Why Royalties Are the Better Way of Financing A Business

As an owner of a successful business you know that with additional capital the business could become bigger and better.

You would like to have additional money to work with but do not want to share ownership or incur debt, the traditional ways funding is offered.

Royalties are a percentage of revenues for an agreed period of time, which you agree to sell to an investor for an agreed amount. As the sales increase, partially as a result of having the additional capital, so do the royalty payments.

Royalties can be as flexible as those negotiating the terms. Royalties can have either or both caps and minimums. Royalties can be convertible into other securities of the company under agreed circumstances. Royalties can be scaled to be less costly as the achieved revenues exceed those projected. Of course, they can also include a penalty if the projected revenues are substantially less than projected.

Royalty owners do not have a vote, do not own anything other than the agreed share of revenues and are not in a position to influence management.

Royalties can be redeemable and therefore terminated on terms negotiated at the time of setting the other terms of the royalty.

The process of selling a royalty does not require the preparation of a Private Placement Memo or engagement of a financial intermediary, though the business owner should have the benefit of both legal and accounting advice.

Finally, royalty payments are federal income tax deductible if the funds received by the business are used in the expansion

of the business, which is consistent with the expectation of the royalty investor.

Contact us for a list of initial questions, which will help us, determine if we can be of service and collaborate with you in the financing of your business, which will remain your business.