

# Business

---

**\$378 million Tymshare sale falls through**

**By Roger Rapoport  
and David Sylvester**  
Business Writers

Tymshare Inc., the Cupertino computer services and data communications company headed to the altar with McDonnell Douglas Corp., said Monday that the corporate nuptials are off.

Tymshare Chairman T.J. O'Rourke said that "negotiations with McDonnell Douglas Corp. toward the sale of Tymshare Inc. have been terminated." Although McDonnell Douglas confirmed talks had been terminated, the company declined to say why. A spokesman for the company did say that the St. Louis aerospace firm's decision on Friday to purchase closely held Hughes Helicopters Inc. "was not a factor in the termi-

nation" of the Tymshare negotiations.

The news was tough on Tymshare shareholders. Following the announcement, the stock plunged  $5\frac{3}{4}$  to  $19\frac{1}{8}$  Monday in New York. McDonnell Douglas shares spurted  $1\frac{3}{8}$  to  $57\frac{7}{8}$ .

Word of the impending break began leaking Friday, the same day McDonnell Douglas announced its plans to buy Hughes Helicopters for \$470 million. The Hughes company, a separate asset of the estate of Howard Hughes, is developing the advanced Apache helicopter for the U.S. Army.

Michael Murphy, co-editor of the California Technology Stock Letter, said he believes the proposed purchase of Hughes helicopter changed McDonnell Douglas's calculations and gave Tymshare a chance to

cancel the deal.

After committing money to Hughes, McDonnell Douglas wanted to buy Tymshare with stock, not cash, to conserve cash resources, Murphy said. Under the original agreement with Tymshare, McDonnell Douglas had to decide whether it would pay cash or stock for Tymshare by next Friday even though the final deal would not be settled until next March.

But with its stock possibly rising in value over the next few months, McDonnell Douglas was afraid of being locked into paying for Tymshare with a fixed number of shares so long before the final agreement, Murphy said.

Instead, McDonnell Douglas wanted to pay for the deal at the price of its stock

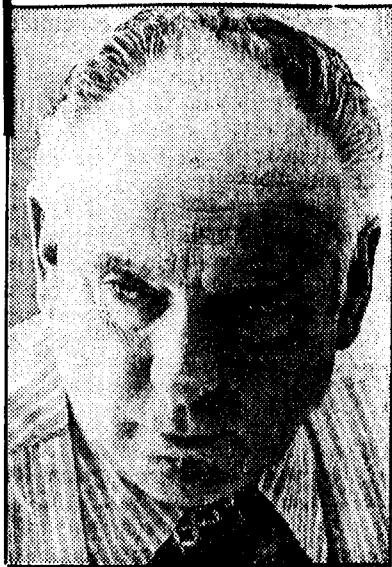
closer to the settlement date, Murphy believes. When the idea was discussed with Tymshare, Tymshare's unhappiness with the deal surfaced, he said.

"That gave Tymshare the opportunity to blow the deal up," he said.

Tymshare managers felt all long the price for the sale was too low, Murphy said. Tymshare's business should rebound strongly as the economy expands, and earnings will improve, he said.

Other industry analysts differed. George D. Shapiro, aerospace analyst at Salomon Brothers in New York, said he believed \$31-a-share cash price was too expensive for McDonnell Douglas. He doubted the two companies would reopen negotiations but

*Continued on Page 12D*



**T.J. O'Rourke**  
*... Talks 'terminated'*

# Tymshare takeover falls through

*Continued from Page 10D*  
thought McDonnell Douglas will still seek to buy a computer services company.

Fred W. Kittler Jr., defense stock analyst at First Albany Corp., said McDonnell Douglas may have had second thoughts about diversifying its business further through the Tymshare acquisition.

Instead, McDonnell Douglas showed its strong commitment to the military and aerospace business when it announced the tentative plan to buy Hughes Helicopters, Kittler said.

Termination of the proposed \$378 million Tymshare acquisition

marks the second time this fall that a potential Tymshare takeover has fallen through.

Interest in Tymshare picked up last August when Wang Laboratories Inc. of Lowell, Mass., bought 530,800 shares in the Cupertino firm. Although Wang sold its shares on the open market in September for a \$4.3 million profit, other firms soon began taking a close look at Tymshare as a merger candidate.

Tymshare's big attraction is its Tymnet data communications network. Tymnet is one of the best networks of its kind, according to Joe Kapka, vice president and senior technology analyst with

Bateman Eichler in Santa Clara.

"I'm a little puzzled myself by the fact that Tymshare made the announcement," Kapka said. "I had heard that there were dissidents on the board of McDonnell Douglas. These board members were concerned about Tymshare's recent third-quarter net loss of \$2.2 million. There was also concern about the long-term desirability of the timesharing business."

Kapka, a student of this deal, added that he does not subscribe to this negative view personally. "I think that Tymshare is taking the right steps in its timesharing business and there are signs that there are better times ahead for them."