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Memo: For more information on court documents from the case, check out Matt Marshall's blog at www.SiliconBeat.com.

NISHAN FOUNDER SETTLES SUIT AGAINST VENTURE CAPITALISTS

MATT MARSHALL, *Mercury News*

By Matt MarshallMercury News Aamer Latif, founder of San Jose's **Nishan** Systems, has settled a lawsuit he filed against venture capitalists at the company, alleging they had cheated him and other shareholders out of a just return.

Both sides agreed not to divulge details of the settlement, which was reached last month.

Latif filed the suit in 2003 against Roland Van der Meer of ComVentures, Gill Cogan of Lightspeed Ventures and several other parties. Latif said they struck an unfair deal to sell **Nishan**, a storage networking company, to McData for \$85 million in September of that year.

According to Latif, the investors enriched themselves by providing insufficient information about bridge loans taken before the merger, which guaranteed a hefty return for those investors but wiped out most of the return for common shareholders. Latif said they then fraudulently bought votes to win approval of the merger.

When he filed the suit, Latif had said he was trying to set a precedent in Silicon Valley.

The settlement comes at a time when a similar case is just getting under way.

Last month, three founders of another local company, Epinions, sued venture capitalists at August Capital and Benchmark for cheating them out of millions of dollars. Like **Nishan**, that case also involved investor-favoring liquidation preferences and an acquisition by another company.

It's not clear how the **Nishan** settlement will help establish a precedent for future cases. Latif declined comment, and Lightspeed and ComVentures did not respond to requests for comment.

However, Latif's lawyer, Rony Sagy, said Latif has "done a great thing for the community. He was willing to sue the majority shareholders and directors who did not follow corporate governance laws. Usually people are not inclined to sue because they don't want to upset powerful people."

While Latif had never ruled out a settlement, his side had once threatened to appeal the

case to the Supreme Court.

When the Mercury News first reported about the case in 2003, Latif separately took out a full-page ad on the back of the paper's Business section, telling readers to go to www.enronvalley.com, a site he had set up to explain the details of his case. Despite several amendments to the case over the past year, though, he hasn't updated his site since January 2004.

Latif's settlement was made on his behalf, so its not clear whether other common shareholders will get any proceeds from the settlement. About \$13 million of the net proceeds from the **Nishan** acquisition were put in escrow to handle possible legal challenges. But after deducting the legal fees spent in the case, there may be little left over. The defendants had employed two high-powered law firms on the case, O'Melveny & Myers and Shearman & Sterling, for more than a year.

For more information on court documents from the case, check out Matt Marshall's blog at www.SiliconBeat.com. Contact Matt Marshall at mmarshall@mercurynews.com or (415) 477-2518.

Illustration:Photo

PHOTO: RICHARD KOCI HERNANDEZ -- MERCURY NEWS ARCHIVES

Aamer Latif stands in front of **Nishan** Systems in San Jose in November 2003. He claimed that venture capitalists struck an unfair deal to sell the storage networking company to McData for \$85 million in September of that year.

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