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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

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██████████, Individually and on
Behalf of All Others Similarly Situated,

) Case No.

Plaintiff,

) CLASS ACTION

vs.

) COMPLAINT FOR VIOLATIONS OF
FEDERAL SECURITIES LAWS

HEWLETT-PACKARD COMPANY, LEO
APOTHEKER, MARGARET C. WHITMAN,
CATHERINE A. LESJAK and JAMES T.
MURRIN,

Defendants.

) DEMAND FOR JURY TRIAL

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INTRODUCTION

1. This is a securities fraud class action on behalf of all persons who purchased the common stock of Hewlett-Packard Company (“Hewlett-Packard” or the “Company”) between August 19, 2011 and November 20, 2012, inclusive (the “Class Period”). This action is brought against Hewlett-Packard and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (the “1934 Act”).

2. Hewlett-Packard was founded in 1939 and is headquartered in Palo Alto, California. Hewlett-Packard provides products, technologies, software, solutions and services to individual consumers and small- and medium-sized businesses, as well as to the U.S. government, and health and education sectors around the globe. The Company’s Personal Systems Group segment offers personal computers, workstations and software and services for commercial and consumer markets. The Company’s Services segment provides consulting, information technology (“IT”) outsourcing and technology services to infrastructure, applications and business process domains. The Company’s Imaging and Printing segment provides consumer and commercial printer hardware, supplies, media and scanning devices. Its Enterprise Servers, Storage and Networking segment offers industry standard servers and business critical systems.

3. Hewlett-Packard also provides software solutions through its Software business segment. On August 18, 2011, the Company expanded its software offering when it announced that it would acquire control of Autonomy Corporation plc (“Autonomy”) for \$10.2 billion. Autonomy would operate as a separate business unit under the leadership of Mike Lynch, Autonomy’s founder and Chief Executive Officer (“CEO”). Throughout the Class Period, following the acquisition, Autonomy’s business results were reported through Hewlett-Packard’s Software segment.

4. Hewlett-Packard ultimately stated that Autonomy’s financial results had been inflated and the Company recorded an \$8.8 billion charge to account for the misstated results.

SUMMARY OF THE ACTION

5. During the Class Period, defendants issued materially false and misleading statements regarding Hewlett-Packard’s financial performance, business prospects and the status of its operating segments. Specifically, defendants concealed that the Company had gained control of Autonomy in

1 2011 based on financial statements that could not be relied upon because of serious accounting
2 manipulation and improprieties. In addition, defendants concealed known negative business trends
3 concerning the profit margins of the Enterprise Services business, formerly known as Electronic
4 Data Systems Corporation (“EDS”), which Hewlett-Packard had acquired in August 2008 for \$13.0
5 billion. As a result of defendants’ false and misleading statements, the Company’s stock traded at
6 artificially inflated prices during the Class Period, reaching a high of \$29.89 per share on February
7 16, 2012.

8 6. On August 22, 2012, Hewlett-Packard issued a press release announcing a third
9 quarter 2012 earnings per share loss of \$4.49, largely as the result of an \$8.0 billion charge for
10 impairment of goodwill associated with the acquisition of EDS. On this news, the Company’s stock
11 price dropped \$1.56 per share on August 23, 2012 to close at \$17.64 per share, a one-day decline of
12 8.0% on volume of 72.8 million shares.

13 7. On October 3, 2012, Hewlett-Packard disclosed, for the first time, why the \$8.0
14 billion write-down of EDS goodwill was necessary. Specifically, the Company revealed that the
15 Enterprise Services business had suffered a slump in operating margins from 10% to 3% between
16 2010 and the second quarter of 2012. On this news, the Company’s stock price dropped \$2.22
17 during the day to close at \$14.91 per share, a decline of 13%, on volume of 141 million shares.

