

# Possible Discussions and Possible Solutions®

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- VC investor:** We appreciate your efforts in conceiving and establishing the company, but now believe we need to have a change in the top job. Perhaps your greatest strength at the moment for the company is in sales and marketing or technology development.
- Possibility:** The sale of a royalty, which has no vote or influence on management decisions, rather than a convertible, preferred with both voting rights and liquidation preferences.
- CEO** **What do you mean that you will not accept the new position because you were one of the founders of the company? The decision has been made as to what is in the best interest of the company.**
- Possibility:** It is possible for there to be terms of assignment to functional roles. The same policy can be useful in the population of the Board of Directors, as certain Directors pass the point of being constructive Board members. Two or three year terms seem reasonable.
- Investors:** **You told us that it was likely the company would either be bought or go public, both at substantially higher valuations than our cost. Here we are, after a lot of time has passed, and we have no benefit from having invested and yet the company is bigger and you have been receiving good salaries, etc.**
- Possibility:** It is possible the business founders have a longer-term vision than the investors and wish to grow the business without a primary focus on achieving the highest profit margin and paying the highest corporate income taxes. Had the owners sold a royalty the investors would have been well served and the owner-managers free to do as they believe best for the company and themselves.
- Partner to equal partner:** **This isn't working anymore and we should split. I want to continue running the business and want your share of the business.**

**Possibility:** In all business relationships the terms of a possible parting of interests, a prenuptial agreement should be considered. A Buy-Sell Agreement is one approach, which avoids the establishing of values before the event. In such an agreement the partner initiating the process sets the value and terms of purchase required to be paid for their equal share of the business and agrees to pay their other partner the same amount on the same terms for their shares. The partner receiving the notice of demand and intent has an agreed period of time in which a response is required of either acceptance of the offer to sell or a sale of their shares on the same terms and conditions as proposed. The terms can be all cash, cash and a payout, which can be a royalty, a secured or unsecured note. All of the conditions of splitting should be described.

Although I have seen lots of Buy-Sell Agreements in corporate documentation I have never seen one actually applied as the parties, both knowing of the existence of the terms of the Buy-Sell agreement, negotiate around it instead of requiring it be exercised.

**Lender:** **I need to have some additional benefit to encourage me to make a loan to your company on terms similar to loans made to larger and more established companies than yours.**

**Possibility:** The granting of a modest royalty on future revenues, perhaps declining in percentage and/or terminating on an agreed amount of royalty payments being paid, could be sufficient to warrant the making of a loan on fair terms. See [REXdebt-shareroyalties.com](http://REXdebt-shareroyalties.com)

**Business Owner:** **What happens if we do much better than we are now projecting? Won't we be then paying much too much for the money we have received in selling a royalty on the present terms?**

**Possibility:** Royalties can be redeemable. Royalties can also have agreed reductions in royalty rates in the event revenues are better than projected by an agreed amount within an agreed period. See [REXScaledRoyalties.com](http://REXScaledRoyalties.com).

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