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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

10 ANDREA BASCHERI and
JIM CHUNG, derivatively on behalf of
11 HEWLETT-PACKARD COMPANY,

12 Plaintiffs,

13 vs.

14 LEO APOTHEKER;
MICHAEL LYNCH;
15 SHANE ROBISON;
CATHERINE A. LESJAK;
16 MARC L. ANDREESEN;
SHUMEET BANERJI;
17 RAJIV L. GUPTA;
JOHN H. HAMMERGREN;
18 RAYMOND J. LANE;
ANN M. LIVERMORE;
19 GARY M. REINER;
PATRICIA F. RUSSO;
20 G. KENNEDY THOMPSON;
MARGARET C. WHITMAN;
21 RALPH WHITWORTH;
LAWRENCE T. BABBIO, JR.;
22 DOMINIQUE SENEQUIER;
KPMG LLP;
23 DELOITTE LLP; and
DOES 1 through 20, inclusive,

24 Defendants,

25 - and -

26 HEWLETT-PACKARD COMPANY,
27 Nominal Defendant.
28

Case No. 12

LB
6091

SHAREHOLDER DERIVATIVE
COMPLAINT FOR BREACH OF
FIDUCIARY DUTY

DEMAND FOR JURY TRIAL

Judge:
Courtroom:

COPY

OVERVIEW OF THE ACTION

1
2 1. Plaintiffs bring this shareholder derivative lawsuit against certain current
3 and former officers and directors of Hewlett-Packard Company (“HPQ” or the
4 “Company”), and various third parties, for breaching their fiduciary duties, and aiding
5 and abetting such breaches, during the period August 19, 2011 to the present (the
6 “Relevant Period”).

7 2. Nominal Defendant HPQ is a leading global provider of products,
8 technologies, software, solutions and services to individual consumers, small and
9 medium-sized businesses (“SMBs”) and large enterprises, including customers in the
10 government, health and education sectors.

11 3. During the Relevant Period, the Individual Defendants (as defined *infra*),
12 with assistance from the auditor defendants and other third parties, caused the Company
13 to acquire two corporations in multi-billion dollar acquisitions (EDS and Autonomy) and
14 to issue materially false and misleading statements about such acquisitions and about
15 HPQ’s financial condition and future business prospects. Specifically, defendants
16 misrepresented material facts regarding the Company’s acquisitions of EDS and
17 Autonomy. As a result of these false statements, HPQ’s stock traded at artificially
18 inflated prices during the Relevant Period. Under Defendants’ stewardship, HPQ has
19 destroyed billions of dollars of shareholder value and subjected the Company to fraud
20 lawsuits. To further compound their wrongdoing, the Individual Defendants have failed
21 to pursue redress against the culpable individuals and/or have pointed the finger at
22 former officers such as former CEO Apotheker whom they have previously released
23 from liability. In a November 21, 2012 interview with *The Wall Street Journal*,
24 Defendant Meg Whitman blamed the acquisition on her predecessor, Mr. Apotheker, and
25 the company’s former strategy chief, Shane Robison. In an effort to deflect blame from
26 herself and the rest of the HPQ board, Whitman was quoted as stating: “The two people
27 who should have been held responsible are gone.”

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1 4. Whitman’s attempt to shift blame from the HPQ Board for the egregious
2 wrongdoing was lambasted by the press. A November 27, 2012 article in *The Wall*
3 *Street Journal*, entitled “At H-P, Judgment Goes by the Board,” stated:

4 “More than two people from Hewlett-Packard were responsible for the
5 disastrous Autonomy deal, never mind what Chief Executive Meg
6 Whitman says. Ms. Whitman would like investors to believe that only
7 her predecessor, Leo Apotheker, and former strategy chief Shane
8 Robison really deserve blame for the deal. Conveniently, both are
9 already gone. Furthermore, H-P says that no one at the company had
10 any inkling about alleged accounting problems at Autonomy until after
11 the firing of founder Mike Lynch. That is tough to swallow, given the
12 many red flags raised by others about Autonomy. . . Consider the
13 multiple reports published about Autonomy by accounting research firm
14 CFRA. Dating back to 2007, these raised questions about its lack of
15 nonacquisition-driven revenue growth and unsustainable contributions to
16 cash flow, among other issues. It would be surprising if no one at H-P
17 doing due diligence on Autonomy was aware of such concerns. And
18 what of the back-office integration work once the deal closed? It isn’t
19 uncommon for small software firms to have funky revenue-recognition
20 policies that need updating. Such issues are typically discovered
21 immediately by the buyer . . .

22 *And what about the board, which voted unanimously to buy*
23 *Autonomy? Ms. Whitman, also a board member, said that while*
24 *directors feel “terribly” about this, really it is Deloitte’s fault because*
25 *the auditing firm signed off on Autonomy’s numbers. Yet many*
26 *questions were being asked about those figures ahead of time. Board*
27 *Chairman Ray Lane, as a veteran of the software industry, should have*
28

1 *been aware of such red flags and pushed harder for answers. Even*
2 *without accounting issues, H-P overpaid for Autonomy.*

3 H-P's board has made plenty of other mistakes in recent years, and
4 many directors have departed as a result."

5 See Rolfe Winkler, "At H-P, Judgment Goes by the Board," *THE WALL STREET JOURNAL*,
6 Nov. 27, 2012, at C10.

7 5. Defendants Deloitte and KPMG are also directly responsible. Deloitte,
8 which served as Autonomy's main auditor, was heavily conflicted and did not have
9 sufficient independence from Autonomy. In 2010, for example, 44% of the fees Deloitte
10 received from Autonomy were for non-audit services. KPMG, which was hired by HPQ
11 to check Deloitte's work and Autonomy's work, was well aware of this and yet failed to
12 conduct proper diligence and failed to apply healthy skepticism to Deloitte's work.

13 6. When the truth was revealed, HPQ was forced to recognize massive charges
14 exceeding \$16 billion to reflect the impairment to the goodwill previously recognized by
15 HPQ relating to these acquisitions. HPQ attempted to blame Autonomy and some of its
16 own former officers and directors, including Leo Apotheker and Shane Robison, but as
17 detailed below the current HPQ board also faces substantial liability for the wrongdoing.
18 Indeed, numerous knowledgeable sources have stated that HPQ and its auditors failed to
19 conduct adequate due diligence prior to paying \$11.1 billion to acquire Autonomy.
20 Moreover, prior to selling Autonomy to HPQ, Defendant Lynch and his bankers had
21 pitched a sale of Autonomy to Oracle. Without doing any non-public due diligence,
22 Oracle determined that Autonomy was substantially overvalued and declined to pursue
23 an acquisition of the company.

24 7. At least one year prior to the time of the Autonomy acquisition, an
25 Autonomy executive brought concerns about the company's accounting practices to U.S.
26 regulators, including the SEC. HPQ's board was aware of allegations of accounting
27 irregularities at Autonomy prior to the close of the \$11.1 billion acquisition in
28 October 2011. However, HPQ's board failed to terminate the merger agreement at the

1 time, allegedly on the grounds that the “accounting irregularities” were not a material
2 adverse event. HPQ now admits that the accounting fraud was material, has taken an
3 \$8 billion charge to account for the loss of goodwill, and SEC and FBI investigations are
4 ongoing.

5 8. The true facts, which were known by the defendants but concealed from the
6 investing public during the Relevant Period, were as follows:

- 7 a. At the time Hewlett-Packard acquired Autonomy, the business’s
8 operating results and historic growth were the product of accounting
9 improprieties, including the mischaracterization of sales of low-
10 margin hardware as software and the improper recognition of
11 revenue on transactions with Autonomy business partners even
12 where customers did not purchase the products;
- 13 b. At the time Hewlett-Packard had agreed in principle to acquire
14 Autonomy, the HPQ officer and director defendants named herein
15 were looking to terminate the merger in light of the accounting
16 irregularities that plagued Autonomy’s financial statements, but did
17 not do so allegedly because of an inability to prove that the
18 accounting “irregularities” at Autonomy constituted a “materially
19 adverse event” under the merger agreement; and
- 20 c. The operating margin at Enterprise Services had collapsed from 10%
21 in 2010 to approximately 6% as of April 30, 2011, to 4% as of
22 October 31, 2011, and to 3% as of April 30, 2012, due to various
23 reasons, including unfavorable revenue mix and underperforming
24 contracts.

25 9. As a result of defendants’ false statements, HPQ’s stock traded at inflated
26 levels during the Relevant Period and the Company has now been subjected to securities
27 fraud class action lawsuits, governmental investigations, and internal investigations. The
28 Company has been and will continue to be damaged in the amount of tens of millions of

dollars due to these lawsuits and investigations. However, notwithstanding the serious nature of the wrongdoing and write-downs at HPQ of over \$16 billion, the Board disavows any responsibility, refuses to pursue themselves and other responsible persons, and has attempted to pin the blame on just two former executives – Robison and Apotheker.

10. Plaintiffs bring this derivative action to (i) recover damages on the Company's behalf against HPQ's current and former directors and officers, as well as the auditors who facilitated the wrongdoing; and (ii) require the Company to reform and improve its corporate governance and internal procedures to protect HPQ and its shareholders from a repeat of the damaging events described below.

JURISDICTION AND VENUE

11. Jurisdiction is conferred by §27 of the 1934 Act. Some of the claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§78j(b) and 78t(a), and SEC Rule 10b-5, 17 C.F.R. §240.10b-5. The Court also has supplemental jurisdiction pursuant to 28 U.S.C. §1367(a) over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the U.S. Constitution.

12. Venue is proper in this District pursuant to §27 of the 1934 Act. Hewlett-Packard is headquartered in this District and many of the false and misleading statements were disseminated within this District.

13. In connection with the acts alleged in this complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

A. Plaintiffs

14. Plaintiff ANDREA BASCHERI currently owns 6,740 shares of HPQ. He first acquired 3,240 shares on 7/7/2010 and bought another 3,500 shares between

1 7/7/2010 and 10/6/2010, and has continuously held all such shares since they were
2 purchased.

3 15. Plaintiff JIM CHUNG is a current holder of 500 shares of HPQ common
4 stock, which he purchased in July 2011 and has continuously held since such time.

5 **B. Nominal Defendant Hewlett-Packard Company**

6 16. HPQ is incorporated in Delaware and trades on the NYSE under the symbol
7 “HPQ.” The Company’s headquarters are located at 3000 Hanover Street, Palo Alto,
8 CA 94304. During the Relevant Period, HPQ had approximately 1.9 billion shares
9 outstanding.

10 **C. Individual Defendants**

11 17. Defendant LEO APOTHEKER (“Apotheker”) is a former CEO and director
12 of HPQ and was personally involved in the Autonomy acquisition. He served as CEO
13 and President of HPQ from November 1, 2010 until he was fired in September 22, 2011,
14 “effective immediately.” Though Apotheker served barely ten months, he received over
15 \$30 million in compensation, including a severance payment of \$7.2 million and a
16 performance bonus of \$2.4 million. In contrast to Apotheker’s outrageous pay package
17 and benefits, the company and its shareholders lost more than \$30 billion in market
18 capitalization during Apotheker’s tenure.

19 18. Defendant MICHAEL LYNCH is the founder of Autonomy, which he sold
20 to HPQ in October 2011 in an \$11.1 billion transaction. After selling Autonomy to
21 Hewlett-Packard, Lynch became employed as an executive at HPQ. HPQ eventually
22 fired Lynch in May 2012 based on a problems with Autonomy, yet concealed the extent
23 and magnitude of such problems from the investing public for approximately six more
24 months.

25 19. Defendant CATHERINE A. LESJAK has served as executive vice president
26 and chief financial officer of HP since January 1, 2007. Lesjak was heavily involved in
27 the Autonomy acquisition. According to Defendant Lynch, Lesjak was aware of the fact
28 that Paul Curtis (HP’s Worldwide Director of Software Revenue Recognition), KPMG

1 and Ernst & Young undertook detailed studies of Autonomy's software revenue
2 recognition policies and procedures in December 2011 with a view to optimizing such
3 policies for US GAAP. During the Relevant Period, Lesjak's false and misleading
4 statements allowed her to be paid \$9.9 million in incentive- and stock-based
5 compensation tied to, *inter alia*, the Company's reported earnings performance and the
6 market price of Hewlett-Packard common stock. Lesjak also served as interim chief
7 executive officer of HP from August 2010 through October 2010. According to HPQ,
8 Lesjak is a 24-year veteran of the company, having held a broad range of financial
9 leadership roles across HP. Before being named CFO, Lesjak served as senior vice
10 president and treasurer, responsible for managing the company's worldwide cash, debt,
11 foreign exchange, capital structure, risk management and benefits plan administration.
12 Earlier in her career at HP, she managed financial operations for Enterprise Marketing
13 and Solutions and the Software Global Business Unit. Before that, she was group
14 controller for HP's Software Solutions Organization and managed HP's global channel
15 credit risk as controller and credit manager for the Commercial Customer Organization.
16 Lesjak has a bachelor's degree in biology from Stanford University and a master of
17 business degree in finance from the University of California, Berkeley.

18 20. Defendant JAMES T. MURRIN ("Murrin") was the Company's Senior
19 Vice President, Chief Accounting Officer and Controller during the Relevant Period and
20 through May 1, 2012. During the Relevant Period, Murrin sold 132,500 shares of his
21 Hewlett-Packard stock for proceeds of nearly \$3.5 million while in the possession of
22 materially adverse and non-public information.

23 21. Defendant SHANE ROBISON is a former executive officer of HPQ who
24 was heavily involved in the Autonomy acquisition. From May 2002 to November 2011,
25 he served as HPQ's Executive Vice President and Chief Strategy and Technology
26 Officer, Defendant Whitman has blamed Robison as a key culprit in the wrongdoing.
27 During 2011, HPQ awarded Robison total compensation in excess of \$9 million.

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1 22. Defendant MARC L. ANDREESEN is a current director of HPQ and has
2 been a director since 2009.

3 23. Defendant SHUMEET BANERJI is a current director of HPQ.

4 24. Defendant RAJIV L. GUPTA is a current director of HPQ.

5 25. Defendant JOHN H. HAMMERGREN is a current director of HPQ.

6 26. Defendant RAYMOND J. LANE is a current director of HPQ and
7 Executive Chairman of the Board and has been a director since November 2010.

8 27. Defendant ANN M. LIVERMORE is a current director of HPQ.

9 28. Defendant GARY M. REINER is a current director of HPQ.

10 29. Defendant PATRICIA F. RUSSO is a current director of HPQ and has been
11 a director since January 2011.

12 30. Defendant G. KENNEDY THOMPSON is a current director of HPQ and
13 has been a director since 2006.

14 31. Defendant MARGARET C. WHITMAN is a current director and the CEO
15 and President of HPQ. Whitman received total compensation in 2011 from HPQ of
16 \$16.5 million.

17 32. Defendant RALPH WHITWORTH is a current director of HPQ and has
18 been a director since November 2011.

19 33. Defendant DOMINIQUE SENEQUIER was a director of HPQ from
20 January 2011 to March 2012, and a member of the Audit Committee from February 2011
21 to December 2011 and member of the Finance and Investment Committee from
22 February 2011 to September 2011.

23 34. Defendant LAWRENCE T. BABBIO, JR. was a director of HPQ from 2002
24 to March 2012, and a member of the Audit Committee from January 2012 to March 2012
25 and member of the Finance and Investment Committee from February 2011 to
26 September 2011.

27 35. Defendant DELOITTE LLP is a United Kingdom limited liability
28 partnership and a member firm of Deloitte Touche Tohmatsu Limited. Its principal

1 offices are located at 2 New Street Square, London EC4A 3 BZ, United Kingdom.
2 Deloitte LLP served as Autonomy's independent auditor during HPQ's acquisition of
3 Autonomy.