18 8. Then, on November 20, 2012, the Company disclosed it had taken an \$8.8 billion
19 charge related to its acquisition of Autonomy due to serious accounting improprieties. In fact, over
20 \$5.0 billion of the write-off was necessary due to the fact that Autonomy’s financial results were the
21 product of accounting fraud. The Hewlett-Packard release stated in part:

22 “HP is extremely disappointed to find that some former members of
23 Autonomy’s management team used accounting improprieties, misrepresentations
24 and disclosure failures to inflate the underlying financial metrics of the company,
25 prior to Autonomy’s acquisition by HP. These efforts appear to have been a willful
26 effort to mislead investors and potential buyers, and severely impacted HP
27 management’s ability to fairly value Autonomy at the time of the deal. We remain
28 100 percent committed to Autonomy and its industry-leading technology.”

Additional background:

HP today announced a non-cash impairment charge of \$8.8 billion related to Autonomy in the fourth quarter of its 2012 fiscal year. The majority of this impairment charge, more than \$5 billion, is linked to serious accounting

1 (c) Enterprise Services' operating margin had collapsed from 10% in 2010 to
2 approximately 6% as of April 30, 2011, 4% as of October 31, 2011, and 3% as of April 30, 2012,
3 due to various reasons, including unfavorable revenue mix and underperforming contracts.

4 JURISDICTION AND VENUE

5 11. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act (15 U.S.C.
6 §§78j(b) and 78t(a)) and Rule 10b-5 (17 C.F.R. §240.10b-5) promulgated thereunder by the
7 Securities and Exchange Commission ("SEC"). Jurisdiction is conferred by §27 of the 1934 Act (15
8 U.S.C. §78aa).

9 12. Venue is proper pursuant to §27 of the 1934 Act. Hewlett-Packard maintains its
10 principal executive offices at 3000 Hanover Street, Palo Alto, California 94304. Certain of the acts
11 and conduct complained of herein, including the dissemination of materially false and misleading
12 information to the investing public, occurred in this district.

13 13. In connection with the acts and conduct alleged herein, defendants, directly and
14 indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to,
15 the United States mails, interstate telephone communications and the facilities of the national
16 securities exchanges and markets.

17 PARTIES

18 14. Plaintiff [REDACTED] purchased the common stock of Hewlett-Packard during
19 the Class Period as set forth in the certification attached hereto and was damaged as a result of
20 defendants' wrongdoing as alleged in this complaint.

21 15. Defendant Hewlett-Packard is a global provider of products, technologies, software,
22 solutions and services to individual customers, small- and medium-sized businesses, and large
23 enterprises, including customers in the government, health and education sectors.

24 16. Defendant Leo Apotheker ("Apotheker") was CEO and President of Hewlett-Packard
25 until September 2011.

26 17. Defendant Margaret C. Whitman ("Whitman") is, and since September 22, 2011 has
27 been, the Company's CEO and President. Prior to being named the Company's CEO, Whitman
28 served as a member of Hewlett-Packard's Board of Directors and continues to serve as a director.

1 Whitman signed the Company's SEC filings and participated in conference calls with analysts and
2 investors during the Class Period.

3 18. Defendant Catherine A. Lesjak ("Lesjak") is, and at all relevant times has been, the
4 Company's Chief Financial Officer ("CFO"). During the Class Period, Lesjak's false and misleading
5 statements allowed her to be paid \$9.9 million in incentive- and stock-based compensation tied to,
6 *inter alia*, the Company's reported earnings performance and the market price of Hewlett-Packard
7 common stock.

8 19. Defendant James T. Murrin ("Murrin") was the Company's Senior Vice President,
9 Chief Accounting Officer and Controller from the beginning of the Class Period through May 1,
10 2012. During the Class Period, Murrin sold 132,500 shares of his Hewlett-Packard stock for
11 proceeds of nearly \$3.5 million while in the possession of materially adverse and non-public
12 information.

13 20. The defendants identified in ¶¶16-19 are referred to herein as the "Individual
14 Defendants."

