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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

██████████ Individually and)
on Behalf of All Others Similarly)
Situating,)
)
Plaintiff,)
)
vs.)
HEWLETT-PACKARD COMPANY,)
LEO APOTHEKER and CATHERINE)
A. LESJAK,)
)
Defendants.)

VIA FAX

No. **SACV11-01404 AG (RNBx)**

CLASS ACTION

COMPLAINT FOR VIOLATION OF
THE FEDERAL SECURITIES LAWS

DEMAND FOR JURY TRIAL

JURISDICTION AND VENUE

1
2 1. Jurisdiction is conferred by §27 of the Securities Exchange Act of 1934
3 (“1934 Act”). The claims asserted herein arise under §§10(b) and 20(a) of the 1934
4 Act, 15 U.S.C. §§78j(b) and 78t(a), and U.S. Securities and Exchange Commission
5 (“SEC”) Rule 10b-5, 17 C.F.R. §240.10b-5.

6 2. Venue is proper in this district pursuant to §27 of the 1934 Act. Many of
7 the false and misleading statements were made in or issued from this district.

8 3. Hewlett-Packard Company has operations in this district, including
9 maintaining offices at 2125 E. Katella Avenue, Anaheim, California 92806, and at
10 15355 Barranca Parkway, Irvine, California 92618. Certain of the acts and conduct
11 complained of herein, including the dissemination of materially false and misleading
12 information to the investing public, occurred in this district.

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

INTRODUCTION

17
18 5. This is a securities class action on behalf of all persons who purchased or
19 otherwise acquired the common stock of Hewlett-Packard Company (“HP” or the
20 “Company”) between November 22, 2010 and August 18, 2011, inclusive (the “Class
21 Period”), against HP and certain of its officers and/or directors for violations of the
22 1934 Act.

23 6. HP is a provider of products, technologies, software, solutions and
24 services to individual consumers, small- and medium-sized businesses and large
25 enterprises, including customers in the government, health and education sectors.

26 7. During the Class Period, defendants issued materially false and
27 misleading statements regarding the Company’s business and financial results. As a
28

1 result of defendants' false statements, HP's stock traded at artificially inflated prices
2 during the Class Period, reaching a high of \$48.99 per share on February 16, 2011.

3 8. HP is the leading provider of commercial and consumer personal
4 computers ("PCs") through its Personal Services Group ("PSG") segment,
5 commanding nearly 20% of the PC market worldwide. The PSG segment is HP's
6 largest business segment from a revenue perspective, generating over 30% of HP's
7 revenues. In July 2010, HP completed its acquisition of Palm Inc., a provider of
8 smartphones powered by the Palm webOS mobile operating system, for \$1.2 billion.
9 Palm was failing at the time of the acquisition. HP's primary motive for the
10 acquisition was to purchase webOS and "to double down on webOS," with the Palm
11 acquisition being portrayed as a game changing event.

12 9. During the Class Period, defendants highlighted HP's ownership of both
13 hardware and software, which differentiated the Company from other high tech
14 companies, as a defining aspect of the Company's value proposition, enabling the
15 Company's business model to benefit from scale and leadership in its core businesses.
16 Defendants further represented that webOS, HP's crown jewel from the Palm
17 acquisition, was going to play an integral role in the Company's strategy going
18 forward, including running on HP's new TouchPad tablet PC as well as on all of the
19 Company's PCs by 2012. Defendants further reconfirmed the strategic importance of
20 PCs to the Company.

21 10. On August 18, 2011, HP issued a press release announcing disappointing
22 third quarter fiscal 2011 financial results, as well as a major change of direction for
23 the Company.¹ The Company reported net earnings of \$1.9 billion, or \$0.93 diluted
24 earnings per share ("EPS), and net revenue of \$31.2 billion for the third quarter ended
25 July 31, 2011. The Company additionally issued revised guidance for fiscal year

26
27 ¹ HP's fiscal year ends October 31.

