HP's Autonomy Allegations Trigger Another Inquiry

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PALO ALTO, Calif. (AP) — British authorities have opened an investigation into Hewlett-Packard's allegations that the personal computer maker was duped when it bought business software maker Autonomy, according to regulatory documents filed Monday.

The inquiry by the U.K. Serious Fraud Office is the latest legal fallout from a deal that has saddled Hewlett-Packard Co. with massive losses and depressed its stock price. The U.S. Justice Department started looking into the matter late last year, shortly after HP accused Autonomy employees of fabricating sales in a ruse that drove up the company's sale price.

Autonomy's founder and former CEO, Mike Lynch, has stridently denied HP's allegations and demanded that the company provide more evidence to support its allegations. HP, which is based in Palo Alto, Calif., has repeatedly said that it is cooperating with legal authorities looking into the allegations.

HP bought U.K.-based Autonomy for about $10 billion in 2011 and then wrote off $8.8 billion of that amount late last year in a move that stunned Wall Street.

At least eight lawsuits have been filed by HP shareholders alleging that the company's board and management botched the Autonomy deal and concealed vital information before the staggering write-off.

The backlash also threatens to upend HP's board. Two shareholder advisory firms are recommending votes against the re-election of HP's two longest-serving directors, John Hammergren and G. Kennedy Thompson, at the company's March 20 annual meeting. Institutional Shareholder Services and Glass Lewis & Co. say the two directors should be ousted for shoddy oversight of the Autonomy deal and other recent HP acquisitions that have turned out badly.

ISS also is recommending HP shareholders oppose the re-election of company Chairman Ray Lane. Glass Lewis is pushing for the removal of two other HP directors, Marc Andreessen and Rajiv Gupta, whose tenures on the board are the next longest after Hammergren and Thompson.

In a separate regulatory filing Monday, HP urged shareholders to re-elect all 11 board members.

"Losing some of our directors in an abrupt and disorderly manner could undermine our efforts to stabilize the company," Gupta, the lead independent director on HP's board, warned in a letter to shareholders.

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