15 21. The Individual Defendants, because of their positions with the Company, possessed
16 the power and authority to control the contents of Hewlett-Packard's quarterly reports, press releases
17 and presentations to securities analysts, money and portfolio managers and institutional investors,
18 *i.e.*, the market. They were provided with copies of the Company's reports and press releases
19 alleged herein to be misleading prior to or shortly after their issuance and had the ability and
20 opportunity to prevent their issuance or cause them to be corrected. Because of their positions with
21 the Company, and their access to material non-public information available to them but not to the
22 public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed
23 to and were being concealed from the public and that the positive representations being made were
24 then materially false and misleading. The Individual Defendants are liable for the false and
25 misleading statements pleaded herein. Defendant Apotheker has stated that Hewlett-Packard did
26 "meticulous and thorough" due diligence prior to closing the Autonomy acquisition.

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

3 “This is a momentous day in Autonomy’s history,” said Dr. Mike Lynch,
4 chief executive officer and founder, Autonomy. “From our foundation in 1996, we
5 have been driven by one shared vision: to fundamentally change the IT industry by
6 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.”

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

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

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

[APOTHEKER:] Autonomy – I’m sure we have many more questions on
Autonomy, but, just to position that squarely in everybody’s minds, the idea around
Autonomy is to really strengthen HP’s 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.

* * *

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

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

13 * * *

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

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

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

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

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

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

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

[W]e closed the Autonomy acquisition on October 3. In the last month, we've had
hundreds of leads passed between the two companies, and we've created a new

1 information management business group that combines Autonomy, Vertica, and
2 other HP software assets under Mike Lynch, and reports directly to me.

3 * * *

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

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

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

22 During the call, Lesjak stated:

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

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

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

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

HP services delivered revenue of \$9.3 billion, up 2% from the prior year
quarter, but down 1% in constant currency. Operating profit 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 the business mix toward higher growth,
higher margin services. IT outsourcing revenue of \$3.9 billion was up 1% year-over-
year.

33. On December 7, 2011, the Individual Defendants caused Hewlett-Packard to file a
prospectus on Form 424B5 with the SEC for the offer and sale of \$3.0 billion in fixed-rate notes with
maturities reaching out to December 9, 2021. The prospectus informed investors that the proceeds

1 of the \$3.0 billion offering would be “for general corporate purposes.” The December 7, 2011
2 prospectus incorporated by reference management’s discussion and analysis of the Services
3 segment’s financial performance during the third quarter of 2011.

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

6 *Acquisition of Autonomy Corporation plc*

7 HP’s largest acquisition in fiscal 2011 was its acquisition of Autonomy
8 Corporation plc (“Autonomy”). As of October 31, 2011, HP owned an approximately
9 99% equity interest in Autonomy, and HP expects to acquire a 100% equity interest
10 before the end of the first quarter of fiscal 2012. Autonomy is a provider of
11 infrastructure software for the enterprise. HP reports the financial results of the
12 Autonomy business in the HP Software segment. The acquisition date fair value
13 consideration of \$11 billion consisted of cash paid for outstanding common stock,
14 convertible bonds, vested in-the-money stock awards and the estimated fair value of
15 earned unvested stock awards assumed by HP. In connection with this acquisition,
16 HP recorded approximately \$6.6 billion of goodwill and amortizable purchased
17 intangible assets of \$4.6 billion. HP is amortizing the purchased intangible assets on
18 a straight-line basis over an estimated weighted-average life of 8.8 years.

19 * * *

20 Services net revenue increased 1.2% (decreased 1.3% when adjusted for
21 currency) in fiscal 2011 due to revenue increases in Infrastructure Technology
22 Outsourcing and Technology Services. Infrastructure Technology Outsourcing net
23 revenue increased by 2% in fiscal 2011. An increase in product-related revenue and
24 a favorable currency impact were partially offset by a shortfall in short-term project
25 contracts with existing clients. Technology services net revenue increased by 2% in
26 fiscal 2011, due primarily to growth in our consulting business and a favorable
27 currency impact, the effect of which was partially offset by reduced sales of third-
28 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 earning 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.

