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STATE TREASURER
DENISE L. NAPIER**

NEWS

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**CONNECTICUT TREASURY & AFSCME CLAIM VICTORY IN
HEWLETT-PACKARD PROXY CHALLENGE**

***Company Includes Shareholder Resolution on the Proxy; Shareholders Continue to
Urge the SEC to Provide Leadership and Guidance***

In a victory for shareholders, Hewlett-Packard Co. (HP) included a shareholder resolution on the company's proxy statement, released January 23, which the company had previously attempted to exclude. The proxy challenge was led by the Connecticut Retirement Plans and Trust Funds (CRPTF) and the American Federation of State, County and Municipal Employees, Employees Pension Plan (AFSCME Plan), who filed a lawsuit yesterday challenging HP's assertion that it could omit the shareholder resolution on proxy access.

The resolution, co-filed by the CRPTF, the AFSCME plan, the New York State Common Retirement Fund, and the North Carolina Retirement Systems 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. The Hewlett-Packard Co. annual meeting will be held on March 14, 2007, in Santa Clara, CA. The proxy statement for that meeting now includes the resolution for shareholder vote on a bylaw amendment that would set a process for shareholders to nominate directors using the company's proxy card.

"For the first time shareholders will have the opportunity to cast a vote on proxy access. It's appropriate that this historic vote comes at HP, where it's clear that shareholders' ability to hold directors accountable is critical to protecting the value of our investment. Simply put, shareholders could not stand idly by as the HP board seemed unable or unwilling to tackle the root of their problems" said **Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds.**

The HP proxy statement released yesterday revealed that the HP board of directors slate did not include any new names for consideration, despite the troubled history on the board.

The Connecticut pension fund and other institutional investors proposed the HP proxy resolution in 2006 over concern with the board's handling of an internal investigation into board leaks and its potential negative impact on shareholder value. In 2005, Hewlett-Packard 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

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the targets of the investigation and approved tactics, including pretexting phone records. Since that time, the California Attorney General's Office has filed 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. Earlier this month, one of the investigators pled guilty to federal charges of aiding and abetting aggravated identity theft in exchange for a plea agreement. HP also agreed to pay \$14.5 million to settle a civil suit stemming from the board leak probe.

The institutional investors also called on the Securities and Exchange Commission (SEC) to move forward with plans to resolve the issue of proxy access for companies and their shareholders. 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. That proposal never came to an SEC vote. 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 a 2006 court decision involving proxy access. 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.

In response to HP's request for a no-action ruling and shareholders' rebuttal to the company's support for that claim, the SEC responded by saying, "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, the CRPTF the AFSCME Plan filed a lawsuit against HP, charging that the company's attempt to exclude their resolution from the proxy card went against the 2006 federal court ruling in a related case.

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.

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