Musharakah

Hypothetical Project: Model 1C

Warehouse Acquisition

Parties

- ☑ Primary Investor (Capital Partner): Contributes $2.5M.
- ☑ Active Partner (Working Partner): Contributes $1M + management (stabilization, leasing, tenant improvements).
- ☑ HalalVest Real Estate: Provides underwriting, compliance, and Shariah supervision; compensated through a fixed service fee.

Step 1: Acquisition

- ☑ Both partners acquire the warehouse jointly for $3.5M.
- ☑ Ownership ratio = Primary Investor 71.4% ($2.5M) / Active Partner 28.6% ($1M).

Step 2: Profit & Loss Sharing

- ☑ Profits: Profit may be distributed at an agreed ratio (e.g., Primary Investor 65%, Active Partner 35%), which can differ from the capital contribution ratio if mutually agreed upon as part of the management arrangement. Technically, the Active Partner receives 6.4% of the net operating income under the Mudarabah structure.
- ☑ Losses: Must follow the capital ratio (71.4% / 28.6%), unless caused by negligence or misconduct.

Ibn Qudamah – al-Mughni (5/3):

"Losses in Musharakah are shared according to capital contribution, while profits may be distributed in any proportion agreed."

Step 3: Active Partner Buyout Option

- ☑ Active Partner has the option to gradually buy Silent Investor's shares at fair market value or pre-agreed prices.
- ☑ Each buyout transaction must be executed as a separate sale contract.

AAOIFI Standard No. 12 (Musharakah/Shirkah):

"It is permissible to agree that one partner will gradually purchase the share of the other partner through separate contracts."

Step 4: Role of HalalVest

- ☑ HalalVest supervises documentation, ensures compliance, and monitors performance.
- ☑ Compensated via a service fee, not profit participation.

Shariah Verdict:

This is a compliant Musharakah model — clear risk-sharing, no guaranteed return, structured buyout option, transparent profit/loss allocation.