1 2011, reducing its revenue guidance to a range of \$127.2 to \$127.6 billion, versus
2 previous guidance of \$129 to \$130 billion, and its diluted EPS guidance to a range of
3 \$3.59 to \$3.70 per share, versus previous guidance of at least \$4.27 per share.

4 11. HP further announced several major shifts in its long-term business
5 model. First, it was purchasing enterprise content management and search vendor
6 Autonomy Corporation plc for \$10.3 billion, agreeing to pay a 64% premium for the
7 company over its prior closing day price. Second, the Company announced it was
8 exploring strategic alternatives for its PSG segment, including potentially selling or
9 spinning off its profitable PC division. Third, the Company announced that it “will
10 discontinue operations for webOS devices, specifically the TouchPad and webOS
11 phones.”

12 12. As news began to leak into the market, on August 18, 2011, HP’s stock
13 declined \$1.88 per share, to close at \$29.51 per share, a one-day decline of nearly 6%
14 on volume of over 96 million shares. The next day, HP’s stock collapsed as the
15 market fully digested the news of the Company’s dismal results and outlook and the
16 serious changes in its strategic vision. On August 19, 2011, HP’s stock price
17 plummeted to its lowest level in 6 years, trading as low as \$22.75 per share before
18 closing at \$23.60. This represented a decline of \$5.91 per share, or 20%, on volume
19 of 129 million shares. This was the largest one-day decline in HP’s history since the
20 Black Monday stock market crash of October 1987.

21 13. On August 19, 2011, CRN published an article entitled “HP Partners
22 Startled by TouchPad’s Demise, Uncertain WebOS Future.” The article provided in
23 part:

24 Chris Barnes, vice president of research and solutions
25 development at Gap Intelligence, a San Diego-based research firm that
26 follows HP, wonders if the HP brass really believed the WebOS talking
27 points. “WebOS was such a linchpin of the company’s overarching
28 strategy; it was the virtual glue that tied together phones, PCs, tablets,

1 printers,” Barnes said. “It really makes you wonder whether HP’s senior
2 leadership ever really believed its own story about developing its own
3 self-supporting ecosystem, vis-a-vis Apple. *[It] sounds more like they*
4 *were dishing out the Kool-Aid but secretly drinking iced tea.”*

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

7 (a) HP’s business model was not working. The Company was unable
8 to leverage its extensive portfolio and scale of products and services in a strategically
9 beneficial manner.

10 (b) WebOS, the TouchPad and the PC business were not central to
11 HP’s business model and webOS would not be integrated across the Company’s entire
12 product line.

13 (c) The TouchPad hardware was inefficient, limiting the degree of
14 effectiveness of the webOS operating system. In fact, webOS operated twice as fast
15 when loaded onto Apple’s iPad 2 tablet compared to the TouchPad.

16 (d) Based on the foregoing, defendants lacked a reasonable basis for
17 their positive statements about HP’s turnaround, revenue growth rates, market share,
18 new product introductions, diluted EPS, and the Company’s ability to deliver upon its
19 long-term growth model.

20 15. As a result of defendants’ false statements, HP stock traded at artificially
21 inflated levels during the Class Period. However, after the above revelations seeped
22 into the market, the Company’s shares were hammered by massive sales, sending
23 them down 52% from their Class Period high.

24 **PARTIES**

25 16. Plaintiff [REDACTED] purchased the common stock of HP during the
26 Class Period as set forth in the attached certification and was damaged as the result of
27 defendants’ wrongdoing as alleged in this complaint.

28

1 17. Defendant HP is a provider of products, technologies, software, solutions
2 and services to individual consumers, small- and medium-sized businesses and large
3 enterprises, including customers in the government, health and education sectors.
4 HP's principal executive offices are located at 3000 Hanover Street, Palo Alto,
5 California 94304.

6 18. Defendant Léo Apotheker ("Apotheker") is, and at all relevant times was,
7 the Company's President, Chief Executive Officer ("CEO") and a director.

