

Igal Ahouvi Guilty Verdict Sends Landmark Message to Controlling Shareholders Regarding Their Obligations

Igal Ahouvi appeal rejected by Israeli District Court, stating he was "grossly negligent".

TEL AVIV, ISRAEL, November 17, 2022 /EINPresswire.com/ -- The landmark ruling relates to disclosure obligations expected of a controlling owner.

Tel Aviv District court Judge Yaakov Sharvit recently reinforced the verdict in the case of billionaire Yigal [Ahouvi](#) (case no 66058-10-21). He ruled that Ahouvi was "grossly negligent" by not reporting on a private transaction while he was the controlling shareholder of the Ravad real estate company. Judge Sharvit adopted the determinations of the enforcement committee from 2018 regarding Ahouvi and found him responsible for gross negligence in the case called "The Hazelbrook Deal".

Failure to Report

In 2018, Ahouvi was the owner and chairman of Ravad, a public real estate company. Ahouvi also engaged in private real estate activity and therefore formulated an "activity demarcation arrangement" according to which he undertook not to compete with Ravad.

In violation of the agreement, Ahouvi began negotiating an 18M euro real estate purchase in 2018 in the Hazelbrook project in Dublin, Ireland. The deal was completed without Ahouvi notifying anyone at Ravad. Ahouvi eventually informed the company about the deal. Shortly after, the company announced the deal through a filing, and stated that the controlling owner would offer the deal to the company.



Igal Ahouvi

Administrative Enforcement Committee Ruling

In August 2021 the Administrative Enforcement Committee determined that Ahouvi violated his obligation by not reporting the Hazelbrook deal in a timely fashion and also by not reporting the violation of the activity demarcation arrangement. The committee defined Ahouvi's actions as "extremely negligent conduct, which amounts to a real deviation from the reasonable level of caution."

The committee imposed a NIS 350,000 fine and a one-year term restriction on Ahouvi, as well as identical suspended sentences.

Ahouvi appealed the enforcement committee's ruling and specifically objected to the determination that he "concealed" the Hazelbrook deal from the company and its legal advisors.

District Court Ruling

Judge Sharvit's 2022 ruling emphasizes the great importance of activity demarcation arrangements in cases where controlling shareholders also have private businesses. He also emphasizes the obligation to disclose any material information to the investing public, stating that it is enough that Ahouvi did not inform on time about the Hazelbrook transaction for his conduct to be considered gross negligence. Despite the severity, Sharvit decided to ease the sanctions. He reduced the fine to NIS 200,000 instead of NIS 350,000 and shortened the term limiting Ahouvi to eight months instead of one year.

Landmark Implications

The ruling is a landmark and will assist in future enforcement, as it establishes strict norms of behavior expected from a controlling owner with a managerial or fiduciary role. Accordingly, when a controlling owner is a senior official such as the chairman of the board of directors, he has an "increased duty of disclosure".

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