IPO)

The timing of a public offering by the Issuer depends on the market conditions and the potential subscribers' firm commitment. Further to market condition, the intention is to execute an S1 filing to the Nasdaq before end S1 2022.

### 17.2. Repurchase of Securities (REPO)

A plan to repurchase the shares based on the projections tied to cash flow of the Issuer may be a way of enabling the repurchase of the shares and resale to another investor. It will not be the case for the investor to force the Issuer to buy back the shares pursuant to a "put", but a voluntary act by the Issuer for the benefit of all the shareholders.

### 17.3. Trade Sale

There is a possibility the Issuer would be sold but this is not contemplated.

### 17.4. Exit

Upon registration of the shares with the U.S. Securities and Exchange Commission, a public offering on the stock exchange will provide the shareholders a suitable easy way to sell their investment. In the event this option is not available, the other possibilities described above could be looked at.

### 17.5. Return on Investment

The Issuer anticipates that its capitalization on the stock exchange will provide a substantial return for the investors. The degree of success will depend on the market acceptance of IPSE confirming the initial financial projections. The Issuer intends to promote its business activities and its know-how and to follow the financial advice of its financial advisors. This is the most reasonable approach for the investors to obtain a multiple return on their investment.

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## 18. USE OF PROCEEDS

The Issuer estimated the use of proceeds as explained below:

| <b>Application of proceeds to the Issuer</b>            |                           |
|---|---------------------------|
| <b>Information &amp; technology, mobile Development</b> | <b>US\$ 2 520 480.00</b>  |
| <b>Alliance &amp; partnerships</b>                      | <b>US\$ 1 950 540.00</b>  |
| <b>Management</b>                                       | <b>US\$ 1 753 480.00</b>  |
| <b>Furniture, office, equipment &amp; rent</b>          | <b>US\$ 1 637 100.00</b>  |
| <b>Marketing &amp; communication</b>                    | <b>US\$ 1 145 780.00</b>  |
| <b>Sales</b>  | <b>US\$ 745 385.00</b>    |
| <b>Representation costs</b>                             | <b>US\$ 540 000.00</b>    |
| <b>Administration</b>                                   | <b>US\$ 528 640.00</b>    |
| <b>Board costs</b>                                      | <b>US\$ 289 100.00</b>    |
| <b>Computer equipment, hardware &amp; software</b>      | <b>US\$ 1 252 000.00</b>  |
| <b>Research &amp; Development</b>                       | <b>US\$ 237 495.00</b>    |
| <b>IPD related costs</b>                                | <b>US\$ 5 000 000.00</b>  |
| <b>TOTAL</b>  | <b>US\$ 17 600 000.00</b> |

### 18.1. Intermediaries' Compensation

#### 18.1.1. Fees Paid

At the completion of the Private Offering, the Issuer intends to pay a 12 % brokers commission on all the funds raised pursuant to the Private Offering. The distribution will be managed by an external and specialized firm.

## 19. VALUATION

### 19.1. Arbitrary Determination

The price of the stock offered herein is not based on any objective criteria nor is the potential value. The Issuer's valuation is arbitrary.

According to the history of the Issuer and to the profitability of the business and of the expected proceeds from Private Offering, the valuation will follow the progressive price:

| STAGE   | PERCENTAGE OF SHARES | PRICE    | # OF SHARES | VOLUME IN US\$ | INCREMENTAL VALUATION |
|---------|----------------------|----------|-------------|----------------|-----------------------|
| STAGE 1 | 10.00%               | US\$ 100 | 1 000 000   | US\$ 1 000 000 | US\$ 10 000 000       |
| STAGE 2 | 25.00%               | US\$ 140 | 2 500 000   | US\$ 3 500 000 | US\$ 45 000 000       |
| STAGE 3 | 30.00%               | US\$ 180 | 3 000 000   | US\$ 5 400 000 | US\$ 99 000 000       |
| STAGE 4 | 35.00%               | US\$ 220 | 3 500 000   | US\$ 7 700 000 | US\$ 176 000 000      |

It is generally recognized that when raising money, earlier investors are exposed to higher risks than subsequent investors. Later investors have the possible advantage of knowing corporate developments that the earlier investors could not know. The earlier investors also have a longer exposure to risks than later investors.

To accommodate this higher risk, it is the opinion of the Issuer's Management that it is both appropriate and necessary to incentivize earlier investors by offering them the shares of the Issuer at a lower price.

The Incremental Price system is intended to reward the earlier investors by offering them a lower purchase price for shares than offered to subsequent investors.

Subscriptions that are either partly or fully paid for after the Financing Stage Date, including all money transactions received after the Financing Stage Date, will be part of the next Financial Stage, i.e. at the next higher Incremental Price. This system is not intended to penalize and pending transactions but to incentivize earlier investments. Any subscriber therefore acknowledges the legitimacy of this system and accepts the risk of a subscription at a higher Incremental Price, should the next Financing Stage be reached before effective receipt into the Issuer's account of the full amount of his subscription.

## 20. RISK FACTORS

AN INVESTMENT IN THE ISSUER IS A HIGHLY SPECULATIVE INVESTMENT AND SHOULD ONLY BE CONSIDERED BY PERSONS WHO ARE CAPABLE OF ASSUMING THE FINANCIAL RISKS OF AN INVESTMENT FOR AN INDETERMINATE PERIOD OF TIME. POTENTIAL INVESTORS ARE REQUESTED TO PAY PARTICULAR ATTENTION TO THE FOLLOWING RISK FACTORS THAT COULD AFFECT THE ISSUER'S ACTIVITIES.

### 20.1. Limited Operating History

The Issuer was incorporated recently and has limited operational experience. There can be no guarantees that the Issuer will obtain its objectives or that it is capable of making a profit.

### 20.2. Limited Resources

The Issuer is in need of US 17'600'000 (US Dollars Seventeen Million and Six hundred thousand) to start and develop its activities. There can be no guarantees that the Issuer will find sufficient investors to invest in the operations over an extended period of time. If the Issuer is not able to attract sufficient funds to pursue its business objectives, it may not be able to develop itself enough to become cost-effective. Nonetheless, if the Issuer obtains enough funds to attract customers and begin its activities, it will be at term highly profitable.

### 20.3. Need for Additional Financing

The Issuer has planned this Private Offering in order to obtain the necessary resources so it can eventually go public. There can be no assurance that the Issuer will have sufficient funds, as a result it may need additional funds in order to reach its goals due to unforeseen circumstances that may slow or prevent it from augmenting approximately the costs to reach its business objectives.

The Issuer intends to use the services of investment bankers, or special persons, to assist in becoming a public company, particularly in the United States. One of the principal requirements of the stock exchanges, in the United States is the requirement of full disclosure by delineating all the Issuer's facts and circumstance relative to directing the investment bankers who are responsible to help the shareholders' interests.

In case the investment bankers do not comply with this principle, the Issuer may be liable for damages in the future.

