Al Mabroor Shari'ah Property Product Overview

The Al Mabroor Shari'ah property product deals with direct property ownership through a common law partnership.

1. There are two types of products.

   a. Regular Income products
   b. Capital growth products

Regular income product

2. Many investors are looking for a regular income, coupled with a degree of capital growth over the medium- to longer term. Common examples are those dependent on savings for a regular disposable subsistence, e.g. widows, retirees, pensioners, etc.

3. Suggested minimum investment is R 100 000. Those wishing to invest lesser will have to make their own private arrangements for pooling of funds. Al Mabroor will only register a single investor with a minimum of R 100 000.

4. Each property unit shall be divided into 20 portions, of 5% each. Thus each property unit shall be owned by 20 natural persons.

5. Al Mabroor will essentially be a management agent. It shall service property, collect rents, manage accounts, and regularly distribute rentals received. It shall also manage a reserve fund on behalf of the partnership.

Example

A. Twenty investors of R 200 000 each approach Al Mabroor.
B. With a pool of R 4 m available, Al Mabroor purchases a property unit, a commercial or industrial property for example for R 3 500 000.
C. The property is registered in the name of the 20 partners, and managed by Al Mabroor. The remaining R 500 000 is kept in reserve to cover expenses, repairs, cost incurred to evict if the need arises, etc.
D. The property purchased will have an existing lease of say R 30 000 a month. Al Mabroor gets a prior agreed upon management fee of 5% or R1 500 per month. Since there is a reserve, the net rental is distributable.
E. Al Mabroor monthly distributes R 1 425 to each partner. (R 1 425 x 20 = R28 500)
F. If assuming there was no reserve, then the full rental will not be distributed. Rather, part of the rental will be kept in reserve, and the remainder distributed.

Note: All amounts throughout this document are for illustration purposes. Actual figures will vary from property to property.

Capital Growth Investment

6. Investors who do not require a regular income will opt for this avenue.

7. Al Mabroor can identify a certain project. The funds for the project will come from 20 investors, with Al Mabroor as the managing agent.

8. A project can consist of any of the following:

    (a) Simply buying and selling existing property.
    (b) Buying property, improving it, and selling.
    (c) Buying land, building thereon, and selling.

9. All the schemes can be used for residential, commercial or industrial property. However, if commercial property is to be rented out, rules are in place as to which types of tenants would be acceptable. For example, renting out to a liquor store, casino, etc. will not be acceptable.

10. Investors can give an open mandate to Al Mabroor, or a closed mandate to Al Mabroor. In an open mandate, Al Mabroor will have the power of attorney to invest funds and act on behalf of clients without consulting with clients on a particular project. In a closed mandate, the use of funds for a particular project will need approval of the client.

Closed Mandate Project

11. Al Mabroor shall indentify a project, draw a complete business plan, estimate returns, plan time-frames, and provide full disclosure of the interest of Al Mabroor in the project, etc.

12. After presenting the business plan, the first 20 investors to agree will be made partners in this specific project.

13. The property shall be registered in the name of the specific investors who have elected to be partners in the particular project.

Al Mabroor's Return

14. In the Regular Income Investment, Al Mabroor shall be the management agent in as far as leasing out the property and collecting rentals. For this Al Mabroor shall be entitled to a percentage of the rentals received, for example 5%. This figure is negotiable with the investors, and should be disclosed upfront.

15. In the case of the Capital Growth Investment, the partnership shall be liable for all expenses related to the property, such as conveyancing fees, transfer duty, maintenance of property, etc. Al Mabroor shall, at its own expense, be responsible for sourcing the property, sourcing an appropriate purchaser and finalising the deal. For this Al Mabroor shall be entitled to a percentage of the net profits. In other words, this is a contingent fee. Should the project not be profitable, Al Mabroor does not receive any gain. Should the project be profitable, Al Mabroor shall receive a percentage of the net profit. Al Mabroor is not required to invest any capital in the property, but only its effort/labour/management of the process.

<u>General Rules of any of the Partnerships</u>

16. A detailed Partnership agreement shall be drawn up.

17. The partners shall share *pro rata* in Profit and Loss.

18. A partnership may, under South African law, not have more than 20 partners. It is therefore the intention that no more than 20 persons shall have an interest in the partnership.

19. At any given time the assets of a partner shall consist of cash, or fractional ownership in a property, or both.

20. All profits shall be capitalised upon realisation.

21. No interest shall be paid by the partnership on any committed capital or on any distributable amount allocated to any partner but not yet distributed to it.

22. Any partner wishing to exit shall give Al Mabroor (the managing agent) one month's prior notice.

23. If there are other investors on the waiting list, the existing partner's share in the property may be sold to new incoming partner. If no willing buyer is available, the existing partner will receive the balance of his *pro rata* cash, and title deeds reflecting his respective co-ownership in the property.

24. The same as in 23 above shall apply, with the necessary changes, upon the death of any partner. The executors or heirs will have to then register as the new co-owners.

25. The partners may not make any drawings from the partnership funds.

26. The partnership shall be liable for:-

    a. all of the reasonable expenses incurred in the establishment of the partnership including but not limited to legal, accountancy, printing, postage and other direct costs of establishment;

    b. all expenses properly incurred in relation to the ongoing business and administration of the partnership including, without limitation, legal fees, auditors' fees and litigation costs.

    c. all transaction and potential transaction related expenses including, without limitation, advisory costs, stamp duty;

    d. all investment holding costs, including the costs of custodians or nominees;

    e. any taxes, fees or other charges (including VAT) imposed on the partnership by any governmental authority (whether within or outside of South Africa);

    f. costs and expenses payable in connection with the dissolution and liquidation of the partnership;

27. No loans from the partnership funds to any partner, or any other party, will be allowed, and accordingly the partners will not hold any loan accounts with the partnership.

28. No partner may represent the partnership, save where Al Mabroor itself is a partner. Al Mabroor shall be the sole representative of all the dealings of the partnership.

29. No partner shall:

    a. employ any moneys, property or effects belonging to the partnership or engage the credit thereof or contract any debt on account thereof;

    b. compound, release or discharge any debt due to the partnership;

    c. do or knowingly suffer to be done any act or thing whereby the property or effects of the partnership or any part thereof may be attached, seized or taken in execution;

    d. encumber, mortgage or charge his/her/its interests in the partnership or in the profits thereof;

e. pledge or alienate or dispose of or in any other way deal with any assets of the partnership to the detriment of the partnership or any partner thereof.

30. No partner shall be entitled to renounce the Partnership or give notice to dissolve it save as expressly provided for in the Partnership agreement and a repudiation shall not dissolve the Partnership.

General Rules regarding Transactions

31. All transactions shall be for cash, and no credit shall be offered.

32. All movement of funds shall be via the relative bank accounts. No hard cash will be dealt with.

33. All the various schemes shall strictly comply with the relevant laws and regulations of State, and be as transparent as required by sound accounting principles.

34. All deals shall be restricted to property in South Africa.

Trust Account

35. Al Mabroor shall arrange with a registered attorney to hold funds in its Trust Account. All funds received from investors shall be kept in this account.

36. A person (or committee) external from Al Mabroor shall be appointed by the Darul Iftaa, called the Protector.

37. Whenever payments are to be made from the trust account, Al Mabroor is to make a formal written request to the Protector for release of funds, providing full details of the nature of the transaction for which funds are being released. The Bank is not allowed to release funds without the written approval of the Protector.

38. All incoming funds belonging to any investor are to be kept directly and immediately in the Trust account.

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