35. 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

1 participated in the call. During the call, Whitman stated the following regarding the Company's
2 Services segment:

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

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

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

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

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

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

Services net revenue increased 1.1% (0.3% when adjusted for currency) for
the three months ended January 31, 2012 due to revenue increases in Infrastructure
Technology Outsourcing and Technology Services. Infrastructure Technology
Outsourcing net revenue increased by 2% due to an increase in product-related
revenue and a favorable currency impact, the effect of which was partially offset by a
decline in 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

1 primarily to a decline in short-term project work, the effect of which was offset by a
2 favorable currency impact.

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

8 38. During May 2012, Hewlett-Packard's stock price declined as news leaked out that
9 Autonomy was performing poorly.

10 39. On May 23, 2012, Hewlett-Packard conducted its second quarter 2012 earnings
11 conference call for analysts and investors. Defendants Whitman and Lesjak were present and
12 participated in the call. During the call, Hewlett-Packard acknowledged that Autonomy had a "very
13 disappointing" revenue quarter. Whitman stated:

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

22 During the call, Whitman also stated the following regarding the Company's Services segment:

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

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

Services net revenue decreased 1% (0.3% when adjusted for currency) for the
three months ended April 30, 2012 and was flat both as reported and in constant
currency for the six months ended April 30, 2012, respectively. Application and
Business Services net revenue increased by 1% and remained flat for the three and
six months ended April 30, 2012, respectively. The revenue increase was due
primarily to 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,

1 2012. Technology Services net revenue increased by 1% for the six months ended
2 April 30, 2012, due primarily to growth in our consulting and support businesses.
3 Infrastructure 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
5 renewals for both periods, along with increased deal selectivity designed to meet
6 threshold margins for new contracts, contributed to the decrease in revenues.

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

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

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

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

* * *

Autonomy still requires a great deal of attention and we've been aggressively
working on that business. Among the many changes we've instituted is a global
dashboard to track Autonomy's pipeline. A single global sales methodology, a single
HP Services engagement process, and a global process to measure client satisfaction
and service delivery progress. These actions are designed to help deliver predictable
results and improve after-sale customer satisfaction.

1 During the call, defendant Lesjak added:

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

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

15 44. In response to defendants' disclosure that Autonomy's business was still deteriorating
16 and that Enterprise Services – *i.e.*, Electronic Data Services – was the underlying reason for the
17 Services segment's disappointing operating margin performance, the Company's stock price dropped
18 \$1.56 per share on August 23, 2012 to close at \$17.64 on heavy trading volume. Defendants,
19 however, still had not fully disclosed how poorly the Enterprise Services business had, in fact, been
20 performing and its dismal prospects for fiscal 2013.

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

23 Services net revenue decreased 3.1% (increased 1.0% when adjusted for
24 currency) and 1.0% (increased 0.4% when adjusted for currency) for the three and
25 nine months ended July 31, 2012, respectively. ITO net revenue decreased by 6%
26 and 3% for the three and nine months ended July 31, 2012, respectively. Contractual
27 rate declines on ongoing contracts, increased deal selectivity designed to meet
28 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

1 on operating improvements and cost initiatives that favorably impacted the cost
2 structure of both our enterprise services and technology services businesses.

3 46. During the Company's October 3, 2012 Security Analyst Meeting, Michael Nefkens,
4 Acting Global Enterprise Services Leader, and Jean-Jacques Charhon, Senior VP and COO of
5 Enterprise Services, gave a presentation in which they displayed a PowerPoint slide detailing, "*for*
6 *the first time,*" the collapse in profitability of the Enterprise Services business. It showed that by
7 August 2011, Enterprise Services' operating margin had already decreased nearly 500 basis points –
8 from 10% to 5% – on \$6.0 billion in quarterly revenue. It further revealed that by October 2012,
9 Enterprise Services' operating margin had deteriorated by another 40%, or to 3% on \$6.0 billion in
10 quarterly revenue. During the meeting, the Company added that the Services segment's 2013
11 revenue would slide by 11% to 13% and that operating margins were expected to be in the range of
12 0% to 3%.

