

Greenlight sues Apple, with eye on cash pile

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People walk past the Apple Store at Grand Central Terminal in New York on January 25, 2013. US hedge fund Greenlight Capital Thursday filed suit against Apple as it boosted pressure on the tech giant to unleash to shareholders the value of its huge capital stockpile.

US hedge fund Greenlight Capital Thursday filed suit against Apple as it boosted pressure on the tech giant to unleash to shareholders the value of its huge capital stockpile.

Greenlight sued the maker of iPhones and iPads to block a shareholder

vote that includes a proposal, supported by management, to make it impossible for the Apple board to decide to issue preferred stock.

The hedge fund alleged that Apple violated US securities policies by "bundling" the proposal on preferred stock with two other shareholder-friendly measures.

Doing so forces shareholders to accept or reject all three measures together, rather than separately, which Greenlight says violates a Securities and Exchange Commission rule.

More broadly, Greenlight argues that eliminating Apple's power to issue preferred shares would restrict Apple's ability to return value to shareholders.

"Like many other shareholders, Greenlight is dissatisfied with Apple's capital allocation strategy," Greenlight founder David Einhorn wrote in a letter to Apple shareholders.

"The combination of Apple's low (and shrinking) price-to-earnings multiple and \$137 billion (and growing) hoard of cash on the balance sheet supports Greenlight's contention that Apple has an obligation to examine all options to create and unlock additional value," Einhorn said.

Greenlight is seeking to build support for its proposal that Apple issue a "perpetual preferred stock" that could carry, in Einhorn's suggestion, a four percent dividend, allowing shareholders to better share in its idle cash pile.

Such a "more shareholder-friendly capital allocation policy," Einhorn said in the letter, "would unlock hundreds of dollars of value per share."

Greenlight said it has held discussions with Apple, but the company

rejected the proposal "outright" in September 2012.

Apple did not immediately respond to a request for comment.

Apply shares were up more than one percent at \$459.50 in midday trade Thursday.

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