

Diamond Foods: We're Ready To Get Sued Again

SAN FRANCISCO (AP) — Diamond Foods Inc., which is in the midst of an internal accounting probe and facing several related lawsuits, says it expects more suits will be filed against the company in the future.

The company, based in San Francisco, is looking into allegations of improper accounting for crop payments to walnut growers. Diamond said earlier this month that its \$1.5 billion acquisition of chip company Pringles from Procter & Gamble Co. would be delayed due to the investigation. It is slated to be Diamond's biggest acquisition yet, more than tripling the size of its snack foods business.

"While we understand that the investment community would like the company to be providing additional detail about the investigation, we support the audit committee in its process, which includes refraining from public comment regarding these matters until the investigation has been completed," Michael J. Mendes, chairman, president and CEO of Diamond Foods, said in a statement Monday.

The audit committee has hired Gibson, Dunn & Crutcher LLP and KPMG LLP to aid in the probe.

The company disclosed in a related regulatory filing Monday that several securities class-action lawsuits have been filed against the company and some of its executive officers that allege Diamond and its leaders made false statements, failed to disclose material facts related to the company's financial results and the payments to walnut growers, including the proposed closing of the Pringles deal.

Diamond anticipates that further lawsuits making similar allegations may be filed and that all such suits will likely be consolidated into a single case, the company said in a filing with the Securities and Exchange Commission. The company said it intends to defend the actions vigorously.

Diamond also disclosed that two complaints have been filed by shareholders in the Superior Court for the State of California against some of Diamond's executive officers and board of directors based on similar allegations. These complaints include claims of gross mismanagement and breach of fiduciary duty by the leaders, among other issues. Diamond also anticipates more lawsuits of its sort will be filed.

Diamond Foods, which makes products such as Emerald Nuts and Pop Secret popcorn, is under intense scrutiny for the payments as the Pringle's deal looms large. Completing the deal will make it the second-largest snack maker in the U.S.

Shares of Diamond Foods rose \$2.08, or nearly 8 percent, to close at \$29.12 Monday but shares slipped 24 cents in after-hours trading following the company's

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filing. The stock has declined by more than half since Diamond first disclosed the accounting inquiry.

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