

**The Court denied a claim in its entirety for the payment of compensation for non-performance of a contract or reliance compensation. The claim alleged the existence of a partnership in a management company.**

**Defendants represented by FBC Lawyers:** Noa Barhum, Nofar Mizrahi, Shir Livneh Samuel

Our firm successfully defended the company Tour Club S.S. Ltd. and its shareholders in a claim filed with the District Court (Tel Aviv) which alleged the existence of a binding contract between the plaintiffs and the defendants in whose framework the plaintiffs and the defendants allegedly agreed to compete together to win a tender for Tour Club to manage a hotel in Netanya.

The plaintiffs argued that after they invested many hours of work the defendants breached the contract, and as a result they are entitled to compensation for the non-performance of the contract amounting to NIS 10,514,508, or alternatively compensation for their reliance interest damages amounting to NIS 555,508.

The defendants argued that a binding contract was never formed with the plaintiffs and that they did not cooperate with them, but rather negotiations were indeed held between the parties in which they assessed the worthwhileness of the investment - but these negotiations failed to culminate in the formation of a binding agreement.

In her judgement the Honorable Judge Hanna Plinner denied the claim in its entirety. The Court established that the conduct of the parties had to be interpreted in light of the close relations between some of the defendants with some of the plaintiffs who knew one another since childhood. In this context the concern for such close relations to "break down" is not similar to the concern which exists in regular relations, and for this reason the defendants had no discomfort to present the plaintiffs as their partners, even though it was clear that a binding contract had not yet been formed between them. After the Court found that there was no binding contract, it found that the defendants' withdrawal from the negotiations was done in good faith. The Court arrived at this conclusion after it considered the plaintiffs' conduct, including the new demands which the Plaintiffs set at advanced stages of the negotiations – among which was the substantial economic demand to receive management fees - as well as the plaintiffs' failure to fulfill its promise to invest in Tour Club.

Due to the extensive scope of the legal proceedings, and the fact that the claim was denied in its entirety, the Court awarded the Defendants costs in the amount of NIS 75,000 (not including VAT).