4 36. Defendant KPMG is an auditor and is the U.S. member firm of KPMG
5 International. It is a limited liability partnership with its main office located at 345 Park
6 Ave., New York, NY. Defendant KPMG was engaged by HPQ to conduct financial and
7 accounting due diligence on Autonomy prior to HPQ's acquisition of Autonomy.

8 37. Defendants Apotheker, Lynch, Lesjak, Whitman, Murrin, Robison,
9 Andreesen, Banerji, Gupta, Hammergren, Lane, Livermore, Reiner, Russo, Thompson,
10 and Whitworth are sometimes referred to herein as the "Individual Defendants."

11 38. The Individual Defendants, because of their positions with the Company,
12 possessed the power and authority to control the contents of HPQ's quarterly reports,
13 press releases, and presentations to securities analysts, money and portfolio managers,
14 and institutional investors, *i.e.*, the market. They were provided with copies of the
15 Company's reports and press releases alleged herein to be misleading prior to or shortly
16 after their issuance and had the ability and opportunity to prevent their issuance or cause
17 them to be corrected. Because of their positions with the Company, and their access to
18 material non-public information available to them but not to the public, the Individual
19 Defendants knew that the adverse facts specified herein had not been disclosed to and
20 were being concealed from the public and that the positive representations being made
21 were then materially false and misleading.

22 **DOE DEFENDANTS**

23 39. Various other individuals, partnerships, corporations, and other business
24 entities, unknown to Plaintiffs, have participated in the violations alleged herein and
25 have performed acts and made statements in furtherance thereof.

26 40. The true names and capacities, whether individual, corporate, associate or
27 otherwise, of defendants named in this action as DOES 1 through 20, inclusive, are
28 unknown to Plaintiffs, which therefore sues these defendants by such fictitious names.

1 Plaintiffs will amend this complaint to show their true name(s) and capacities when they
2 have been ascertained. Plaintiffs are informed and believe, and on that basis allege, that
3 each of these fictitiously-named defendants is responsible in some manner for the
4 occurrences herein alleged, and that Nominal Defendant Hewlett-Packard's injuries as
5 herein alleged were proximately caused by conduct of these fictitiously-named
6 Defendants.

7 41. Plaintiffs are informed and believe, and on that basis allege, that at all
8 relevant times herein mentioned, each of the Defendants was the agent, principal,
9 representative, and/or employee of each of the other Defendants, and in doing the things
10 mentioned herein, was acting within the scope of said agency, representation, and/or
11 employment with permission of each co-defendant.

12 42. The acts charged in this Complaint have been done by Defendants or were
13 ordered or done by Defendants' officers, agents, employees, or representatives, while
14 actively engaged in the management of Defendants' affairs.

15 **SUBSTANTIVE ALLEGATIONS**

16 **Background**

17 43. Hewlett-Packard was founded in 1939 and is headquartered in Palo Alto,
18 California. Hewlett-Packard provides products, technologies, software, solutions and
19 services to individual consumers and small- and medium-sized businesses, as well as to
20 the U.S. government, and health and education sectors around the globe. The
21 Company's Personal Systems Group segment offers personal computers, workstations
22 and software and services for commercial and consumer markets. The Company's
23 Services segment provides consulting, IT outsourcing and technology services to
24 infrastructure, applications and business process domains. The Company's Imaging and
25 Printing segment provides consumer and commercial printer hardware, supplies, media
26 and scanning devices. Its Enterprise Servers, Storage and Networking segment offers
27 industry standard servers and business critical systems. Hewlett-Packard also provides
28

1 financial services and software solutions through its Financial Services and Software
2 segments.

3 44. On August 26, 2008, under the leadership of the Company's former CEO,
4 Mark V. Hurd ("Hurd"), Hewlett-Packard announced that it had completed the
5 acquisition of EDS. The EDS acquisition was heralded as the largest in the IT services
6 sector and the second largest in the technology industry, second only to Hewlett-
7 Packard's 2002 acquisition of Compaq computers. As former CEO Hurd announced:

8 "This is a historic day for HP and EDS and for the clients
9 we serve . . . Independently, each company is a respected
10 industry leader. Together, we are a global leader, with the
11 capability to serve our clients, whatever their size, location
or sector, with one of the most comprehensive and
competitive portfolios in the industry."

12 45. Indeed, Hewlett-Packard was motivated to acquire EDS for the purpose of
13 competing against the IT service giant IBM and to maintain a competitive advantage in
14 the service sector against up-and-coming IT service rivals such as Accenture.

15 46. Following Hurd's public ouster as the CEO of Hewlett-Packard, the
16 Company's new CEO, Leo Apotheker ("Apotheker"), continued a focused commitment
17 to the continued growth and profitability of the Company's Services segment. In fact, in
18 May 2011, Apotheker announced that he would assign a new executive vice president to
19 lead the segment, replacing Ann Livermore until a full-time head could be later named.
20 In June 2011, Apotheker noted that the Services segment "play[s] a vital role in
21 [Hewlett-Packard's] continued growth and success," particularly in light of the fact that
22 the segment accounted for nearly half of the Company's revenue and constituted two-
23 thirds of the Company's employee base.

24 47. At the beginning of the Relevant Period, Hewlett-Packard's stock was
25 trading at \$23.60 per share.

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1 **THE INDIVIDUAL DEFENDANTS ABDICATED THEIR DUTIES**
2 **AND CONSCIOUSLY OR RECKLESSLY DISREGARDED KNOWN**
3 **RED FLAGS REGARDING THE AUTONOMY ACQUISITION**

4 48. Hewlett-Packard's officer and director defendants named herein owed
5 fiduciary duties of due care, candor, and loyalty to HPQ. With respect to an \$11 billion
6 acquisition like Autonomy, such duties required the Individual Defendants to fully
7 inform themselves before making decisions regarding the acquisition. As detailed
8 herein, this case involves *a complete abdication of such defendants' duties and a*
9 *complete failure to fully and properly inform themselves of all relevant, material facts*
10 *before taking action with respect to the merger, including the due diligence and*
11 *approval process.*

12 49. Because they abdicated their duties, the Individual Defendants are not
13 entitled to the protection of the business judgment rule, and it is their burden to
14 demonstrate their good faith, fair dealing, and due care as officers and directors. Under
15 the detailed and egregious facts of this case, the Individual Defendants cannot do so.

16 50. Moreover, while corporate officers and directors are entitled to rely under
17 certain circumstances on experts, they must fully inform themselves of all material facts,
18 ask pertinent questions, and investigate matters further when serious questions are raised.
19 They also cannot merely sit back and "sign off" on billion-dollar transactions when they
20 have actual knowledge of serious accounting irregularities at the target company. All the
21 facts of the present case point to the fact that that is exactly what happened with respect
22 to the Autonomy acquisition.

23 51. Indeed, the public facts known at the present suggest that the Individual
24 Defendants knowingly and intentionally brushed aside, without any adequate further
25 investigation, known and serious questions about accounting fraud at Autonomy.

26 52. They even allegedly brushed aside adamant opposition to the Autonomy
27 deal *from their own CFO, Defendant Lesjak*. In the summer of 2011, Lesjak earned the
28 wrath of then CEO Leo Apotheker when she forcibly opposed the Autonomy takeover --
not because she suspected fraud, but because she believed the valuation absurd. Unable

1 to get Apotheker to see her way, she took her case to the boardroom in a highly unusual
2 and dramatic plea to scotch the deal. As *Fortune* wrote in its May 2012 cover story
3 **“How Hewlett-Packard lost its way”**:

4 “... with no warning to Apotheker, Lesiak made an
5 impassioned case against the acquisition before the board.
6 “I can’t support it,” she told the directors, according to a
7 person who was present. “I don’t think it’s a good idea. I
8 don’t think we’re ready. I think it’s too expensive. I’m
9 putting a line down. This is not in the best interests of the
10 company.” Directors were shaken. Lesiak was considered
11 a voice of sobriety, and here she was on the verge of
12 insubordination, directly resisting a key element of her
13 boss’ strategy.”

10 53. Another source of astonishment is the fact that the Individual Defendants
11 consciously or recklessly ***disregarded material, public information*** which credibly
12 suggested that Autonomy was engaging in accounting fraud. For example, Larry Ellison,
13 CEO of Oracle Corporation, one of the world’s largest corporations and one of the
14 savviest acquirers of other corporations, issued numerous statements during the time
15 HPQ was acquiring Autonomy in which Ellison bluntly stated that Autonomy was
16 significantly overvalued (for example, Ellison stated that Autonomy was overvalued at
17 even \$6 billion and that HPQ had “absurdly overpaid” for Autonomy), that Oracle had
18 been approached by Lynch and investment banker Frank Quattrone and that Oracle
19 rejected those overtures based on its public analysis of Autonomy. Significantly, at the
20 time Oracle took a pass on acquiring Autonomy, which occurred prior to the
21 HPQ/Autonomy lockup, Ellison was able to come to these conclusions without any non-
22 public due diligence material from Autonomy.

23 54. ***Thus Ellison, based purely on publicly-available information, was able to***
24 ***come to many material conclusions about Autonomy that strongly militated against an***
25 ***acquisition of Autonomy – the very conclusions and information that the Individual***
26 ***Defendants and their auditors and experts were allegedly unable to discern after***
27 ***months of due diligence which included the review of non-public information provided***
28 ***by Autonomy.***

1 55. Moreover, in response to these statements by Ellison at the time the
2 HPQ/Autonomy acquisition was occurring, Defendant Lynch disputed Ellison's
3 statement that Lynch had met with Ellison in an effort to attempt to convince Oracle to
4 buy Autonomy. Ellison, incensed at in essence being called a liar by Lynch, issued
5 several more statements refuting Lynch, and eventually published on Oracle's website
6 the PowerPoint slides that Lynch had presented to Ellison during the meeting, which
7 proved that Lynch was pitching Autonomy to Oracle. One of those slides indicated a
8 value for Autonomy as of January 24, 2011 of only \$5.7 billion. The Individual
9 Defendants had access to these slides because they were publicly available on Oracle's
10 website (and news articles prominently commented on the posting), yet knowingly or
11 consciously failed to conduct further inquiry or due diligence in response to this
12 information.

13 56. This bru-ha-ha between Ellison and Lynch was prominent news in Silicon
14 Valley and indeed throughout the entire United States and the U.K., and the Individual
15 Defendants were well aware of Ellison's allegations and followed the news stories
16 closely given HPQ's \$11 billion acquisition of Autonomy. Nonetheless, the Individual
17 Defendants took no action to terminate the merger, conduct further due diligence, or take
18 any other step to investigate Autonomy's accounting "irregularities."

19 57. In addition, the Individual Defendants abdicated their duties and
20 consciously ignored red flags regarding the Autonomy acquisition due to their
21 knowledge of HPQ's history of significantly overpaying for companies. This knowledge
22 should have caused them to scrutinize the Autonomy deal much more closely, ask more
23 questions of the Board's advisors, and apply a healthy skepticism to Apotheker's request
24 to approve a \$11 billion acquisition. For example, in 2010 HPQ paid \$1.2 billion to
25 acquire Palm, Inc. Just one year later, it was forced to write down \$3.3 billion in
26 goodwill due to the Palm acquisition. As noted in a November 21, 2011 article in *All*
27 *Things D* entitled, "Double FacePalm: HP Blew Billions on webOS":
28

1 “Hewlett-Packard’s decision to acquire Palm and “double
2 down” on its webOS operating system has so far proven a
regrettable and costly mistake. How costly?

3 HP investors, grab your Mylanta ...

4 HP spent \$1.2 billion to buy Palm in 2010. Reporting
5 fourth-quarter earnings Monday, the company said it had
6 been forced to write off a record \$3.3 billion, about half of
which was “related to the wind down of its webOS device
business.”

7 58. Similarly, HPQ vastly overpaid for EDS and was forced earlier this year to
8 take an \$8 billion write-down relating to that acquisition to recognize impairment to
9 goodwill.

10 59. Moreover, James Chanos, the short-seller, made a speech at around the time
11 of the Autonomy acquisition in which he strongly recommended that investors short
12 HP’s shares precisely because Autonomy’s accounting was a fraudulent disaster. A
13 November 30, 2012 article in *The New York Times* entitled, “A Clash of Auditors In H.P.
14 Deal and Loss,” noted that: “The British Companies accounting had long been the
15 subject of harsh criticism from short-sellers, but H-P eventually did not care.”

16 60. Chanos was able to come to the conclusion that HPQ was overvalued easily
17 and without the detailed information available to the aforementioned “experts” that the
18 Individual Defendants blindly relied upon in voting to approve the Autonomy
19 acquisition.

20 61. Based on all these facts, many of which were publicly-known at the time of
21 HPQ’s acquisition of Autonomy, but also based specifically on Defendant Lesjak’s
22 strong opposition voiced directly to the Board itself regarding the soundness of acquiring
23 Autonomy, the Individual Defendants abdicated their duties and consciously or
24 recklessly ignored numerous and credible red flags concerning accounting fraud at
25 Autonomy.

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1 **THE CONFLICT OF INTERESTS**
2 **AND NEGLIGENCE OF DELOITTE & KPMG**

3 62. Defendant Deloitte was Autonomy's regular auditor. Defendant KPMG
4 was hired by HPQ to check Deloitte's work and to examine Autonomy's accounting.

5 63. Defendants Deloitte and KPMG are also directly responsible. Deloitte,
6 which served as Autonomy's main auditor, was heavily conflicted and did not have
7 sufficient independence from Autonomy. In 2010, for example, 44% of the fees Deloitte
8 received from Autonomy were for non-audit services. KPMG, which was hired by HPQ
9 to check Deloitte's work and Autonomy's work, was well aware of this and yet failed to
10 conduct proper diligence and failed to apply healthy skepticism to Deloitte's work.

11 64. Any contention that Defendants Deloitte and KPMG fully complied with
12 their professional responsibilities is simply not credible. Both firms were highly
13 motivated to avoid rocking the boat and to allow the \$11.1 billion deal close so that they
14 could receive their lucrative fees. Moreover, they intentionally or recklessly disregarded
15 prominent public facts suggesting both that Autonomy was significantly overvalued and
16 was engaging in accounting irregularities.

17 65. A November 30, 2012 article in *The New York Times* entitled, "A Clash of
18 Auditors in H.P. Deal and Loss," noted that:

19 "The battle over Hewlett-Packard's claim that it was bamboozled
20 when it bought Autonomy, a British software company, has been long on
angry rhetoric and short on details about the accounting that was
21 supposedly wrong and led to an \$8.8 billion writedown.

22 But the eternal question asked whenever a fraud surfaces – 'Where
were the auditors?' does have an answer in this case.

23 They were everywhere.

24 They were consulting. They were advising, according to one
25 account, on strategies for 'optimizing' revenue. They were investigating
whether books were cooked, and they were signing off on audits
26 approving the books that are now alleged to have been cooked. They
were offering advice on executive pay."

27 See "A Clash of Auditors in H.P. Deal and Loss," *The New York Times*,
28 November 30, 2012, at p. B1.

1 66. Deloitte, in particular, was heavily conflicted because it was earning up to
2 44% of its fees on non-auditor work, including advising on how much the very
3 executives that were paying Deloitte should themselves be paid.

4 67. Deloitte, at the same time, was a “platinum-level” strategic alliance
5 technology implementation partner of H-P.

6 68. As part of its audit work for Autonomy, Deloitte knew or should have
7 known that Autonomy was engaging in round-trip transactions, a classic accounting
8 fraud.

9 69. KPMG, for its part, knew Deloitte was too close to Autonomy and that, in
10 the U.S., Deloitte would not be considered “independent” under Sarbanes-Oxley
11 standards. KPMG was negligent in failing to conduct sufficient diligence.