### 20.4. Market Uncertainties

The Issuer's activity is unique because of its highly innovative business plan. This grants a strong benefit as it creates an alternative means of financing IP with a stronger accessibility than its competitors.

Nonetheless, the aspect of novelty can create a difficulty for the Issuer since it may not be well understood by the public and therefore struggle in finding customers at the beginning of the activities. An effective marketing campaign by the management team, e.g. by targeting specialists of the subject at first, can easily correct this difficulty.

### 20.5. Competition

The major competitors for the Issuer are publishing houses and producers, IP management companies, auctions management companies, banking establishments and actors of the securitization. These companies enter in competition with IPSE because they have an activity that includes the financing of IP. The last group of entities mentioned are the most direct competitors because they target the same activity. However, IPSE intends to set up a unique service avoiding intermediaries and more efficient than no competitors offer so far.

## 20.6. Judicial Proceedings

Two principal areas of risk in litigation may exist:

- While the securitization of IP business is susceptible to problems in its products and services, the Issuer may be subject to litigation from a third party which directly competes with IPSE in the marketplace. The competition may also try to discredit the Issuer, its management, its activities and its results. While the Issuer may be able to deal with these problems, the cost, expense, and bad publicity of such legal actions to IPSE may jeopardize it and put in peril the Issuer's future.
- The Issuer intends to legally pursue all persons who fail in their contractual obligations to the Issuer.

## 20.7. Management of the Growth of the Business

After the first phase of the development is finished, the Issuer intends to begin the second phase of fast economic growth. The Issuer has a strategy to control its finances during this period of rapid growth. However, there can be no assurances that the Issuer can make this rapid growth and meet the corresponding financial requirements.

Nonetheless the expertise of the management team in legal, financial, and IP matters of the Issuer is a strong advantage for the Issuer.

## 20.8. Liquidation

In case of liquidation, the Issuer's activities will terminate and the Issuer will not be able to repay the Investors money raised by the Private Offering. The principal value of the Issuer will have been invested in the infrastructure and strategic alliances. The Issuer's know-how and its technology perhaps could be sold to repay some of the prior investment if there is a buyer available. Nevertheless, there can be no assurances that there will be sufficient revenues to pay back any portion of funds raised pursuant to the Private Offering.

## 20.9. Dependence on Management

All the business model methods will be patented and registered in due course. Nevertheless, the Issuer will depend on its founding members for a two-year period to complete the Private Offering. The founders are important investors in the Issuer. They have executed non-competition agreements preventing them from competing with the project, and to work exclusively for the Issuer. Nevertheless, their departure due to an accident, a conflict, or other problems would affect the normal course of affairs of the business.

## 20.10. Recruitment of Loyal Employees

The Issuer's activities require the recruitment of very qualified employees, in particular in the management, marketing, accounting, and legal departments. There can be no assurance that the Issuer will be able to recruit and retain qualified employees necessary for the Issuer's growth.

The Issuer however has a highly qualified management team that had the necessary expertise to maintain the activities at a high level of quality and recruit the relevant staff.

## 20.11. Regulations

Finances are subject to extensive regulations at the national and international levels. These interests are not necessarily compatible with the Issuer's shareholders. Many regulatory organizations exist such as the United States Securities and Exchange Commission who have absolute authority with respect to their rules and regulations.

The Issuer will also take into account the regulations and recommendations of important authorities in IP area, namely national IP authorities where the IPSE has its activities and the World Intellectual Property Organization.



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Certain regulatory agencies could enforce rules and regulations against the Issuer's business. The operations of the Issuer and its ability to pay a dividend could be seriously affected in the event the Issuer does not have sufficient funds due to the adverse effect of new regulations, if it is legally required to raise the minimum capital requirements, and/or if there are any extraordinary penalties against the Issuer.

The profitability of the Issuer could be affected in the case of new regulations, or modifications to existing regulations, or a change of interpretation or application of the rules and regulations.

## **20.12. Lack of Operational Profits**

In case operational profits do not match the Issuer's objectives or if they are irregular, the Issuer cannot guarantee that it will make its payments on a timely basis.

## **20.13. Shortage of Financial Comparisons**

There is a shortage of financial comparisons as the Issuer intends to offer a unique set of activities which do not exist in a similar form on the market.

For this reason, the Issuer cannot predict with certainty its projections.

## **20.14. Arbitrary Determination of the Sales Price of the Stock**

The price of the stock was determined by the Issuer and has no relationship with its activities, the current value of the business, or any other objective criteria. Each potential investor should make his own analysis concerning an evaluation of IPSE. The Issuer cannot guarantee explicitly or implicitly that the price of the shares to be sold pursuant to this Private Offering represents a fair price in the marketplace.

## **20.15. Subscription Irrevocability**

The subscriptions are irrevocable when executed and delivered to the Issuer or to one of its representatives. The Issuer has the right to require all the money of each subscription that is properly executed by the investor and which the Issuer accepts. Immediately after the Issuer accepts the subscription, the investor cannot reject his executed subscription delivered to the Issuer for any reason. Upon executing the subscription forms the investor represents the following to the Issuer:

- The investor is an accredited investor as defined under the rules and regulations of the United States Securities and Exchange Commission.
- The investor has the legal ability to make such investment.
- The investor is financially able to make such investments and is not currently subject to a legal judgment, lien or bankruptcy.

If the investor is a company of another type, it must be represented by its directors who are completely responsible for it. They must authorize that they have legal authority to commit the organization or the company to the representations, and that it is their legal signature on the subscription forms.

## **20.16. Absence of Liquidity in the Investment**

The sale of the proposed shares, by the present document has not been registered in the United States under federal or state laws, nor has it been registered in any other jurisdiction. This sale is a legal exemption for this type of financing. An investor may not resell or transfer his stock without an applicable legal exemption, and such transfer must be allowed by the rules and regulations or by a legal exemption to registration. Each investor must represent that he acquired his shares

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for his account and not for resale or distribution. The Issuer has no obligation to register these shares under the Securities Act of 1933 (the "Securities Act"), nor allow the sale of such stock to be sold or obtain an exemption from registration. The long-term plan of the Issuer is to provide liquidity for these shares by taking the Issuer public and enabling the sale of these shares. There can be no assurances that a public market will exist for these shares, nor that one can be developed. Consequently, investors may not be able to liquidate their investment.

### **20.17. No Assurance of the Public Market**

The Issuer is committed to pursue an Initial Public Offering (IPO) which will create a public market for the shares. Management has substantial incentives to pursue this initiative to success, but there can be no guarantees to the investors, nor there may be a public market available for the Issuer's stock. The favorable conclusion of an initial public offering strongly depends on the financial conditions on the marketplace. Each investor represents that the Issuer stock they purchased is not for resale.

### **20.18. Dependence on the Private Offering**

The Issuer is depending on raising funds through the Private Offering in order to develop its business. If all the shares are not sold, the Issuer will be constrained and may have to modify its plans, which will adversely affect the development of the IP securitization business. If supplementary funds are necessary, there is no guarantee that such funds can be raised on a timely basis and on terms acceptable the Issuer.

