

Disgraced HP CEO to get nearly \$28 million

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In this file photo made March 3, 2010, Hewlett-Packard Company Chairman and Chief Executive Officer Mark Hurd speaks during an appearance in Conway, Ark. (AP Photo/Danny Johnston, File)

(AP) -- Lauded for making Hewlett-Packard Co. the world's biggest technology company, CEO Mark Hurd was in negotiations for a new contract worth about \$100 million, according to a person familiar with the negotiations.

Instead, he's getting about a third of that to just go away.

In a stunning announcement Friday, HP said it ousted Hurd after an investigation of a sexual harassment complaint found that he had falsified expense reports and other documents to conceal a relationship with a contractor. Hurd also allegedly helped the woman get paid for work she didn't do.

In recent weeks, Hurd was in negotiations for a new three-year contract worth about \$100 million

when a woman who worked for HP as a host at high-profile events accused him of sexual harassment, a person with intimate knowledge of the case told The Associated Press. The person requested anonymity because this person wasn't authorized to speak publicly about the details of the case.

News of Hurd's abrupt departure sent HP's stock tumbling nearly 10 percent. Shares of the world's biggest maker of personal computers and printers have doubled in value during his five-year stewardship, and HP became the world's No. 1 technology company by revenue in that time.

Hurd's "systematic pattern" of submitting falsified financial reports to hide the relationship convinced the board that "it would be impossible for him to be an effective leader moving forward and that he had to step down," HP general counsel Michael Holston said on a conference call Friday with analysts.

"The facts that drove the decision for the company had to do with integrity, had to do with credibility, had to do with honesty," Holston said, declining to elaborate.

Holston said the inaccurate financial reports related only to Hurd's personal expenses.

Hurd, 53, acknowledged there were "instances in which I did not live up to the standards and principles of trust, respect and integrity that I have espoused at HP."

High-profile Los Angeles attorney Gloria Allred said she is representing the woman and "there was no affair and no intimate sexual relationship" between her client and Hurd. Allred, reached by The Associated Press late Friday, declined to comment further.

The person close to the case told the AP that the woman worked as a host for more than a dozen events for CEOs that Hurd attended between 2007 and 2009. The person said the disputed expenses range from \$1,000 to \$20,000 each for travel,

lodging and meals.

The person said many of the expenses were for meals after the events and that Hurd insists they were legitimate business expenses. The total amount of the expenses in dispute could not be learned.

Hurd has offered to repay expenses that were incorrectly filed, this person said.

The married father of two will get a \$12.2 million severance payment and nearly 350,000 shares of HP stock worth about \$16 million at Friday's closing price. The company also extended the deadline for exercising options to buy up to 775,000 HP shares.

The company's chief financial officer, Cathie Lesjak, 51, was named interim CEO. She has been with the company 24 years but has taken herself out of the running to fill the position permanently. HP has set up a search committee to look for a permanent replacement.

HP's shares, which closed Friday on the New York Stock Exchange at \$46.30, tumbled 9.7 percent after hours to \$41.85 as investors reacted to the news released after the close of markets.

Beloved by investors for his relentless cost-cutting - and scorned by thousands of laid-off employees for the same - Hurd was seen as rescuing the company from the mess left behind by his predecessor, Carly Fiorina.

Hurd has transformed the 71-year-old company from a computer and printer maker hooked on profits from printer cartridges into a company that looks a lot like its archrival IBM Corp., a major player in technology services and other fast-growing areas.

Though their underlying stories are very different, Hurd's departure is like Fiorina's in one key way: Both were forced out with the company about to reap the benefits of sweeping changes they made at the Silicon Valley institution.

Fiorina left in 2005 in the wake of her decision to acquire Compaq Computer and an ensuing

upheaval over her personality and her business strategies, but the divisive deal proved instrumental in HP's ascendance under Hurd.

By comparison, Hurd is departing after cutting tens of thousands of jobs and launching an expensive expansion, including the \$13.9 billion acquisition of technology-services provider Electronic Data Systems, the \$2.7 billion takeover of computer-networking equipment maker 3Com Corp. and the \$1.4 billion deal for mobile phone maker Palm Inc.

To reassure investors, HP, based in Palo Alto, previewed its third-quarter results late Friday in advance of a detailed report Aug. 19.

The company said it expects to report earnings of 75 cents per share, compared with 67 cents a year earlier. Excluding one-time items, the company says results will be \$1.08 per share, a penny ahead of analysts' current expectations. Revenue is expected to rise 11 percent from last year to \$30.7 billion, slightly higher than analysts' expectations.

The company's forecast for the current quarter, which ends in October, is roughly in line with analysts' expectations.

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