8 19. Defendant Catherine A. Lesjak ("Lesjak") is, and at all relevant times
9 was, the Company's Chief Financial Officer ("CFO") and Executive Vice President.
10 During the Class Period, Lesjak reaped over \$2.2 million in insider trader proceeds by
11 selling 51,518 shares of her HP stock at artificially inflated prices.

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

25 **FRAUDULENT SCHEME AND COURSE OF BUSINESS**

26 21. Defendants are liable for: (i) making false statements; or (ii) failing to
27 disclose adverse facts known to them about HP. Defendants' fraudulent scheme and
28 course of business that operated as a fraud or deceit on purchasers of HP common

1 stock was a success, as it: (i) deceived the investing public regarding HP's prospects
2 and business; (ii) artificially inflated the price of HP common stock; and (iii) caused
3 plaintiff and other members of the Class to purchase HP common stock at inflated
4 prices.

5 **BACKGROUND**

6 22. HP offers various products, technologies, software, solutions, and
7 services to individual consumers and small- and medium-sized businesses, as well as
8 to the government, health, and education sectors worldwide. The Company's Services
9 segment provides consulting, outsourcing, and technology services to infrastructure,
10 applications, and business process domains. Its Enterprise Storage and Servers
11 segment offers storage and server products. This segment provides industry standard
12 servers, business critical systems, and storage works offerings. The Company's HP
13 Software segment provides enterprise IT management solutions, information
14 management and business intelligence solutions, and communications and media
15 solutions. Its PSG segment offers commercial PCs, consumer PCs, workstations,
16 handheld computing devices, calculators and other related accessories, and software
17 and services for the commercial and consumer markets. The Company's Imaging and
18 Printing Group segment provides consumer and commercial printer hardware, printing
19 supplies, printing media, and scanning devices, such as inkjet and Web solutions,
20 laserjet and enterprise solutions, managed enterprise solutions, graphics solutions, and
21 printer supplies.

22 **DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED**
23 **DURING THE CLASS PERIOD**

24 23. On November 22, 2010, HP issued a press release announcing its fourth
25 quarter and fiscal year 2010 financial results. The Company reported net income of
26 \$2.5 billion, or \$1.10 diluted EPS, and net revenue of \$33.3 billion for the fourth fiscal
27 quarter ended October 31, 2010. Additionally, the Company reported fiscal year 2010
28 net revenue of \$126 billion. The Company provided guidance for its first quarter of

1 fiscal 2011 of revenue in the range of \$32.8 to \$33.0 billion and diluted EPS in the
2 range of \$1.06 to \$1.08 per share. The Company further provided guidance for the
3 full year fiscal 2011 of revenue in the range of \$132 to \$133.5 billion, and diluted EPS
4 in the range of \$4.42 to \$4.52 per share. The release stated in part:

5 “HP proved once again that it is able to execute given its market
6 strengths and technology leadership,” said Léo Apotheker, HP president
7 and chief executive officer. “I have seen firsthand that we have talented
8 people who are focused on delivering value for our customers. Our
9 market opportunity is vast, and I am confident that we will extend our
10 leadership into the future.”

11 24. After releasing its fourth quarter fiscal 2010 financial results on
12 November 22, 2010, HP hosted a conference call with investors, media representatives
13 and analysts, during which defendant Apotheker represented the following:

14 HP has many strengths, and it’s actually a formidable Company. To
15 name just a few of these strengths, I’d like to say the breadth of our
16 technology portfolio, our scale, our people, our customer relationships,
17 and our operational excellence. I do believe that our greatest strength is
18 actually our opportunities. *Given our size and breadth, we have a*
19 *unique position in the market to expand, to do way more business in*
20 *emerging markets, to become more of a solution provider for our*
21 *customers, and to leverage our own technology better across the entire*
22 *Company.* And you should bear in mind, that our technology trends are
23 morphing, and they are morphing rapidly.