### **20.19. Control of the Majority of Stock**

The elected Board of Directors involves a simple majority approval by the investors, unless the rules and regulations of the bylaws or articles of incorporation are changed.

### **20.20. Hostile Actions**

Although the Board of Directors has the discretionary right to refuse new subscriptions which are permitted under the Private Offering, there can be no assurance against shareholders seeking to utilize their influence to create the possibilities of disputes or litigation involving the company.

### **20.21. Conflicts of Interests**

There are no current known conflicts of interest involving the Issuer, but it could happen that a director of the Issuer could also be a director of another company which does business with IPSE.

As part of his investment in the Issuer, an investor represents that he has been advised of the possible conflicts of interests, and he accepts their existence and agrees not to pursue his legal rights against the Issuer and its representatives or other parties in respect to preexisting contracts described above.

## **20.22. Financial Projections**

The projected business operations listed under "Financial Projections" elaborated on by the Issuer are the best conservative estimate of revenues and expenses of the plan. These projections do not include new services or activities that may be proposed in the future. If you include these new services or activities, the Issuer's performance would be substantially better. However, these projections are not exact. They are based on assumptions and estimates that may be incorrect commercial Issuer assumptions. There can be no guarantee that the Issuer will attain the projected results, or that it will generate profits.

## **20.23. Force Majeure**

In the case of force majeure, such as a war, rioting, virus such as covid-19 creating status quo or travel restrictions or other external factors like the insolvency of a supplier which negatively affects the Issuer's marketplace and affects its financial results, there can be no assurance that the Issuer will achieve profitability or attain its financial projections.

## 21. STRATEGIC PARTNERS

The Issuer will surround with strategic partners, to improve the efficiency and the promotion of its business. Concerning the software, it will be developed internally by IPSE.

Partnerships are planned foremost with companies operating in securitization processes, and more specifically specialized in book-entry securities, namely the dematerialization of securities, realized by US clearing companies. Such partnership is planned for the very beginning of the business, in order to optimize the securitization process and to simplify and make it more accessible to the public.

There will be also other partnerships, to optimize the Issuer's activities, for promotional and external relations as example, or to manage the relationships and transactions through the brokerage network. In parallel, some agreements will protect IPSE with regard to its own IP, and in particular the using of its software.

### 21.1. Nature of the Relationships

IPSE intends to conclude with its strategic partners various contracts (non-exhaustive list):

- Partnership agreements with the US clearing company;
- Service contracts for promotional and external aspects;
- IP securities distribution agreements with investment banks;
- License agreements for users of the IPSE software.

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## 22. EQUIPMENT

For now, the Issuer does not have all the equipment planned to be developed at the end, namely the IP management's software, the premises of Los Angeles, and the furniture and equipment. Furthermore, the office of Geneva is active and has the equipment to begin the Issuer business and to securitize IP assets "manually", that is to say informatics and technological elements, and a staff qualified both in IP and in financial areas.

The office of New York already exists, but the team who will work there is not yet recruited. The decisional center of IPSE is furthermore located in Geneva, where the founders and the team are able to manage the US part of the Issuer's business.

The offices of IPSE, already leased, are located at the following addresses:

IPSE Inc., c/a Corporate & Tax Advisors SA, Place des Eaux-Vives 8, P.O. Box 3076, CH – 1211 Geneva Switzerland

and

30 Wall Street, 8<sup>th</sup> floor, Suite 830, 10005 New York, United States of America



## 23. ASSOCIATIONS & ORGANIZATIONS

Several Associations and Organizations play a local or international role in Intellectual Property Rights.

- **World Intellectual Property Organization**

The World Intellectual Property Organization (WIPO) is one of the 17 specialized agencies of the United Nations. WIPO was created in 1967 "to encourage creative activity, to promote the protection of intellectual property throughout the world."

WIPO currently has 188 member states, administers 26 international treaties, and is headquartered in Geneva, Switzerland.

- **The United States Patent and Trademark Office**

The United States Patent and Trademark Office (PTO or USPTO) is an agency in the U.S. Department of Commerce that issues patents to inventors and businesses for their inventions, and trademark registration for product and intellectual property identification.

- **Swiss Federal Institute of Intellectual Property**

The Swiss Federal Institute of Intellectual Property is the federal agency for matters concerning intellectual property in Switzerland.

- **International Association for the Protection of Intellectual Property**

AIPPI (from the French "Association Internationale pour la Protection de la Propriété Intellectuelle") is a politically neutral, non-profit organization, domiciled in Switzerland which currently has almost 9000 Members representing more than 100 countries.

The objective of AIPPI is to improve and promote the protection of intellectual property on both an international and national basis. It pursues this objective by working on the development, expansion and improvement of international and regional treaties and agreements and also of national laws relating to intellectual property.

- **American Intellectual Property Law Association (AIPLA)**

AIPLA is a national bar association whose membership includes IP attorneys in private practice, government, and academia.

- **Intellectual Property Owners Association**

IPO Association is an American association that provides services such as: supporting member interests relating to legislative and international issues; analyzing current IP issues; information and educational services; and disseminating information to the general public on the importance of intellectual property rights.

## 24. LITERATURE & PUBLICATION(S)

### 24.1. Documentation of the Issuer

The IPSE presentation brochure is available for review upon request. All information concerning the Issuer and its activities can be found on the Issuer's website: <https://ipse.inc/>

Marc Deschenaux, founder of IPSE, has published a research paper on the subject of the securitization of IP rights and can be found by following this link (in French):

<https://www.deschenaux.com/dissertations/Titrisation%20de%20la%20Propri%C3%A9t%C3%A9%20Intellectuelle%20-7.pdf>

### 24.2. Publications in Connection with the Issuer

Little publication exists as a result of the novelty of the project.

#### 24.2.1. Online Resources

The **WIPO** has begun to explore the subject: [www.wipo.int/sme/en/ip\\_business/finance/securitization.htm](http://www.wipo.int/sme/en/ip_business/finance/securitization.htm)

The following article is a study of the potentiality of a Securitization of intellectual property assets in the US market:

[www.ipo.org/wp-content/uploads/2013/04/Securitisaton%20of%20IP%20in%20the%20US.pdf](http://www.ipo.org/wp-content/uploads/2013/04/Securitisaton%20of%20IP%20in%20the%20US.pdf) This research paper explores similar thematic: [www.repository.jmls.edu/cgi/viewcontent.cgi?article=1054&context=ripl](http://www.repository.jmls.edu/cgi/viewcontent.cgi?article=1054&context=ripl)

#### 24.2.2. Books

La titrisation des actifs intellectuels, by Alexandre Quiquerez;

Intellectual Property Securitization, by Alexander C. Kirsch;

Strategies for Investing in Intellectual Property, by David S. Rude.

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## 25. FINANCIAL STATEMENTS

### 25.1. Balance Sheet

IPSE has audited financial history since 2018.

As IPSE has not yet concretely commenced its activities in such a way as to generate revenues, benefits or a turnover, the activities since constitution of the company have been financed by Marc DESCHENAUX and shareholders in cash, assets and in-kind contribution.

