



## **Balanced Vision**

**Royalties are the better way of both investing  
in and financing of privately owned companies**



### **The Royalty Advantage For Business Owners ©**

**By Arthur Lipper**

**The principle advantage, which a royalty financing offers versus that of selling stock or incurring debt, is the retention of ownership.**

**If the owner of the business is confident in the business's future increase in profitability and is able to obtain longer-term loans at a fair rate of interest, without a personal guarantee, then using debt to fund the expansion of the business is the best way to enhance the owner's wealth.**

**However, usually lenders will require personal guarantees as well as imposing restrictions, in the form of negative covenants, on corporate actions. The lenders will also want full financial data periodically. Lenders also prefer a reporting of maximized profitability. Royalty owners are only interested in the company's revenues,**

**Those buying shares of a company are only doing so with a view to selling that stock in the future at a higher price than paid. Therefore, they wish the company to both be managed for and report maximum profits so that new buyers for the stock may be attracted to purchasing the shares when they become available. Royalty owners are only interested in the growth of revenues.**

**Outside shareholders will naturally want the company to be managed so that profits are as large as possible and ever increase. This means they are interested in and may be concerned by executive compensation, longer term research, investing in not immediately profit making internal investments and acquisitions. Royalty owners are only interested in the growth of revenues.**

**Shareholders frequently have opinions as to how the company in which they own stock could be better managed and wish to make their views known to all of the other shareholders. Royalty owners are only interested in increasing revenues.**

**Shareholders, as owners of the business have state and federal statutory rights. Royalty owners are only interested in the growth of**

**revenues and only own the agreed percentage of revenues for the agreed period of time.**

**The more confident in the future profitability of the company the less willing the owner should be in reducing his percentage ownership and control of the company at a time before the envisioned benefits become evident to all.**

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