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Tech Insiders Buy Short-Circuited Shares

By RUTH MANTELL

In the past week, insiders have been buying shares of two technology companies with stocks that are still recovering from 2000's burst tech bubble.

Peter Karmanos Jr., Compuware's chairman and chief executive, bought 300,000 shares of the mainframe software provider this week on behalf of a trust.

And since last Friday, five Computer Associates International insiders have bought a total of more than 60,000 shares of the management software company.

Both stocks have been volatile during the past year. Since highs achieved during the tech bubble, Computer Associates shares are down more than 60%, while Compuware shares are down more than 80%.

Kevin Buttigieg, an analyst with A.G. Edwards & Sons, says Karmanos' recent buying is more encouraging than the transactions by Computer Associates insiders.

"[Karmanos] doesn't do a lot of open market purchases...I think he sees that the prospects for the company have improved," Buttigieg says.

Specifically, Buttigieg points out that Compuware may be poised to report results that are no longer dragged down by costs associated with a lawsuit recently settled with IBM.

Buttigieg says he owns stock of neither Compuware nor Computer Associates, and that A.G. Edwards performs no investment banking services for either company.

Michael Painchaud, managing director of research for Market Profile Theorems, points out that Karmanos has been a "very accurate buyer." That is, his last open market purchase – made in 2001 – occurred before a jump in Compuware's share price, Painchaud says.

Karmanos declined to comment.

However, Painchaud also notes that historically purchases made on behalf of a trust are less predictive of a stock's future behavior than a direct buy.

"Transactions that are done as part of a trust contain almost no forecasting ability, because in a lot of cases trustees are supposed to be acting in a way that is hands off," Painchaud says. Regarding Computer Associates' recent insider trading, "it's a net positive," Painchaud says.

Painchaud says he owns neither Compuware nor Computer Associates stock, and that Market Profile Theorems does no business directly with the firms.

However, the Computer Associates purchases are relatively small compared with some insiders' overall holdings. Also, while five insiders bought shares, another two sold.

Still, recent buyers among Computer Associates' insiders include several major executives, such as the chief executive, chief financial and chief operating officers, as well as the chairman and general counsel.

Computer Associates has been rocked by a \$2.2 billion accounting scandal, along with the indictment of its former chief executive, Sanjay Kumar, on charges including fraud.

In the wake of the scandal, Computer Associates has brought in a slate of new top executives, including a chief executive officer, chief operating officer and chief financial officer.

Jeff Clarke, Computer Associates' chief operating officer, says the recent buyers are optimistic about the future of the company, following the major upheaval to the management team.

"As a team we see ourselves moving the company forward," he says. "We're also very excited about our growth strategy."