The audited financials have been made at costs without valuating the potential of the company and its licenses/patents and available on request.

### Intellectual Property Securities Corporation BALANCE SHEET AS PER 31 DECEMBER 2020

|                                 | Notes | 31.12.2020<br>USD | 31.12.2019<br>USD |
|---------------------------------|-------|-------------------|-------------------|
| <b>ASSETS</b>                   |       |                   |                   |
| Cash and cash equivalents       |       | 0                 | 0                 |
| Trade and other receivables     |       | 0                 | 0                 |
| Accrual assets                  |       | 0                 | 0                 |
| <b>Total current assets</b>     |       | <b>0</b>          | <b>0</b>          |
| Intangible assets               | 1     | 9 091 598         | 5 555 737         |
| <b>Total non-current assets</b> |       | <b>9 091 598</b>  | <b>5 555 737</b>  |
| <b>Total assets</b>             |       | <b>9 091 598</b>  | <b>5 555 737</b>  |



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**LIABILITIES AND SHAREHOLDERS' EQUITY**

|  |   |                  |                  |
|--|---|------------------|------------------|
| Trade and other payables                 |   | 0                | 0                |
| Provisions                               | 2 | 106 643          | 0                |
| <i>Total current liabilities</i>         |   | <i>106 643</i>   | <i>0</i>         |
| Financial liabilities                    | 3 | 9 441 505        | 5 833 385        |
| Provisions                               | 2 | 0                | 74 147           |
| <i>Total non-current liabilities</i>     |   | <i>9 441 505</i> | <i>5 907 532</i> |
| <b>Total liabilities</b>                 |   | <b>9 548 148</b> | <b>5 907 532</b> |
| Share capital                            | 4 | 100 000          | 100 000          |
| Capital reserve                          |   | 0                | 0                |
| Retained earnings                        |   | -556 550         | -451 795         |
| Foreign currency translation adjustments |   | 0                | 0                |
| <b>Total equity</b>                      |   | <b>-456 550</b>  | <b>-351 795</b>  |
| <b>Total liabilities and equity</b>      |   | <b>9 091 598</b> | <b>5 555 737</b> |

INTELLECTUAL PROPERTY SECURITIES CORPORATION: PRIVATE OFFERING MEMORANDUM

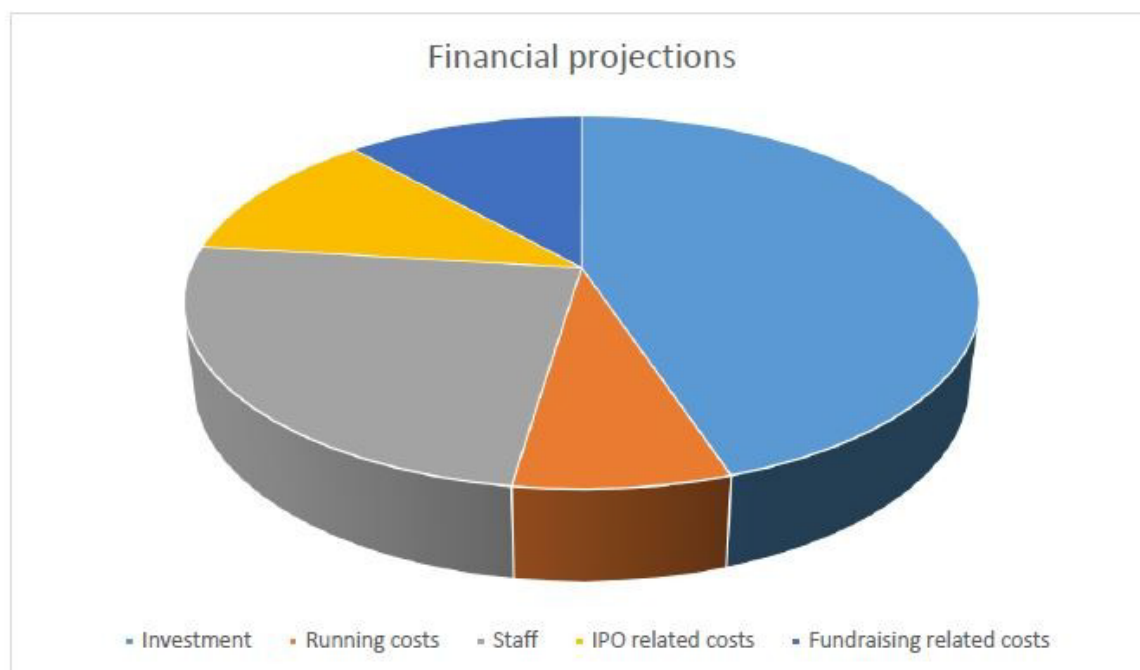
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### 25.1.1. Financial Projections and Operational Costs for three years

|                           | Year 1         | Year 2         | Year 3         | USD                 |
|---------------------------|----------------|----------------|----------------|---------------------|
| <b>Investment</b>         | <b>6715000</b> | <b>4345000</b> | <b>870000</b>  | <b>11930000</b>     |
| Website                   | 15000          | 25000          | 50000          | 90000               |
| IT Platform               | 360000         | 720000         | 720000         | 1800000             |
| Broker Firm               | 1500000        | 1000000        |                | 2500000             |
| Real Estate               | 2240000        |                |                | 2240000             |
| Furniture & Equipment     | 100000         | 100000         | 100000         | 300000              |
| Rights acquisition        | 2500000        | 2500000        |                | 5000000             |
| <b>Running costs</b>      | <b>496104</b>  | <b>734155</b>  | <b>746155</b>  | <b>1976414</b>      |
| Premises                  | 75104          | 242155         | 242155         | 559414              |
| Process & Legal Costs     | 300000         | 200000         | 100000         | 600000              |
| Advertising Agency        | 50000          | 200000         | 300000         | 550000              |
| Website                   | 9000           | 18000          | 18000          | 45000               |
| Accounting Costs          | 12000          | 24000          | 36000          | 72000               |
| Administrative Costs      | 50000          | 50000          | 50000          | 150000              |
| <b>Staff</b>              | <b>916000</b>  | <b>2726000</b> | <b>2881000</b> | <b>6523000</b>      |
| IPO related costs         |                | 750000         | 750000         | 1500000             |
| Fundraising related costs | 1137852        | 1197722        | 734602         | 3070176             |
|                           |                |                |                | Approx.. 25 000 000 |



The financial projections for the three coming years are expected and divided as following:

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Flat fees are calculated with the analyzing price (US\$25,000) and the securitization process price (US\$275,000). Success fees calculation is based on a processing related to US\$100mio, US\$400mio and US\$600mio IP valuation.

