Broadcom settles securities class action lawsuit

December 29 2009

(AP) -- Broadcom Corp. said Tuesday it will pay more than $160 million in cash to settle a class action investor lawsuit related to stock option backdating, but did not admit wrongdoing.

The Irvine-based chipmaker said in a statement that it would take the settlement, which still needs a judge's approval, as a one-time charge in the fourth quarter.

The deal would represent the second-largest up-front cash recovery from a company accused of stock option backdating, said Thomas A. Dubbs, attorney for the lead plaintiff, the New Mexico State Investment Council.

Managed care company UnitedHealth Group Inc. paid $895 million in 2008 to settle investor claims related to backdating.

The current Broadcom lawsuit was filed by investors who bought or acquired shares of the company's common stock between July 21, 2005 and July 13, 2006 and includes several million shareholders.

Former Broadcom Chief Financial Officer Bill Ruehle and co-founder Henry Samueli were named as defendants, as well as former general counsel David Dull and several other former and current executives and directors.

Broadcom said in its statement that it "steadfastly maintained" the claims weren't true, but added that settling the civil case will allow the chipmaker to move forward.

Earlier this month, a federal judge dimissed criminal charges against Ruehle and co-founder Henry T. Nicholas III and vacated Samueli's guilty plea to a single count of lying to Securities and Exchange Commission investigators.

U.S. District Judge Cormac J. Carney also dismissed an SEC civil action against Nicholas, Samueli, Ruehle and another former executive.

Also earlier this month, another federal judge granted final approval to a $118 million partial settlement in a separate shareholder derivative case. Ruehle, Nicholas and Samueli remain as defendants in that case.

Backdating involves retroactively setting a stock option's exercise price to a low point in the stock's value, boosting profits when the shares are sold. It is legal when properly accounted for, but if not properly disclosed it can allow companies to overstate profits and underpay taxes.

Broadcom was ultimately forced to write down $2.2 billion in profits after its actions were uncovered.

Citation: Broadcom settles securities class action lawsuit (2009, December 29) retrieved 26 April 2024 from https://phys.org/news/2009-12-broadcom-class-action-lawsuit.html