24 We, at HP, have the opportunity to grow our leadership position.
25 We’re addressing the cloud in many ways, an example, converged
26 infrastructure, and we are addressing mobility with webOS. So all of
27 these are fantastic opportunities that we are looking at.

28 * * *

1 We are the only Company in this industry that is equally good on
2 the Consumer side, and on the Enterprise side. And if we manage, and
3 we will work very hard to do that, to leverage the rapid innovation cycle
4 that occurs on the Consumer side, basically the Enterprise, make it
5 (inaudible) more scalable, and then use that to our benefit, I think that
6 will give us an immense competitive advantage, which is one of the
7 reasons why we need to spend a little bit more money on R&D, and one
8 of the reasons why we need to invest into our sales force, so we can
9 bring all of this to bear, in a very effective way to the market. So net-
10 net, I'm very optimistic.

11 25. On February 9, 2011, *Bloomberg* issued an article entitled "HP Unveils
12 Palm-Based Tablet Computer, Smartphones," which stated in part:

13 Hewlett-Packard Co. unveiled a tablet computer called the TouchPad in
14 a bid to gain a foothold in the market for handheld computers, and said
15 the product's software, acquired in last year's purchase of Palm Inc., will
16 run on personal computers this year.

17 HP, the world's largest maker of PCs, showed off the TouchPad
18 and smartphones dubbed Veer and Pre 3 at an event in San Francisco
19 today. The company will deliver PCs and printers running WebOS,
20 originally designed for touch-screen devices, to attract more software
21 developers to the platform and expand HP's market, Palm chief Jon
22 Rubinstein said in an interview.

23 "That's going to have a huge influence on the installed base,"
24 Rubinstein said. "Our long-term goal is to deliver a connected
25 experience to all of our customers. You get a unified experience across
26 all your devices."

27 26. On February 16, 2011, HP's stock reached its Class Period high, closing
28 at \$48.99 per share.

1 27. On February 22, 2011, HP issued a press release announcing its first
2 fiscal quarter 2011 financial results. The Company reported net earnings of \$2.6
3 billion, or \$1.17 diluted EPS, and net revenue of \$32.3 billion for the first quarter
4 ended January 31, 2011. The Company provided guidance for its second quarter of
5 fiscal 2011 of revenue in the range of \$31.4 to \$31.6 billion, and diluted EPS in the
6 range of \$0.99 to \$1.01 per share. The Company further provided revised guidance
7 for fiscal 2011 of revenue in the range of \$130 to \$131.5 billion, and diluted EPS in
8 the range of \$4.46 to \$4.54 per share. The release stated in part:

9 “I’m pleased with our EPS and margin expansion during the
10 quarter. Going forward, we have the opportunity to further capitalize on
11 our customers’ demands for higher value-added solutions,” said Léo
12 Apotheker, HP president and chief executive officer. “HP has a
13 powerful portfolio, including exciting, recently announced cloud and
14 connectivity offerings. We are focused on leveraging these strengths to
15 extend our leadership and accelerate growth.”

16 28. After releasing its first quarter fiscal 2011 financial results on February
17 22, 2011, HP hosted a conference call with investors, media representatives and
18 analysts, during which defendants represented the following:

19 [LESJAK:] *[I]n terms of the guidance, there is no question that we are*
20 *being prudent and we’re remaining cautious about the environment*
21 *for consumer PCs. There’s – I mentioned that earlier. In terms of the*
22 *second half of the year, the reason why you see better than normal*
23 *seasonality, half over half, is that we do expect to continue to recover,*
24 *that in PSG, especially in China. We also expect improvement in the*
25 *short-term signings based on the actions that we’re taking in the services*
26 *space. And finally, in the second half of the year, we’ll also benefit*
27 *from the launch of our new webOS family of products.* And so I think
28 that, that just shows what happens in the second half.

