

Those Wishing to Sell Royalties To Investors Should[©]

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Those wishing to sell a royalty to well informed and advised investors should

Be able to provide references and a background providing the buyer with a sense of comfort that the individual is a person of honor and integrity.

Be able to make a reasonable and convincing case for the longer-term growth of revenues at Compound Annual Growth Rate of in excess of 10%.

Be willing to negotiate the sale of an agreed percentage of all revenues for an agreed period.

Be willing to enter into an agreement providing for the immediate collection of the agreed royalty at the time of revenue receipt. This is accomplished through the use of a lockbox arrangement with a bank mutually approved.

Be willing to secure the royalty payment obligation with the transfer or assignment of critical assets of the business to assure contractual compliance. The nominal holder of the transferred and/or assigned assets will grant to the company the exclusive international rights to use without cost those assets for so long as the company is in compliance with its royalty payment obligations. The critical assets will be returned to the company on the basis of cumulative royalty payments received by the investor as agreed by the parties.

As is logical, the longer the term of the royalty payment obligation the lower can be the royalty rate. Also, it is in the royalty issuing company's best interest to provide maximum comfort to the investor, especially when through the use of transferred or assigned assets there is no financial cost to the royalty issuer. Subordination with existing lenders can be negotiated, though the amount received for the sale of the royalty can be in part used to repay obligations.