HP investor sues company for handling of 2 deals

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

Hewlett-Packard now has a legal headache to compound its misery as the company tries to recover from a series of setbacks that have hammered its stock price and raised doubts about its future.

An HP stockholder who owns 200 shares is suing the company in a complaint that alleges management concealed problems in two key acquisitions that have turned into financial albatrosses.

The lawsuit filed Monday in a San Francisco federal court comes after Hewlett-Packard Co. stunned Wall Street last week with its own allegations of accounting shenanigans at Autonomy, a business software maker acquired for $10 billion last year. HP referred its findings about the alleged fraud to securities regulators in the U.S., and the United Kingdom, where Autonomy was based before the acquisition.

Other shareholder lawsuits are likely as investors try to recover some of the wealth that has evaporated since HP replaced Mark Hurd as its CEO in August 2010.

The revelations of a suspected accounting scandal within Autonomy caused already skittish investors to dump HP's stock. HP had already been losing favor because its personal computer and printer businesses have been faltering as more people buy smartphones and tablet computers.

To make matters worse, HP disclosed in August that its $13 billion acquisition of technology consulting service Electronic Data Systems wasn't working out as well as management envisioned.

The trouble in Autonomy and EDS has forced HP to absorb nearly $17 billion in accounting charges in the past two quarters, resulting in the biggest losses in the company's 73-year history. The Autonomy deal was negotiated while HP was being run by Leo Apotheker, who was ousted 14 months ago. The EDS acquisition closed in 2008 when Hurd was still in charge.

Monday's lawsuit filed by shareholder Allen Nicolow also alleges that HP knew that the EDS and Autonomy deals were duds long before management acknowledged the problems. The complaint alleges HP's management tried to whitewash things in an attempt to prop up the company's stock price.

HP, which is based in Palo Alto, California, declined to comment on the lawsuit.

HP's shares closed Monday at $12.74, leaving them worth less half their value at the beginning of the year. The shares peaked this year at $30 in February. Nicolow bought 200 shares of HP stock at $21.87 in May, leaving him with a paper loss of about $1,900 at Monday's close.

Nicolow's lawyers are hoping to get the lawsuit certified as a class-action representing all HP shareholders who bought the company's stock between Aug. 19, 2011 and Nov. 20 this year.

The lawsuit seeks unspecified damages from the company, Apotheker and current HP CEO Meg Whitman. Catherine Lesjak, HP's chief financial officer, and James Murrin, the company's chief accounting officer are also named as defendants.

In statements last week, Whitman said HP didn't learn about Autonomy's alleged accounting ruse until a whistleblower alerted her after she replaced Autonomy CEO Mike Lynch in May. Lynch maintains Autonomy did nothing wrong and that HP came up with the allegations of deceptive accounting to cover up the damage caused by its own bad management.

Source URL (retrieved on *03/09/2014 - 8:14am*):
http://www.ecnmag.com/news/2012/11/hp-investor-sues-company-handling-2-deals