

Why I Would Buy Royalties to Get Increasing Income and Why I Would Sell Royalties to Finance my Business ©

Arthur Lipper

As an investor, I would buy royalty contracts because:

I want a simple way of profiting from the growth of revenues achieved by companies I believe have products or service of recognized value to their customers.

I accept, after study, the reasonableness of the projected revenues estimated by the company which offers me an agreed percentage of their defined revenues for an agreed period.

I am comfortable with the investor protections and procedures agreed in the royalty and believe my risk of loss of capital is far less in relation to the anticipated royalty income payments relative to the risk/reward of other alternative forms of investment.

I am able to increase and therefore improve the return I will receive from the quarterly royalty payments by reinvesting them at a reasonable fixed rate for the remaining royalty payment period. The Royalty Rate of Return (RRR) will be within my control as I determine how and where the royalty payments are reinvested. By using the website calculator REX-RRR.com I will be able to learn the impact of the projected revenues, if achieved.

I know of no other investment offering the magnitude of return which will be produced if the royalty issuing company's projected revenues are achieved, even before applying the benefit of reinvestment of the royalty payments received, as calculated in REX-RRR.com.

As a business owner, I would agree for my company to sell a royalty if:

I believed that my company would increase its revenues and value if additional capital could be obtained.

I could obtain the capital without reducing my ownership in the business.

The terms of acquiring the capital did not require my making a personal guarantee of payments to royalty investors.

It is clear that I would not, in the company selling to investors a percentage of the company's revenues for an agreed period, become a fiduciary, as I understand would be the case if the company was selling shares or perhaps even debt to raise the capital.

I can both manage the company as I see fit and can continue to decide and approve activities and policies which will reduce the shorter-term profitability of the company. These policies include: executive compensation and benefits, staff compensation and benefits, staff education, vacation and expense reimbursement policies and salary bonuses, company provision of cars, computers and other tools to employees, class of travel and customer entertainment expenses. Of course, the company will also continue to set the price and terms of sale for the products and services sold.

I also wish to continue the having ability to, without reference to a board of directors or others, to determine any and all merger and acquisition terms as well as the terms of credit extended to company customers.

I also will have an ability, on terms negotiated at the time of the royalty original transaction, to be able to terminate, through redemption all of the royalties. For example, I may wish the company to redeem all of the royalties at say 5 times the investor's cost of the royalty, less the royalty payments already paid, if within 5 years or perhaps 10 times if within 10 years. It will also be possible for the company to attempt to buy royalties from individual investors or from all investors through the making of a tender.

I will only be required to provide investors with a limited amount of confidential information about the company, including an annual audit as defined as to focus and scheduling. As the investors will automatically be collecting royalties whenever the company receives revenues, only a quarterly report of revenues and a comment as to likely future revenues will be required, Also, the ability of investors to have contact with company officers or employees will be defined in the royalty agreement

There are more benefits of using royalties for both investors and royalty issuers and the purpose of the above is only to highlight, define and clarify some of the ones which initially come to mind.

Those interested to learn more about royalties are encouraged to read my newest book, Revenue Royalties, which is available through REXRevenueRoyalties.com or Amazon.com. A review of the following websites is also suggested: REXRoyalties.com, REXdebt-shareRoyalties.com, REXScaledRoyalties.com, REX-RIAR.com, REX-PV.com, REXComparator.com and soon REX-RRR.com

I will also be pleased to respond to questions by email to me at Chairman@REXRoyalties.com

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