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

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

- 18 • **Most Negative Impact to FY13 EPS to be Enterprise Services.** Yesterday
19 we talked about the services business being our biggest concern. The biggest
20 driver of YoY EPS decline is HP Enterprise Services, that is expected to
21 negatively impact FY13 EPS by \$0.29-\$0.35 with sales falling 11%-13%
22 YoY. *The operating margin of the Enterprise Services business is expected*
23 *to be 0% to 3% in FY13 and well below the 11% delivered in 3QFY12.*
24 *Keep in mind, HP had at one time expected operating margin to be 16% to*
25 *17.5% in this business.* Given a recent CRN article indicating HP has been
26 trying to sell its Enterprise Services business (and since denied by HP), we
27 believe there was some truth to this article given HP's weak FY13 outlook
28 for this business. *Since Enterprise Services was the biggest contributor of*
profit for HP last quarter . . . this is a long term concern.

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

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

1 * * *

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

7 50. News outlets also expressed concern about the Company's disclosures regarding the
8 collapse in the profitability of the Enterprise Services business. For example, on October 4, 2012,
9 the *Contra Cost Times*, in an article entitled "HP shares continue to sink as analysts cut price
10 targets," reported:

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

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

19 51. Then, on November 20, 2012, the Company disclosed it had taken an \$8.8 billion
20 charge related to its acquisition of Autonomy due to serious accounting improprieties. In fact, over
21 \$5.0 billion of the write-off was necessary due to the fact that Autonomy's financial results were the
22 product of accounting fraud. The Hewlett-Packard release stated in part:

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

Additional background:

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

HP launched its internal investigation into these issues after a senior member
of Autonomy's leadership team came forward, following the departure of Autonomy

1 founder Mike Lynch, alleging that there had been a series of questionable accounting
2 and business practices at Autonomy prior to the acquisition by HP. This individual
3 provided numerous details about which HP previously had no knowledge or
4 visibility.

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

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

12 * * *

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

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

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

21 "While the write-down is non-cash, it may call into question the credibility of
22 its board of directors," wrote Shaw Wu, analyst at Sterne Agee & Leach, to a note to
23 clients.

24 * * *

25 Additionally, Whitman has "highlighted she was comfortable and confident
26 in the deal," says Aaron Rakers, analyst at Stifel, Nicolaus. "Given she was on the
27 board when the Autonomy deal was done, I'm not sure if it's a reflection on her, but
28 another ding against the board."

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

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

54. The true facts, which were known by defendants but concealed from the investing
public during the Class Period, were as follows:

(a) At the time Hewlett-Packard acquired Autonomy, the business's operating
results and historic growth were the product of accounting improprieties, including the

1 mischaracterization of sales of low-margin hardware as software and the improper recognition of
2 revenue on transactions with Autonomy business partners even where customers did not purchase
3 the products;

4 (b) At the time Hewlett-Packard had agreed in principle to acquire Autonomy,
5 defendants were looking to unwind the deal in light of the accounting irregularities that plagued
6 Autonomy's financial statements; and

7 (c) Enterprise Services' operating margin had collapsed from 10% in 2010 to
8 approximately 6% as of April 30, 2011, 4% as of October 31, 2011, and 3% as of April 30, 2012,
9 due to various reasons, including unfavorable revenue mix and underperforming contracts.

10 55. As a result of defendants' false and misleading statements, Hewlett-Packard common
11 stock traded at artificially inflated prices during the Class Period. However, after the above-alleged
12 revelations of the true but undisclosed facts seeped into the market, the Company's common stock
13 experienced exorbitant selling pressure sending its price down 60% from its Class Period high.

