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**Fight to the death**

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The PR war is escalating.

Six years after investing heavily in Israeli stent-maker Medinol, [Boston Scientific](#) (NYSE:BSX) summoned a writer from Israel's most popular newspaper, *Yedioth Ahronoth*, to its Boston offices.

Boston described its future developments, its medical-gear business and mainly, its feud with Medinol and the Israeli company's founders, Judith and Kobi Richter.

The story is a fascinating one. Medinol is apparently one of the five most profitable privately-held companies in Israel, and one of the most profitable, period.

Medinol sells its stents through Boston Scientific. Stents are tiny wire-mesh tubes used to keep open cardiac vessels cleared of blockages by surgery. Its stents were developed by Gregory Pinchasik and Kobi Richter himself.

Medinol does not release its results. But Boston is a public company, it owns 22% of Medinol's equity and serves as Medinol's exclusive marketer, and it publishes financial statements.

Its reports show that over five years, Medinol sales came to half a billion dollars. Efficient production ensures a high profit margin for the Richters.

*Yedioth Ahronoth* sent its writer to Boston a month ago. Yesterday the paper published a lengthy article, presenting Boston's side of the legal wrangle with Medinol. Boston would prefer to end the battle outside the courts, its chairman declared.

**Boston's claims against Richter**

But despite the conciliatory tone of that comment, the purpose of the interview with *Yedioth Ahronoth* was clear. Boston is gearing up for the most important legal battle the Richter family has ever undergone.

Like many legal wars, it won't be confined to the courtroom. Its ripples are spreading to the capital market, to the business community, and naturally to the media too.

Boston's method of war is also clear. It will take advantage of the name Richter has earned for himself in the business sector: A genius entrepreneur, a brilliant businessman, and a hardnose who can only do things one way – his way.

Boston will claim that Richter ousted his partners in Medinol, Bernard Goldwasser and the Polaris venture capital fund. Now, it will claim, Richter wants to part ways with it too by imposing enormous pressure on Boston

to buy him out entirely at an irrational price.

### **Caught red-handed**

But Boston has a problem. Subsequent to a probe by the U.S. justice authorities, the Richters managed to get their hands on internal Boston documents indicating that Boston tried to duplicate Medinol's production technology behind Medinol's back.

The fact that the Richters possessed these documents came to light only three months ago, after 18 months of negotiations between the Richters and Boston failed, and the Richters sued.

Then it suddenly became apparent why the Richters had behaved so aggressively in their talks with Boston, and why they were demanding such an exorbitant price for their Medinol shares.

First of all, the Richters believe their partner, Boston, defrauded them. Secondly, they believe, they caught Boston red-handed.

Boston has not yet responded fully to the revelations of the documents exposed in the Justice probe. Its officials have plenty of explaining ahead. Such as why they wrote sentences like the following:

"Many people in BSIL (Boston Scientific Ireland) are not aware of Project Independence (namely, a project for Boston to achieve independence of Medinol) but are receiving e-mails from folks in SciMed on this topic. Eric and I spend an increasing amount of time telling white lies about this activity to our people to keep them in the dark." (From a Boston manager, dated February 25, 1999.)

Or how does the following sound? 'Given that this project has always been on a "need to know" basis and has a potentially catastrophic impact on our relationship with Medinol it is absolutely essential that we treat it as such" (From a Boston manager, dated October 20, 1999.)

Or what about this, regarding the "BBD project" – short for Bringing a Better Deal (than Medinol)? "Guys, I think we should false-sign these (BBD) prints. \*\*\*\* you should sign your name but we should use alias for the rest of us." (From a Boston manager, dated February 9, 1998.)

### **The options: Stent by me**

Indeed, these extracts from internal documents raise questions about Boston's intentions toward its partner. The Richters' possession of the documents could explain its tough negotiating stance.

But their talks may not have been torpedoed due to Medinol's extravagant price demand. The problem may have been how to pay. Boston is not flush with cash. For months an investment bank serving both sides tried to find an inventive way to finance a takeover of Medinol by Boston for more than a billion dollars. When that failed, the Richters went to court.

The Richters traditionally kept their business out of the public eye. The splashy nature of its spat with Boston, which may wind up being one of the biggest lawsuits an Israeli company has even become embroiled, puts an end to their habitual quietness.

Their battle to divorce could have one of three outcomes.

One: Boston finds a way to bypass Medinol while dragging out the legal battle over years. In this scenario, the Richters would find themselves controlling a company of steadily shrinking value.

Two: Both companies lose the stent market to rivals while they slog it out.

Three: Boston and the Richters come to their senses and settle outside

the court. Boston buys Medinol and the Richters become the richest people in Israel, in cash terms.

