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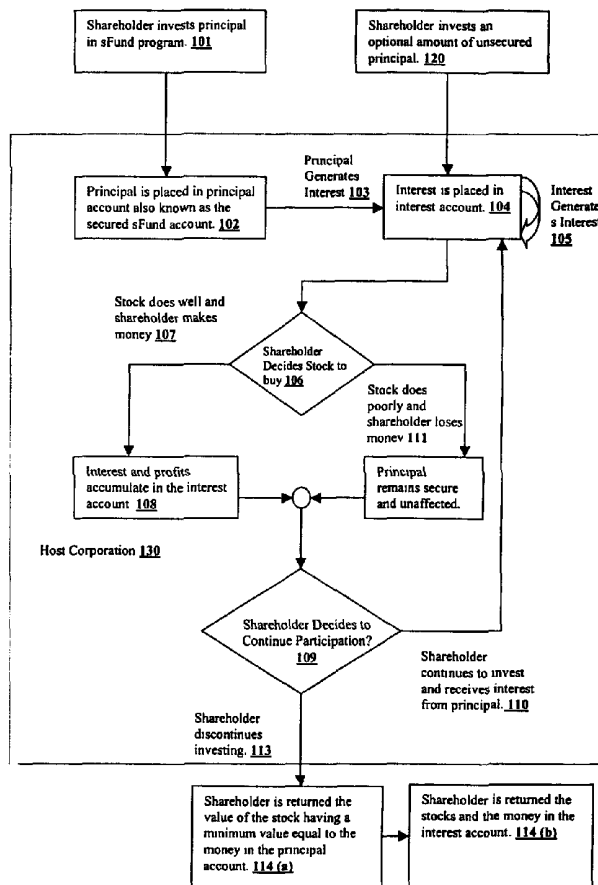
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(54) Title: SECURED PRINCIPAL SHAREHOLDER INVESTMENT SYSTEM



(57) Abstract: An sFund method of investing and preserving shareholder principal comprising the steps of: establishing a principal account, depositing investor principal into a principal account held in trust for the benefit of sFund investors, establishing an interest account, depositing an optional amount of unsecured principal into an interest account, whereby allowing an investor to individually tailor her risk to her risk sensitivity, allowing the principal account to generate interest according to an agreement between the sFund investor and a manager of the sFund, depositing the interest generated from the principal account into the interest account, investing the interest account, giving an sFund investor the option to withdraw and borrow against the principal and interest, whereby providing liquidity for investors.



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For two-letter codes and other abbreviations, refer to the "Guidance Notes on Codes and Abbreviations" appearing at the beginning of each regular issue of the PCT Gazette.

SECURED PRINCIPAL SHAREHOLDER INVESTMENT SYSTEM**CROSS REFERENCES TO RELATED APPLICATIONS**

No related applications were found in prior art.

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SUMMARY OF INVENTION

The sFund invention helps investors maintain their principal by securing it and risking only their interest income. The essential purpose of the sFund system is to empower investors to own stocks without risking their principal. sFund investors will have secure holdings where the principal secures itself against loss. This invention can use ownership of a fluid
10 money market to support a stock holding. Thus, the sFund system also has the advantage of appealing to women investors since women prefer not to risk their principal. Some studies show that this trait makes female investors superior in that they have a higher return on their investments.

This invention prevents loss of principal in the stock market while allowing stock investment in selected companies. This invention also protects participating stockholders from price fluctuations due to
15 negative information such as a company bankruptcy. The sFund system secures the principal and protects sFund investors from a crash where they would otherwise lose 20-40% of their stock price in one day.

BACKGROUND OF THE INVENTION

20 1. MOST INVESTORS ARE TREATED UNFAIRLY AND LOSE THEIR MONEY UNDER THE CURRENT SYSTEM OF SECURITIES EXCHANGE

Many investors lose money in the stock market. Stocks do not always go up. Although the Dow Jones Industrial Average has been rising for years and years, some firms are removed every year. Thus, investors do not have a good way to pick the winners and sell the losers.