12 **THE INDIVIDUAL DEFENDANTS CAUSED HPQ TO ISSUE FALSE**
13 **AND MISLEADING STATEMENTS DURING THE RELEVANT PERIOD**

14 70. On August 18, 2011, Hewlett-Packard announced its intention to acquire
15 Autonomy in a \$10.2 billion transaction. The release stated in part:

16 “Autonomy presents an opportunity to accelerate our
17 strategic vision to decisively and profitably lead a large and
18 growing space,” said Léo Apotheker, HP president and
19 chief executive officer. “Autonomy brings to HP higher
20 value business solutions that will help customers manage
21 the explosion of information. Together with Autonomy, we
22 plan to reinvent how both unstructured and structured data
23 is processed, analyzed, optimized, automated and protected.
24 Autonomy has an attractive business model, including a
25 strong cloud based solution set, which is aligned with HP’s
26 efforts to improve our portfolio mix. We believe this bold
27 action will squarely position HP in software and
28 information to create the next-generation Information
Platform, and thereby, create significant value for our
shareholders.”

29 Apotheker continued, “Autonomy is a *highly*
30 *profitable* and globally respected software company, with a
31 well-regarded management team and talented, dedicated
32 employees. We look forward to partnering with a company
33 who shares our commitment to solving customer problems
34 by creating smart, cutting-edge products and solutions. I am
35 particularly pleased that Dr. Mike Lynch, who heads a team
36 of brilliant scientists and employees, will continue to lead

1 Autonomy. I look forward to our collaboration as we focus
2 on creating maximum value for the combined company, its
customers and employees.”

3 “This is a momentous day in Autonomy’s history,”
4 said Dr. Mike Lynch, chief executive officer and founder,
5 Autonomy. “From our foundation in 1996, we have been
6 driven by one shared vision: to fundamentally change the
7 IT industry by revolutionizing the way people interact with
information. HP shares this vision and provides Autonomy
with the platform to bring our world-leading technology
and innovation to a truly global stage, making the shift to a
future age of the information economy a reality.”

8 71. On or about September 13, 2011, defendants Lesjak and Murrin caused
9 Hewlett-Packard to file a prospectus on Form 424B5 with the SEC for the offer and sale
10 of \$4.6 billion in fixed- and floating-rate notes with maturities reaching out to
11 September 14, 2041. The prospectus informed investors that the proceeds of the
12 \$4.6 billion offering would be “for general corporate purposes.” The
13 September 13, 2011 prospectus incorporated by reference management’s discussion and
14 analysis of the Services segment’s financial performance as reported in the Company’s
15 third quarter 2011 Form 10-Q, which stated in relevant part:

16 Services net revenue increased 3.6% (decreased 1.9% when
17 adjusted for currency) and 1.0% (decreased 1.4% when adjusted for
18 currency) for the three and nine months ended July 31, 2011,
19 respectively. Infrastructure Technology Outsourcing net revenue
20 increased by 5% and 2% for the three and nine months ended July 31,
21 2011, respectively. An increase in product-related revenue and a
22 favorable currency impact were partially offset by a shortfall in short-
23 term project contracts with existing clients. Technology Services net
24 revenue increased by 5% and 2% for the three and nine months ended
25 July 31, 2011, respectively, due primarily to growth in our consulting
26 business and a favorable currency impact, the effect of which was
27 partially offset by reduced sales of third-party hardware. Application
28 Services net revenue increased by 2% and 1% for the three and nine
months ended July 31, 2011, respectively. The increase for both periods
was driven by a favorable currency impact, the effect of which was
partially offset by declines in short-term project work and primarily to
the ExcellerateHRO divestiture completed at the end of the third quarter
of fiscal 2010.

26 72. Also on September 13, 2011, the Company’s former CEO participated in
27 the following Q&A with analyst Chris Whitmore at the Deutsche Bank Technology
28 Conference:

1 [APOTHEKER:] Autonomy – I’m sure we have many more
2 questions on Autonomy, but, just to position that squarely in everybody’s
3 minds, the idea around Autonomy is to really strengthen HP’s
4 capabilities tremendously in this whole notion of data. We talked about
data in San Francisco. We will talk a lot about data, probably, today, as
well, structured and unstructured. And, therefore, Autonomy is a very
important asset.

5 * * *

6 And let me just try to build on that and help you understand how
7 we came to the valuation of Autonomy. We have a pretty rigorous
8 process inside HP that we follow for all of our acquisitions, which is a
9 DCF-based model, and we try to take a very conservative view at this.
Just to make sure everybody understands. Autonomy will be, on day
one, accretive to HP. For FY 2012, Autonomy, once we integrate it, is
accretive to HP.

10 Now, we have identified five synergy possibilities – five synergy
11 leverages on how we can build up the Autonomy business and how we
12 can synergize it between HP and Autonomy. And I can walk you
13 through that, through these various elements. But just take it from us.
We did that analysis at great length, in great detail, and we feel that we
paid a very fair price for Autonomy. And it will give a great return to
our shareholders.

14 * * *

15 [WHITMORE:] You’re in the midst of repositioning
16 [Enterprise Services]. Can you talk about where you are today in that
process, what the end goal is? What do you hope to turn EDS into?

17 [APOTHEKER:] Okay. It’s not EDS anymore; it’s HP
18 Enterprise Services. And the segment we report is that business, our
enterprise services, and our technical services. We bring it all together in
the segment service that you see in the reporting.

19 So, what are we trying to do? Currently, our HP EDS – former
20 EDS business is heavily skewed towards outsourcing. We are trying to
21 shift this balance over time and it has to be gradual, because in service
22 businesses, things move gradually to a more balanced portfolio
23 approach. We will be providing on top of our outsourcing businesses –
or alongside our outsourcing businesses additional, higher-added-value
service, be it clouds – we want to put a lot of focus on clouds –
application migrations towards the clouds, application modernization,
and, in fact, provide more IP for our customers as well.

24
25 73. Nine days later, on September 22, 2011, Hewlett-Packard terminated
26 Apotheker as CEO and announced that defendant Whitman would take over as the new
27 President and CEO of the Company.

28 ///

1 74. On September 22, 2011, Hewlett-Packard hosted a conference call
2 regarding Whitman's appointment as President and CEO. Whitman stated:

3 Second, the Autonomy acquisition, which I'm excited about, is
4 proceeding as planned, and is expected to be completed by the end of the
calendar year.

5 75. On November 21, 2011, Hewlett-Packard conducted its fourth quarter 2011
6 earnings conference call for analysts and investors. Defendants Whitman and Lesjak
7 were present and participated in the call. During the call, Whitman stated:

8 [W]e closed the Autonomy acquisition on October 3. In the last
9 month, we've had hundreds of leads passed between the two companies,
10 and we've created a new information management business group that
combines Autonomy, Vertica, and other HP software assets under Mike
Lynch, and reports directly to me.

11 * * *

12 Well let me just spend a moment on Autonomy. I am really
13 excited about this acquisition. *As you all know, I think it really*
14 *positions HP as a leader in the Next-generation information*
15 *management and analytics capabilities, as the explosion of data is*
16 *making these capabilities absolutely critical. Autonomy is a unique*
asset. It has a remarkable ability to manage unstructured information in
a way that no one else in the market does. I think that adds a lot of value
not only in their space but actually across HP.

17 So, what we've set up is Autonomy is actually running fairly
18 autonomously (laughter) but we have done a great job I think of
19 integrating the go-to market. So, there are sales leads that are going
20 from Autonomy to HP – interestingly, which we didn't expect so much
of in terms of a hardware pull-through – but also from our HP sales team
back to Autonomy. We've got a clearing house that vets all those leads.
So, that what we turn over to Autonomy are really high quality leads that
will allow Autonomy to grow much faster than they would have grown
on their own. That's the name of the game for 2012.

21 There's going to be lots of other things we do together but
22 accelerating the growth of Autonomy using the distribution capability of
23 HP is priority number one, two and three for 2012.

24 During the call, Lesjak stated:

25 We closed the acquisition of Autonomy in October, and therefore,
26 we had roughly one month of results in the software numbers. *The*
27 *integration is going well thus far, and we are focused on enabling our*
28 *global sales force to ramp on the Autonomy product line-up, so they*
can begin selling Autonomy software in fiscal '12.

1 Whitman also stated the following regarding the Company's Services segment:

2 First, we increased our investment levels through fiscal-year 2011
3 because there are areas where HP had previously under-invested. This is
4 a big reason why our services margins have been coming down and
remain pressured.

5 During the fourth quarter 2011 earnings conference call, Lesjak added:

6 HP services delivered revenue of \$9.3 billion, up 2% from the
7 prior year quarter, but down 1% in constant currency. Operating profit
8 of \$1.2 billion, or 12.8% of revenue, was down 360 basis points from the
prior year. Our services turnaround will take time as we work to shift
9 the business mix toward higher growth, higher margin services. IT
outsourcing revenue of \$3.9 billion was up 1% year-over-year.

10 76. On December 7, 2011, the Individual Defendants caused Hewlett-Packard
11 to file a prospectus on Form 424B5 with the SEC for the offer and sale of \$3.0 billion in
12 fixed-rate notes with maturities reaching out to December 9, 2021. The prospectus
13 informed investors that the proceeds of the \$3.0 billion offering would be "for general
14 corporate purposes." The December 7, 2011 prospectus incorporated by reference
15 management's discussion and analysis of the Services segment's financial performance
16 during the third quarter of 2011.

17 77. On December 14, 2011, Hewlett-Packard filed its 2011 Form 10-K with the
18 SEC. Defendants Whitman, Lesjak and Murrin signed the Form 10-K, which stated in
19 relevant part:

20 *Acquisition of Autonomy Corporation plc*

21 HP's largest acquisition in fiscal 2011 was its acquisition of
22 Autonomy Corporation plc ("Autonomy"). As of October 31, 2011, HP
23 owned an approximately 99% equity interest in Autonomy, and HP
24 expects to acquire a 100% equity interest before the end of the first
25 quarter of fiscal 2012. Autonomy is a provider of infrastructure software
26 for the enterprise. HP reports the financial results of the Autonomy
27 business in the HP Software segment. The acquisition date fair value
28 consideration of \$11 billion consisted of cash paid for outstanding
common stock, convertible bonds, vested in-the-money stock awards and
the estimated fair value of earned unvested stock awards assumed by HP.
In connection with this acquisition, HP recorded approximately \$6.6
billion of goodwill and amortizable purchased intangible assets of \$4.6
billion. HP is amortizing the purchased intangible assets on a straight-
line basis over an estimated weighted-average life of 8.8 years.

Services net revenue increased 1.2% (decreased 1.3% when adjusted for currency) in fiscal 2011 due to revenue increases in Infrastructure Technology Outsourcing and Technology Services. Infrastructure Technology Outsourcing net revenue increased by 2% in fiscal 2011. An increase in product-related revenue and a favorable currency impact were partially offset by a shortfall in short-term project contracts with existing clients. Technology services net revenue increased by 2% in fiscal 2011, due primarily to growth in our consulting business and a favorable currency impact, the effect of which was partially offset by reduced sales of third-party hardware. Applications Services net revenue increased by 1% in fiscal 2011. The increase was driven by a favorable currency impact, the effect of which was partially offset by declines in short-term project work and weakness in public sector spending. Business Process Outsourcing new revenue decreased by 7% in fiscal 2011 due primarily to the ExcellerateHRO divestiture completed at the end of the third quarter of fiscal 2010.

Services earnings from operations as a percentage of net revenue decreased by 1.6 percentage points in fiscal 2011. Operating margin decreased due primarily to lower than expected revenue, rate concessions arising from recent contract renewals, a lower than expected resource utilization rate and a higher mix of lower-margin Infrastructure Technology Outsourcing revenue. The decrease in operating margin was partially offset by a reduction in bad debt expense and a continued focus on operating improvements and cost initiatives that favorably impacted the cost structure of both our enterprise services and technology services businesses.

78. On February 22, 2012, Hewlett Packard conducted its first quarter 2012 earnings conference call for analysts and investors. Defendants Whitman and Lesjak were present and participated in the call. During the call, Whitman stated the following regarding the Company's Services segment:

In Services, year-over-year revenues were up 1% while operating margin declined to 10.5%. This continuing margin pressure in Services really goes straight to a couple of our major challenges, like resource utilization and business mix. We're focused on transitioning to more profitable services while enhancing our systems, processes and sales force. Last quarter, we characterized Services as a long-term effort. That journey continues.

In Software, with the addition of Autonomy, revenue grew 30% year-over-year with a 17.1% operating margin. ***The Autonomy acquisition is going well.*** And we're continuing to grow our set of assets from Information Management to our IT Performance Suite including security, management of hybrid clouds and Application Lifecycle Management. Software is a critical part of our portfolio and of our forward-looking strategy. It amplifies, differentiates, optimizes and secures our core infrastructure, builds on our solution capabilities and expands customer relationships.

1 During the first quarter 2012 earnings conference call, Lesjak added:

2 So the performance that we delivered [in Services] was in line with
3 the expectations that we set last quarter, and I think that that's an important
4 point. So there shouldn't be any surprises here on that. Revenues in
5 Services did grow 1%, it was flat, on a reported basis it was flat in constant
6 currency while the cost structure increased due to the necessary investments
7 that we've been talking about in service delivery, in basically building out
8 our bench and in investing to build out our strategic enterprise services.
And I put – the services that we put in that category are services around
cloud, analytics and security, as well as apps modernization. And those are
the higher growth, higher margin services that we need to invest into and
convert this business from being less ITO heavy where the margins are not
as good, and in some service lines within ITO, the margins are very
unattractive and we're deemphasizing some of the revenue in that space.

9 79. On February 28, 2012, defendant Murrin sold 42,500 shares of his Hewlett-
10 Packard common stock for proceeds of \$1.1 million. Murrin failed in his duty, pursuant
11 to Company policy and the federal securities laws, either to disclose the material adverse
12 facts stated in ¶54 before selling his stock, or to abstain from trading.

13 80. On March 12, 2012, Hewlett-Packard filed its first quarter 2012 Form 10-Q
14 with the SEC. Defendants Whitman and Lesjak signed the form 10-Q, which stated in
15 relevant part:

16 Services net revenue increased 1.1% (0.3% when adjusted for
17 currency) for the three months ended January 31, 2012 due to revenue
18 increases in Infrastructure Technology Outsourcing and Technology
19 Services. Infrastructure Technology Outsourcing net revenue increased
20 by 2% due to an increase in product-related revenue and a favorable
21 currency impact, the effect of which was partially offset by a decline in
22 short-term project contracts with existing clients. Net revenue in
Technology Services increased by 2% due primarily to growth in our
consulting and support businesses, the effect of which was partially
offset by reduced sales of third-party hardware. Application and
Business Services net revenue was flat due primarily to a decline in
short-term project work, the effect of which was offset by a favorable
currency impact.

23 Services earnings from operations as a percentage of net revenue
24 decreased by 5.7 percentage points in the three months ended
25 January 31, 2012. Operating margin decreased due primarily to rate
26 concessions arising from contract renewals, investments in service
delivery and sales headcount and additional costs associated with
contract deliverable delays.

27 81. During May 2012, Hewlett-Packard's stock price declined as news leaked
28 out that Autonomy was performing poorly.

