

Rebel Apple Investor Tries to Rally Street

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NEW YORK (AP) — A Wall Street maverick who wants Apple Inc. to share more of its wealth with investors took his case to other shareholders Thursday, urging them to send management a message by voting against a company proposal at the upcoming annual meeting.

On a conference call with investors and reporters, David Einhorn, founder of hedge fund Greenlight Capital, laid out the case for something he calls "iPrefs," a class of dividend-bearing preferred stock. He wants Apple to issue these shares free to shareholders as way of committing to use its massive profits for the benefit of shareholders.

Right now, Apple hands only a small amount of its profits to shareholders through dividends and stock buybacks. The rest of the money goes in the bank, where Apple's cash hoard amounted to \$137 billion at the end of last year.

Einhorn's proposal isn't on the agenda for Apple's annual shareholders meeting next Wednesday. Instead, he wants to turn voting on a company proposal —one that attempts to bundle several governance measures— into a referendum on his plan. Among the measures is one that would eliminate the board's leeway to issue preferred shares without approval from shareholders, something that would make implementing Einhorn's iPrefs somewhat more time-consuming.

Einhorn sued Apple earlier this month to force it to unbundle the various governance measures and permit voting on each one.

Apple CEO Tim Cook said the company's proposal puts more power in the hands of shareholders, making it difficult to understand why a shareholder would fight it. Calling the fight a waste of time, Cook said Apple won't squander money by mailing letters to shareholders to persuade them to vote for the proposal.

"My preference is that everyone on both sides of this issue would take the money they're spending on this and donating it to a worthy cause," Cook said at an investor conference last week.

However, Cook said the company is actively looking at ways to use its cash for the benefit of shareholders, and would consider Einhorn's proposal.

Few other investors have come out in favor Einhorn's plan. The California Public Employees' Retirement System, the country's largest pension fund, has said it will vote for Apple's proposal, which would also let shareholders vote against directors. CalPERS owns 2.7 million Apple shares, nearly three times as many as Greenlight.

On Thursday, the Nathan Cummings Foundation, which has a \$400 million

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endowment and invests in both Apple and Einhorn's hedge fund, said it rejected the "false choice" Einhorn was offering.

Einhorn intends "to hold governance reforms hostage to his efforts to draw cash out of Apple. This flies in the face of what we know about long-term value creation," said Simon Greer, CEO of the foundation.

A company with excess cash will usually reward shareholders by raising its dividend or issuing a one-time dividend. It could also buy back more shares. Einhorn believes none of these routes would yield as much shareholder value as the iPrefs, because their 4 percent annual dividend yield would make them attractive to investors that otherwise wouldn't look at Apple shares, like pension funds and endowments.

"In contrast to the rest of Apple's business, where innovation is the norm, Apple's attitude toward managing its cash has been exceedingly non-innovative," Einhorn said on the call.

Greenlight has been an Apple shareholder since 2010, and has 1.3 million shares worth about \$580 million.

Apple shares closed down \$2.78, or less than one percent, Thursday at \$446.07. The shares are down 37 percent from their all-time peak of \$705.07 hit in September. Investors are concerned that the company's growth is slowing after a remarkable decade. Its profits remain high.

Einhorn, 44, been highly successful at "shorting" the stocks of companies that have hidden weaknesses, effectively betting that their value will decline. He shorted Lehman Brothers in 2007, a year before the financial firm went under. More recently, his comments have sent the stocks of Green Mountain Coffee Roasters, Herbalife and Chipotle Mexican Grill plummeting. Forbes lists his wealth as of Sept. 2012 at \$1.2 billion.

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