## 25.2 Estimated Budget

The Issuer plans to purchase offices, one in New York and one in Los Angeles. The costs of the several possibilities of premises are the following:

|                  |        | PREMISES  |                   |        |      |                 |                   |                     |                |  |  |
|------------------|--------|-----------|-------------------|--------|------|-----------------|-------------------|---------------------|----------------|--|--|
|                  |        | Size (sm) | Acquisition price | Equity | Debt | Yearly cost (%) | Yearly cost (USD) | Yearly rental costs | Yearly charges |  |  |
|                  |        | 150       |                   |        |      |                 |                   | 75000               | 10000          |  |  |
|                  |        | HR        |                   |        |      |                 |                   |                     |                |  |  |
| Function         | Salary | Target    | Yearly costs      | 2018   | 2019 | 2020            | 2021              | 2022                | 2023           |  |  |
| CEO              | 120000 | 1         | 120000            | 1      | 1    | 1               | 120000            | 120000              | 120000         |  |  |
| CIO              | 200000 | 1         | 200000            |        | 1    | 1               |                   | 200000              | 200000         |  |  |
| Legal Officer    | 120000 | 1         | 120000            | 1      | 1    | 1               | 120000            | 120000              | 120000         |  |  |
| Broker 1         | 100000 | 1         | 100000            |        | 1    | 1               |                   | 100000              | 100000         |  |  |
| Broker 2         | 100000 | 1         | 100000            |        | 1    | 1               |                   | 100000              | 100000         |  |  |
| Broker 3         | 75000  | 1         | 75000             |        | 1    | 1               |                   | 75000               | 75000          |  |  |
| Assistant and su | 80000  | 4         | 320000            | 1      | 3    | 4               | 80000             | 240000              | 320000         |  |  |
| IP purchaser se  | 120000 | 5         | 600000            | 2      | 5    | 5               | 240000            | 600000              | 600000         |  |  |
| IP purchaser     | 75000  | 5         | 375000            | 2      | 4    | 5               | 150000            | 300000              | 375000         |  |  |
| Office staff     | 80000  | 4         | 320000            | 3      | 4    | 4               | 240000            | 320000              | 320000         |  |  |
| Legal staff      | 85000  | 5         | 425000            | 4      | 5    | 5               | 340000            | 425000              | 425000         |  |  |
| Director 1       | 42000  | 1         | 42000             |        | 1    | 1               |                   | 42000               | 42000          |  |  |
| Director 2       | 42000  | 1         | 42000             | 1      | 1    | 1               | 42000             | 42000               | 42000          |  |  |
| Director 3       | 42000  | 1         | 42000             | 1      | 1    | 1               | 42000             | 42000               | 42000          |  |  |
|                  |        | 32        | 2881000           | 6      | 30   | 32              | 1374000           | 2726000             | 2881000        |  |  |

The fees regarding the Human Resources (HR) are estimated as described below:

The fees relating to the IT have been determined as follows:

|                       |  | IT     |        |                         |
|-----------------------|--|--------|--------|-------------------------|
|                       |  | Year 1 | Year 2 | Year 3                  |
| Professional Software |  | 720000 | 720000 | 720000                  |
| Website               |  | 10000  | 20000  | 10000                   |
| Maintenance costs     |  | 9000   | 18000  | 18000                   |
|                       |  |        |        | 60000 month/all in cost |
|                       |  |        |        | 18000 500 month/site    |

## 26. REPORTING

### 26.1. Shareholders' Information

Because the shares of the Issuer are not registered on public stock exchanges, unless the Issuer obtains an exemption from the U.S. Securities and Exchange Commission, at the end of the first year of activity, the Issuer will provide an annual report to the shareholders setting forth its activities for the past year, including audited financial statements. Once the shares are registered or an exemption is obtained from registration, information will be provided to investors as required by the rules and regulations of the U.S. Securities and Exchange Commission.

The Wall Street Journal and other financial newspapers are excellent sources for providing financial information to the public-on-public companies.

## **27. SUBSCRIPTION AGREEMENT SUMMARY**

The investors must complete the Subscription Agreement.

The summary of the Subscription Agreement below is subject to the specific terms and conditions of the Subscription Agreement.

The Issuer must deliver the shares within five days of acceptance. The Subscription Agreement does not contain any guarantees or warranties of the Issuer. The Issuer will promote annual financial information to the investors within 120 days after the end of the fiscal year.

### **27.1. Process**

Upon subscribing to purchase stock in the Issuer, each potential investor must complete the subscription document, date and sign it, and return it to the Issuer. A copy of the subscription document is attached. Each investor must pay the corresponding amount subscribed to for such stock. The Issuer reserves the right to reject a subscription for whatever reasons among the different interested parties.

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## 27.2. Agreement

### SUBSCRIPTION AGREEMENT

#### 27.2.1 Date and Place

This Agreement is made, entered into and effective this \_\_\_\_ day of \_\_\_\_\_ between the individual or organization identified below (the "Purchaser") and Intellectual Property Securities Corporation, a Delaware Corporation (the "Company")

##### Purchaser Identification

- Individual  
 Organization

(If several Purchasers intend to subscribe jointly, please describe the relationship between the Purchasers on a separate sheet and submit a completed signed subscription agreement for each Purchaser.)

Name :

Address :

State or Province :

Country :

Postal Code :

Phone :

Facsimile :

Identification pieces :

Please attach copy of ID for individual purchaser, or IDs of all board members if the purchaser is an organization

Taxpayer Identification Number :

Date and Place of Incorporation :

Members of the Board :

Accounting and Audit Firm :

Introduced by:

Name:

Company:

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## 27.2.2 Subscription Details

Pursuant to the terms of the Private Offering Memorandum of Intellectual Property Securities Corporation dated February 1<sup>st</sup>, 2022 ("Memorandum"), the Purchaser tenders this subscription and agrees to purchase the number of shares of Common Stock (the "Common Stock") of the Company set forth below:

| Type of Security       | Number of Shares | USD Amount of Subscription |
|------------------------|------------------|----------------------------|
| Shares of Common Stock |                  |                            |

Together with this Subscription Agreement, the Purchaser is transmitting within twenty-four hours the full purchase price for the Common Stock directly to the Company by means of:

- a wire transfer to the Bank account of the Issuer

Payment by wire transfer shall be made to the account of Swiss Financiers Inc. at Bank of America at: Bank of America, N.A., 222 Broadway, New York 10038, United States of America,

Bank Account Holder Address: Swiss Financiers Inc., 251 Little Falls Drive, Wilmington 19808, Delaware, United States of America.

Swiss Financiers Inc. account number is 4830 9450 7916 and the Routing Number is 021000322. For international wires, the SWIFT Code is BOFAUS3N.

- a bank check in the name of Issuer
- a certified bank check in the name of the Issuer

If payment is to be made by bank check or certified bank check, the Purchaser must expedite it by registered mail or deliver it by hand to the following address:

**Swiss Financiers, Inc.**

c/o Corporate & Tax Advisors SA,

Place des Eaux-Vives 8,

P.O. Box 3076, CH - 1211 Geneva 3,

Switzerland

Certificates for the Common Stock will be mailed to the Purchaser on or before the fifth business day after the acceptance of this Subscription Agreement and payment execution.