1 82. On May 23, 2012, Hewlett-Packard conducted its second quarter 2012
2 earnings conference call for analysts and investors. Defendants Whitman and Lesjak
3 were present and participated in the call. During the call, Hewlett-Packard
4 acknowledged that Autonomy had a “very disappointing” revenue quarter. Whitman
5 stated:

6 To help improve Autonomy’s performance, Bill Veghte, HP’s
7 Chief Strategy Officer and Executive Vice President of HP Software,
8 will step in to lead Autonomy. Mike Lynch, Autonomy’s Founder and
9 Executive Vice President for Information Management will leave HP
10 after a transition period. The market and competitive position for
11 Autonomy remains strong, particularly in cloud offerings, and we have
12 been flooded with a number of big deal leads. Bill is an experienced
13 software leader, who will develop the right processes and discipline to
14 scale Autonomy and fulfill its promise, although it will take a few
15 quarters to see tangible improvement.

16 During the call, Whitman also stated the following regarding the Company’s Services
17 segment:

18 Turning to Services, revenues were essentially flat year-over-year
19 in constant currency and we stabilized margins. While margins may
20 fluctuate quarter-to-quarter, we believe that a 10% to 12% range is the
21 right sustainable profit margin profile for Services through the remainder
22 of fiscal year 2012. We’re focused on building out strategic practice
23 areas, in cloud, security, information management, and application
24 transformation. And we’re strengthening the industry alignment of our
25 Services business, which will help us better solve customer challenges,
26 create more customer value and deepen customer relationships. We’re
27 excited about growing these higher-margin categories, but this is a
28 business that continues to be challenged. It’s a journey, and we have a
lot of work ahead of us in this turnaround.

29 83. On June 8, 2012, Hewlett-Packard filed its second quarter 2012 Form 10-Q
30 with the SEC. Defendants Whitman and Lesjak signed the Form 10-Q, which stated in
31 relevant part:

32 Services net revenue decreased 1% (0.3% when adjusted for
33 currency) for the three months ended April 30, 2012 and was flat both as
34 reported and in constant currency for the six months ended April 30,
35 2012, respectively. Application and Business Services net revenue
36 increased by 1% and remained flat for the three and six months ended
37 April 30, 2012, respectively. The revenue increase was due primarily to
38 an increase in short-term project work as well as an increase in sales of
cloud offerings, the effect of which was offset by a reduction in contract
renewals. Technology Services net revenue remained flat for the three
months ended April 30, 2012. Technology Services net revenue

1 increased by 1% for the six months ended April 30, 2012, due primarily
2 to growth in our consulting and support businesses. Infrastructure
3 Technology Outsourcing net revenue decreased by 3% and 1% for the
4 three and six months ended April 30, 2012, respectively. Lower rates on
contract renewals for both periods, along with increased deal selectivity
designed to meet threshold margins for new contracts, contributed to the
decrease in revenues.

5 84. On August 8, 2012, the Company announced that it expected to record an
6 \$8.0 billion goodwill impairment charge within its Services segment due to “recent
7 trading values of HP’s stock, coupled with market conditions and business trends within
8 the Services segment.” While the market was generally aware that the Company’s stock
9 was trading at lower levels and that Hewlett-Packard’s competitors within the IT services
10 industry were thriving, defendants continued to leave investors in the dark concerning
11 the details of the collapse in profitability and business prospects of the Enterprise
12 Services business.

13 85. On August 22, 2012, Hewlett-Packard confirmed in a Form 8-K filed with
14 the SEC that it was indeed taking an \$8.0 billion goodwill impairment charge, associated
15 with the Services segment, against third quarter 2012 earnings.

16 86. The same day, Hewlett-Packard conducted its 3Q2012 earnings conference
17 call for analysts and investors after the close of the trading day. Defendants Whitman
18 and Lesjak were present and participated in the call. During the call, Whitman
19 acknowledged the continuing difficulties with Autonomy, while also concealing
20 important adverse information about Autonomy and Enterprise Services. Whitman
21 stated the following:

22 Now, let me outline some areas where we’re not where we need to
23 be. While Enterprise Services performance in the third quarter was
24 within our expectations, there’s still a lot of work that needs to be done.
25 Earlier this month we announced a change in leadership at ES with Mike
Nefkens stepping in to lead on an acting basis. Mike is an experienced
leader who has led IT transformations for a number of our largest
accounts.

26 * * *

27 Autonomy still requires a great deal of attention and we’ve been
28 aggressively working on that business. Among the many changes we’ve
instituted is a global dashboard to track Autonomy’s pipeline. A single

1 global sales methodology, a single HP Services engagement process, and
2 a global process to measure client satisfaction and service delivery
3 progress. These actions are designed to help deliver predictable results
4 and improve after-sale customer satisfaction.

4 During the call, defendant Lesjak added:

5 Moving on to Services. As we announced on August 8, we are
6 recording a GAAP only non-cash pretax charge of approximately
7 \$8 billion for the impairment of goodwill within the Services segment.
8 The impairment stems from the recent trading values of HP stock
9 coupled with market conditions and business trends within the Services
10 segment. We do not expect this goodwill impairment charge to result in
11 any future cash expenditures or otherwise affect the ongoing business or
12 financial performance of the Services segment.

13 In the third quarter, Services delivered revenue of \$8.8 billion,
14 down 3% from the prior year and up 1% in constant currency. Operating
15 profit of \$959 million was 11% of revenue, down 2.7 points from the
16 prior year, but still within our expected range of 10% to 12%. The year-
17 over-year decline was due to the unfavorable impact of resource
18 management and account performance and runoff, somewhat offset by
19 an improvement in the cost of Services delivery.

20 87. In response to defendants' disclosure that Autonomy's business was still
21 deteriorating and that Enterprise Services – *i.e.*, Electronic Data Services – was the
22 underlying reason for the Services segment's disappointing operating margin
23 performance, the Company's stock price dropped \$1.56 per share on August 23, 2012 to
24 close at \$17.64 on heavy trading volume. Defendants, however, still had not fully
25 disclosed how poorly the Enterprise Services business had, in fact, been performing and
26 its dismal prospects for fiscal 2013.

27 88. On September 10, 2012, Hewlett-Packard filed its third quarter 2012 Form
28 10-Q with the SEC. Defendant Lesjak signed the Form 10-Q, which stated in relevant
part:

Services net revenue decreased 3.1% (increased 1.0% when
adjusted for currency) and 1.0% (increased 0.4% when adjusted for
currency) for the three and nine months ended July 31, 2012,
respectively. ITO net revenue decreased by 6% and 3% for the three and
nine months ended July 31, 2012, respectively. Contractual rate declines
on ongoing contracts, increased deal selectivity designed to meet
threshold margins and strategic fit, and an unfavorable currency impact
contributed to the decrease in revenues for both the periods. TS
net revenue decreased by 1% and remained flat for the three and nine

months ended July 31, 2012, respectively. The decrease for the three months ended July 31, 2012 was due primarily to revenue declines in our support business driven by an unfavorable currency impact, the effect of which was partially offset by growth in our consulting business. ABS net revenue remained flat for both the three and nine months ended July 31, 2012, respectively. An increase in sales of cloud and information management and analytics offerings were offset by a reduction in contract renewals as well as unfavorable currency impacts.

Services earnings from operations as a percentage of net revenue for the three and nine months ended July 31, 2012 decreased by 2.7 percentage points and 4.2 percentage points, respectively. Operating margin decreased for both periods due primarily to contractual rate declines on ongoing contracts, a lower resource utilization rate and additional costs associated with certain contract deliverable delays. The decrease in operating margin was partially offset by a continued focus on operating improvements and cost initiatives that favorably impacted the cost structure of both our enterprise services and technology services businesses.

89. During the Company's October 3, 2012 Security Analyst Meeting, Michael Nefkens, Acting Global Enterprise Services Leader, and Jean-Jacques Charhon, Senior VP and COO of Enterprise Services, gave a presentation in which they displayed a PowerPoint slide detailing, "*for the first time*," the collapse in profitability of the Enterprise Services business. It showed that by August 2011, Enterprise Services' operating margin had already decreased nearly 500 basis points – from 10% to 5% – on \$6.0 billion in quarterly revenue. It further revealed that by October 2012, Enterprise Services' operating margin had deteriorated by another 40%, or to 3% on \$6.0 billion in quarterly revenue. During the meeting, the Company added that the Services segment's 2013 revenue would slide by 11% to 13% and that operating margins were expected to be in the range of 0% to 3%.

90. In response to these disclosures, the Company's stock price dropped \$2.22 – or 13% – on October 3, 2012, on heavy trading volume.

91. The market was stunned at the Company's "first-time" disclosure of the long-running erosion of profits at Enterprise Services. In an October 3, 2012 research report entitled "HP Drops a EPS Bomb for FY13," Topeka Capital Markets noted:

- **Most Negative Impact to FY13 EPS to be Enterprise Services.** Yesterday we talked about the services business being our biggest concern. The biggest driver of YoY EPS decline is HP Enterprise Services, that is

1 expected to negatively impact FY13 EPS by \$0.29-\$0.35 with sales falling
2 11%-13% YoY. *The operating margin of the Enterprise Services*
3 *business is expected to be 0% to 3% in FY13 and well below the 11%*
4 *delivered in 3QFY12. Keep in mind, HP had at one time expected*
5 *operating margin to be 16% to 17.5% in this business.* Given a recent
6 CRN article indicating HP has been trying to sell its Enterprise Services
7 business (and since denied by HP), we believe there was some truth to this
8 article given HP's weak FY13 outlook for this business. *Since Enterprise*
9 *Services was the biggest contributor of profit for HP last quarter . . . this*
10 *is a long term concern.*

11
12 92. In an October 4, 2012 research report entitled "Hewlett Packard: A long
13 turnaround," Credit Suisse commented on the new information defendants decided to
14 disclose about the Services segment and the Enterprise Services business in particular:

15 Throughout the management presentations, it was made clear that
16 FY13 would be a fix and build year, this is especially the case for HP's
17 Services segment.

18 * * *

19 **Fixed cost structure and negative leverage.** Given the 200K+
20 employees and high fixed cost structure, *the revenue declines are*
21 *expected to compress segment operating margin to 0-3% in FY13 from*
22 *~3% currently and about 10% in FY10.* The company noted that a
23 large part of the historic margin declines were due to execution and poor
24 contract management.

25 93. News outlets also expressed concern about the Company's disclosures
26 regarding the collapse in the profitability of the Enterprise Services business. For
27 example, on October 4, 2012, the *Contra Cost Times*, in an article entitled, "HP Shares
28 Continue To Sink As Analysts Cut Price Targets," reported:

29 Analysts expect the company's revenue and margins to falter,
30 increasing uncertainty about its recent strategic decisions which focus on
31 transforming the former industry powerhouse into an enterprise
32 computing corporation that take on IBM and Dell.

33 *"HP's assumption of turning around the enterprise services*
34 *business within one-two years looks aggressive, given the significant*
35 *revenue decline and margin deterioration expected in fiscal 2013,"*
36 BMO Capital Markets analyst Keith Bachman said.

37 94. Then, on November 20, 2012, the Company disclosed it had taken an \$8.8
38 billion charge related to its acquisition of Autonomy due to serious accounting
39 improprieties. In fact, over \$5.0 billion of the write-off was necessary due to the fact that

1 Autonomy's financial results were the product of accounting fraud. The Hewlett-
2 Packard release stated in part:

3 "HP is extremely disappointed to find that some former members
4 of Autonomy's management team used accounting improprieties,
5 misrepresentations and disclosure failures to inflate the underlying
6 financial metrics of the company, prior to Autonomy's acquisition by
7 HP. These efforts appear to have been a willful effort to mislead
8 investors and potential buyers, and severely impacted HP management's
9 ability to fairly value Autonomy at the time of the deal. We remain 100
10 percent committed to Autonomy and its industry-leading technology."

11 Additional background:

12 HP today announced a non-cash impairment charge of \$8.8 billion
13 related to Autonomy in the fourth quarter of its 2012 fiscal year. The
14 majority of this impairment charge, more than \$5 billion, is linked to
15 serious accounting improprieties, misrepresentation and disclosure
16 failures discovered by an internal investigation by HP and forensic
17 review into Autonomy's accounting practices prior to its acquisition by
18 HP. The balance of the impairment charge is linked to the recent trading
19 value of HP stock and headwinds against anticipated synergies and
20 marketplace performance.

21 HP launched its internal investigation into these issues after a
22 senior member of Autonomy's leadership team came forward, following
23 the departure of Autonomy founder Mike Lynch, alleging that there had
24 been a series of questionable accounting and business practices at
25 Autonomy prior to the acquisition by HP. This individual provided
26 numerous details about which HP previously had no knowledge or
27 visibility.

28 HP initiated an intense internal investigation, including a forensic
review by PriceWaterHouseCoopers of Autonomy's historical financial
results, under the oversight of John Schultz, executive vice president and
general counsel, HP.

As a result of that investigation, HP now believes that Autonomy
was substantially overvalued at the time of its acquisition due to the
misstatement of Autonomy's financial performance, including its
revenue, core growth rate and gross margins, and the misrepresentation
of its business mix.

* * *

This appears to have been a willful effort on behalf of certain
former Autonomy employees to inflate the underlying financial metrics
of the company in order to mislead investors and potential buyers. These
misrepresentations and lack of disclosure severely impacted HP
management's ability to fairly value Autonomy at the time of the deal.

Analysts were studded. As *USA Today* reported on November 20, 2012:

1 The Autonomy revelation is another blow for HP, which is
2 struggling to reinvent itself as PC and printer sales shrink.

3 “While the write-down is non-cash, it may call into question the
4 credibility of its board of directors,” wrote Shaw Wu, analyst at Sterne
5 Agee & Leach, to a note to clients.

6 * * *

7 Additionally, Whitman has “highlighted she was comfortable and
8 confident in the deal,” says Aaron Rakers, analyst at Stifel, Nicolaus.
9 “Given she was on the board when the Autonomy deal was done, I’m not
10 sure if it’s a reflection on her, but another ding against the board.”

11 The size and scope of the charge is staggering, given that the \$8.8
12 billion financial hit is nearly as large as the \$10 billion HP paid for the
13 company. But the company, in a release, said: “We remain 100%
14 committed to Autonomy and its industry-leading technology.”

15 95. On this news, the Company’s stock price dropped \$1.59 per share during the
16 day to close at \$11.71, a decline of 12%, on volume of 155 million shares.

17 96. The true facts, which were known by defendants but concealed from the
18 investing public during the Relevant Period, were as follows:

- 19 a. At the time Hewlett-Packard acquired Autonomy, the business’s
20 operating results and historic growth were the product of accounting
21 improprieties, including the mischaracterization of sales of low-
22 margin hardware as software and the improper recognition of
23 revenue on transactions with Autonomy business partners even
24 where customers did not purchase the products;
- 25 b. At the time Hewlett-Packard had agreed in principle to acquire
26 Autonomy, defendants were looking to unwind the deal in light of
27 the accounting irregularities that plagued Autonomy’s financial
28 statements; and
- c. The operating margin for Enterprise Services had collapsed from
10% in 2010 to approximately 6% as of April 30, 2011, 4% as of
October 31, 2011, and 3% as of April 30, 2012, due to various
reasons, including unfavorable revenue mix and underperforming
contracts.

1 97. As a result of defendants' false and misleading statements, Hewlett-Packard
2 common stock traded at artificially inflated prices during the Relevant Period. However,
3 after the above-referenced true but undisclosed facts seeped into the market, the
4 Company's common stock declined precipitously, falling 60% from its Relevant Period
5 high and resulting in the loss of billions of dollars of market capitalization.