* * *

1
2 [APOTHEKER:] Let me maybe add one comment to what
3 Cathie has said. *We have been looking very hard at our forecast and I*
4 *can just confirm that we are very confident in our ability to deliver the*
5 *updated fiscal year '11 outlook.* It's beyond the points that Cathie has
6 already made. We see strength in our other businesses and we have
7 scrubbed these numbers long and hard and we believe that these are the
8 right numbers.

9 29. On March 1, 2011, HP participated in a Morgan Stanley Technology,
10 Media & Telecom Conference, during which defendant Lesjak represented the
11 following:

12 *I think it's important for you all to understand that we have a lot*
13 *of confidence in our ability to deliver our outlook for fiscal 2011.* In
14 Q1 we grew revenue 4%. We grew earnings per share 27%. We grew
15 cash flow from operations 28%.

16 So we know how to manage this business in a variety of revenue
17 environments. And I think that's really important.

18 Our model's in tact, we've got the operational discipline to
19 continue to expand margins, operating margins kind of year over year. I
20 think that it's important when you think about the guidance we have
21 provided, we did take revenue down as you know \$2 billion for the fiscal
22 year.

23 Again, it's roughly three quarters from PSG and about a quarter
24 from services. *Frankly if we didn't have confidence in that revenue,*
25 *we would've taken revenue down further.* The difference to you all of
26 \$2 billion or \$2.5 billion is just not meaningful. So at the end of the day,
27 *we have the confidence in the revenue outlook we provided.*
28

* * *

1
2 And as you move up to devices, we're also extremely powerful.
3 HP ships two PCs and two printers a second. ***Our number one market***
4 ***position in printers, desktops and notebooks gives us an enormous***
5 ***installed base which continues to grow. The fact is people like working***
6 ***on PCs and that isn't going to go away.*** And people like and people
7 need to print, just look at the fast-growing geographies, like Brazil, as
8 they come online and join the connected world, they can jump into any
9 form factor and they do, including PCs and printers. They are in fact the
10 fastest growing market for our connected devices so far.

11 ***So, traditional technology is something we know, where we***
12 ***compete and win, where we know how to partner, where we create a lot***
13 ***of value and we will continue to enhance our core capabilities to***
14 ***strengthen our positions.*** And all of this is of course important, it is the
15 core of our business, but just as important is how our assets, our current
16 assets position us for the future of technology to deliver the seamless,
17 secure, context-aware experiences for the connected world. Because,
18 just as the forces of cloud and connectivity are changing the model for
19 people's relationships to information, beneath that is a changing model
20 of technology, architecture, delivery and consumption.

21 31. Also on March 14, 2011, HP hosted a press conference for media
22 representatives during which defendant Apotheker represented the following:

23 ***So webOS is an unbelievably attractive and stunning technology.***
24 The devices we have been able to put on display on February 9 have in
25 themselves a certain set of characteristics that make them unique. ***There***
26 ***is interconnectivity, the fact that they are seamless, they connect***
27 ***seamlessly to each other, and some of the other technology features of***
28 ***webOS make it into an outstanding web operating system.***

1 *So we will be shipping this, first of all, on the dedicated devices,*
2 *smartphones and the tablet.* The Touch, our tablet, will come out – the
3 Touch pad will come out in June and from that day onwards there will be
4 wave after wave of technology coming out to support the webOS
5 platform.

6 There will be a beta version for webOS running on a browser on
7 PCs available at the end of the year and you will see us putting webOS
8 on the (inaudible) technology on PCs, on Windows PCs I should add,
9 starting from that point onwards. And we hope to reach 100 million
10 devices a year.