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### 27.2.3 Incorporation of Terms and Definitions

The Terms and Definitions set forth in Appendix I to the Subscription Agreement, as set forth in the Memorandum, are incorporated herein by this reference

### 27.2.4 Incorporation of Representations Warranties and Guarantees

The Representations, Warranties and Guarantees set forth in Appendix II to the Subscription, as set forth in the Memorandum, are incorporated herein by this reference

### 27.2.5 Incorporation of Investor Questionnaire

If the Purchaser is subscribing for less than \$88,000 of Common Stock and (a) the Purchaser is a citizen or resident of the United States, or (b) the Subscription Agreement is executed within the United States, the Investor Questionnaire set forth Appendix III to the Subscription Agreement, must be completed by the Purchaser and returned to the Company together with this Subscription Agreement. Said Investor Questionnaire and all the Purchaser's responses thereto are incorporated herein by this reference.

## Signature of Purchaser

IN WITNESS WHEREOF, this Subscription Agreement has been executed by the Purchaser at the place and on the date first set forth above.

Organization Signature:

Individual Signature:

\_\_\_\_\_

\_\_\_\_\_

Print Name of Subscriber

By: \_\_\_\_\_

\_\_\_\_\_

Signature(s)

\_\_\_\_\_

\_\_\_\_\_

Print Name and Title of Person Signing

Print Name(s)



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**27.2.6 Acceptance of Subscription**

**ACCEPTANCE OF SUBSCRIPTION**

Effective this \_\_\_\_ day of \_\_\_\_\_, Intellectual Property Securities Corporation, a Delaware corporation, confirms the representations, warranties and guarantees of the Company set forth in Appendix II to the Subscription Agreement, as set forth in the Memorandum, and accepts the Purchaser's subscription as follows:

| Type of Security       | Number of Shares | USD Amount of Subscription |
|------------------------|------------------|----------------------------|
| Shares of Common Stock |                  |                            |

\_\_\_\_\_

Intellectual Property Securities Corporation

By: \_\_\_\_\_

Title:

\_\_\_\_\_

Signature

## 27.3 Appendix I to the Subscription Agreement

### Terms and Definitions

**1. Except to the extent provided by the securities laws and regulations of its state of residence, the Purchaser agrees that a subscription to purchase shares of Common Stock shall be irrevocable until 30 days after receipt of full payment for the shares of Common Stock and all required documents.**

**2. An investment in the Common Stock is, in general, only suitable for Purchasers that qualify as “accredited investors” as defined below. The Issuer may, however, make exceptions to the general suitability standard and permit sales to Purchasers that do not qualify as accredited investors if such Purchasers (i) are not residents or citizens of the United States and (ii) are able to demonstrate their financial sophistication to the satisfaction of the Issuer. As used herein, the term “accredited investor” means any Purchaser who comes within any of the following categories, or who the Issuer reasonably believes comes within any of the following categories, at the time of the sale of the Issuer Stock to that Purchaser:**

(a) Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(a) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of USD 5,000,000; any employee benefit plan within the meaning of the employee retirement income security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of USD 5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

(b) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(c) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of USD 5,000,000;

(d) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

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- (e) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds USD1,000,000;
- (f) Any natural person who had an individual income in excess of USD 200,000 in each of the two most recent years or joint income with that person's spouse in excess of USD 300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- (g) Any trust, with total assets in excess of USD 5,000,000, not formed for the specific purpose of acquiring the Securities offered, whose purchase is directed by a sophisticated person as described in rule 506(b)(2)(ii) and
- (h) Any entity in which all of the equity owners are accredited investors.

**3. The Issuer reserves the right, in its sole discretion, to accept or reject any subscription in whole or in part, or to allocate a smaller number of shares of Common Stock than the Purchaser has subscribed to purchase. In the event that a subscription is rejected by the Issuer, the Issuer will promptly return all subscription documentation to the Purchaser, together with a full refund of the subscription payment tendered by such Purchaser. In the event that a subscription is rejected in part, the Issuer will promptly refund to the Purchaser a pro rata portion of the subscription payment tendered by such Purchaser. The Issuer shall not be required to pay interest on funds that are ultimately returned to a Purchaser.**

**4. If and when accepted by the Issuer, the Subscription Agreement shall constitute a binding contract for the purchase and sale of the number of shares of Common Stock set forth therein. The purchase price for such Common Stock shall be on a progressive scale from USD 1.00 to USD 2.20 per share and the minimum investment shall be USD 100,000.**

**5. All information provided to the Issuer by the Purchaser will be kept strictly confidential. Notwithstanding the foregoing, the Purchaser agrees that the Issuer may present the Subscription Agreement and all documents incorporated therein to its legal counsel and such other parties as it deems appropriate if called upon to verify the information provided for purposes of establishing the availability of any claimed exemption under the Securities Act of 1933, as amended, or any applicable state securities laws.**

**6. The Common Stock has not been registered under the Securities Act of 1933, as amended, or the securities laws of any other jurisdiction but is being offered and sold in reliance on certain exemptions from registration set forth in such laws. In order to insure the availability of the claimed exemptions from registration, the Purchaser agrees:**

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Shares of Common Stock may not be assigned, sold, transferred, conveyed or hypothecated to any person unless the Common Stock is subsequently registered under the Securities Act of 1933, as amended, and other applicable law, or an exemption from such registration is available to both the Purchaser and the proposed transferee under such laws

The Issuer may issue stop transfer instructions to its transfer agent, if any, or if the Issuer acts as its own transfer agent, the Issuer may note on its stock records the foregoing restrictions on transfer.

All certificates for shares of Common issued to the Purchaser, all certificates issued to a subsequent transferee of such shares of Common Stock, and all certificates representing any additional shares of Common Stock issued as dividend thereon shall bear the following restrictive legend, or a legend similar thereto:

The securities represented by this certificate have been acquired in a transaction effected in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "Act"), and Rule 506 promulgated there under. These securities have not been the subject of a registration statement under the Act or any other securities laws. These securities have been acquired for investment and not for distribution or resale. They may not be mortgaged, pledged, hypothecated, or otherwise transferred in the absence of an effective registration statement for such securities under the Act or an acceptable opinion of counsel that such registration is not required."

In addition, all such certificates may bear any additional legend that, in the opinion of the Issuer's counsel, is required pursuant to any state or local law governing the offer and sale of securities.

The Issuer is not obligated to register the Common Stock under the Securities Act of 1933, as amended or any other applicable law.

Except as required by the express requirements thereof, the Issuer is not obligated to register the Common Stock under the Securities Act of 1933, as amended, or to disseminate to the public the information specified in Rule 15c2-11 promulgated there under.