6 **THE INDIVIDUAL DEFENDANTS BREACHED THEIR**
7 **DUTIES OF CANDOR AND GOOD FAITH BY CAUSING**
8 **HEWLETT-PACKARD TO REPURCHASE ITS OWN STOCK**
9 **AT KNOWINGLY INFLATED PRICES DURING THE RELEVANT**
10 **PERIOD, AND DEFENDANT MURRIN FURTHER BREACHED HIS**
11 **FIDUCIARY DUTIES BY ENGAGING IN INSIDER SELLING**

12 A. The HPQ Director Defendants Improperly Caused HPQ to Accelerate
13 Purchases of Its Own Stock During the Relevant Period

14 98. Between August 1, 2011 and October 31, 2012, the Individual Defendants
15 wrongfully caused HPQ to repurchase 83,752,070 of its own shares at a cost of more
16 than \$2.1 billion, and at artificially inflated prices. This constituted a breach of the
17 defendants' duties of candor and good faith because, at the time the defendants
18 authorized the repurchases and at the time the repurchases occurred throughout the
19 Relevant Period, the HPQ Director Defendants knew or consciously disregarded the fact
20 that HPQ's stock was inflated. Despite such knowledge, the HPQ Director Defendants
21 authorized, and then refused to suspend, billions of dollars of repurchases during the
22 Relevant Period.

23 99. On July 21, 2011, approximately one month before the announcement of the
24 Autonomy acquisition (and while due diligence for the acquisition was occurring),
25 Individual Defendants Apotheker, Senequier, Livermore, Lane, Banerji, Reiner, Russo,
26 Whitman, Hammergren, Babbio, Thompson, Baldauf, Andreesen and Gupta approved
27 \$10 billion in additional share repurchases under HPQ stock repurchase plan.

28 100. Between August 1, 2011 and October 31, 2012, the Individual Defendants
wrongfully caused HPQ to repurchase more than \$2.1 billion of its own stock at
artificially inflated prices pursuant to the stock repurchase plan.

///

1 101. At no time during the Relevant Period, as these massive share repurchases
2 were occurring, did the Individual Defendants take any action to suspend the buyback
3 program, notwithstanding their actual knowledge of, or reckless disregard of, accounting
4 improprieties at Autonomy. Indeed, as alleged herein, Defendant Lesjak had strenuously
5 told the entire board, prior to the Autonomy acquisition, that Autonomy was significantly
6 overvalued.

7 102. Moreover, in May 2012, the HPQ Director Defendants received actual
8 knowledge of accounting fraud at Autonomy from an internal investigation it launched
9 into these issues after a senior member of Autonomy's leadership team came forward,
10 following the departure of Autonomy founder Mike Lynch, alleging that there had been a
11 series of questionable accounting and business practices at Autonomy prior to the
12 acquisition by HP. This individual provided numerous details about the accounting fraud
13 at Autonomy. As part of its internal investigation, HPQ hired PriceWaterHouseCoopers
14 ("PWC") to conduct a forensic accounting review of Autonomy's accounting.

15 103. Based on the detailed information from the "senior member" of
16 Autonomy's leadership team, and further information provided by PWC, the HPQ
17 Director Defendants had ***actual knowledge*** of accounting fraud at Autonomy beginning
18 in May 2012. Notwithstanding such knowledge, the HPQ Director Defendants failed to
19 cease HPQ's repurchase of its own stock at inflated prices. The HPQ Director
20 Defendants knew that revelation of accounting fraud at Autonomy would result in a
21 significant decline in HPQ's stock price, yet continued to cause HPQ to buy substantial
22 amounts of its own stock.

23 104. Indeed, from May to October 2012, the HPQ Director Defendants caused
24 HPQ to purchase another 24,053,000 shares of its own stock at prices of as high as
25 \$23.09 or more.

26 B. Defendant Murrin Engaged in Insider Selling

27 105. Defendant Murrin also breached his duty of loyalty and candor by engaging
28 in insider selling. The following chart reflects Murrin's insider selling:

Date	Number of Shares Sold	Price	Proceeds
8/22/2011	30,000	\$24.61	\$738,300
11/29/2011	30,000	\$27.02	\$810,471
1/30/2012	30,000	\$27.28	\$818,400
2/28/2012	42,500	\$26.12	\$1,110,202
TOTAL:	132,500		\$3,477,373

106. Murrin's sales were unusual in timing and amount. During the Relevant Period, he sold over two-thirds of his holdings. At the beginning of the Relevant Period, Murrin held 199,579 HPQ shares. Since he sold 132,500 shares during the Relevant Period, and only had 67,079 shares remaining at the end, he sold over 66% of his shares.

107. Moreover, Murrin had unique access to insider information which was especially relevant to the problems at Autonomy: Murrin was HPQ's Principal Accounting Officer as well as Senior V.P. and General Manager of the end-user workplace and managed network services business within HPQ's Enterprise Services business.

DUTIES OF THE INDIVIDUAL DEFENDANTS

A. Fiduciary Duties

108. By reason of their positions as officers, directors, and/or fiduciaries of HPQ and because of their ability to control the business and corporate affairs of the Company, the Individual Defendants owed and owe HPQ and its shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and were and are required to use their utmost ability to control and manage HPQ in a fair, just, honest, and equitable manner. Further, the Individual Defendants were and are required to act in furtherance of the best interests of HPQ and its shareholders so as to benefit all shareholders equally and not in furtherance of their personal interest or benefit.

109. Each director and officer of the Company owes to HPQ and its shareholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs

1 of the Company and in the use and preservation of its property and assets, and the
2 highest obligations of fair dealing. In addition, as officers and/or directors of a publicly
3 held company, the Individual Defendants had a duty to promptly disseminate accurate
4 and truthful information with regard to the Company's operations, performance,
5 management, projections, and forecasts so that the market price of the Company's stock
6 would be based on truthful and accurate information.

7 **B. Audit Committee Duties**

8 110. During the Relevant Period, HPQ's Audit Committee was comprised of
9 Defendants Thompson, Banerji, Babbio, Senequier, Baldauf, and Reiner. HPQ's Audit
10 Committee has the following duties and responsibilities according to HPQ: "The Audit
11 Committee assists the Board in fulfilling its responsibilities for generally overseeing
12 HP's financial reporting processes and the audit of HP's financial statements, including
13 the integrity of HP's financial statements, HP's compliance with legal and regulatory
14 requirements, the qualifications and independence of the independent registered public
15 accounting firm, the performance of HP's internal audit function and the independent
16 registered public accounting firm, and risk assessment and risk management. Among
17 other things, the Audit Committee prepares the Audit Committee report for inclusion in
18 the annual proxy statement; annually reviews its charter and performance; appoints,
19 evaluates and determines the compensation of the independent registered public
20 accounting firm; reviews and approves the scope of the annual audit, the audit fee and
21 the financial statements; reviews HP's disclosure controls and procedures, internal
22 controls, information security policies, internal audit function, and corporate policies
23 with respect to financial information and earnings guidance; reviews regulatory and
24 accounting initiatives and off-balance sheet structures; oversees HP's compliance
25 programs with respect to legal and regulatory requirements; oversees investigations into
26 complaints concerning financial matters; and reviews other risks that may have a
27 significant impact on HP's financial statements. The Audit Committee works closely
28 with management as well as the independent registered public accounting firm."

1 111. The Audit Committee's responsibilities included, among other things, the
2 duty to engage in a detailed review, after discussing with management, the financial
3 results reported by the Company.

4 112. The Audit Committee's Charter is attached hereto as **Exhibit A**. As
5 indicated by the Charter, the Audit Committee was required to: (1) review and discuss
6 with management and the independent auditor the Company's annual audited financial
7 statements and any certification, report, opinion or review rendered by the independent
8 auditor, and recommend to the Board whether the audited financial statements should be
9 included in the Company's annual report on Form 10-K; (2) review and discuss with
10 management and the independent auditor the Company's quarterly financial statements;
11 (3) review and discuss with management and the independent auditor the Company's
12 disclosures under "Management's Discussion and Analysis of Financial Condition and
13 Results of Operations" appearing in the Company's periodic reports; (4) review and
14 discuss with management all press releases regarding the Company's financial results,
15 pro-forma earnings, and any other information provided to securities analysts and rating
16 agencies, including any non-GAAP financial information; (5) Periodically meet
17 separately with management and with the independent auditor; and (6) review and
18 discuss with management and the independent auditor any off-balance sheet transactions
19 or structures and their effect on the Company's financial results and operations, as well
20 as the disclosure regarding such transactions and structures in the Company's public
21 filings.

22 113. Significantly, the Audit Committee was also responsible for the Company's
23 *risk management, related party transactions, and legal compliance and ethics*.

24 **C. Finance and Investment Committee Duties**

25 114. During the Relevant Period, Defendants Hammergren, Whitworth,
26 Livermore, Reiner, Senequier, Babbio and Banerji were members of HPQ's Finance and
27 Investment Committee. A true and correct copy of the Charter of such committee is
28 attached hereto as **Exhibit B**. One of the most important duties of the Committee is to:

1 *“Pursuant to HP’s M&A approval policies, to assist the Board in*
2 *evaluating investment, acquisition, enterprise services, joint venture*
3 *and divestiture transactions in which HP engages as part of its*
4 *business strategy from time to time.”*

5 115. In other words, it was peculiarly the job of Defendants Hammergren,
6 Whitworth, Livermore, Reiner, Senequier, Babbio and Banerji to assist the Board in
7 evaluating the acquisition of Autonomy. Moreover, pursuant to Section III.5 of the
8 Charter, the Committee had the full authority to retain its own advisors, at HPQ’s
9 expense, if they felt doing so was necessary to fulfill their duties as Finance and
10 Investment Committee members.

11 116. Moreover, the Committee was responsible for reviewing completed
12 acquisitions:

13 “Evaluation of Completed Transactions. The Committee will evaluate
14 the execution, financial results and integration of HP’s completed
15 investment, acquisition, enterprise services, joint venture and divestiture
16 transactions.”

17 117. Pursuant to these specific duties, Defendants Hammergren, Whitworth,
18 Livermore, Reiner, Senequier, Babbio and Banerji were required to review the
19 Autonomy transaction post-close and ensure that Autonomy was being properly
20 integrated and to review Autonomy’s financial results.

21 **D. Control, Access, and Authority**

22 118. The Individual Defendants, because of their positions of control and
23 authority as directors and/or officers of HPQ, were able to and did, directly and/or
24 indirectly, exercise control over the wrongful acts complained of herein, as well as the
25 contents of the public statements issued by HPQ.

26 119. Because of their advisory, executive, managerial, and directorial positions
27 with HPQ, each of the Individual Defendants had access to adverse, non-public
28

1 information about the financial condition, operations, and improper representations of
2 HPQ.

3 120. At all times relevant, each of the Individual Defendants was the agent of
4 each of the other Individual Defendants and of HPQ, and was at all times acting within
5 the course and scope of such agency.

6 **E. Reasonable and Prudent Supervision**

7 121. To discharge their duties, the officers and directors of HPQ were required to
8 exercise reasonable and prudent supervision over the management, policies, practices
9 and controls of the financial affairs of the Company. By virtue of such duties, the
10 officers and directors of HPQ were required, among other things, to:

- 11 (a) refrain from acting upon material inside corporate information to
12 benefit themselves;
- 13 (b) ensure that the Company complied with its legal obligations and
14 requirements, including acting only within the scope of its legal
15 authority and disseminating truthful and accurate statements to the
16 investing public;
- 17 (c) conduct the affairs of the Company in an efficient, business-like
18 manner so as to make it possible to provide the highest quality
19 performance of its business, to avoid wasting the Company's assets,
20 and to maximize the value of the Company's stock;
- 21 (d) properly and accurately guide investors and analysts as to the true
22 financial condition of the Company at any given time, including
23 making accurate statements about the Company's financial results;
- 24 (e) remain informed as to how HPQ conducted its operations, and, upon
25 receipt of notice or information of imprudent or unsound conditions
26 or practices, make reasonable inquiry in connection therewith, and
27 take steps to correct such conditions or practices and make such
28 disclosures as necessary to comply with securities laws; and

1 (f) ensure that HPQ was operated in a diligent, honest, and prudent
2 manner in compliance with all applicable laws, rules, and
3 regulations.

4 **BREACHES OF DUTIES**

5 122. The conduct of the Individual Defendants complained of herein involves a
6 knowing and culpable violation of their obligations as directors and officers of HPQ, the
7 absence of good faith on their part, and a reckless disregard for their duties to HPQ and
8 its shareholders that the Individual Defendants were aware or should have been aware
9 posed a risk of serious injury to HPQ. The conduct of the Individual Defendants who
10 were also officers and/or directors of the Company have been ratified by the remaining
11 Individual Defendants who collectively comprised all HPQ's Board.

12 123. The Individual Defendants each breached their duty of loyalty and good
13 faith by allowing the other Individual Defendants to cause, or by themselves causing, the
14 Company to misrepresent the Company's financial results and prospects, and by failing
15 to prevent employees and/or officers of the Company from taking such illegal actions.

16 **CONSPIRACY, AIDING AND ABETTING, AND CONCERTED ACTION**

17 124. In committing the wrongful acts alleged herein, the Individual Defendants
18 and the Auditor Defendants have pursued, or joined in the pursuit of, a common course
19 of conduct, and have acted in concert with and conspired with one another in furtherance
20 of their liability. The Individual Defendants and Auditor Defendants further aided and
21 abetted and/or assisted each other in breaching their respective duties.

22 125. During all relevant times, the Individual Defendants and Auditor
23 Defendants collectively and individually initiated a course of conduct that was designed
24 to and did conceal that the Company's business prospects were misrepresented. In
25 furtherance of this plan, conspiracy, and course of conduct, the Defendants collectively
26 and individually took the actions set forth herein.

27 ///

28 ///

126. The Defendants engaged in a conspiracy, common enterprise, and/or common course of conduct. During this time, the Defendants caused the Company to issue false and misleading statements regarding HPQ' financial prospects.

127. The purpose and effect of the conspiracy, common enterprise, and/or common course of conduct was, among other things, to: (i) disguise the Individual Defendants' violations of law, including breaches of fiduciary duty; and (ii) disguise the Company's financial disclosures.

128. The Defendants accomplished their conspiracy, common enterprise, and/or common course of conduct by causing the Company to purposefully, recklessly, or negligently release improper statements. Because the actions described herein occurred under the authority of the Board, each of the Individual Defendants was a direct, necessary, and substantial participant in the conspiracy, common enterprise, and/or common course of conduct complained of herein.

129. Each of the Defendants aided and abetted and rendered substantial assistance in the wrongs complained of herein. In taking such actions to substantially assist the commissions of the wrongdoing complained of herein, each Defendant acted with knowledge of the primary wrongdoing, substantially assisted the accomplishment of that wrongdoing, and was aware of his or her overall contribution to and furtherance of the wrongdoing.

DAMAGES

130. The Defendants' wrongful conduct was the direct and proximate cause of damages HPQ has suffered, and will suffer, in numerous ways.

131. The Defendants failed to disclose known and substantial problems with Autonomy's accounting, which posed a material threat to HPQ's financial results and balance sheet. Defendants' failure to disclose these known problems has devastated HPO's credibility.

132. HPQ has expended millions of dollars conducting a forensic audit review of Autonomy, conducted by PWC.

1 133. HPQ has expended and will expend at least tens of millions of dollars on
2 attorneys' fees relating to the Autonomy debacle.

3 134. HPQ is also the subject of numerous class action lawsuits alleging
4 violations of the securities laws in connection with the false statements. The Company
5 will face substantial costs, expenses, and a potential adverse verdict in connection with
6 those lawsuits.

7 135. As a direct and proximate result of the Defendants' actions as alleged
8 above, HPQ's market capitalization has been substantially damaged.

9 136. Further, as a direct and proximate result of the Defendants' conduct, HPQ
10 has suffered and will continue to suffer significant damages. Such damages include, but
11 are not limited to:

- 12 a. costs incurred from the loss of the Company's customers' confidence
13 in HPQ's products; and
- 14 b. damages to the Company due to the false and misleading financial
15 statements which the Individual Defendants caused the Company to
16 issue.

