

Helping Non-NASDAQ Publicly Traded Zombie Companies Go Private ©

Arthur Lipper

There are thousands of non-NASDAQ publicly traded companies which bear the expense and bureaucratic restrictions no longer justified by their circumstance. They became publicly traded at a time when they seemed to investors to have growth potential. This is no longer the case and there is little if any trading of these shares.

In many cases, there are dominant or controlling shareholders who would like to be free of the burden of fiduciary responsibilities and who would prefer the company to go private and become a proprietorship.

The offering of a Royalty/Share Exchange might well be an answer for such controlling shareholders if the terms of the exchange were fair and reasonable. Of course, the offering would have to be conditioned on acceptance by a percentage of the outstanding shareholders consistent with the bylaws of the company.

The fair royalty rate and maturity of the royalty would be based on the projected revenues of the company and could terminate with the payment of an agreed amount. Of course, investors accepting the swap offer would have to believe the company had or could obtain sufficient financing to remain in business and producing revenues.

Investors would naturally be positive about the yield anticipated to be received, as most of these forgotten companies are non-dividend payers. It is also possible that a limited market for the royalty could be developed.

I do not believe that shareholders in these companies, many of whom may well not even be aware of their holdings, would be demanding of a high return as whatever royalty rate was offered would be an uptick.

This could be an opportunity for aggressive financiers not already involved with the company as well major shareholders of the company.

I believe there are also a large number of similar opportunities in non-U.S. markets.

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