**7. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered personally or, if mailed by certified or registered mail, return receipt requested, postage prepaid, on the earlier of receipt or seven days after the date on which such notice or other communication is mailed, to the addresses as set forth on cover page of the Subscription Agreement or to such other address as the Issuer or the Purchaser shall have designated to the other by like notice.**

**8. The Purchaser shall indemnify and hold harmless the Issuer and its officers and directors from any and all damages, losses, costs and expenses (including reasonable attorney's fees) which they may incur (i) by reason of the Purchaser's failure to fulfill any of the terms and conditions of the Subscription Agreement, (ii) by reason of any breach by the Purchaser of any representation, warranty or agreement contained in the Subscription Agreement and (iii) with respect to any and all claims made by or involving any person, other than the Purchaser, claiming any interest, right, title, power or authority in respect of the shares of Common Stock. In addition, the Purchaser agrees to indemnify and hold harmless the Issuer and its officers and directors from and against any and all losses, damages, liabilities and expenses (including reasonable attorney's fees) incurred in connection with defending any claim brought by Purchaser with respect to an investment in the Issuer if judgment is rendered against the Purchaser and in favor of such indemnified party.**

**9. In the event a dispute between the Purchaser and the Issuer arises out of, in connection with, or with respect to the Subscription Agreement, or any breach thereof, such dispute shall, on the written request of one party delivered to the other party, be submitted to and settled by arbitration in Wilmington, Delaware, in accordance with the rules of the American Arbitration Association then in effect. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.**

**10. The Purchaser understands, agrees and acknowledges that:**

(a) The Subscription Agreement is not transferable or assignable by the Purchaser. The Subscription Agreement, upon acceptance by the Issuer, shall be binding upon the heirs, executors, administrators, successors and assigns of the Purchaser.

(b) The Subscription Agreement, its exhibits and the documents referred to herein (including the Memorandum) constitute the entire agreement between the parties respecting the subject matter hereof and may be amended only in writing by the Issuer.

(c) The representations, warranties and agreements contained herein shall survive the payment for and delivery of the Shares.

(d) The offer and sale of the Common Stock and all other transactions contemplated by the Subscription Agreement shall be construed and interpreted in accordance with and governed by the laws of the State of \_\_\_\_.

## **27.4 Appendix II to the Subscription Agreement**

### **Representations and Warranties**

#### **I. Representations and Warranties of the ISSUER**

- (a) The Issuer is a corporation duly organized, validly existing, and in good standing under the laws of Delaware with full corporate power and authority to own its properties and conduct its business, and is duly qualified to conduct the business in which it is engaged in all jurisdictions where the conduct of its business requires qualification, except those jurisdictions where the failure to be qualified would not have a material adverse effect on the business or financial condition of the Issuer;**
- (b) The authorized, issued, and outstanding securities of the Issuer and the nature and extent of all rights to purchase capital stock of the Issuer is as set forth in the Private Offering Memorandum of the Issuer dated February 1st 2022 and all outstanding securities of the Issuer are duly authorized, validly issued, fully paid, non-assessable, and free of preemptive rights;**
- (c) All issued and outstanding shares of Common Stock, and all other securities previously issued, sold or exchanged by the Issuer, have been issued, sold or exchanged by the Issuer in compliance with all applicable state and federal securities laws and regulations;**
- (d) The issuance and sale of the Common Stock has been duly and validly authorized by all required corporate action of the Issuer and will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, (i) any indenture, mortgage, deed of trust, loan agreement, bond, debenture, note agreement, or other evidence of indebtedness, lease, contract, or other agreement or instrument to which the Issuer is a party or by which the property of the Issuer is bound, (ii) the Issuer's certificate of incorporation or bylaws, or (iii) any statute or any order, rule, or regulation of any court or governmental agency or body having jurisdiction over the Issuer or its properties;**
- (e) Except for permits and similar authorizations required under the securities laws of certain jurisdictions which the Issuer will use all reasonable efforts to obtain at the earliest practicable date, all consents, approvals, authorizations, or other orders of any court, regulatory body, administrative agency, or other governmental body required to be obtained by the Issuer in connection with the offer and sale of the Common Stock have been obtained;**
- (f) Upon delivery to the Purchaser, the Common Stock will be validly issued, fully paid, non- assessable, and free of preemptive rights;**
- (g) There are no material legal or governmental proceedings pending or threatened to which the Issuer is a party or of which the business or property of the Issuer is the subject that are not disclosed in materials incorporated in the Private Offering Memorandum there is no contract, license, or other document of a character required to be described in the materials incorporated in the Private Offering Memorandum that is not described as required;**

## **2. Representations and Warranties of the Purchaser**

The Purchaser is at least 21 years of age, is competent to enter into the Subscription Agreement and has full power and authority to execute and deliver the Subscription Agreement and to perform its obligation hereunder.

The Subscription Agreement is a legally binding obligation of the Purchaser, enforceable in accordance with its terms, and the execution of the Subscription Agreement, and the performance of the Purchasers obligations there under will not result in a breach or violation of any of the terms or provisions of, or constitute a default under any indenture, mortgage, deed of trust, loan agreement, bond, debenture, note agreement, or other evidence of indebtedness, lease, contract, or other agreement or instrument to which the Purchaser is a party or by which the property of the Purchaser is bound;

Except to the extent provided by the securities laws and regulations of his state of residence, the Purchaser waives any and all rights he has, or may have, to cancel, terminate or revoke his subscription, or request or demand the return of any subscription documents or funds;

The Purchaser has been provided a copy of the Memorandum dated February 1st 2022 and has carefully reviewed the entire document, including the exhibits thereto, with his own legal and financial advisors;

The Purchaser has not been furnished any offering literature or prospectus other than the Memorandum and the documents attached thereto as exhibits, and he has not relied on any documents or offering literature that are not specifically described herein;

The Purchaser has carefully evaluated the offering and understands the risks of, and other considerations relating to, a purchase of shares of Common Stock, including, but not limited to, the risks set forth under "Risk Factors" in the Memorandum;

The Purchaser is aware that an investment in the Issuer is speculative and involves a high degree of risk and that the Issuer has no operating history;

The Purchaser has been given the opportunity to review all of the files and business records of the Issuer including the articles of incorporation, by-laws, documents defining the rights of security holders, material contracts, and financial statements and to ask questions of and receive answers from the officers, directors, attorneys and accountants of the Issuer with respect to the Common Stock, the business of the Issuer and any other matters which he considered to be material to his investment decision and all such questions have been answered to his full satisfaction;

The Purchaser has not relied on any oral representation of any Selling Agent, any person affiliated with a Selling Agent or other person in connection with its investment decision and understands that any such representations have not been authorized by the Issuer or the Selling Agents;

The Purchaser is acquiring the Common Stock as principal for investment, and without any intention of reselling or distributing all or any portion of the Common Stock;

The Purchaser has no present intention, agreement or arrangement to divide its interest in the Common Stock with others or to resell, assign, transfer or otherwise dispose of all or any of the shares of Common Stock subscribed for;

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Phone: +1 310 490 3673- hayet.bouzid@swissfinanciers.com

The Purchaser has adequate net worth and means of providing for its financial needs and contingencies, can sustain a complete loss of its investment in the Common Stock and has no need for liquidity in such investment. The Purchaser's overall commitment to unmarketable investments is not disproportionate to its net worth and its investment in the Common Stock of the Issuer will not cause such overall investment to become excessive.