11 *We will put the same technology on our printers. We will put*
12 *them on PCs. We will put them on touch pads. We will put them on*
13 *smartphones so you will see this to become a very massive, very broad*
14 *platform.*

15 32. On May 17, 2011, HP issued a press release announcing its second
16 quarter fiscal 2011 financial results. The Company reported net earnings of \$2.3
17 billion, or \$1.05 diluted EPS, and net revenue of \$31.6 billion for the second quarter
18 ended April 30, 2011. The Company provided guidance for its third quarter of fiscal
19 2011 of revenue in the range of \$31.1 to \$31.3 billion, and diluted EPS in the range of
20 approximately \$0.90 per share. The Company further provided revised guidance for
21 fiscal 2011 of revenue in the range of \$129 to \$130 billion, and diluted EPS in the
22 range of at least \$4.27 per share. The release stated in part:

23 “HP executed well and delivered a solid quarter,” said Léo
24 Apotheker, HP president and chief executive officer. “Our enterprise
25 strategy, with services at its core, is focused on higher value-added
26 solutions. Today we are accelerating our efforts to align our services
27 business model to our long-term strategy to deliver unprecedented value
28 to our customers and a better return for our shareholders.”

1 33. After releasing its second quarter fiscal 2011 financial results on May 17,
2 2011, HP hosted a conference call with investors, media representatives and analysts,
3 during which defendant Apotheker represented the following:

4 [ANALYST:] Leo, you talked in your opening remarks about
5 companies that will fail because they protect legacy businesses. And
6 with two guidance resets in a row, is it time, in your view, for HP to
7 reconsider whether you really need to participate in some of the
8 businesses that are dragging down performance? Or do you think you
9 can invest fast enough in new growth segments to offset declines that we
10 are seeing like in PCs right now?

11 . . . [APOTHEKER:] At HP, we do a high (inaudible) portfolio
12 review to assess the performance of each one of our businesses. We
13 assess these businesses according to their contribution to the business
14 and their contribution to our strategy and the value it can generate to our
15 customers.

16 It's interesting that you point out PCs. If you look at the
17 performance of PCs, it has a two-phased approach and a two-phased
18 execution. *On the one hand, on the commercial side, we see a*
19 *continuous demand for PCs, 12% growth.* Again, we are the market
20 leader in this business. And we see some weakness on the consumer
21 side.

22 We believe that we have a great strategy to execute towards our
23 connectivity approach, and we are very excited about our TouchPads
24 coming out in particular in the summer. *And as we all believe that there*
25 *will be a convergence of these different form factors over time –*
26 *TouchPads, PCs, et cetera, and in particular, notebooks – we believe*
27 *this is a great opportunity for HP to participate in this.* Of course we
28 will continue to assess the value of each element in the portfolio as we

1 continue to look at our business, but right now, I believe we have a
2 balanced portfolio.

3 34. On June 2, 2011, HP participated at a Sanford C. Bernstein & Co.
4 Strategic Decisions Conference, wherein defendant Apotheker represented the
5 following:

6 [APOTHEKER:] So the good news on the PC business is the
7 commercial side of the house, or the non-consumer side. That business
8 is growing double-digit, continues to grow double-digit, is doing really
9 well.

10 * * *

11 We see some trends affecting the PC business. Some people talk
12 about the tablet effect. Some other people are talking about the
13 economic impact. I think both are a little bit impacting the consumer. I
14 believe, over time, there are some really interesting opportunities that are
15 opening up that didn't exist in the PC business in the past, which is to
16 create, again, innovation in the PC industry.

17 * * *

18 *The other thing we are doing really well on the PSG side of the*
19 *house is webOS. So webOS is ready for prime time. It's now out on a*
20 *small phone, the Veer. And it will be out on the format of the tablet by*
21 *the end of June/early July. And it will go into distribution then. We*
22 *are all about webOS. We are more than about this with the other form*
23 *factor. And I am happy to reconfirm that webOS will be available on*
24 *PCs, on top of Windows, which creates a whole new market dynamic for*

25 [ANALYST:] Do you have a date for that? webOS on the PC?