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Until recently, an investor could not invest in the Dow Jones Industrial Average. This led to the phrase "you can't buy the averages". Later, index funds became popular. Still, many mutual funds could not actually attain returns comparable to the averages.

Adding to the deception is the method of calculating mutual fund track records. Many track records were created from real transactions without public purchasing of the funds. A fund manager could create a 10-
30 year track record, and never have the public in her group of investors. Fifteen years later this record, which no

one investor could even own for ten years can become the fastest growing and largest fund in the world. Even today, the track records of mutual funds are mere snapshots. While one fund reports a 15 percent upward movement, an actual participant might be down by 10 percent.

Also, self-proclaimed investment experts add to the misinformation by touting the handful of super
5 stocks that go up 60 times in 10 years. The losses in the market are ignored and rarely discussed, especially by brokers who do not care one about the money that investors lose.

Most brokerage accounts are set up so that the written report does not tell investors they are losing. The report merely states that the account now holds x number of shares at x price. It is rare to report to investors the amount of money they have lost. Also, stockbrokers seldom disclose their client's track records,
10 because they know that many lose their principal.

Thus, investors under the current investment system are looking for a new way to invest their money without worrying about losing their principal.

2. INVESTORS WANT TO PROTECT THEIR PRINCIPAL THROUGH SECURITY

Protection of principal requires security. New types of asset based securities have become common
15 place in the last decade. For example, credit card receivables are now asset based securities. The totals of thousands of credit card receivables can be an asset behind the sale of a security. Credit card receivables are pooled, but also have a special reserve fund to capture and replace payment delinquencies. Also, a letter of credit from a bank has been used as a security. In this case, it is possible to use a letter of credit on about 5% of the total to secure the top layer of the asset based security. Other asset based securities include mortgages,
20 equipment, automobile loans, and other similar types of assets including rail cars.

Presently, asset-backed stock does not exist. A close cousin can be found in convertibles where bonds can be converted into stocks. Convertibles pay interest, but are finite in duration. At maturity, the bond is either refunded or converted into stock by giving a convertible owner a below market purchase option.

3. INVESTORS WILL WANT TO BUY STOCK UNDER A SYSTEM THAT PROTECTS THEIR 25 PRINCIPAL

Some systems protect shareholder principal. Banks today offer a certificate of deposit or CD where the FDIC guarantees the security of principal. Superficially, the sFund program bears some similarity to some CD investments offered by some banks today. Some banks sell CD's that use accumulated interest to purchase index options. These options can then be used to purchase funds such as funds based on the S&P 500. Banks
30 then pay back the principal over a set period.

Unfortunately, an option is not a true equity and has no value after it expires. Options also have to be exercised to have any worth. Options also do not allow an investor to receive dividends. Thus, the CD does not satisfy the market demand for ownership of stocks without risk of principal.

5 **BRIEF DESCRIPTION OF THE DRAWINGS**

A detailed description of the embodiments of the invention will be made with reference to the accompanying drawings, wherein like numerals designate corresponding parts in figures.

Fig. 1 is a Diagram of the sFUND system having only a Host Corporation

10 **Fig. 2** is a Diagram of the sFUND system having a Trust Fund Management Company

DESCRIPTION OF THE PREFERRED EMBODIMENT

FIELD OF THE INVENTION

This invention relates to a financial business method for preserving investor principal.

5

DETAILED DESCRIPTION

Stockholders put their money into an sFund **101 Fig. 1**. The sFund holds the principal in trust managed on behalf of sFund investors. The preferred embodiment of managing the sFund is to keep two accounts. One account is held in trust and maintains the principal. The other account holds the interest or unsecured assets. The sFund can be implemented with just one account, but having a plurality of accounts is preferred.