The Purchaser has not distributed the Memorandum to anyone that was not approved in writing by the Issuer, except for lawyers, public accountants or financial advisors contributing to the Purchaser independent investigation, and it has not made copies thereof or communicated information contained therein to any such person.

The Purchaser is an accredited investor as defined in "Appendix I—Terms and Definitions" has such knowledge and experience in business and financial matters that it is capable of evaluating the Issuer, its proposed business and the risks and merits of investment in the Common Stock.



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**27.5 Appendix III to the Subscription Agreement**

**QUESTIONNAIRE FOR THE INVESTOR**

**Instructions:** This Questionnaire must be completed in each case where the Purchaser is subscribing for less than \$150,000 of Common Stock and (a) the Purchaser is a citizen or resident of the United States, or (b) the Subscription Agreement is executed within the United States. The purpose of this Questionnaire is to assure the Company that it may rely on certain exemptions from the registration requirements of the Securities Act of 1933, as amended, (the "Act") afforded by Section 4(2) and Regulation D promulgated there under. If your answer to any of the following questions is "None" or "Not Applicable" please so state.

Your answers will at all times be kept strictly confidential. However, by completing this Questionnaire, you agree that the Company may present this Questionnaire to its legal counsel and such other parties as it deems appropriate if called upon to verify the information provided for purposes of establishing the availability of any claimed exemption under the Act. Please provide complete answers for all of the following questions, and then sign, date and return one copy of this Questionnaire to the Company or its authorized representative as soon as possible.

Your subscription to invest in the Common Stock cannot be accepted until the Company has determined, on the basis of the information provided by you, that you satisfy the investor suitability standards established by the Company. **IF YOUR ANSWERS ARE NOT SUFFICIENT TO ENABLE THE COMPANY TO MAKE SUCH A DETERMINATION, YOUR SUBSCRIPTION WILL BE REJECTED.**

**PLEASE PRINT YOUR ANSWERS TO QUESTIONS IN THE SPACE PROVIDED AND ATTACH ADDITIONAL SHEETS IF REQUIRED**

Your complete name

\_\_\_\_\_

Your complete address

\_\_\_\_\_

\_\_\_\_\_

Your home country:

\_\_\_\_\_

Your nationality:

\_\_\_\_\_

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Your private phone number : (        ) \_\_\_\_\_

Your job  
\_\_\_\_\_

Your complete business address:  
\_\_\_\_\_  
  
\_\_\_\_\_

Your business phone number : (        ) \_\_\_\_\_

1. How old are you ? \_\_\_\_\_

2. Your gross income expressed in dollars U.S dollars, or the foreign equivalent thereof, is higher than (please check the right box):

Penultimate year (real)     50,000 USD     100,000 USD     200,000 USD     300,000 USD

Previous year (real)         50,000 USD     100,000 USD     200,000 USD     300,000 USD

Current year (estimated)    50,000 USD     100,000 USD     200,000 USD     300,000 USD

3. Your net worth, without taking account of this investment, expressed in U.S. dollars, or the foreign equivalent thereof, amounts : (please check the right box):

250,000 USD or less, exclusive of housing, furniture and vehicles

250,000 USD or more, exclusive of housing, furniture and vehicles

500,000 USD or more, exclusive of housing, furniture and vehicles

1,000,000 USD or more, exclusive of housing, furniture and vehicles

4. If the investment is made in the name of a company or of another entity, please fill in the following information:

Type of Legal Entity  
\_\_\_\_\_

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Jurisdiction of the Company

\_\_\_\_\_

Date of Incorporation:

Estimated Net Worth : USD \_\_\_\_\_

Net Income for Penultimate year USD \_\_\_\_\_

Previous year USD \_\_\_\_\_

Current year (estimated) USD \_\_\_\_\_

5. Please describe educational background, including attended colleges, dates of attendance and degrees obtained

\_\_\_\_\_  
\_\_\_\_\_

6. Please briefly describe your occupation. Also mention the main positions you held and the nature of your activities during the five last years. Identify the employers in a precise way. The aim of this question is to determine the extent of your experience in finance and business matters:

\_\_\_\_\_  
\_\_\_\_\_

7. What is your experience as regarding investments (please check all that apply) ?

(i) Investments in shares and bonds :

No \_\_ Yes \_\_ If yes, indicate the total amount during last three years USD \_\_\_\_\_

(ii) Investments in new ventures capital and start-up companies :

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No \_\_ Yes \_\_ If yes, indicate the total amount during last three years USD \_\_\_\_\_

(iii) \_\_\_\_\_% of my net worth, except housing, furniture and vehicles, are in the form of non-liquid investments, such as the securities of this Private Offering.

(iv) \_\_\_\_\_% of my net worth, except housing, furniture and vehicles, are in the form of investments generally considered as being liquid assets (easily convertible assets or cash).

(v) Please indicate the frequency of your investments in market quoted securities :

rare       occasional       frequent

If frequent, what amount during last three years : USD \_\_\_\_\_

(vi) Please indicate the frequency of your investments in non quoted securities:

rare       occasional       frequent

If frequent, what amount during last three years : USD \_\_\_\_\_

(vii) Please indicate the cumulated amount of your investments in other non quoted securities :

|                                       |     |
|---------------------------------------|-----|
| Securities of reporting companies     | USD |
| —                                     |     |
| Securities of non-reporting companies | USD |
| —                                     |     |
| Other new venture investments         | USD |
| —                                     |     |

Other investments: USD

---

(Please specify the type)

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The above information supplied by me is true and correct in all respects. I recognize that the Company will rely on the truth and accuracy of this information to decide on my capacity to invest within the framework of this Private Offering.

IN WITNESS WHEREOF, I completed this Questionnaire with \_\_\_\_\_ at \_\_\_\_\_,  
\_\_\_\_\_ on this \_\_\_\_ day of \_\_\_\_\_ of year \_\_\_\_\_.

\_\_\_\_\_  
\_\_\_\_\_

(Signature of investor)

(Signature of joint investor)

\_\_\_\_\_  
\_\_\_\_\_

(Print Name)

(Print Name)

\_\_\_\_\_  
\_\_\_\_\_

(Street address)

(Street address)

\_\_\_\_\_  
\_\_\_\_\_

(City, State, Country, Zip Code)

(City, State, Country, Zip Code)

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## 27.6 Confidential Memorandum Acknowledgement of Receipt and Maintenance of Confidentiality

I, the undersigned, hereby acknowledge to have received an original of the confidential Private Offering Memorandum of **Intellectual Property Securities Corporation** numbered .

In the event of the unauthorized reproduction or of the communication of the information contained in this document, I commit to take full personal responsibility and I acknowledge to be liable for the total indemnification of the Intellectual Property Securities Corporation, payable without delay upon judgment from a competent court, even if an appeal to said judgment is filed.

The place of jurisdiction is Wilmington, State of Delaware.

The applicable laws are the laws of the United States of America and the State of Delaware.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_