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Haredi housing investors awarded NIS 7.5 m

By JERUSALEM POST STAFF
01/03/2012

Tel Aviv District Court awards British investors in Yeroham haredi housing project awarded NIS 7.5 million plus interest.

The Tel Aviv District Court awarded a group of seven British property investors NIS 7.5 million plus interest this week after finding that a man they entrusted to manage a loan they gave for a haredi public housing project had used the funds for purposes other than those originally intended. Judge Eliyahu Bachar ordered the defendant, Zion Bar-El, to pay the plaintiffs NIS 7.5 million plus a further NIS 400,000 in expenses and legal fees.

In 2005, investors Haim, Morris, Israel, Shimon, and Yosef Kaufman, Michael Litzer and Mendel Kreditor, all haredi entrepreneurs from the United Kingdom, agreed to invest \$2.1 million in a housing project in Yeroham, which was to be marketed to the haredi community.

They did so for ideological reasons – to help provide public housing solutions for Israeli haredi Jews – and also to allow them to purchase discounted apartments in the project, according to their lawyers, attorneys Yuval Bracha and Meital Grinberg.

However, when the Yeroham project fell through and the investors asked for their investment capital to be returned, they discovered the money had apparently been used for other purposes and without their consent.

The task of managing the investment funds was entrusted to Bar-El, who held it in trust in the bank account of a company named Forum Architects Ltd.

Another man, Israel Abramov, also named as a defendant, acted as Forum Architects' owner and CEO.

As a result, the seven brought a lawsuit in the Tel Aviv District Court against Bar-El, Forum Architects and Abramov as well as two others, claiming the defendants had not used the funds for their intended purpose, and accusing Bar-El of violating his duty as a trustee of the money.

Also named as plaintiffs in the lawsuit were two other companies involved in the project, Eretz Hakodesh and Binyan Shalem, both of which specialize in marketing haredi housing projects, and Rabbi Menachem Blumenthal, who manages Binyan Shalem.

The three companies - Binyan Shalem, Eretz Hakodesh and Forum Architects - were involved in developing the Yeroham project, and had located suitable land owned by the Israel Lands Authority (ILA) and had issued a public tender for the construction.

According to the investors' lawyer, Bracha, the project developers offered the investors a risk-free agreement, according to which their investment capital would be returned should the project fall through.

Before the investors transferred their loan capital, they signed a tripartite agreement with Bar-El, which also included provisions that the loan money would be deposited in a specific bank account in the name of Forum Architects and that Bar-El would serve as the only authorized signatory to the account.

Shortly after the agreements were signed, the ILA canceled the tender granted to the building contractor, Zaguri A.D. Building and Development Ltd, after it failed to complete the payments required under the terms of the tender. The investors offered Forum Architects the alternative of using the funds for another public housing project in Lod or Harish, under exactly the same terms as before.

In 2007, Bar-El transferred his shares in Forum Architects and his role as director to another man, David 'Didi' Harpaz, and asked the investors if they would agree to use the money to invest in projects in China. They

refused.

However, the court found that money from the account held by Forum Architects had used the money to pay expenses unconnected to any Israeli projects.

In court, lawyers for the seven investors alleged that Bar-El had used the money for his own means and had written fictitious check stubs to cover up the withdrawals from the bank account.

Throughout the lawsuit, Bar-El denied all the allegations against him, and said the disagreement between the parties was simply a business dispute.

Bar-El argued that he had never made any personal promise regarding the funds, which had been in the form of loans given over in trust.

Bar-El said the loans were used for investment purposes that could have born considerable fruit but unfortunately failed, and argued that the lawsuit was a conspiracy directed against him personally.

In ordering Bar-El to pay the seven investors NIS 7,557,183 plus interest, Judge Bachar said he had been responsible for the loan money held in the special Forum Architects account.

“When, as the responsible person, he withdrew money for reasons that were not those for which the monies were given, he violated his duty as a trustee,” said the judge.

In response, Bar-El’s attorney, Elisha Cohen, said that the ruling referred only to Bar-El’s private business activities and were not connected in any way with any activities undertaken by Bar- El’s law office. Cohen further emphasized that the court had stated explicitly that the ruling was unconnected to Bar-El’s activities as an attorney.



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