10

The preferred embodiment is to have a managing trust company or a trustee hold the money of the sFund under an agreement with sFund investors. The sFund is administrated as a money market fund, which provides a certain amount of income. Money can also be borrowed from the sFund to purchase stock. The managing trust company may also allow the stockholder an emergency sale of stock with or without a penalty.

15

Thus, an sFund investor only risks the interest on the principal rather than the principal itself. An ordinary stock buyer also gives up the right to earn interest on principal, and is no better off than an sFund investor. An sFund investor may optionally invest a portion of unsecured principal **120**.

20

The principal invested need not be placed in a money market account. The principal could instead be used to purchase a zero coupon Treasury bill that would return the principal on a certain date. For example, 10% into the treasury bill would allow the stockholder to put 90% of her money into the stock and at the end of say 9 years also get her investment principal back. The treasury bill approach would not allow stockholders access to their principal at all times, but rather at some time in the future. The benefit of waiting would be higher returns.

25

The sFund could also be paired with another fund so that the sFund investor has half her principal secured and the other half unsecured. While an investor could produce a 50/50 herself by buying two different funds, the Trust Management Company or seller of the sFund would benefit from additional business by offering different packages for different levels of risk tolerance. One way to split the investment of the assets in the interest account is to allow the Host Company to combine its stock with another stock. The Host Company could also mix their stock with an index fund like the QQQ index, comprised of the top 100 companies on the NASDAQ.

30

Liquidity

sFund investors will be truthfully told that their assets are liquid. Pooling funds will give the stock liquidity. Currently, stock sales requires a buyer and a seller. In smaller corporations, the difficulty finding buyers causes liquidity problems and prevents smaller corporations from attracting capital.

The preferred method of administrating withdraws is to allow them every six-months. The total time
5 period of the investment is preferably set at either 3 or 5 years. This would allow liquidity while maintaining a stable reserve of money. Having a commitment period also promotes investment over speculation.

Keeping a large reserve of money would help stabilize the corporation as well as allow sFund investors security of their principal. The pool of capital will also provide the corporation with continuous additional stock purchases, as additional interest is paid.

10 Forms of Implementation

The sFund program would be described in detail in the corporate prospectus. Also, insiders would be able to participate in the program when they elect to purchase shares on the open market, or purchase private placement shares.

The program itself can be implemented under various embodiments. The embodiments below are
15 ordered to show a natural progression and growth of the sFund system beginning from a small firm to a large stock exchange.

1. **Fig. 1.** A host company **130** could use the sFund system to raise funds for itself. The company could sell a special class of shares called the sFund class, or sell bonds or notes. The shareholder could then designate the percentage to be invested in the secured sFund account **101**. Preferably the sFund account would be a
20 trust account and secured by its own principal **102**. The percentage invested into the principal could be invested as stocks, bonds, notes or any other legally recognized form. The investor could also invest an optional unsecured amount to be placed in the interest account **120**. The principal generates interest or dividends **103** to be placed in the interest account **104**. Interest generates more interest **105**. The
25 shareholder then decides how much of the stock in the company she would like to buy **106**. The shareholder need not buy any amount of stock, and instead allow interest to accrue in the interest account **105**. The stock having a secured principal would have a minimum price, which could be set as the par value of the sFund shares.

The stock may do well **107**, allowing the stockholder to accumulate more interest and profits in the interest
30 account **108**. The stock may do poorly **111** and the stockholder would lose only the money in the interest

account 112. At certain times, the stockholder has the option to discontinue participation 109. If the stockholder discontinues investment 113, she is returned the value of the stock, bond or note that she purchased which would have a minimum of the amount of money in the principal account 114(a). The stockholder would also be given the stocks and the money in the interest account 114(b). Instead of
5 cashing out, the investor will usually continue to invest and receive interest from the principal 110.

