



Hybrid Musharakah + Mudarabaha

Hypothetical Project: Model 1A

Residential Fix & Flip

Parties & Roles

Primary Investor (Rab-ul-Mal – Capital Provider):

- ✓ Invests \$300,000 and holds 75% ownership of the project.

Active Partner (Musharik + Mudarib):

- ✓ Invests \$100,000 and holds 25% ownership of the project.
- ✓ Manages acquisition, renovation, maintenance, and resale.
- ✓ Must maintain full financial and operational records.

HalalVest Real Estate (Underwriter & Compliance Advisor):

- ✓ Provides underwriting, processing, and compliance review.
- ✓ Compensated at closing (service fee, not profit-linked).
- ✓ May also manage escrow, construction draws, auditing, and profit distribution.

Ownership & Profit-Sharing Structure

Ownership (Musharakah Basis):

- ✓ Primary Investor: 75%
- ✓ Active Partner: 25%

Profit Distribution (Mudarabah + Musharakah Hybrid):

- ✓ First, Active Partner receives 25% of net profit as Mudarib (managerial incentive).
- ✓ Remaining profit distributed according to ownership ratio (75/25).

Loss Distribution (Musharakah Basis):

- ✓ Primary Investor: 75%
- ✓ Active Partner: 25%



Example Calculation (Net Profit = \$100,000)

- ✓ Active Partner (Mudarib Share): \$25,000 (25% of net profit).
- ✓ Remaining Profit = \$75,000
 - Primary Investor: 75% = \$56,250
 - Active Partner: 25% = \$18,750

Total Returns:

- ✓ Primary Investor = \$56,250 + Return of Capital (\$300,000).
- ✓ Active Partner = \$25,000 (Mudarib share) + \$18,750 (Musharakah share) + Return of Capital (\$100,000).

Protection & Risk Mitigation

- ✓ Mismanagement Clause:
 - In case of proven mismanagement, the Primary Investor may liquidate and reclaim 75% of equity/profits (post-legal costs).
- ✓ Transparency:
 - Mandatory records of all expenses, invoices, and contracts.
 - Independent oversight by HalalVest as compliance monitor.

Shariah Compliance Basis

Sheikh Taqi Usmani (AAOIFI Shariah Board):

- ✓ Permits combining Musharakah and Mudarabah if roles and contracts are distinct and documented.

International Islamic Fiqh Academy (OIC):

- ✓ Allows hybrid models with clear separation of ownership rights (Musharakah) and management rights (Mudarabah).

Dr. Monzer Kahf (Islamic Economist):

- ✓ Recommends combining Musharakah for equity with Mudarabah for management, as this reduces risk for investors while incentivizing active partners.

Halalvest's Role

HalalVest structures, underwrites, and facilitates the agreement to protect both the Primary Investor and Active Partner.

- ✓ We provide due diligence, property valuation, title review, legal compliance, and funding oversight.
- ✓ We may also manage escrow, construction draws, auditing, and profit distribution until final project close-out.
- ✓ Our goal is to encourage Muslim investors to grow wealth in the real estate sector under full Shariah compliance.