17 137. Moreover, these actions have irreparably damaged HPQ's corporate image
18 and goodwill. For at least the foreseeable future, HPQ will suffer from what is known as
19 the "liar's discount," a term applied to the stocks of companies who have been
20 implicated in illegal behavior and have misled the investing public, such that HPQ's
21 ability to raise equity capital or debt on favorable terms in the future is now impaired.

22 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

23 138. Plaintiffs bring this action derivatively in the right and for the benefit of
24 HPQ to redress injuries suffered, and to be suffered, by HPQ as a direct result of
25 breaches of fiduciary duties, as well as the aiding and abetting thereof, by the
26 Defendants. HPQ is named as a Nominal Defendant solely in a derivative capacity. This
27 is not a collusive action to confer jurisdiction on this Court that it would not otherwise
28 have.

1 139. Plaintiffs will adequately and fairly represent the interests of HPQ in
2 enforcing and prosecuting its rights.

3 140. Plaintiffs were shareholders of HPQ at the time of the wrongdoing of which
4 Plaintiffs complain and have been shareholders of the Company continuously since such
5 time.

6 141. The Board of HPQ at the time this action was initiated consisted of the
7 following eleven directors: Defendants Whitman, Andreesen, Banerji, Gupta,
8 Hammergren, Lane, Livermore, Reiner, Russo, Thompson and Whitworth. Plaintiffs
9 have not made any demand on the Board to institute this action against the Individual
10 Defendants because such demand would be a futile and useless act.

11 142. Plaintiffs hereby incorporate by reference each and every preceding
12 allegation as support for the demand futility allegations. In addition, Plaintiffs allege the
13 following facts.

14 **A. Demand Is Futile as to Defendant Whitman**

15 143. Demand is futile as to Defendant Whitman because she is not independent,
16 as the Company acknowledges. Whitman is the current CEO of the Company and thus is
17 a full-time employee of HPQ. As such, she lacks independence. Indeed, HPQ's proxy
18 statements concede that the CEO of the Company is not independent for corporate
19 governance purposes and does not meet the NYSE standards for independence of a
20 director.

21 144. Demand is also futile as to Whitman because she faces a substantial
22 likelihood of liability for securities fraud, as she is a named defendant in the securities
23 fraud class action cases which have been filed.

24 **B. Demand Is Futile as to Defendants Thompson, Banerji, Babbio, Senequier,**
25 **Baldauf, and Reiner**

26 145. Directors Thompson, Banerji, Babbio, Senequier, Baldauf, and Reiner are
27 interested in this litigation because they caused HPQ to issue the false and misleading
28 financial statements during the Relevant Period. Thompson, Banerji, Babbio, Senequier,

1 Baldauf, and Reiner were the sole members of HPQ's Audit Committee during the
2 Relevant Period.

3 146. As stated in Charter of HPQ's Audit Committee (Ex. A hereto), the primary
4 purpose of the Committee is to oversee the accounting and financial reporting processes
5 of the Company and the audits of the Company's financial statements. Thus,
6 Thompson, Banerji, Babbio, Senequier, Baldauf, and Reiner were directly responsible
7 for ensuring that HPQ's financial statements were true and accurate, and for discussing
8 such statements with HPQ's executives and auditors and ensuring that HPQ had
9 adequate internal controls in place regarding financial reporting. Defendants Thompson,
10 Banerji, Babbio, Senequier, Baldauf, and Reiner completely failed to perform their duties
11 as board members. They allowed Defendants Apotheker, Whitman, Murrin and Lesjak
12 to make false statements to the market about HPQ's acquisitions of EDS and Autonomy
13 and they directly participated in the making of those statements because they were
14 obligated as Audit Committee members to review and approve HPQ's statements during
15 the Relevant Period.

16 147. Defendants Thompson, Banerji, Babbio, Senequier, Baldauf, and Reiner
17 reviewed and approved HPQ's false and misleading statements that misrepresented the
18 Company's business and financial prospects. Defendants Thompson, Banerji, Babbio,
19 Senequier, Baldauf, and Reiner, as members of HPQ's Board, each knew, or consciously
20 disregarded, that the public statements were materially false and misleading. These
21 defendants, however, failed to correct this materially false and misleading information.
22 As such, Defendants Thompson, Banerji, Babbio, Senequier, Baldauf, and Reiner face a
23 substantial likelihood of liability. Thus, demand is futile as to such Defendants.

24 **C. Demand is Futile as to Defendants Hammergren, Whitworth, Livermore,**
25 **Reiner, Senequier, Babbio and Banerji**

26 148. During the Relevant Period, Defendants Hammergren, Whitworth,
27 Livermore, Reiner, Senequier, Babbio and Banerji were members of HPQ's Finance and
28 Investment Committee.

1 149. One of the most important duties of the Committee was to:
2 *“Pursuant to HP’s M&A approval policies, to assist the Board in*
3 *evaluating investment, acquisition, enterprise services, joint venture*
4 *and divestiture transactions in which HP engages as part of its*
5 *business strategy from time to time.”*

6 150. In other words, it was peculiarly the job of Defendants Hammergren,
7 Whitworth, Livermore, Reiner, Senequier, Babbio and Banerji to assist the Board in
8 evaluating the acquisition of Autonomy. Moreover, pursuant to Section III.5 of the
9 Charter, the Committee had the full authority to retain its own advisors, at HPQ’s
10 expense, if they felt doing so was necessary to fulfill their duties as Finance and
11 Investment Committee members.

12 151. Moreover, the Committee was responsible for reviewing completed
13 acquisitions:

14 “Evaluation of Completed Transactions. The Committee will evaluate
15 the execution, financial results and integration of HP’s completed
16 investment, acquisition, enterprise services, joint venture and divestiture
17 transactions.”

18 152. Pursuant to these specific duties, Defendants Hammergren, Whitworth,
19 Livermore, Reiner, Senequier, Babbio and Banerji were required to review the
20 Autonomy transaction post-close and ensure that Autonomy was being properly
21 integrated and to review Autonomy’s financial results.

22 153. As such, Defendants Hammergren, Whitworth, Livermore, Reiner,
23 Senequier, Babbio and Banerji had unique access to detailed non-public information
24 about Autonomy, both before and after HPQ acquired it. As alleged herein, such
25 defendants allowed HPQ to overpay for Autonomy by over \$8 billion despite being
26 advised by Defendant Lesjak of the fact that Autonomy was vastly overvalued and that
27 she objected to HPQ acquiring it. As indicated above, if Defendants Hammergren,
28 Whitworth, Livermore, Reiner, Senequier, Babbio and Banerji had any doubt whatsoever

1 about whether it was prudent for HPQ to spend **\$11 billion** to acquire Autonomy, they
2 had full and unfettered authority under Section III.5 of the Charter to hire their
3 own auditing and financial experts, at HPQ's expense. Upon information and belief,
4 they failed to do so, and instead voted, with no further review or analysis, to acquire
5 Autonomy notwithstanding Lesjak's objections and notwithstanding the other
6 information available in the public domain which had raised questions about accounting
7 irregularities at Autonomy.

8 154. Based on these specific and egregious facts, the conduct of Defendants
9 Hammergren, Whitworth, Livermore, Reiner, Senequier, Babbio and Banerji is not
10 entitled to the protection of the business judgment rule because the conduct represented
11 **bad faith** and exhibited a **lack of candor**, neither of which can be indemnified by HPQ,
12 thus exposing such defendants to **personal liability** for wrongful conduct.

13 **D. Demand is Futile Due to the Defendants' Failure to Cease the Stock**
14 **Repurchase Plan Despite Actual Knowledge of Accounting Fraud at**
15 **Autonomy**

16 155. As alleged *supra*, during the Relevant Period Individual Defendants
17 Apotheker, Senequier, Livermore, Lane, Banerji, Reiner, Russo, Whitman, Hammergren,
18 Babbio, Thompson, Baldauf, Andreesen and Gupta approved \$10 billion in additional
19 share repurchases under HPQ stock repurchase plan.

20 156. Between August 1, 2011 and October 31, 2012, the Individual Defendants
21 wrongfully caused HPQ to repurchase more than \$2.1 billion of its own stock at
22 artificially inflated prices pursuant to the stock repurchase plan.

23 157. At no time during the Relevant Period, as these massive share repurchases
24 were occurring, did the Individual Defendants take any action to suspend the buyback
25 program, notwithstanding their actual knowledge of, or reckless disregard of, accounting
26 improprieties at Autonomy. Indeed, as alleged herein, Defendant Lesjak had strenuously
27 told the entire board, prior to the Autonomy acquisition, that Autonomy was significantly
28 overvalued.

1 158. Moreover, in May 2012, the HPQ Director Defendants received actual
2 knowledge of accounting fraud at Autonomy from an internal investigation it launched
3 into these issues after a senior member of Autonomy's leadership team came forward,
4 following the departure of Autonomy founder Mike Lynch, alleging that there had been a
5 series of questionable accounting and business practices at Autonomy prior to the
6 acquisition by HP. This individual provided numerous details about the accounting fraud
7 at Autonomy. As part of its internal investigation, HPQ hired PriceWaterHouseCoopers
8 ("PWC") to conduct a forensic accounting review of Autonomy's accounting.

9 159. Based on the detailed information from the "senior member" of
10 Autonomy's leadership team, and further information provided by PWC, the HPQ
11 Director Defendants had *actual knowledge* of accounting fraud at Autonomy beginning
12 in May 2012. Notwithstanding such knowledge, the HPQ Director Defendants failed to
13 cease HPQ's repurchase of its own stock at inflated prices. The HPQ Director
14 Defendants knew that revelation of accounting fraud at Autonomy would result in a
15 significant decline in HPQ's stock price, yet continued to cause HPQ to buy substantial
16 amounts of its own stock.

17 160. Indeed, from May to October 2012, the HPQ Director Defendants caused
18 HPQ to purchase *another 24,053,000 shares* of its own stock at prices of as high as
19 \$23.09 or more.

20 **E. Demand Is Futile As to All the Director Defendants Because They Have**
21 **Refused to Admit Their Own Complicity and Fault and Insist on Blaming**
22 **Anyone and Everyone Except Themselves for the \$16+ Billion in Writedowns**
23 **HPQ Has Taken**

24 161. The current Board has exhibited a shocking degree of denial with respect to
25 the massive breaches of fiduciary duty they have committed. As alleged herein,
26 Defendant Whitman has been derided by the press for attempting to blame all error on
27 just two defendants, both of whom are already conveniently ex-employees of HPQ:
28 Defendants Apotheker and Robison.

1 162. None of the Audit Committee Defendants or Finance Committee
2 Defendants have accepted responsibility for their unique culpability in the wrongdoing
3 associated with the acquisition of Autonomy. This demonstrates a lack of independence
4 and objectivity, since were such directors objective they would accept responsibility for
5 their actions and resign as directors due to the enormous damage they have caused HPQ
6 and its shareholders. Instead of exhibiting independence, objectivity and professional
7 judgment, the directors' conduct exhibits a classical "circle-the-wagon" mentality aimed
8 at blaming anyone and everyone but themselves. Indeed, Defendant Lynch has
9 repeatedly publicly scorned the directors attempt to blame him solely or mainly for the
10 Autonomy debacle, pointing out the obvious – HPQ's directors had ample opportunity to
11 discover the accounting fraud at Autonomy and failed to do despite having actual
12 awareness of problems with Autonomy and despite consciously or recklessly ignoring
13 other huge and material red flags.

14 163. All the Director Defendants were aware of Larry Ellison's comments about
15 Autonomy and Defendant Lynch, as alleged *supra*. They ignored these comments,
16 which were credible (coming from one of the most prolific and savviest corporate
17 acquirers in the world) and substantiated since Ellison posted Powerpoint slides on
18 Oracle's website that provided substantial bases for a finding that Autonomy was, even if
19 not plagued by accounting fraud, so overvalued as to not merit being acquired.
20 Consciously ignoring known risks took the board's actions outside the protection of the
21 business judgment rule and constituted bad faith. Moreover, failing to disclose the
22 problems with Autonomy, which were known no later than May 2012, yet not publicly
23 disclosed until November 2012, exhibits a lack of candor by the Director Defendants,
24 thus demonstrating demand futility.

25 164. If HPQ's current officers and directors are protected against personal
26 liability for their acts of mismanagement, abuse of control, and breaches of fiduciary
27 duties alleged in this Complaint by D&O Insurance, they caused the Company to
28 purchase that insurance for their protection with corporate funds, *i.e.*, monies belonging

1 to the shareholders. However, Plaintiffs are informed and believe that the D&O
2 Insurance policies covering the Individual Defendants in this case contain provisions that
3 eliminate coverage for any action brought directly by HPQ against the Individual
4 Defendants, known as the “insured versus insured exclusion.” As a result, if the Director
5 Defendants were to sue themselves or certain of the officers of HPQ, there would be no
6 D&O Insurance protection, and thus, this is a further reason why they will not bring such
7 a suit. On the other hand, if the suit is brought derivatively, as this action is brought,
8 such insurance coverage exists and will provide a basis for the Company to effectuate
9 recovery. Therefore, the Board of Directors cannot be expected to file the claims
10 asserted in this derivative lawsuit because such claims would not be covered under the
11 Company’s D&O insurance policy.

12 165. Under the factual circumstances described herein, the Individual Defendants
13 are more interested in protecting themselves than they are in protecting HPQ by
14 prosecuting this action. Therefore, demand on HPQ and its Board is futile and is
15 excused.

16 166. Pursuant to California Corporations Code § 800 a true and correct copy of
17 the Complaint was delivered to the Company before its filing with this Court.

18 **COUNT I**

19 **AGAINST DEFENDANTS LEO APOTHEKER, MICHAEL LYNCH,**
20 **SHANE ROBISON, MARC L. ANDREESSEN, SHUMEET BANERJI,**
21 **RAJIV L. GUPTA, JOHN H. HAMMERGREN, RAYMOND J. LANE,**
22 **ANN M. LIVERMORE, GARY M. REINER, PATRICIA F. RUSSO,**
23 **G. KENNEDY THOMPSON, MARGARET C. WHITMAN, RALPH**
24 **WHITWORTH, LAWRENCE T. BABBIO JR., SARI M. BALDAUF,**
25 **DOMINIQUE SENEQUIER AND MICHAEL LYNCH**
26 **FOR BREACHES OF FIDUCIARY DUTIES**

27 167. Plaintiffs incorporate by reference and reallege each and every allegation
28 contained above, as though fully set forth herein.

29 168. Defendants owed and owe HPQ fiduciary obligations. By reason of their
30 fiduciary relationships, Defendants owed and owe HPQ the highest obligation of good
31 faith, fair dealing, loyalty, due care, reasonable inquiry, oversight and supervision.

1 169. Defendants violated and breached their fiduciary duties of good faith, fair
2 dealing, loyalty, candor, due care, reasonable inquiry, oversight and supervision.

3 170. Defendants each knowingly, recklessly or negligently signed or approved
4 the issuance of false and misleading statements that misrepresented the Company's
5 business and financial prospects. These actions could not have been a good faith
6 exercise of prudent business judgment to protect and promote the Company's corporate
7 interests.

8 171. As a direct and proximate result of the Defendants' failure to comply with
9 their fiduciary obligations, HPQ has sustained significant damages. As a result of the
10 misconduct alleged herein, Defendants are liable to the Company.

11 172. Plaintiffs, on behalf of HPQ, have no adequate remedy at law.

12 **COUNT II**

13 **AGAINST DEFENDANTS LYNCH, WHITMAN, APOTHEKER,** 14 **AND MURRIN FOR BREACH OF DUTY OF HONEST SERVICES**

15 173. Plaintiffs incorporate by reference and reallege each and every allegation
16 contained above, as though fully set forth herein.