2. **Fig. 2.** A trust fund management company 250, also known as an sFund Management Company, could administrate the sFund system on behalf of a host company 230. The sFund Management Company is denoted as a box with a double line in **Fig. 2**. Again, the Host Company 230 uses the sFund system to raise
10 funds for itself. Here, the sFund Management Company sells sFund class shares of the Host Company 201. The sFund share class produces interest to buy shares in the company 201. The sFund Management Company could also sell sFund shares, try to sell notes, bonds or a money market type fund where the interest is used to purchase stock in the Host Company 230. If the shareholder wants to buy stock, the sFund Management Company would buy stock from the company and place it in the shareholder's interest
15 account. Thus, the sFund Management Company would act as a broker.

Because the sFund class shares are put into a secured principal account, the stock price will have a floor or minimum price. To increase risk, some investors could still buy stock 220 and place it in the interest account where it is unsecured 204. If the shareholder wants to sell the corporation
20

3. A managing trust company could operate the sFund system for many different corporations that want to raise money under the sFund system, by appealing to risk sensitive investors. The trust company, such as a bank, could receive deposits and apply the interest toward stock purchases. This is now feasible and easy to do because many institutions operate as both banks and brokerage firms.
25

4. Another embodiment of the sFund system is a mutual fund of sFund investments. A mutual fund would simply be the conglomeration of various sFund shares from different companies. Instead of a managing trust company buying individual stocks for investors, a mutual fund could be set up. As before, investors deposit principal to generate interest used to purchase interest in a mutual fund.
30

Also, stockholders could vote on what companies they want the mutual fund to buy. The vote could be non-binding and the mutual fund would know what companies' investors are interested in. The entire mutual fund could be dedicated to companies run under the sFund system.

- 5 5. As many different companies sign up for the sFund investment system, a trading exchange like a stock exchange or bond market could be established for the sFund shares. Shares traded on an exchange can produce more interest to buy more shares in the company. An existing company could also, instead of selling the sFund class of shares, try to sell notes, bonds or a money market type fund where the interest is used to purchase stock in the company. All stock companies using the sFund method would be priced
- 10 differently, because investors are secured from loss of investment capital.

Improvement over existing forms of secured principal

The sFund system is different because it allows direct investment as opposed to investment through options. The sFund system is also different because it provides permanent protection to stockholders for all companies that elect to participate.

15 Connection to the sBoun\$ system and method

The interest in the sFund can also be used to buy unconventional forms of stock. As recited in my previous patent application, a special form of stock known as an sBonu\$ can be bought under the sFund system. Thus, an investment in an sFund could lead to countless new possibilities.

The sBonu\$ system basically gives a stockholder an additional benefit of getting an override on a particular industry sector in a company. The override may be increased due to shareholder participation. The word override here refers to a cash bonus payable on a percentage of the revenues or profits of a company for a particular industry sector. For example, a shareholder could get 3 percent of all sales of a particular brand of toys in a particular state.

20

25 The following is quoted from the summary of the sBonu\$ system:

sBONU\$ is a system and method for providing a cash income source for shareholders. The invention is adapted for implementation, in part, on a digital computer and the Internet. The invention allows shareholders to earn a cash bonus through participation in qualifying programs.

Instead of passively waiting around, a shareholder can register her shares with the corporation after purchase. Upon registration of shares, a shareholder is given sBONUS Opportunities in proportion to the number of shares purchased. The sBONUS Opportunities can be cashed in to allow the shareholder to choose a distinct portion of the corporation's market. This discrete market segment can be divided
5 in any number of countless schemes such as geographically, demographically, along political boundaries, by product line, into zip codes, by area codes, by search queries in the case of a search engine, by flight routes in the case of an airline. The shareholder then receives a cash bonus for qualified activities affecting that market segment. Examples of qualifying activities may include the shareholders signing up investors for that area, or signing up customers for that area.

10

The sBONUS System is a departure from traditional mediocrity. In general, the securities laws provide for income without additional work, though stockholders have been given few alternatives to secure any additional cash income except dividends for themselves. The prospectus given to potential
inventors will clarify the scope of the income stream and the fact that work is not required of those
15 investors. If necessary, a new prospectus can be drafted for each new program. Thus, the sBONUS is operable.

