

## Product Details for “Sales Certificates”<sup>1</sup>

**Product Description** Sales Certificates (“Certificates”) are contracts similar to bonds however, their “coupon” payments are a function of the issuer’s gross revenue<sup>2</sup> and they expire worthless at maturity. Paying investors an unchanging percentage of revenues for a specified period of time turns the fixed cost of debt into a variable cost, transferring that risk to investors who can absorb it through diversification. Payments to investors that are tied to sales help protect investors against inflation. Issuers are more suited to bear this risk because they have pricing power in times of inflation. Sales are significantly more transparent and less volatile than earnings and Certificates will provide portfolio diversification to investors because sales are not highly correlated to stocks or bonds during times of inflation. Certificates appear to conform to Shari’ah law since they do not pay “interest”.

**Term** 10 - 15 years

**Issuance** Certificates may be issued by the entity upon whose revenues the payments are based or synthetically by a third party

**Underlying Value** Present value of issuer’s forecasted revenues until expiration

**Expiration Value** Certificates expire worthless

**Coupon Payments** Annually (or quarterly with a true-up upon audit)

**Potential Issuers** Public companies financing stock or debt repurchases, large private firms, insurance companies and others with opaque earnings statements, LBOs, firms with few assets and high margins, firms under Shari’ah law

**Potential Investors** Qualified Institutional Buyers: defined benefit pension plans, endowments, casualty insurers, institutions with 401(k) clients, entities under Shari’ah law, investors needing high cash flow vehicles

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<sup>1</sup> Securitization of Sales Certificates is protected by Patent # 7,149,719 B2.

<sup>2</sup> Reset for mergers or acquisitions