26 [APOTHEKER:] *2012. I know there are 12 months in 2012,*
27 *even in Germany. And then we have – and we are going to put webOS*
28 *also on printers. So we can create the kind of a platform of about 100*

1 *million, 110 million devices a year.* And by the way, we won't shy
2 away from licensing webOS to others if that opportunity arises.

3 35. On August 17, 2011, HP's stock closed at \$31.39 per share.

4 36. Then, on August 18, 2011, HP issued a press release announcing
5 disappointing third quarter fiscal 2011 financial results, as well as a major change of
6 direction for the Company. The Company reported net earnings of \$1.9 billion, or
7 \$0.93 diluted EPS, and net revenue of \$31.2 billion for the third quarter ended July 31,
8 2011. The Company additionally issued revised guidance for fiscal year 2011, once
9 again reducing its revenue guidance, this time to a range of \$127.2 to \$127.6 billion,
10 versus previous guidance of \$129 to \$130 billion, and its diluted EPS guidance to a
11 range of \$3.59 to \$3.70 per share, versus previous guidance of at least \$4.27 per share.
12 HP further announced several important shifts in its long-term business model. First,
13 it was purchasing enterprise content management and search vendor Autonomy
14 Corporation for \$10.3 billion, agreeing to pay a 64% premium for the company over
15 its prior closing day price. Second, the Company announced it was exploring strategic
16 alternatives for its PSG segment, including potentially selling or spinning off its
17 profitable PC division. Third, the Company announced that it "will discontinue
18 operations for webOS devices, specifically the TouchPad and webOS phones."

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20 declined \$1.88 per share, to close at \$29.51 per share, a one-day decline of nearly 6%
21 on volume of over 96 million shares. The next day, HP's stock collapsed as the
22 market fully digested the news of the Company's dismal results and outlook and the
23 serious changes in its strategic vision. On August 19, 2011, HP's stock price
24 plummeted to its lowest level in 6 years, trading as low as \$22.75 per share before
25 closing at \$23.60. This represented a decline of \$5.91 per share, or 20%, on volume
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4 development at Gap Intelligence, a San Diego-based research firm that
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6 points. “WebOS was such a linchpin of the company’s overarching
7 strategy; it was the virtual glue that tied together phones, PCs, tablets,
8 printers,” Barnes said. “It really makes you wonder whether HP’s senior
9 leadership ever really believed its own story about developing its own
10 self-supporting ecosystem, vis-a-vis Apple. *[It] sounds more like they*
11 *were dishing out the Kool-Aid but secretly drinking iced tea.*”

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13 the investing public during the Class Period, were as follows:

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16 beneficial manner.

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18 HP’s business model and webOS would not be integrated across the Company’s entire
19 product line.

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21 effectiveness of the webOS operating system. In fact, webOS operated twice as fast
22 when loaded onto Apple’s iPad 2 tablet compared to the TouchPad.

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26 long-term growth model.

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28 inflated levels during the Class Period. However, after the above revelations seeped

1 into the market, the Company's shares were hammered by massive sales, sending
2 them down 52% from their Class Period high.

3 **LOSS CAUSATION**

4 41. During the Class Period, as detailed herein, the defendants made false
5 and misleading statements and engaged in a scheme to deceive the market and a
6 course of conduct that artificially inflated the price of HP common stock and operated
7 as a fraud or deceit on Class Period purchasers of HP common stock by
8 misrepresenting the Company's business and prospects. Later, when the defendants'
9 prior misrepresentations and fraudulent conduct became apparent to the market, the
10 price of HP common stock fell precipitously, as the prior artificial inflation came out
11 of the price over time. As a result of their purchases of HP common stock during the
12 Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*,
13 damages, under the federal securities laws.

14 **NO SAFE HARBOR**

15 42. HP's verbal "Safe Harbor" warnings accompanying its oral forward-
16 looking statements ("FLS") issued during the Class Period were ineffective to shield
17 those statements from liability.