Drawing List

- Shareholder invests principal in sFund program. 101
- Principal is placed in principal account also known as the secured sFund account. 102
- Principal Generates Interest 103
- 5 Interest is placed in interest account. 104
- Interest Generates Interest 105
- Shareholder Decides Stock to buy 106
- Stock does well and shareholder makes money 107
- Interest and profits accumulate in the interest account. 108
- 10 Shareholder Decides to Continue Participation? 109
- Shareholder continues to invest and receives interest from principal. 110
- Stock does poorly and shareholder loses money 111
- Principal remains secure and unaffected. 112
- Shareholder discontinues investing. 113
- 15 Shareholder is returned the value of the stock having a minimum value equal to the money in the principal account. 114 (a)
- Shareholder is returned the stocks and the money in the interest account. 114 (b)
- Shareholder invests an optional amount of unsecured principal. 120
- Host Corporation 130
- 20 Shareholder invests principal in sponsoring corporation's sFund program. 201
- Principal is placed in principal account also known as the secured sFund account. 202
- Interest is placed in interest account. 204
- Interest Generates Interest 205
- Shareholder Decides how much Stock to buy 206
- 25 Stock does well and shareholder makes money 207
- Interest and profits accumulate in the interest account. 208
- Shareholder continues to invest and receives interest from principal. 210
- Shareholder discontinues investing. 213
- Shareholder is returned the value of the stock having a minimum value equal to the money in the principal
- 30 account. 214 (a)

Shareholder is returned the stocks and the money in the interest account. 214 (b)

Shareholder invests an optional amount of unsecured principal. 220

Host Corporation 230

Trust Fund Management Company 250

5

CLAIMS

1. An sFund method of investing shareholder principal comprising the steps of:
 - a. establishing a principal account,
 - b. depositing investor principal into a principal account held in trust for the benefit of sFund investors,
 - 5 c. establishing an interest account,
 - d. depositing an optional amount of unsecured principal into an interest account, whereby allowing an investor to individually tailor her risk to her risk sensitivity,
 - e. allowing the principal account to generate interest according to an agreement between the sFund investor and a manager of the sFund,
 - 10 f. depositing the interest generated from the principal account into the interest account,
 - g. investing the interest account,
 - h. giving an sFund investor the option to withdraw and borrow against the principal and interest, whereby providing liquidity for investors.
2. The invention of claim 1, wherein the principal account is a money market account.
- 15 3. The invention of claim 2, further comprising the steps of:
 - i. allowing a trustee to hold the principal in the principal account as a trust management company, wherein said Trust Management Company invests according to the direction of the investor; wherein assets in said interest account can be invested in a mutual fund,
 - j. allowing the investor the option of allowing the Trust Management Company to invest the investor's assets in the investor's interest account according to guidelines set by the investor,
 - 20 k. allowing the investor the option of allowing the Trust Management Company to invest the investor's assets in the principal account according to guidelines set by the investor.
4. The invention of claim 2, further comprising the steps of:
 - l. an investor contributing money into the principal account and offering the investor the choice of being credited with bonds in the host company, wherein said principal in the principal account secures said bonds, whereby said bonds in host company maintains a minimum value of the amount of principal in the principal account,
 - 25 m. an investor contributing money into the principal account and offering the investor the choice of being credited with stocks in the host company, wherein said principal in the principal account secures said

