MODERN FINANCE
TIMELESS VALUES

بسم الله الرحمن الرحيم
والحمد لله رب العالمين
والصلاة والسلام على خاتم الأنبياء والمرسلين وعلى آله وصحبه أجمعين

GUIDANCE FINANCIAL GROUP
PRONOUNCEMENT OF THE SHARIAH SUPERVISORY BOARD
ADJUSTABLE PROFIT PAYMENT
DECLINING BALANCE CO-OWNERSHIP PROGRAM

The Shariah Supervisory Board of Guidance Financial Group ("Guidance") has reviewed the structure and examined the legal documentation of the Adjustable Profit Payment version of the Declining Balance Co-ownership Program (the "Program").

The payments by the Consumer for the use of the Co-owner's share in the property are termed in the agreements as "Profit Payments". The principle of long term *Ijarah*, as determined by the Shariah standards, is that after determining the rent for an initial period in lump sum, the amount payable for next periods may be tied up with a well-known benchmark with a floor and ceiling. On the basis of this principle, the Profit Payments are determined by a formula that utilizes a Profit Factor. The Profit Factor itself is based on a widely-established market index, such as the yield on U.S. Treasury securities. After being predetermined for an initial period, Profit Payments are adjusted annually to reflect changes in the Profit Factor. Additionally, the Program sets limits to the amount by which the Profit Factor can rise or fall from year to year and sets an overall ceiling above which the Profit Factor may not rise.

In the absence of an Islamic alternative, the use of a conventional market index to determine the Profit Factor does not change the nature of the transaction or affect its compliance with the principles of Shariah. Furthermore, this Program is not subject to the ills of *jahalah* and *gharar.* The well-established nature of the index eliminates the potential for disputes and the presence of upper and lower limits on Profit Payments eliminates the parties' exposure to widely unforeseen loss.

The Shariah Supervisory Board is of the opinion that, given prevailing circumstances, the structure and documents governing the Adjustable Profit Payment version of the Program conform with the principles of Shariah.

Agreed this 15th of Dhul-Hijjah 1425 / 25th of January 2005,

Justice (Ret.) Muhammad Taqi Usmani

Dr. Abdul Sattar Abu Ghuddah

Shaykh Nizam Yaquby

Dr. Mohd. Daud Bakar

Shaykh Yusuf Talal DeLorenzo

Dr. Muhammad Imran Usmani