HP rebuffs attempt to oust 2 directors from board

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

MOUNTAIN VIEW, California (AP) — Hewlett-Packard Co. on Wednesday barely rebuffed a shareholder rebellion aimed at ousting the two longest-serving directors from personal computer maker's board.

Shareholders had sought the board members' ouster as punishment for a series of botched acquisition and other pratfalls that have decimated HP's stock price.

John Hammergren and G. Kennedy Thompson both were re-elected by unusually narrow margins during HP's annual shareholder meeting. The results were based on preliminary tallies that still need to be certified.

Hammergren, an HP director since 2005, received support from nearly 54 percent of the ballots cast. Thompson, board member since 2006, was backed on 55 percent of the ballots.

At last year's annual meeting, Hammergren and Thompson each received 81 percent of the vote.

Directors standing for re-election at most publicly held companies typically are backed by overwhelming margins. All but two of the other nine HP directors, including CEO Meg Whitman, were supported by at least 80 percent of the vote.

The other HP directors facing significant resistance were Chairman Ray Lane, who was backed by 59 percent of the vote, and Marc Andreessen, who was was supported on 70 percent of the ballots.

If any of the directors had received less than 50 percent of the vote, they would have been required to submit their resignations under HP's rules.

The dissent against Hammergren and Kennedy still may have been strong enough to shake up HP's board, based on a response given by another director to a shareholder question during Wednesday's 80-minute meeting held at a computer history museum in Mountain View, California.

"I think you can expect to see some evolution of the board in the coming years, months maybe," said Ralph Whitworth, a shareholder who joined HP's board in 2011.

Disgruntled shareholders said Wednesday's vote will embolden them to keep pressing for a board overhaul.

"Shareholders have sent a clear message that the directors most responsible for HP's recent debacles must be held accountable," said New York City Comptroller

John Liu, who oversees a group of pension funds that voted against Hammergren and Thompson. "The onus is now on the board to take the steps necessary to ensure that all of its directors enjoy broad investor support."

Whitman, HP's CEO for the past 18 months, gave all the board members a vote of confidence in response to one of the other dozen shareholder questions posed at the meeting.

"I feel like the line-up we have right now is actually helping us turn around the company," she said.

Hammergren, the CEO of pharmaceutical drug distributor McKesson Corp., and Thompson, the former CEO of troubled bank Wachovia Corp., had drawn the ire of shareholders upset by soured acquisitions that have saddled HP with more than $17 billion in losses during the past two years. Hammergren and Thompson were targeted because they have been on the board for the longest periods and are involved in committees that had oversight over the deals.

Two shareholder advisory firms, Institutional Shareholders Services and Glass Lewis & Co., had recommended both men be removed from the board. ISS also opposed Lane's re-election while Glass Lewis had supplemented its arguments against Hammergren and Kennedy by coming out against Andreessen and Rajiv Gupta, too.

Wednesday's meeting might have turned into an even bigger gripe session if not for a recent upturn in HP's stock price. The shares have surged by more than 60 percent so far this year on the hope that the company is starting a gradual turnaround under Whitman, who won Wall Street's respect during the decade that she ran eBay Inc.'s online bazaar.

"It's a relief rally that things haven't gotten any worse," said Bill Patterson, executive director of CtW Investment Group, an HP shareholder who has been at the forefront of the rebellion. "It shouldn't be seen as a vote of confidence."

Even with the recovery, HP's stock closed Wednesday at $22.92, about the same level it was in September 2011 when Whitman took over. During the same period, the technology-driven Nasdaq composite index and the Dow Jones industrial average, which includes HP, have been climbed by more than 30 percent.

Long-time HP shareholders have another reason to be irritated: The company's market value has been sliced in half since Mark Hurd stepped down as CEO in an August 2010 rift with HP's board. That downturn has wiped out about $45 billion in shareholder wealth.

HP, which is based in Palo Alto, California., is being haunted by the rotten performance of a trio of major acquisitions: technology consulting service EDS, device maker Palm and business software maker Autonomy. The most vexing of the bunch has been Autonomy, where HP alleges it uncovered financial chicanery that the company says drove up the acquisition price by at least $5 billion.

Autonomy's former CEO Mike Lynch, who was fired by Whitman last year, has vehemently denied HP's allegations. The claims are under investigation by the U.S. Justice Department and financial fraud authorities in the U.K., according to HP. At least 12 lawsuits revolving around the handling of the Autonomy deal have been filed against HP.

In an apparent attempt to incite HP's shareholders, Lynch urged them to use the meeting to ask Whitman and the rest of the HP's board detailed questions about the circumstances surrounding the Autonomy deal in an open letter distributed Wednesday. Among other things, Lynch's letter for the first time raised the possibility that HP may have approached U.K. regulators about how the company might be able to back out of the deal before the $10 billion acquisition closed in October 2011.

"This meeting provides a moment of accountability for HP's board of directors to all its stakeholders," Lynch wrote, adding that he refused to be turned into "a scapegoat for HP's own failings." Lynch wasn't at the meeting.

No one in the crowd of about 200 people at Wednesday's meeting confronted Whitman about the Autonomy deal or other acquisitions. Several shareholders groused about how much HP's stock has fallen in recent years.

Beyond its troubled acquisitions, most of HP's other woes stem from a decline in PC sales as more technology spending shifts to smartphones and tablet computers. The upheaval has caused HP's revenue to fall from the previous year in six consecutive quarters. Whitman has repeatedly warned the slump may persist through the rest of this year. To offset the drop-off in PC sales, Whitman has cut about 15,300 jobs in the past year and is still planning to eliminate about 14,000 more positions.

In the meantime, HP is expanding its lineup of tablet computers and intensifying its focus on other technology fields, such as business software and data analytics, that are more profitable than selling PCs.

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