Nestar In Merger Talks With Sam Wyly

By Kathy Chin

PALO ALTO, CALIF. — Local-area network pioneer Nestar Systems Inc. is negotiating to be acquired by a group of private investors led by Sterling Software Inc. chairman Sam Wyly.

The exact value of the proposed deal could not be determined and Wyly declined to acknowledge the discussions. But Nestar president Charles Hart confirmed that his company is negotiating with Wyly's group and said the contract should be completed in about 30 days.

Hart said details of the deal have yet to be finalized by Wyly and London-based Rank Organization Ltd., Nestar's 80 percent owner. The other 20 percent is owned by Nestar employees.

Rank has had Nestar on the selling block for months, ostensibly because Nestar did not fit in with Rank's other ventures. "We were Rank's only technology company," Hart said.

If the deal goes through, it would bolster Wyly's presence in the data communications market.

Sterling Software recently acquired Informatics General Corp., which makes micro-to-mainframe software.

Wyly is also chairman of Dallas-based NetAmerica, a long-distance communications company.

Along with Nestar Systems, Wyly's group would own Nestar's sales and support subsidiary in Britain, formerly Zynar Inc., recently re-

Nestar In Negotiations To Be Acquired

named Nestar U.K.

Through his secretary, Wyly said: "I know the folks at Nestar. Nice people. Great products, but I have no announcements to make at this time."

Hart said 5-year-old Nestar, known for its Plan Series LAN file servers, made a slim profit in 1984 when the privately held company garnered $10 million in sales. The profit was put right back into the company for development, he said. Hart expects the company will have about $15 million in revenue in 1985, again showing a marginal profit.

When the acquisition is complete, the 120-employee team at Nestar will remain intact and management will not be affected, Hart stated. He said he will remain president, Peter Hertan will retain his post as marketing vice-president, and Ray Heely will remain sales vice-president. Founder Harry Saal is expected to stay on as chief scientist.

Hart also said Nestar employees will keep their 20 percent stake. Under current company policy, employees who stay a year at the company can obtain stock. "This aspect of employee ownership was important in looking for a buyer," Hart said. "I feel company ownership is very important for motivating people. In fact, we don't have much turnover here. People stay. We even have a company cat who has stayed, and he doesn't own any stock."

Hart said he met Wyly six months ago through a business associate, Mack MacCain, who has participated in a consulting role with several of Wyly's enterprises. MacCain refused to comment on the takeover efforts.

According to Hart, the company name might be changed to Nestar International.

"We expect to go public sometime within the next 12 months. Yes, that is definitely in the plan. It may be sooner. Many of our counterparts have already done so." LAN vendors Ungermann-Bass Inc., 3Com Corp., and Bridge Communications Inc. have gone public during the last 18 months.

Hart said he hopes to enter into joint development alliances with NetAmerica and Informatics. Unlike Rank, Wyly's proximity and experience with technology companies will give Nestar more "contacts and guidance than now," he said.

The acquisition talks come at a time when Nestar's upper management is again in the midst of redirecting the company's LAN efforts, this time to focus on the expected IBM token-passing ring LAN.

When the company was formed, it sold board products that transformed Apple Computer Inc. micros and IBM PCs into file servers. In 1982, Nestar began developing dedicated file servers that are linked in the network via coaxial cable. Its products support Datapoint Corp.'s ARCnet and Xerox's Xerox Network Systems Ethernet networking protocols. The company boasts of installations in Fortune 500 companies, including Bristol Myers Corp., CitiCorp, and General Motors Corp.

Hertan said, however, that Nestar will "strongly" support IBM's token-ring LAN.

After the IBM token-ring is announced, Nestar will unwrap a series of hardware products that will enhance the network, Hertan said. "We welcome its introduction," he stated. Hart wants Nestar to be known as a key supplier of token-ring products; much of the company's attention will be focused on token-ring development.