14 **LOSS CAUSATION**

15 56. During the Class Period, as detailed herein, the defendants made false and misleading
16 statements and engaged in a scheme to deceive the market and a course of conduct that artificially
17 inflated the price of Hewlett-Packard common stock and operated as a fraud or deceit on Class
18 Period purchasers of Hewlett-Packard common stock by misrepresenting the Company's business
19 and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became
20 apparent to the market, the price of Hewlett-Packard common stock fell precipitously, as the prior
21 artificial inflation came out of the price over time. As a result of their purchases of Hewlett-Packard
22 common stock during the Class Period, plaintiff and other members of the Class suffered economic
23 loss, *i.e.*, damages, under the federal securities laws.

24 **NO SAFE HARBOR**

25 57. Hewlett-Packard's verbal "Safe Harbor" warnings accompanying its oral forward-
26 looking statements ("FLS") issued during the Class Period were ineffective to shield those
27 statements from liability.

28

1 (d) Whether defendants knew or deliberately disregarded that their statements
2 were false and misleading;

3 (e) Whether the price of Hewlett-Packard common stock was artificially inflated;
4 and

5 (f) The extent of damage sustained by Class members and the appropriate
6 measure of damages.

7 62. Plaintiff's claims are typical of those of the Class because plaintiff and the Class
8 sustained damages from defendants' wrongful conduct.

9 63. Plaintiff will adequately protect the interests of the Class and has retained counsel
10 who are experienced in class action securities litigation. Plaintiff has no interests which conflict
11 with those of the Class.

12 64. A class action is superior to other available methods for the fair and efficient
13 adjudication of this controversy.

14 **COUNT I**

15 **For Violation of §10(b) of the 1934 Act and Rule 10b-5**
16 **Against All Defendants**

17 65. Plaintiff incorporates ¶¶1-64 by reference.

18 66. During the Class Period, defendants disseminated or approved the false statements
19 specified above, which they knew or deliberately disregarded were misleading in that they contained
20 misrepresentations and failed to disclose material facts necessary in order to make the statements
21 made, in light of the circumstances under which they were made, not misleading.

22 67. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:

23 (a) employed devices, schemes and artifices to defraud;

24 (b) made untrue statements of material facts or omitted to state material facts
25 necessary in order to make the statements made, in light of the circumstances under which they were
26 made, not misleading; or

1 (c) engaged in acts, practices and a course of business that operated as a fraud or
2 deceit upon plaintiff and others similarly situated in connection with their purchases of Hewlett-
3 Packard common stock during the Class Period.

4 68. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of
5 the market, they paid artificially inflated prices for Hewlett-Packard common stock. Plaintiff and the
6 Class would not have purchased Hewlett-Packard common stock at the prices they paid, or at all, if
7 they had been aware that the market price had been artificially and falsely inflated by defendants'
8 misleading statements.

9 **COUNT II**

10 **For Violation of §20(a) of the 1934 Act**
11 **Against All Defendants**

12 69. Plaintiff incorporates ¶¶1-68 by reference.

13 70. The Individual Defendants acted as controlling persons of Hewlett-Packard within the
14 meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company, and ownership of
15 Hewlett-Packard stock, the Individual Defendants had the power and authority to cause Hewlett-
16 Packard to engage in the wrongful conduct complained of herein. Hewlett-Packard controlled the
17 Individual Defendants and all of its employees. By reason of such conduct, defendants are liable
18 pursuant to §20(a) of the 1934 Act.

19 **PRAYER FOR RELIEF**

20 WHEREFORE, plaintiff prays for judgment as follows:

21 A. Determining that this action is a proper class action, designating plaintiff as Lead
22 Plaintiff and certifying plaintiff as a class representative under Rule 23 of the Federal Rules of Civil
23 Procedure and plaintiff's counsel as Lead Counsel;

24 B. Awarding plaintiff and the members of the Class damages, including interest;

25 C. Awarding plaintiff reasonable costs and attorneys' fees; and

26 D. Awarding such equitable/injunctive or other relief as the Court may deem just and
27 proper.