

Better block against Wertheim?



Better block against Wertheim?

The Catalyst Funds deal to buy BOS Better Online Solutions may help company president Israel Galstop stop former chairman Aviram Wertheim from gaining control.

Avishay Ovadia 28 Nov 02 18:25

[BOS Better Online Solutions](#) (Nasdaq: [BOSC](#)) announced an agreement with [Catalyst Fund](#) today, under which the fund will buy 16.7% of the company. BOS develops IP-based point-to-point telephony solutions for call centers for small and medium enterprises. Catalyst is an Israeli venture capital fund that specializes in the European market.

The purchase appears to be a blocking strategy prepared by BOS president Israel Gal, who owns 20% of the company (after the dilution), against BOS's previous chairman Aviram Wertheim who, with his associates, quit three months ago over differences of opinion. At the time, Wertheim, who owns 20% of BOS (fully diluted), had two alternatives: concede and sell his investment, or fight to win control of the company.

However, Gal is trying to explain the Catalyst deal as an ordinary financial transaction. "I don't think this will prevent anyone from doing anything. There is no intention of blocking anybody. As a company, BOS needed some things, and this agreement meets some of those needs. In any event, there is no voting arrangement between Catalyst and me, and it is quite possible that Wertheim will join forces with them tomorrow against me. Nevertheless, I believe their perspective conforms with mine. I talk with them all the time, and they have confidence in BOS and its business, in contrast with Wertheim Holdings."

Under the agreement, which depends on the approval of BOS and Catalyst's boards of directors and due diligence, Catalyst will own 16.7% of BOS, in exchange for Catalyst transferring up most of its 6.3% holding in [Surf Communications Solutions](#) to BOS to give BOS up to a 17% holding in Surf. Surf develops software-based access solutions that provide enabling technology to OEM systems providing data modem, fax, and voice services over packet telephony networks

BOS will also receive a three-year option to the Catalyst's remaining 2.3% holding in Surf for \$1.2 million.

Catalyst invested \$3 million in Surf as part of a \$22 million financing round at a company value of \$48 million a year ago. It selling the investment for \$1.8 million, while receiving BOS shares at their market price of \$0.70, reflecting a market cap of \$9 million, after money.

Catalyst Fund co-CEO Edouard Cuckierman said, "Our investment in BOS is very substantial. We have confidence in the company and its inherent potential. We decided to invest in the company in addition to the above-mentioned deal, and we intend to increase our holding by buying shares on the market."

"Globes": How much will you invest?

Cuckierman: "We cannot exceed our stake above 25% under SEC regulations, or we'd have to file an offer to purchase. However, I don't want to comment further, as I don't want to influence the [share] price."

Will you join forces with Gal against Wertheim who is suspected of trying to gain control of BOS?

"I come from the financial world. I operate in the context of an investment house the focuses on the European market, and we intend to maximize the company's value. That is also the aim of the other shareholders, including Israel Gal and Wertheim Holdings. In any case, we look at the business and we may become a factor on the company's balance sheet. We'll inject new blood into the company, which will have a positive effect and provide vision to benefit everyone."

Published by Globes [online] - www.globes.co.il - on November 28, 2002