

# **Creating a Special Focus Royalty Income Fund © (SFRIF)**

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**Certain areas of business focus and activity are believed to have extraordinary potential for revenue growth and therefore are particularly good prospects for royalty investment.**

**There are individuals and groups which have the experience, knowledge and relationships necessary to identify the companies, which, if adequately financed, have the ability to grow rapidly.**

**The creation of a Special Focus Royalty Income Fund (SFRIF) is a natural development -- a means of bringing together capital and opportunity.**

**Following are some of the most important elements of the project, which will have to be made clear in order to successfully create a SFRIF as an investment vehicle, entity management structure and investor offering document.**

**Economic outlook for the special focus activity. Why so good?**

**Experience of those organizing the effort. Why to be trusted?**

**Corporate structure of the SFRIC. Tax impact as royalties are generated and investment liquidation or redemption protocols.**

**Management details of the SFRIC. Who will be responsible for making the investment decisions and will these decisions be subject to the approval of an investment committee? Will external investment managers and advisors be used and if so how will they be compensated?**

**Investment policies. Will fund investments be required to follow certain practices? Will there be minimum rates of return? Will royalty payments be due on royalty issuer's receipt of revenue?**

**Royalty distributions. Will royalties be distributed or reinvested? If distributed to taxable investors when will the distributions be made? If reinvested what will be the process and impact for taxable investors? Will there be a holding period, during which investors are limited in selling all or part of their position?**

**How will the SFRIF be funded and when? Who will be responsible for raising the funding and what will be their compensation? What will be the minimum amount necessary to be available to the fund manager before any investments can be made?**

**Will the Fund be formed as a Limited Partnership, an LLC or Corporation? Incorporated in which State, or, possibly, offshore? Who will be the owners of the Fund, the Executive, and the Board? How will they be selected and changed?**

**Will the Fund offer some form of internal redemption capability, or will investors or their agents need to rely on identifying other appropriate or accredited investors to sell their units in the fund, if they need immediate liquidity?**

**Will issuers have the right to redeem their royalty obligations at some future date, after a specified return has been achieved, and if so under what conditions?**

**Due diligence and royalty issuer reporting: Will each royalty issuer have to provide at least an annual audit of revenues or will full audits have to be provided? Will controlling owners of royalty issuers have to personally attest as to the accuracy of the documents issued by the company selling the royalty? Will they have to personally attest that all of the agreements reached with the royalty issuer have been honored?**

**There are other decisions which will have to be made once the above matters have been addressed. Pacific Royalties LLC can help with the above as well as the other issues which will be required both prior to the funding of the SFRIF and the subsequent operation of the SFRIF.**

**The triangle of opportunity can be described as a 3M structure of Management, Money and Mentoring.**

**I will assist both a founding Managing Member of Pacific Royalties LLC and, as the Chair of British Far East Holdings Ltd., the issued patent holder, covering the approach to using royalties in the financing of businesses most likely to be used by any royalty income fund.**

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