18 43. The defendants are also liable for any false or misleading FLS pleaded
19 because, at the time each FLS was made, the speaker knew the FLS was false or
20 misleading and the FLS was authorized and/or approved by an executive officer of HP
21 who knew that the FLS was false. None of the historic or present tense statements
22 made by defendants were assumptions underlying or relating to any plan, projection or
23 statement of future economic performance, as they were not stated to be such
24 assumptions underlying or relating to any projection or statement of future economic
25 performance when made, nor were any of the projections or forecasts made by
26 defendants expressly related to or stated to be dependent on those historic or present
27 tense statements when made.

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CLASS ACTION ALLEGATIONS

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44. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired HP common stock during the Class Period (the “Class”). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which defendants have or had a controlling interest.

45. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. HP has over 2 billion shares of stock outstanding, owned by hundreds if not thousands of persons.

46. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

- (a) whether the 1934 Act was violated by defendants;
 - (b) whether defendants omitted and/or misrepresented material facts;
 - (c) whether defendants’ statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;
 - (d) whether defendants knew or deliberately disregarded that their statements were false and misleading;
 - (e) whether the price of HP common stock was artificially inflated;
- and
- (f) the extent of damage sustained by Class members and the appropriate measure of damages.

1 47. Plaintiff's claims are typical of those of the Class because plaintiff and
2 the Class sustained damages from defendants' wrongful conduct.

3 48. Plaintiff will adequately protect the interests of the Class and has retained
4 counsel who are experienced in class action securities litigation. Plaintiff has no
5 interests which conflict with those of the Class.

6 49. A class action is superior to other available methods for the fair and
7 efficient adjudication of this controversy.

8 **COUNT I**

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

11 50. Plaintiff incorporates ¶¶1-49 by reference.

12 51. During the Class Period, defendants disseminated or approved the false
13 statements specified above, which they knew or deliberately disregarded were
14 misleading in that they contained misrepresentations and failed to disclose material
15 facts necessary in order to make the statements made, in light of the circumstances
16 under which they were made, not misleading.

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

- 18 (a) employed devices, schemes and artifices to defraud;
- 19 (b) made untrue statements of material facts or omitted to state
20 material facts necessary in order to make the statements made, in light of the
21 circumstances under which they were made, not misleading; or
- 22 (c) engaged in acts, practices and a course of business that operated as
23 a fraud or deceit upon plaintiff and others similarly situated in connection with their
24 purchases of HP common stock during the Class Period.

25 53. Plaintiff and the Class have suffered damages in that, in reliance on the
26 integrity of the market, they paid artificially inflated prices for HP common stock.
27 Plaintiff and the Class would not have purchased HP common stock at the prices they
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1 paid, or at all, if they had been aware that the market price had been artificially and
2 falsely inflated by defendants' misleading statements.

3 **COUNT II**

4 **For Violation of §20(a) of the 1934 Act**
5 **Against All Defendants**

6 54. Plaintiff incorporates ¶¶1-53 by reference.

7 55. The Individual Defendants acted as controlling persons of HP within the
8 meaning of §20(a) of the 1934 Act. By virtue of their positions with the Company,
9 and ownership of HP stock, the Individual Defendants had the power and authority to
10 cause HP to engage in the wrongful conduct complained of herein. HP controlled the
11 Individual Defendants and all of its employees. By reason of such conduct,
12 defendants are liable pursuant to §20(a) of the 1934 Act.

13 **PRAYER FOR RELIEF**

14 WHEREFORE, plaintiff prays for judgment as follows:

- 15 A. Declaring this action to be a proper class action pursuant to Fed. R. Civ.
16 P. 23;
- 17 B. Awarding plaintiff and the members of the Class damages, including
18 interest;
- 19 C. Awarding plaintiff reasonable costs and attorneys' fees; and
- 20 D. Awarding such equitable/injunctive or other relief as the Court may deem
21 just and proper.

22 **JURY DEMAND**

23 Plaintiff demands a trial by jury.

24 DATED: September 13, 2011