- stocks, whereby said stocks in host company maintains a minimum value of the amount of principal in the principal account,
- n. an investor contributing money into the principal account and offering the investor the choice of being credited with notes in the host company, wherein said principal in the principal account secures said
- 5 notes, whereby said notes in host company maintains a minimum value of the amount of principal in the principal account.
5. The invention of claim 4, further comprising the step of: offering the investor the choice of purchasing a zero coupon Treasury bill with principal contributed, wherein said treasury bill returns said principal on a specified date.
- 10 6. The invention of claim 4, wherein the sFund investor promises a fixed period of investment between 3 and 5 years, during which time the investor is obligated to maintain the funds in the principal account.
7. The invention of claim 5, wherein a host corporation hires a Trust Management Company to manage investor sFund accounts.
8. The invention of claim 5, wherein the Trust Management Company establishes one or more mutual funds
- 15 and allows investors to purchase said mutual funds with the assets in the interest account.
9. The invention of claim 5, wherein a stock exchange is established with participating companies having actively traded sFund shares.
10. The invention of claim 5, further comprising the steps of: an investor contributing money into the principal account and offering the investor the choice of investing in an sBONU\$ program.
- 20 11. The invention of claim 3, further comprising the steps of:
- o. an investor contributing money into the principal account and offering the investor the choice of being credited with bonds in the host company, wherein said principal in the principal account secures said bonds, whereby said bonds in host company maintains a minimum value of the amount of principal in the principal account,
- 25 p. an investor contributing money into the principal account and offering the investor the choice of being credited with stocks in the host company, wherein said principal in the principal account secures said stocks, whereby said stocks in host company maintains a minimum value of the amount of principal in the principal account,
- q. an investor contributing money into the principal account and offering the investor the choice of being
- 30 credited with notes in the host company, wherein said principal in the principal account secures said

notes, whereby said notes in host company maintains a minimum value of the amount of principal in the principal account.

12. The invention of claim 11, further comprising the step of: offering the investor the choice of purchasing a zero coupon Treasury bill with principal contributed, wherein said treasury bill returns said principal on a specified date.
13. The invention of claim 11, wherein the sFund investor promises a fixed period of investment between 3 and 5 years, during which time the investor is obligated to maintain the funds in the principal account.
14. The invention of claim 12, wherein a host corporation hires a Trust Management Company to manage investor sFund accounts.
15. The invention of claim 12, wherein the Trust Management Company establishes one or more mutual funds and allows investors to purchase said mutual funds with the assets in the interest account.
16. The invention of claim 12, wherein a stock exchange is established with participating companies having actively traded sFund shares.
17. The invention of claim 12, further comprising the steps of: an investor contributing money into the principal account and offering the investor the choice of investing in an sBONU\$ program.
18. An sFund system of investing shareholder principal comprising:
 - a. a principal account, said principal account capable of receiving investor principal held in trust for the benefit of sFund investors,
 - b. an interest account, said interest account capable of receiving an optional amount of unsecured principal, whereby allowing an investor to individually tailor her risk to her risk sensitivity,
 - c. an agreement between the sFund investor and a manager of the sFund detailing the amount of generated by the principal account,
 - d. a means of depositing the interest generated from the principal account into the interest account,
 - e. a means of investing the interest account,
 - f. sFund investor options and rights to withdraw and borrow against the principal and interest, whereby providing liquidity for investors.
19. The invention of claim 18, further comprising:
 - g. a trustee holding the principal in the principal account as a Trust Management Company, wherein said Trust Management Company invests according to the direction of the investor; wherein assets in said interest account can be invested in a mutual fund,

- h. an option for the investor to allow the Trust Management Company to invest the investor's assets in the investor's interest account according to guidelines set by the investor,
 - i. an option to allow the investor the option of allowing the Trust Management Company to invest the investor's assets in the principal account according to guidelines set by the investor.
- 5 20. The invention of claim 19, further comprising:
- j. an offer to the investor of being credited with bonds in the host company, wherein said principal in the principal account secures said bonds, whereby said bonds in host company maintains a minimum value of the amount of principal in the principal account,
 - k. an offer to the investor of being credited with stocks in the host company, wherein said principal in the principal account secures said stocks, whereby said stocks in host company maintains a minimum value of the amount of principal in the principal account,
 - 10 l. an offer to the investor of being credited with notes in the host company, wherein said principal in the principal account secures said notes, whereby said notes in host company maintains a minimum value of the amount of principal in the principal account.