17 174. This claim is brought derivatively on behalf of the Company against
18 Defendants Lynch, Whitman, Apotheker and Murrin for breach of their undivided duty
19 of loyalty to their employer, HPQ.

20 175. Lynch, Whitman, Apotheker and Murrin were employees of HPQ.

21 176. As alleged above, Lynch, Whitman, Apotheker and Murrin breached their
22 duty of loyalty to HPQ by not acting solely in HPQ's interests in performing their
23 employment duties.

24 177. Those breaches of duty consisted of the conduct alleged throughout this
25 complaint including, without limitation, Defendants' causing the Company to make false
26 statements to the market that misrepresented the Company's business and financial
27 prospects and by direct participation in the wrongful conduct alleged herein. Lynch,
28 Whitman, Apotheker and Murrin benefitted from their wrongdoing because they

1 received compensation that was directly tied to the company's financial performance
2 and, in the case of Murrin, unlawful proceeds from insider selling.

3 178. HPQ was harmed by these Defendants' breaches of their undivided duty of
4 loyalty.

5 179. By reason of the foregoing, HPQ was harmed and will continue to suffer
6 harm as described in greater detail above.

7 **COUNT III**

8 **AGAINST DEFENDANT MURRIN FOR** 9 **VIOLATION OF CAL. CORP. CODE §25402**

10 180. Plaintiffs incorporate by reference and reallege each and every allegation
11 contained above, as though fully set forth herein.

12 181. At the time that Defendant Murrin sold his HPQ common stock, he was an
13 officer of HPQ or other person whose relationship to HPQ gave him access, directly or
14 indirectly, to material information about HPQ not generally available to the public.

15 182. Defendant Murrin sold HPQ securities at a time when he knew material
16 information about HPQ - gained from his relationship and employment at HPQ - which
17 would have significantly affected the market price of HPQ common stock and was not
18 generally available to the public.

19 183. Defendant Murrin knew these facts were not intended to be available to the
20 public. Had such information been generally available to the public, it would have
21 significantly reduced the market price of HPQ common stock.

22 184. Defendant Murrin had knowledge of material, adverse, non-public
23 information and sold his HPQ common stock in violation of California Corporations
24 Code § 25402.

25 185. Pursuant to California Corporations Code § 25502.5, Defendant Murrin is
26 liable to HPQ for damages in an amount up to three times the difference between the
27 price at which the security was purchased or sold and the market value which the
28 security would have had at the time of the purchase or sale if the information known to

1 them had been publicly disseminated prior to that time and a reasonable time had elapsed
2 for the market to absorb the information.

3 186. On information and belief, Plaintiffs allege that HPQ has total assets in
4 excess of one million dollars and has a class of equity security held of record by 500 or
5 more persons.

6 187. Defendant Murrin is also liable for reasonable attorneys' fees and costs
7 under California Corporations Code § 25502.5.

8 **COUNT IV**

9 **AGAINST DEFENDANTS MARC L. ANDREESSEN, SHUMEET BANERJI,**
10 **RAJIV L. GUPTA, JOHN H. HAMMERGREN, RAYMOND J. LANE,**
11 **ANN M. LIVERMORE, GARY M. REINER, PATRICIA F. RUSSO,**
12 **G. KENNEDY THOMPSON, MARGARET C. WHITMAN,**
13 **LAWRENCE T. BABBIÓ JR., SARI M. BALDAUF,**
14 **DOMINIQUE SENEQUIER AND RALPH WHITWORTH FOR**
15 **VIOLATION OF CALIFORNIA CORPORATIONS CODE § 25403**

16 188. Plaintiffs incorporate by reference and reallege each and every allegation
17 contained above, as though fully set forth herein.

18 189. Defendants MARC L. ANDREESSEN, SHUMEET BANERJI, RAJIV L. GUPTA,
19 JOHN H. HAMMERGREN, RAYMOND J. LANE, ANN M. LIVERMORE, GARY M. REINER,
20 PATRICIA F. RUSSO, G. KENNEDY THOMPSON, MARGARET C. WHITMAN, LAWRENCE T.
21 BABBIÓ JR., SARI M. BALDAUF, DOMINIQUE SENEQUIER AND RALPH WHITWORTH (the
22 "HPQ Director Defendants"), through their positions, possessed control and influence
23 over Murrin's sale of common stock in violation of California law. The HPQ Director
24 Defendants are liable under California Corporations Code § 25403 to the same extent
25 that Murrin is liable under California Corporations Code § 25402.

26 190. The HPQ Director Defendants were aware of Murrin's improper insider
27 sales of HPQ common stock, and such Defendants used their control and influence to
28 help Murrin.

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COUNT V

**UNJUST ENRICHMENT – AGAINST DEFENDANTS
LYNCH, WHITMAN, APOTHEKER, MURRIN AND LESJAK**

191. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

192. This claim is brought derivatively on behalf of the Company against Defendants Lynch, Whitman, Apotheker, Murrin and Lesjak for unjust enrichment.

193. Lynch, Whitman, Apotheker, Murrin and Lesjak were employees and officers of HPQ.

194. As alleged above, Lynch, Whitman, Apotheker, Murrin and Lesjak breached their duty of loyalty to HPQ by not acting solely in HPQ's interests in performing their employment duties. As a result of their disloyal conduct, Lynch, Whitman, Apotheker, Murrin and Lesjak were unjustly enriched because they received ill-gotten gains from salaries, incentive-based compensation, and/or insider selling of HPQ stock that was unearned and/or that would be inequitable for Defendants to retain in light of their wrongful and disloyal conduct. Defendants benefitted from their wrongdoing because they received unjust and/or inequitable compensation and/or proceeds which was related to the wrongdoing.

195. HPQ was harmed by these Defendants' wrongful conduct.

196. Because it would be inequitable to allow Defendants to retain the monies they acquired, they should be forced to disgorge all their ill-gotten gains and the amounts by which they have been unjustly enriched.

COUNT VI

**DERIVATIVE CLAIM AGAINST DEFENDANTS APOTHEKER,
WHITMAN, MURRIN AND LESJAK FOR VIOLATION OF §10(B) OF THE
EXCHANGE ACT AND SEC RULE 10B-5 PROMULGATED THEREUNDER**

197. Plaintiffs incorporate by reference and reallege each and every allegation contained above, as though fully set forth herein.

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1 198. Defendants Apotheker, Whitman, Murrin and Lesjak violated §10(b) of the
2 1934 Act and Rule 10b-5 in that they:

- 3 a. employed devices, schemes and artifices to defraud;
- 4 b. made untrue statements of material facts or omitted to state material
5 facts necessary in order to make the statements made, in light of the
6 circumstances under which they were made, not misleading; or
- 7 c. engaged in acts, practices and a course of business that operated as a
8 fraud or deceit upon HPQ in connection with HPQ's repurchase of
9 its common stock during the Relevant Period.

10 199. HPQ suffered damages in that, in reliance on the integrity of the market, it
11 paid artificially inflated prices for its common stock. In reliance on Defendants' false
12 and misleading statements, HPQ repurchased shares of its own stock on the open market
13 at inflated prices, as alleged herein. HPQ would not have purchased its common stock
14 at the price it paid, or at all, if it had been aware that the market price had been
15 artificially and falsely inflated by defendants' misleading statements.

16 200. The wrongful conduct alleged regarding the issuance of false and
17 misleading statements by Defendants resulted in continuous, connected, and on-going
18 harm to the Company.

19 201. The false statements were intended to and did manipulate and/or deceive
20 HPQ and served to further artificially inflate the Company's stock price.

21 202. As a direct and proximate result of the wrongful conduct of Defendants,
22 HPQ has and will suffer damages in connection with its repurchase of its common stock
23 at prices that Defendants knew to be artificially inflated.

24 203. But for the misconduct of Defendants, HPQ would not have purchased its
25 stock at artificially inflated prices. HPQ reasonably relied on the diligence, loyalty, and
26 good faith of Defendants in purchasing its stock.

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28 ///

204. Defendants are therefore liable to HPQ for damages in an amount to be determined at trial pursuant to §10(b) of the Exchange Act and SEC Rule 10b-5 promulgated thereunder.

COUNT VII

**DERIVATIVE CLAIM AGAINST HPQ DIRECTOR DEFENDANTS
FOR VIOLATION OF §20(A) OF THE EXCHANGE ACT**

205. Plaintiffs incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

206. The wrongful conduct alleged regarding the issuance of false and misleading statements was continuous, connected, and was on-going throughout the applicable time period. It likewise resulted in continuous, connected, and on-going harm to the Company.

207. The HPQ Director Defendants (MARC L. ANDREESEN, SHUMEET BANERJI, RAJIV L. GUPTA, JOHN H. HAMMERGREN, RAYMOND J. LANE, ANN M. LIVERMORE, GARY M. REINER, PATRICIA F. RUSSO, G. KENNEDY THOMPSON, MARGARET C. WHITMAN, LAWRENCE T. BABBIO JR., SARI M. BALDAUF, DOMINIQUE SENEQUIER AND RALPH WHITWORTH) had the power, and/or ability to, and did, directly, or indirectly control or influence the Company's general affairs, and had the power and/or ability directly or indirectly to control or influence the Company, in connection with the specific conduct that violated §10(b) of the Exchange Act and SEC Rule 10b-5 as alleged above.

208. The HPQ Director Defendants did not act in good faith and are jointly and severally liable under §20(a) of the Exchange Act to the same extent as defendants Apotheker, Whitman, Murrin and Lesjak for the primary violations of §10(b) and Rule 10b-5 promulgated thereunder, as set forth herein.

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COUNT VIII

**DERIVATIVE CLAIM FOR PROFESSIONAL
NEGLIGENCE AGAINST DEFENDANT KPMG**

209. Plaintiffs incorporate by reference and reallege each and every allegation contained above as though fully set forth herein.

210. KPMG was negligent in failing to comply with its professional obligations as an accountant with respect to the tasks HPQ hired it to do.

211. HPQ hired KPMG to perform audit and consulting fees, including a review of Deloitte LLP's audits of Autonomy.

212. In the course of performing their audit and consulting services, KPMG reasonably could have obtained evidential matter revealing the adverse facts detailed above about Autonomy's significant overvaluation and accounting irregularities, but failed to do so. As a result of their investigations and audit work, KPMG reasonably should have known that Autonomy's reports and financial statements were materially misleading or negligently disregarded facts that showed that all such statements were materially misleading.

213. KPMG failed to require HPQ to disclose material adverse facts and allowed the Company to make material misrepresentations to their shareholders and to the investing public.

214. In performing auditing, consulting, and accounting services on behalf of HPQ and engaging in the wrongful acts alleged herein, KPMG knew or should have known that their client would, and did, transmit false and misleading financial information to the investing public. However, KPMG failed to discharge their duties in adherence to GAAP and GAAS to detect errors and irregularities.

215. In performing the auditing and accounting services to HPQ in the manner alleged herein, KPMG owed a duty to HPQ and its shareholders to use such skill, care and diligence as other members of its profession commonly exercised. KPMG, however, breached such duty by committing the wrongful acts and conduct alleged herein.

1 216. HPQ relied to its detriment on KPMG and was damaged thereby.

2 217. As a direct, foreseeable and proximate result of KPMG's breach of duties
3 owed to HPQ, HPQ was damaged.

4 **COUNT IX**

5 **DERIVATIVE CLAIM AGAINST DEFENDANTS**
6 **DELOITTE LLP, KPMG, AND LYNCH**
7 **FOR AIDING AND ABETTING BREACHES OF FIDUCIARY DUTY**

8 218. Plaintiffs incorporate by reference and reallege each and every allegation
9 contained above as though fully set forth herein.

10 219. Defendants Deloitte LLP and KPMG aided and abetted the Individual
11 Defendants in breaching their fiduciary obligations owed to HPQ resulting in the
12 wrongdoing and damages to the Company. Deloitte LLP and KPMG knew or should
13 have known that Autonomy was plagued by accounting irregularities and that HPQ was
14 significantly overpaying for Autonomy. Deloitte LLP and KPMG also knew, or should
15 have known, that the false and misleading information would be used, in whole or in
16 part, by HPQ to prepare its publicly reported financial results and financial statements.
17 Nevertheless, Deloitte LLP and KPMG actively prepared the false and misleading
18 information and thereby aided and abetted defendants' breaches of fiduciary duty and
19 their abuse of control, gross mismanagement and violation of their duty of candor to
20 HPQ shareholders, complained of herein.

21 220. Defendant Lynch also actively aided and abetted the Individual Defendants'
22 breaches of fiduciary duty. Lynch was the founder of Autonomy and had actual
23 knowledge of the accounting fraud at Autonomy. He knew that the Individual
24 Defendants were breaching their fiduciary duties by acquiring Autonomy and by issuing
25 false statements to the investing public.

26 221. Defendant Lynch personally benefitted from the Individual Defendants'
27 breaches of fiduciary duty because he made tens of millions of dollars when he sold
28 Autonomy to HPQ. Defendants Deloitte LLP and KPMG benefitted from their

1 wrongdoing because they received millions of dollars in fees for their work on the
2 Autonomy deal.

3 222. As a direct, foreseeable and proximate result of defendants' aiding and
4 abetting of defendants' breaches of fiduciary duty, HPQ has been damaged.

5 **COUNT X**

6 **DERIVATIVE CLAIM AGAINST THE HPQ DIRECTOR**
7 **DEFENDANTS FOR WASTE OF CORPORATE ASSETS**

8 223. Plaintiffs incorporate by reference and reallege each and every allegation
9 contained above as though fully set forth herein.

10 224. The HPQ Director Defendants wasted HPQ's corporate assets by causing
11 HPQ to overpay by over \$16 billion to acquire EDS and Autonomy and by authorizing
12 the repurchase of over \$2.1 billion of HPQ stock at prices they knew, or recklessly
13 disrarded, were artificially inflated.

14 225. As a result of defendants' wrongdoing, HPQ has had to incur significant
15 costs and expenses.

16 226. Plaintiffs, on behalf of HPQ, have no adequate remedy at law.

17 **PRAYER FOR RELIEF**

18 WHEREFORE, Plaintiffs demand judgment as follows:

19 A. Against all the Individual Defendants for the amount of damages sustained
20 by the Company as a result of the Individual Defendants' breaches of fiduciary duties,
21 and aiding and abetting breaches of fiduciary duties.

22 B. Directing HPQ to take all necessary actions to reform and improve its
23 corporate governance and internal procedures to comply with applicable laws and to
24 protect HPQ and its shareholders from a repeat of the damaging events described herein,
25 including, but not limited to, putting forward for shareholder vote resolutions for
26 amendments to the Company's By-Laws or Articles of Incorporation and taking such
27 other action as may be necessary to place before shareholders for a vote the following
28 corporate governance policies:

- a proposal to strengthen the Board's supervision of the Company's CEO and CFO;
- a proposal to strengthen the Company's policies prohibiting the misuse of proprietary non-public corporate information including the prohibition of trading shares of the Company's stock while in possession of such information;
- a provision to permit the shareholders of HPQ to nominate at least two candidates for election to the Board;
- a proposal to ensure the accuracy of the qualifications of HPQ's directors, executives, and other employees;
- a proposal to strengthen the Company's procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls and auditing matters; and
- a provision to appropriately test and then strengthen the internal audit and control functions.

C. Awarding to HPQ restitution from Defendants Lynch, Whitman, Apotheker and Murrin and ordering disgorgement of all profits, benefits and other compensation obtained by such defendants;

D. Awarding to Plaintiffs the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY TRIAL DEMAND

Plaintiffs demand a trial by jury on all claims and issues so triable.

Dated: November 30, 2012

Respectfully submitted,

BOTTINI & BOTTINI, INC.

By: 

Francis A. Bottini, Jr., Esq.


