Results-Based Billing

September 30, 2025

Introducing Results-Based Billing

Equity Risk Sciences has developed a genuinely new way to align our value with the success of our clients. Rather than charging a fixed subscription or licensing fee, we can now offer **Results-Based Billing**—a model made possible by recent advances in AI technology and platforms such as PAID.

Results-Based Billing means that financial institutions, advisors, and investors only pay when our research delivers measurable gains. The stronger the performance of the stock selections identified by our proprietary models, the greater the value conferred to the client, and the more fairly we are compensated. This approach is fair, responsible, and compliant with fiduciary standards—it rewards results, not promises.

Why This Matters

Our 5-year studies demonstrate that ERS's Alpha Algorithmics and Income Algorithmics portfolios consistently outperform market benchmarks, often by wide margins. These results provide clients with exceptional value. Results-Based Billing gives us a transparent and mutually beneficial way to monetize that value—ensuring clients face minimal resistance in adopting ERS technology, since their costs are directly tied to positive outcomes.

Markets We Can Serve

This model opens doors across the investment landscape:

- **Hedge Funds** gain access to systematic alpha generation, while paying only for validated outperformance.
- **Registered Investment Advisors (RIAs)** can strengthen client trust by demonstrating that their research costs are tied to measurable benefits.
- **Banks and Trust Departments** can protect fiduciary accounts with transparent, results-linked research.
- **Broker-Dealers and Asset Managers** can reduce compliance risks by aligning research expenses with actual investor gains.

Benefits to Clients and to ERS

- **For clients:** Confidence that they pay only for tangible, benchmark-adjusted gains. This eliminates wasted fees and strengthens fiduciary credibility.
- **For ERS:** A scalable, recurring revenue model that monetizes the true value of our intellectual property, creates long-term client loyalty, and differentiates us as the only research provider offering results-based transparency.

In short, Results-Based Billing enables ERS to deliver measurable outperformance while building trust with clients who can now see their fees directly tied to their gains. This is not just a new way to charge for research—it is a responsible, market-ready model that transforms how risk analytics and stock ratings are valued in the investment industry.

5-Year Study (12/31/18 to 12/31/23) – 1-Year Returns

Model	# of Stocks	Average 1-Yr Return	S&P 500 1-Yr Return	Frequency of 1-Yr Gains
Alpha Algorithmics 14™	63	117.7%	39.6%	79%
Alpha Algorithmics 18™	105	52.0%	34.0%	79%
Alpha Algorithmics 22™	31	53.7%	25.5%	90%
Alpha Algorithmics X-Factor™	53	159.6%	39.4%	87%
Income Algorithmics 1™	175	74.4%	37.5%	78%

5-Year Study (12/31/19 to 12/31/24) – 1-Year Returns

Model	# of Stocks	Average 1-Yr Return	S&P 500 1-Yr Return	Frequency of 1-Yr Gains
Alpha Algorithmics S1	734	45.6%	26.4%	85.3%
Alpha Algorithmics S2	647	57.3%	32.1%	82.5%
Alpha Algorithmics S3	913	50.7%	30.1%	84.3%
Alpha Algorithmics S4	264	72.2%	30.8%	90.2%
Alpha Algorithmics M3-8	621	55.6%	30.4%	85.7%

Here are **three strategies ERS could use** with hedge funds, RIAs, or banks:

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1. Tiered Time-Value Realization

- **Structure**: Charge in tranches—e.g., 25% of the fee at 6 months, 50% at 12 months, 25% at 24 months—based on how much upside has been realized.
- **Benefit**: Aligns with clients' need for near-term results while preserving ERS's right to capture long-tail gains.

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2. Alpha-Sharing Agreement

- **Structure**: Define *alpha* as excess return over the S&P 500 (or client's benchmark). Clients pay ERS a percentage (e.g., 10–20%) of that alpha per stock or per portfolio.
- **Example**: If Alpha Algorithmics 14 produced 117.7% vs. 39.6% for S&P, the 78.1% excess return is "alpha." ERS invoices for its share quarterly.
- **Benefit**: Directly ties ERS's compensation to outperformance, easy to communicate.

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3. Subscription + Performance Bonus

- **Structure**: Modest base subscription (to cover costs) + performance-based kicker when portfolio gains exceed predefined thresholds.
- **Example**: Hedge fund pays $X monthly; if ERS stock picks exceed 30% within 12 months, an additional fee of $Y per validated winner is due.
- **Benefit**: Predictable cash flow for ERS while rewarding exceptional results.

🔑 Tactics to Implement

- Use **rolling lookbacks**: Evaluate performance at 6, 12, and 24 months to avoid waiting 2 years for payment.
- **Define "value conferred" precisely**: Highest gain within 24 months from ERS's signal, even if client didn't buy.
- **Benchmark-adjusted invoicing**: Always measure vs. market or client's benchmark, so fees reflect true added value.

Model Contract Clause: Results-Based Billing

1. Scope of Services: Equity Risk Sciences, Inc. (“ERS”) shall provide the Client with research deliverables consisting of stock names identified by ERS’s proprietary models (the “Signals”) on a rolling basis. Signals shall be transmitted to Client in writing (including electronic formats) and shall include the date of issuance and the model under which the stock qualified.

2. Definition of Value Conferred: For purposes of this Agreement, “Value Conferred” shall mean the percentage increase in the highest trading price of a Signal stock within twenty-four (24) months following the Signal date, measured from the closing price on the Signal date, net of the performance of the relevant benchmark (e.g., S&P 500 or other mutually agreed index).

3. Compensation Structure: Client agrees to compensate ERS under a results-based structure as follows:

- **Base Fee**: A non-refundable subscription fee of $[X] per month to cover ERS’s infrastructure and administrative costs.
- **Performance Fee**: An additional fee equal to [10–20]% of the Alpha (defined as the positive difference between the Value Conferred and the Benchmark Return over the same period).
- **Payment Schedule**: Performance Fees shall be calculated and invoiced in three installments:
  - Six (6) months following Signal issuance (interim results measured);
  - Twelve (12) months following Signal issuance; and
  - Twenty-four (24) months following Signal issuance (final measurement).

4. Losses and Neutral Outcomes: If a Signal stock does not outperform the Benchmark, no Performance Fee shall be due with respect to that Signal.

5. Client Discretion: Client acknowledges that ERS does not execute trades or provide individualized investment advice. Payment obligations apply regardless of whether Client elects to purchase, hold, or sell any Signal stock.

6. Fiduciary and Regulatory Compliance: Both parties acknowledge that this Agreement is structured to ensure compliance with SEC fiduciary duty interpretations (July 12, 2019) and that ERS provides research and data analytics only. ERS is not a fiduciary, broker-dealer, or investment advisor, and makes no representation as to the suitability of any specific investment for Client accounts.

7. Audit and Verification: Client may request quarterly audit statements from ERS documenting Signals delivered, corresponding market prices, Benchmark comparisons, and Value Conferred calculations. Both parties agree to maintain records for regulatory inspection.

👉 This framework:

- Creates **predictable base revenue** (Base Fee).
- Embeds **results-based billing** with clear math (Performance Fee).
- Uses **rolling 6/12/24-month checkpoints** so ERS doesn’t wait two years for all revenue.
- Addresses **fiduciary compliance** by clarifying ERS is a research provider, not an advisor.