Possible No Cash Invested, Bank Loan Guaranteed, Royalty Income Fund ©

Arthur Lipper

Due to the reduced risk of a portfolio of royalties as issued by established companies, it is possible for investors to post and collateralize bank loan guarantees with securities, on behalf of a royalty income fund. The fund would then have the ability to buy royalties which would produce predictable quarterly payments on the loan.

Upon receipt of the royalties, the fund would pay both interest and amortization of the guaranteed loan. It is anticipated that within 60 months the royalties received would be sufficient to both pay the bank interest and principal.

Upon full repayment of the loan, the bank would release the guarantees and the former guarantors, who would have no further risk of capital, would wholly own the fund.

Assuming the average fund portfolio holding was providing more than a 15% IRR the fund shareholders could either decide collectively to receive quarterly distributions of royalties or have the fund reinvest the royalty payments in newly acquired royalties from other issuers.

Were an investor to make a loan of sufficient size to allow the fund to be adequately diversified, that investor could replace the bank and make the loan themselves. In this way the investor would receive an agreed level of interest and repayment, with the objective of being fully repaid by an agreed maturity and finish by owning the entire fund and its portfolio of royalties.

This guaranteed approach may well appeal to those with valuable holdings they wish to retain, while securing future growing income.

This loan approach could appeal to those who recognize the collateral value of the royalties owned by the fund, and the likelihood that the portfolio will provide significantly higher income in the future.

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