

Securing Royalty Issuer Contractual Compliance By The Transfer Or Assignment Of Assets ©

Arthur Lipper

Royalty rates and other deal terms are influenced by the Issuer's prospect for increasing revenues and the Investor's comfort level regarding the contractual compliance of the Issuer.

The Investor's need to believe that the royalty Issuer will pay the agreed percentage of revenues on the agreed terms are significantly increased if the critical assets of the Issuer are used to protect the investor's interest.

The British Far East Holdings Ltd.'s patented approach envisions there will be an agreed asset holding party to which the critical assets of the Issuer are transferred or assigned. The agreed asset holding party provides the Issuer with an exclusive, international right to use the assets without charge for so long as the Issuer continues to pay the agreed percentage of revenues as agreed in the Royalty Payment Agreement.

If the critical assets of the Issuer are trade secrets and other intellectual property, the Issuer shall be required to both maintain and defend the intellectual property and to add additional related or derivative intellectual property as it is developed or acquired.

Upon contract maturity or an agreed level of cumulative royalty payments being received by the royalty investor(s) all of the assets are to be transferred back to the Issuer, and the asset holding function terminated.

In the event of a default in the payment of royalties, the asset holding party will, for an agreed period, remain agreeable to an extension of the Royalty Payment Agreement with a reorganized and refinanced entity. Thereafter, the asset holding party may use the assets for the benefit of the royalty Investor(s).

Fees and expenses of the asset holding party shall be the responsibility of the Issuer, though the asset holding party shall serve the interest of the Investors.

