

Creating a Royalty Income Fund by Acquiring Control of a Company Having Unproductive Assets ©

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A number of groups are in the process of raising funds to be invested in royalties. Capital raising is both time consuming and expensive as there are many fees and expenses involved in the effort. However, there may be another and perhaps better way to create a pool of money to be invested in royalties.

There are hundreds and perhaps thousands of publicly traded companies owning assets which are not producing significant profits. In many cases it is possible the assets can be sold and in some cases all of the assets can be sold. The proceeds could then be used to invest in royalties, producing an immediate income.

One of the advantages of going the possibly leveraged buyout (LBO) course is that the company could purchase royalties during the period of time necessary to sell the company's traditional assets.

Of course, the shareholders of the company would have to approve the sale of existing assets and the new direction to be taken by the company. The complexity of the conversion from an operating company to an investment holding company depends on the bylaws of the company and jurisdiction of incorporation.

There is obviously an opportunity for an aggressive investment-banking firm to research the field of possibly available target companies and to manage the process of the LBO and conversion of the company.

We can be helpful in the training of the managers of the company in the skills and techniques required in royalty investing. Investment bankers and other financial intermediaries can be rewarded for being involved in the identification and purchase of a royalty from appropriate royalty selling entities.