

Royalties Wish List ©

Arthur Lipper

As the creator of the six highly useful REX website calculators and the patent holder of the approaches for using royalties in the financing of companies, I have the following wishes.

I wish there were a broad understanding of the royalty process available to both business owners seeking to raise funding to accelerate the growth of their company and investors seeking continually increasing income.

I continue to write articles, give talks and conduct educational seminars. See www.Royalties.Website, RoyaltiesWritings.com, REXRoyalties.com, REXComparator.com, REX-RIAR.com, REXdebt-shareRoyalties.com, REXScaledRoyalties.com and REX-PV.com. The new REXIssuerData.com website will allow entry to all of the other REX website calculators and provide an ability to only have to enter data once, rather than repeatedly for each website. This feature has been requested by users and I am pleased that our friends at ITShastra in Mumbai have been able to do the necessary.

I wish fiduciaries managing and responsible for the funds of investors would be open to testing the investment results, should either they or we were to manage a royalty income fund.

Royalties are inherently a much safer investment than equities and when using our approach, safer than debt. Our patented approach has two elements, which are likely to become standard. They are: collection of the agreed royalty immediately on the royalty issuer receiving revenues, and using the critical assets of the issuer in securing contractual obligations.

I wish that both investors and business owners understood the benefits of royalties in companies that are likely to become increasingly successful.

It is better for both parties for the investor's participation in the company's increased success to be focused on the revenues rather than reported profits.

I wish that business owners recognized that those buying stock in a company do so only with the expectation of being able to sell that stock at a profit in the future. The investors are transient and press for both ever-increasing reported profit and a liquidation event of either a sale of the company at a valuation much higher than the investor's cost or a public offering permitting the sale of the investor's shares in the foreseeable future.

The business owner must understand that equity investors will want the company to declare maximum and increasing profits and therefore will be critical of company expenses deemed to be unfairly favoring the owners and executives. From the investor's perspective the sooner the liquidity event the better. Investors are highly mindful of the time value of money and few have the longer-term perspective of business founders.

I wish that investors understood that royalty payments should be at least sufficient to return the cost of the royalty in approximately 5 years with an additional 15 years of anticipated increasing revenue in which they participate.

The reality is that most business owners will, as soon as possible, attempt to buy back the royalties sold to investors. They will negotiate directly with individual investors, make tender offers and ultimately make use of the redemption right in the royalty agreement. To varying degrees the valuation of the royalty will reflect the business owner's view of the future and knowledge that each dollar of royalty payment is a pre-tax profit dollar.

I wish that financial intermediaries would find ways of appropriately sharing in the level of investor returns over a fair level of annual return.

The management of a royalty income fund is one approach allowing for management fees based upon performance. Investors are very likely to accept the concept of their advisors sharing in the returns exceeding the level of other minimum risk investments.

I wish it were all easier but accept that things new take time.

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