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Fig. 1

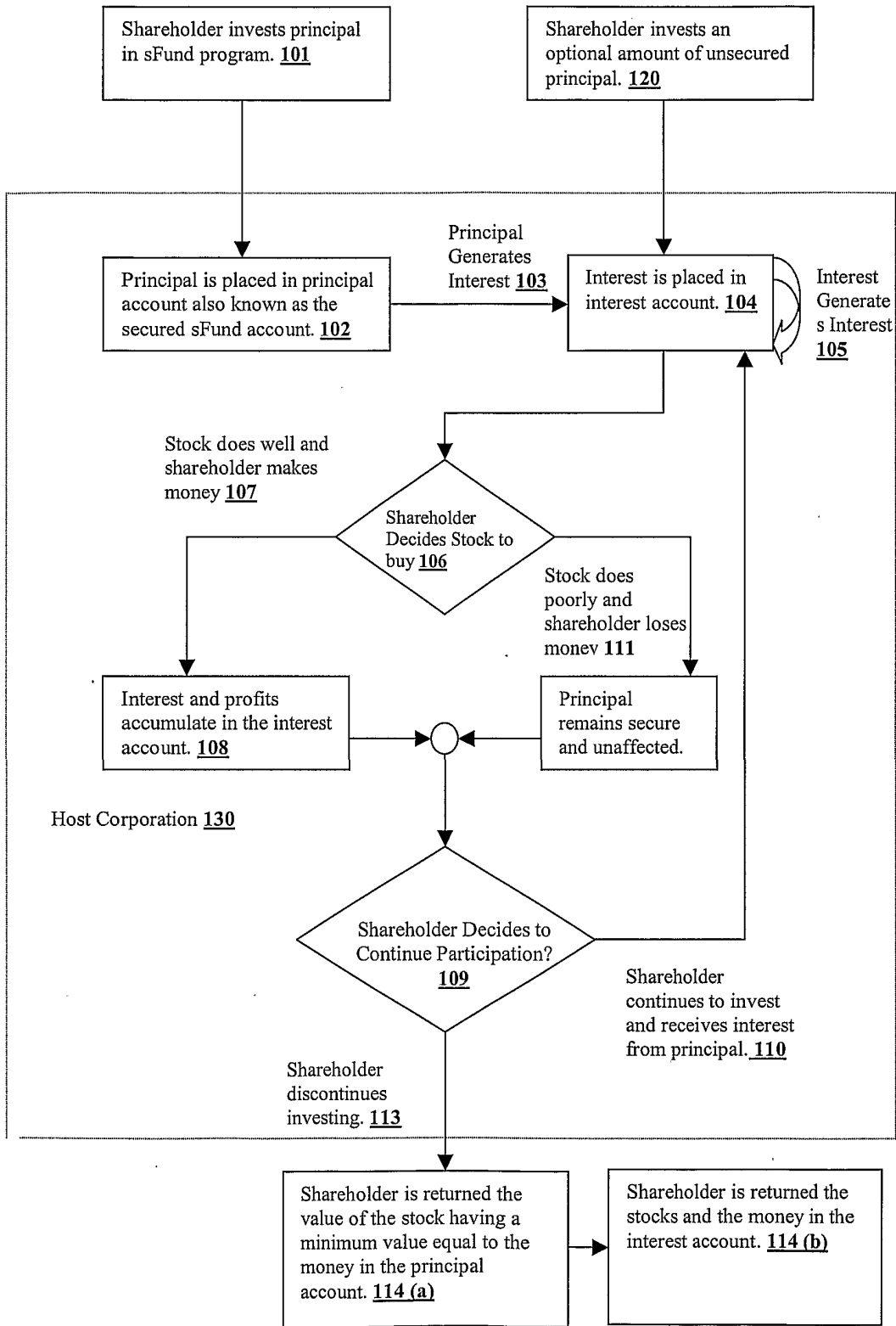


Fig. 2