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Attorneys for Plaintiffs

VERIFICATION

I, Andrea Bascheri, verify that I am a shareholder of Hewlett-Packard Company (the "Company"). I have reviewed the allegations made in this Shareholder Derivative Complaint (the "Complaint"). As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel's investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Dated: November 28, 2012.



ANDREA BASCHERI

VERIFICATION

I, Jim Chung, verify that I am a shareholder of Hewlett-Packard Company (the "Company"). I have reviewed the allegations made in this Shareholder Derivative Complaint (the "Complaint"). As to those allegations of which I have personal knowledge, I believe them to be true; as to those allegations of which I lack personal knowledge, I rely upon my counsel and counsel's investigation, and believe them to be true. Having received a copy of the Complaint and reviewed it with counsel, I authorize its filing.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct. Dated: November 28, 2012.



JIM CHUNG

EXHIBIT A

EXHIBIT A

HEWLETT-PACKARD COMPANY BOARD OF DIRECTORS AUDIT COMMITTEE CHARTER

I. Purpose and Authority

The purpose of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Hewlett-Packard Company ("HP") is:

1. To assist the Board in fulfilling its responsibilities for generally overseeing: (a) HP's financial reporting processes and the audit of HP's financial statements, including the integrity of HP's financial statements, (b) HP's compliance with legal and regulatory requirements, (c) the independent registered public accounting firm's qualifications and independence, (d) the performance of HP's internal audit function and independent registered public accounting firm, and (e) risk assessment and risk management;
2. To prepare the report required by the proxy rules of the U.S. Securities and Exchange Commission (the "SEC") to be included in HP's annual proxy statement; and
3. To perform such other duties and responsibilities as are enumerated in and consistent with this charter.

II. Membership

1. Membership and Appointment. The Committee will consist of at least three directors, or such greater number of directors as the Board appoints.
2. Qualifications; Independence. Each director on the Committee will have such qualifications as the Board determines. In addition, each director on the Committee will be independent within the meaning of the New York Stock Exchange ("NYSE") standards of independence for directors and audit committee members, and will meet applicable NYSE financial literacy requirements, each as the Board determines. Finally, at least one director on the Committee will be an "audit committee financial expert," as determined by the Board in accordance with SEC rules.
3. Removal. The entire Committee or any individual director on the Committee may be removed with or without cause by the affirmative vote of a majority of the Board upon the recommendation of the Nominating and Governance Committee.
4. Chairman. The Board may designate a Chairman of the Committee (the "Chairman"). In the absence of such designation, the Committee may designate the Chairman by majority vote of the Committee. From time to

time the Chairman may establish such other rules as are necessary and proper for the conduct of the business of the Committee.

III. Procedures

1. Number of Meetings. The Committee will convene at least six times each year, with additional meetings as appropriate.
2. Agenda. The Chairman will establish the agenda, with input from management, staff, the lead independent director and other directors on the Committee and the Board as appropriate.
3. Executive and Private Sessions. The Committee will meet regularly in separate executive sessions at which only Committee members are present and in private sessions with each of management, the internal auditors, the independent registered public accounting firm, the independent director responsible for reviewing and reporting to the Board on HP's compliance with legal and ethical requirements related to conducting investigations, the General Counsel and the Chief Ethics and Compliance Officer.
4. Delegation of Authority.
 - a. The Committee may create a subcommittee of the Committee consisting of one or more directors on the Committee and may delegate any of its duties and responsibilities to such subcommittee, unless otherwise prohibited by applicable laws or listing standards.
 - b. The Committee may delegate any of its duties and responsibilities to one or more directors on the Committee, another director or other persons, unless otherwise prohibited by applicable laws or listing standards.
 - c. Any subcommittee, director or other person will provide a written or oral report to the Committee regarding any activities undertaken pursuant to such delegation.
 - d. The Committee may terminate any such subcommittee and revoke any such delegation at any time.
5. Authority to Retain Advisors. In the course of its duties, the Committee will have sole authority, at HP's expense, to engage and terminate consultants or advisors, as the Committee deems advisable, and shall receive appropriate funding, as determined by the Committee, from HP for payment of compensation to any such consultants and advisors and for the payment of ordinary administrative expenses that are necessary or appropriate in carrying out the Committee's duties.

6. Charter Review. The Committee annually will review and reassess the adequacy of this charter and will submit any recommended changes to the charter to the Nominating and Governance Committee and the Board for approval.
7. Performance Review. The Committee annually will undertake an evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this charter, and will report the results of such evaluation to the Nominating and Governance Committee and the Board.
8. Reporting to the Board. The Committee will report regularly to the Board with respect to the Committee's activities.
9. Open Access. The Committee will be given open access to HP's internal auditors, Board Chairman, if any, HP executives and independent registered public accounting firm, as well as HP's books, records, facilities and other personnel.

IV. Responsibilities

The following responsibilities of the Committee are set forth as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable laws and listing standards.

1. Independent Registered Public Accounting Firm. The Committee will appoint, evaluate and compensate the independent registered public accounting firm, which will report directly to the Committee, and oversee the rotation of the independent registered public accounting firm's lead audit and concurring partners at least once every five years and the rotation of other audit partners at least once every seven years, with applicable time-out periods, in accordance with SEC regulations. The Committee will determine whether to retain or, if appropriate, terminate the independent registered public accounting firm. The Committee is responsible for recommending the independent registered public accounting firm for approval by the stockholders, if appropriate.
2. Audit and Non-Audit Services and Fees. The Committee will review and approve in advance the scope of the fiscal year's independent audit, other audit services and audit fees, establish policies for the independent registered public accounting firm's activities and any fees beyond the core audit, approve in advance all non-audit services to be performed by the independent registered public accounting firm that are not otherwise prohibited by law and associated fees, and monitor the usage of and fees paid to the independent registered public accounting firm. The Committee may delegate to the Chairman the authority, within agreed limits, to pre-approve audit-related and non-audit services not prohibited by law to be

performed by the independent registered public accounting firm. The Chairman will report any decisions to pre-approve such services to the full Committee at its next meeting.

3. Relationships with Independent Registered Public Accounting Firm. The Committee will review and discuss with the independent registered public accounting firm its annual written statement delineating all relationships or services between the independent registered public accounting firm and HP or individuals in financial reporting oversight roles at HP that may reasonably be thought to bear on its independence, and discuss with the independent registered public accounting firm the potential effects of any such relationships or services on its independence.
4. Hiring Policies. The Committee will set clear hiring policies for employees or former employees of the independent registered public accounting firm, and monitor compliance with such policies.
5. Annual Audited and Quarterly Financial Statements; Other Matters. The Committee will:
 - a. Meet to review and discuss with management and the independent registered public accounting firm HP's annual audited and quarterly financial statements, including HP's disclosures in "Management's Discussion and Analysis of Financial Condition and Results of Operations;" and
 - b. Review with management and the independent registered public accounting firm:
 - i. the results of the independent registered public accounting firm's audit and the independent registered public accounting firm's opinion on the annual financial statements;
 - ii. analyses prepared by management or the independent registered public accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements and the method preferred by the independent registered public accounting firm;
 - iii. the independent registered public accounting firm's judgments on the quality, not just the acceptability, and consistent application of HP's accounting principles, the

reasonableness of significant judgments, clarity of disclosures and underlying estimates in the financial statements;

- iv. major issues regarding accounting principles and financial statement presentations, including changes in accounting principles or application thereof, significant judgment areas, and significant and complex transactions;
 - v. the effectiveness and adequacy of HP's internal auditing;
 - vi. any disagreements between management and the independent registered public accounting firm, about matters that individually or in the aggregate could be significant to HP's financial statements or the independent registered public accounting firm's report, and any serious difficulties the independent registered public accounting firm encountered in dealing with management related to the performance of the audit and management's response; and
 - vii. any other reports or information from the independent registered public accounting firm required by applicable SEC rules and professional standards.
6. Inclusion of Audited Financial Statements in 10-K. The Committee will recommend to the Board whether the audited financial statements should be included in HP's Annual Report on Form 10-K.
7. Regulatory and Accounting Initiatives and Off-Balance Sheet Structures. The Committee will review the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on HP's financial statements.
8. Earnings Press Releases, Corporate Policies and Earnings Guidance. The Committee will review and discuss earnings press releases (paying particular attention to the use of "pro forma" or "adjusted" non-GAAP information), as well as corporate policies with respect to financial information and earnings guidance provided to analysts and ratings agencies.
9. Report from Independent Registered Public Accounting Firm. At least annually, the Committee will obtain from and review a report by the independent registered public accounting firm describing (a) the independent registered public accounting firm's internal quality control procedures, and (b) any material issues raised by the most recent internal quality-control review, or peer review, or by any governmental or professional inquiry or investigation within the preceding five years

regarding any audit performed by the independent registered public accounting firm, and any steps taken to deal with any such issues.

10. Disclosure Controls and Procedures. The Committee will review the adequacy and effectiveness of HP's disclosure controls and procedures.
11. Internal Controls. The Committee will review the adequacy and effectiveness of HP's internal controls, including any significant deficiencies in such controls and significant changes or material weaknesses in such controls reported by the independent registered public accounting firm, the internal auditors or management, any special audit steps adopted in light of material control deficiencies, and any fraud, whether or not material, that involves management or other HP employees who have a significant role in such controls.
12. Information Security. The Committee will review the adequacy and effectiveness of HP's information security policies and the internal controls regarding information security.
13. Internal Audit. The Committee will review the overall scope, qualifications, resources, activities, reports, organizational structure and effectiveness of the internal audit function.
14. Director of Internal Audit. The Committee will approve the appointment, replacement, reassignment or dismissal of the Director of Internal Audit.
15. Compliance. The Committee will oversee HP's ethics and compliance programs with respect to legal and regulatory requirements, and review with management and the Director of Internal Audit the results of their review of compliance with applicable laws, regulations and listing standards, HP's Standards of Business Conduct and internal audit reports. The Chief Ethics and Compliance Officer shall have the express authority to communicate personally to the Committee, including authority to promptly communicate personally to the Committee on any matter involving criminal conduct or potential criminal conduct and authority to communicate no less than annually on the implementation and effectiveness of the ethics and compliance program.
16. Complaints and Submissions. The Committee will oversee procedures established for the receipt, retention and treatment of complaints regarding the federal securities laws, including accounting, internal accounting controls and auditing matters, as well as for confidential, anonymous submissions by HP's employees of concerns regarding such matters and compliance with the Standards of Business Conduct.
17. Attorneys' Reports. The Committee will receive and, if appropriate, respond to attorneys' reports of evidence of material violations of

securities laws and breaches of fiduciary duty and similar violations of U.S. or state law.

18. Risks. The Committee will review risks facing HP and management's approach to addressing these risks, including significant risks or exposures relating to litigation and other proceedings and regulatory matters that may have a significant impact on HP's financial statements, and discuss policies with respect to risk assessment and risk management.
19. Regulatory Investigations. The Committee will review the results of significant investigations, examinations or reviews performed by regulatory authorities and management's response.
20. Investigations. The Committee will conduct or authorize investigations into any matters within the Committee's scope of responsibilities.

Rev. 092012

EXHIBIT B

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HEWLETT-PACKARD COMPANY BOARD OF DIRECTORS FINANCE AND INVESTMENT COMMITTEE CHARTER

I. Purpose

The purpose of the Finance and Investment Committee (the “Committee”) of the Board of Directors (the “Board”) of Hewlett-Packard Company (“HP”) is:

1. To provide oversight of the finance and investment functions of HP;
2. Pursuant to HP’s M&A approval policies, to assist the Board in evaluating investment, acquisition, enterprise services, joint venture and divestiture transactions in which HP engages as part of its business strategy from time to time; and
3. To perform such other duties and responsibilities as are enumerated in and consistent with this charter or as delegated by the Board.

II. Membership

1. Membership and Appointment. The Committee will consist of three directors, or such greater number of directors as the Board appoints.
2. Qualifications; Independence. Each director on the Committee will have such qualifications as the Board determines. In addition, a majority of the directors on the Committee must be independent within the meaning of applicable laws or listing standards, as the Board determines.
3. Removal. The entire Committee or any individual director on the Committee may be removed with or without cause by the affirmative vote of a majority of the Board upon the recommendation of the Nominating and Governance Committee.
4. Chairman. The Board may designate a Chairman of the Committee (the “Chairman”). In the absence of such designation, the Committee may designate the Chairman by majority vote of the Committee. From time to time the Chairman may establish such other rules as are necessary and proper for the conduct of the business of the Committee.

III. Procedures

1. Number of Meetings. The Committee will convene at least four times each year, with additional meetings as appropriate.

2. Agenda. The Chairman will establish the agenda, with input from management, staff, the lead independent director and other directors on the Committee and the Board as appropriate.
3. Executive Sessions. As appropriate, the Committee may meet in executive sessions.
4. Delegation of Authority.
 - a. The Committee may create a subcommittee of the Committee consisting of one or more directors on the Committee and may delegate any of its duties and responsibilities to such subcommittee, unless otherwise prohibited by applicable laws or listing standards.
 - b. The Committee may delegate any of its duties and responsibilities to one or more directors on the Committee, another director or other persons, unless otherwise prohibited by applicable laws or listing standards.
 - c. Any subcommittee, director, or other person will provide a written or oral report to the Committee regarding any activities undertaken pursuant to such delegation.
 - d. The Committee may terminate any such subcommittee and revoke any such delegation at any time.
5. Authority to Retain Advisors. In the course of its duties, the Committee will have sole authority, at HP's expense, to engage and terminate consultants or advisors, as the Committee deems advisable, including the sole authority to approve the consultant or advisor's fees and other retention terms.
6. Charter Review. The Committee annually will review and reassess the adequacy of this charter and will submit any recommended changes to the charter to the Nominating and Governance Committee and the Board for approval.
7. Performance Review. The Committee annually will undertake an evaluation assessing its performance with respect to its purposes and its duties and tasks set forth in this charter, and will report the results of such evaluation to the Nominating and Governance Committee and the Board.
8. Reporting to the Board. The Committee will report regularly to the Board with respect to the Committee's activities.

IV. Roles and Responsibilities

The following responsibilities of the Committee are set forth as a guide to the Committee with the understanding that the Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable laws and listing standards.

1. Treasury Matters. The Committee will review or oversee significant treasury matters such as capital structure, derivative policy, global liquidity, fixed income investments, borrowings, currency exposure, dividend policy, share issuance and repurchase, and capital spending.
2. Investments. The Committee will review the activities of the Investment Review Committee.
3. M&A Transactions and Approval Policies. From time to time, as appropriate, the Committee will evaluate and revise HP's M&A approval policies for investment, acquisition, enterprise services, joint venture and divestiture transactions, and consider requests from management to approve such proposed transactions.
4. Integration Planning. The Committee will oversee HP's integration planning process for investment, acquisition, enterprise services, joint venture and divestiture transactions.
5. Evaluation of Completed Transactions. The Committee will evaluate the execution, financial results and integration of HP's completed investment, acquisition, enterprise services, joint venture and divestiture transactions.
6. Recommendations to the Board. From time to time, the Committee will report to the Board and make recommendations to the Board as to scope, direction, quality, investment levels and execution of HP's investment, acquisition, enterprise services, joint venture and divestiture transactions.
7. Strategic Alliances. The Committee will oversee and approve HP's strategic alliances.
8. Loans and Obligations. The Committee will oversee HP's loans and loan guarantees of third party debt and obligations.
9. HP Financial Services. The Committee will review HP Financial Services' capitalization and operations, including residual and credit management, risk concentration, and return on invested capital (ROIC).
10. Investor Relations. The Committee will review the activities of Investor Relations.
11. General. The Committee may consider such other finance and investment matters regarding HP as the Committee, in its discretion, may determine to be advisable.