



**OFFICE OF
STATE TREASURER
DENISE L. NAPPIER**

NEWS

FOR IMMEDIATE RELEASE

Tuesday, January 23, 2007

CONNECTICUT TREASURY & AFSCME FILE SUIT AGAINST HEWLETT-PACKARD

Shareholders Ask Court to Enforce SEC Rules Allowing Access to Proxy; Continues to Urge SEC to Affirm Rights of Shareholders

The Connecticut Retirement Plans and Trust Funds (CRPTF) and the American Federation of State, County and Municipal Employees, Employees Pension Plan (the "AFSCME Plan") filed suit this morning against Hewlett-Packard Co., charging that the computer and technology company is not abiding by a 2006 federal court ruling regarding shareholder rights.

The suit was brought when HP attempted to exclude a shareholder resolution, filed in September 2006, by the CRPTF, AFSCME, and other institutional investors seeking access to the proxy at Hewlett-Packard Co. The resolution included a proposal to allow shareholder-nominated candidates to run for seats on HP's board of directors on the proxy alongside company-nominated candidates. Currently, candidates nominated by shareholders appear on a separate proxy card, a costly and thus rarely used, procedure.

The institutional investors are asking the court to uphold a Second Circuit Court of Appeals 2006 ruling in a similar case, which reversed a Securities and Exchange Commission (SEC) action that had allowed American International Group (AIG) to omit from its proxy materials a shareholder resolution on proxy access. The court decision clarified SEC rules concerning the right of shareholders to have a voice on the ballot as it pertains to corporate nomination procedures.

"As owners of Hewlett-Packard, our interests and the interests of the company are inextricably linked. Previous and recent issues surrounding HP are clearly cause for concern, and the precedent established in the AIG case validates shareholders' rights to submit resolutions for consideration," said **Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds.**

AFSCME President Gerald McEntee added, "The SEC has acknowledged the huge groundswell of public comment in support of proxy access and would surely have proposed a formal rule requiring it by now but not for intense lobbying by the Business Roundtable. The truth is, proxy access is simply a law whose time has come and HP should accept the judicial reality that comes with the Second Circuit's decision in the AIG case. Without allowing for shareholder-nominated directors in their proxy materials, public companies are only giving lip service to good corporate governance."

The SEC was scheduled to meet in October 2006 to consider changes to Rule 14a-8 under the Securities Exchange Act of 1934 concerning director nominations by shareholders in response to the court decision. However, the SEC has now postponed discussion of this issue two times, and it appears that they may not formally address the issue raised in the court decision until 2008. The issue of investor access to the proxy ballot was broadly discussed in 2003 and 2004 when the SEC, under the leadership of then-Chairman William Donaldson, issued a proposed rule that outlined a detailed process that would permit shareholders to include nominees on a company's proxy ballot.

On January 22, 2007, the SEC, in response to a letter from the original filers of the 2006 HP proxy resolution (which included the Connecticut Retirement Plans and Trust Funds, the American Federation of

(...continued on next page)

(...continued from previous page, Connecticut Treasury and AFSCME File Suit Against Hewlett-Packard)

State, County and Municipal Employees, Employees Pension Plan, the New York State Common Retirement Fund, and the North Carolina Retirement Systems) stated “we express no view concerning whether HP may exclude the proposal under rule 14a-i(i)(8) as relating to an election for membership on its board of directors.” Without guidance from the SEC, shareholders and the company are seeking resolution through the legal process.

“Today’s message to corporate boards: give shareholders their rightful voice,” said **CT Attorney General Richard Blumenthal**. “The Second Circuit Court has already recognized shareholders’ right to help choose their corporate board leaders - and our lawsuit seeks to uphold that right. Shareholders are rightfully angry and alarmed by scandals and investigations involving Hewlett-Packard and others. This lawsuit is part of a growing groundswell to bolster shareholders’ say in vital decisions directly impacting them.”

The CRPTF, AFSCME and other institutional investors proposed the HP proxy resolution in 2006 over concern with the board’s handling of an investigation into an information leak and its potential negative impact on shareholder value. In 2005, HP began an investigation into board leaks to the media and hired an independent private investigation firm, Security Outsourcing Solutions, which, through subcontractors, began accessing personal phone records of board members, reporters and others by impersonating them, a technique called “pretexting,” according to published reports. Additional reporting has disclosed that board members approved the targets of the investigation and approved tactics, including pretexting phone records.

Shareholders continue to express concern over the board-leak probe and more recent information about the timing of a stock option sale exercised by HP CEO and Chairman Mark Hurd. The shareholders believe, in light of these matters, there would be significant value in being able to participate in the nomination of board of director candidates.

The Connecticut Retirement Plans and Trust Funds (CRPTF) is valued at approximately \$23 billion and consists of six State pension and eight State trust funds for approximately 160,000 teachers, state, and municipal employees.

AFSCME is the largest union for workers in the public service with 1.4 million members nationwide. The AFSCME Employees Pension Plan is an institutional shareholder activist whose members participate in public pension funds with combined assets worth more than \$1 trillion.

The lawsuit was filed by Grant & Eisenhofer P.A., a law firm that represents institutional investors and shareholders in securities class actions, corporate governance actions and derivative litigation.

Media Contacts:

Connecticut Treasury, Robyn Belek, 860-702-3013
AFSCME, Cheryl Kelly or Eric Kleiman, 202-429-1145
CT Attorney General, Chris Hoffman or Tara Stapleton, 860-808-5324

Important Dates Related to the HP Suit

- 9/06 Second Circuit Court of Appeals reverses an SEC action in a case against AIG regarding shareholder access to the proxy.
- 9/06 The U.S. Department of Justice and the FBI begin investigating the matter of the HP leak probe.
- 9/06 CRPTF, AFSCME, and other institutional investors file a shareholder resolution at HP requesting access to the proxy.
- 9/06 HP officials testify before U.S. Congress on the leak probe and the issue of “pretexting.”
- 10/06 The California Attorney General’s Office files criminal complaints against former Chairman of the Board Patricia Dunn, former senior counsel and VP at HP Kevin Hunsaker, and private investigators involved in the probe.
- 11/06 HP files a “no-action” request with the SEC, indicating their intention to exclude the shareholder resolution from the proxy.
- 12/06 CRPTF, AFSCME, and other institutional investors file a letter with the SEC objecting to HP’s no-action request.
- 12/06 HP agrees to pay \$14.5 million to settle a civil suit stemming from the board leak probe with the California Attorney General’s Office.
- 12/06 HP Chairman and CEO Mark Hurd is questioned by members of the U.S. House of Representatives Commerce Committee about the timing of a stock option sale. Mr. Hurd exercised 100,000 options in HP shares worth \$1.37 million in August 2006, the same day he was questioned by attorneys investigating the pretexting scandal (prior to the information going public).
- 1/07 One of the investigators hired by HP, Bryan Wagner, pleads guilty to federal charges of aiding and abetting aggravated identity theft in exchange for a plea agreement.
- 1/07 The SEC sends the CRPTF, AFSCME and other shareholders a response to HP’s no-action request, stating they “expressed no view” on the matter of HP excluding the shareholder resolution from the proxy.