

Dear Rabbi Fried,

I am Jewish and contemplating entering into a real estate partnership agreement with another Jew. I wonder what type of exit strategies should be worked out in case it doesn't work out after time, or perhaps we don't need to do so as we would be governed by Jewish law. Are there Jewish laws concerning dissolving partnerships?

Mel Z.

Dear Mel,

I will provide you a nut-shell sketch of some of the Jewish laws concerning dissolving a partnership, as outlined by the *Code of Jewish Law* (Ch"m Ch.171):

Not always does one partner have the right to dissolve a partnership over the objection of the other, such as when it would cause a loss. This is a complicated issue we will not discuss here. When the partners have the right to dissolve the partnership, they must follow certain guidelines in Jewish law, and there are various methods governing the dissolution of the partnership.

1. The first option is to distribute the partnership's property equally among the partners, such as equally distributing vacant lots, assuming they are identical in value. If they are not identical, each lot could be divided into sections, if that does not diminish functionality or value in a significant way.
2. If the functionality or value would be diminished, there is a process call "*Gud Agud*", where one partner buys out the other. The party that institutes the *Gud Agud* sets a value for the partnership. The other partners are given a choice to either accept the buyout offer at the price set, or they may buy the first partners share of the business at the same price. The price may not be below the true marked value of the partnership. The party initiating the process much have the financial wherewithal to perform the buyout himself. The other parties have 30 days to do the buyout, if they so choose.
3. Another possibility is for the properties to be rented out and the partners share the proceeds. If one partner wants to rent it all, he has the right to do so. If they both so desire, a *Gud Agud* could be done on the rental rights.
4. Lastly, the partners could alternatively use the entire property by a mutually agreed dissolution policy.

As the laws of dividing a partnership can be quite complex, it is very advisable to negotiate a mechanism for dissolution of the partnership before entering into the partnership agreement. The parties should consult with an experienced Dayan, or judge in a Jewish court who is an expert in monetary matters for an agreement that will protect both parties, as well as will allow an orderly, friendly and mutually agreement mechanism for dissolving the partnership in the event it becomes necessary. If this was not done, such an authority certainly needs to be consulted with upon dissolving the partnership to be sure the parties are staying within both Jewish and civil law.

As the laws of Torah and Judaism are timeless, and the Torah system is not a religious system per se, rather a way of life, all major life questions, including business questions, have an answer in our Torah literature. This allows us to infuse holiness in all areas of our lives.