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ENDORSED FILED
SAN MATEO COUNTY

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Clerk of the Superior Court
By Rebecca Krill
DEPUTY CLERK

SUPERIOR COURT FOR THE STATE OF CALIFORNIA
COUNTY OF SAN MATEO

13 VINCENT HO, derivatively on behalf of
Hewlett-Packard Company,
14 Plaintiff,
15 vs.
16 MARGARET C. WHITMAN, LEO
17 APOTHEKER, KENNEDY THOMPSON,
18 RAJIV L. GUPTA, SHUMEET BANJERI,
GARY M. REINER, JOHN H.
19 HAMMERGREN, MARC L. ANDREESSEN,
RAYMOND J. LANE, PATRICIA F. RUSSO,
20 ANN M. LIVERMORE, RALPH V.
WHITWORTH, SHANE V. ROBISON,
21 LAWRENCE T. BABBIO, JR., SARI M.
BALDAUF, DOMINIQUE SENEQUIER, and
22 JOHN DOES 1-100,
23 Defendants,
24 -and-
25 HEWLETT-PACKARD COMPANY, a
Delaware Corporation,
26 Nominal Defendant.

No. **CV 51 933 6**
**SHAREHOLDER DERIVATIVE
COMPLAINT FOR BREACH OF
FIDUCIARY DUTY AND WASTE OF
CORPORATE ASSETS**
JURY TRIAL DEMANDED

INTRODUCTION

1
2 1. This is a shareholder derivative action on behalf of nominal defendant Hewlett-Packard
3 Company ("HP" or "the Company"), a Delaware corporation, against certain of its current and former
4 officers and directors for breach of fiduciary duty and waste of corporate assets. Defendants' violations
5 of law have resulted in billions of dollars in damages to HP, as detailed herein.

6 2. In October 2011, HP acquired British software company Autonomy Corporation plc
7 ("Autonomy") for over \$11 billion. Just one year later, on November 20, 2012, HP shocked
8 shareholders and the market when it announced that the Company would write down goodwill and
9 intangible assets related to the Autonomy acquisition by an incredible \$8.8 billion, nearly 80% of the
10 purchase price paid by HP. The November 20, 2012 press release explained that the "majority of this
11 impairment charge is linked to serious accounting improprieties, disclosure failures, and outright
12 misrepresentations" discovered at Autonomy after the transaction closed.

13 3. In the wake of the failed Autonomy acquisition - described by some in the financial
14 media as possibly the worst corporate deal ever - HP has attempted to shift the blame for the botched
15 transaction to Autonomy's former Chief Executive Officer ("CEO") Michael R. Lynch ("Lynch"),
16 accusing him of defrauding HP in the merger negotiations. However, HP's senior officers and directors,
17 named as defendants herein, cannot blame others for their own breaches of fiduciary duty.

18 4. As alleged herein, these defendants approved the acquisition while consciously
19 disregarding numerous red flags alerting them to Autonomy's accounting improprieties. Most
20 significantly, defendants knew about long-standing concerns over Autonomy's finances from hedge
21 fund investors, media, and analysts that had been swirling for years. In fact, according to the *Wall Street*
22 *Journal*, HP was "aware of talk about accounting irregularities at the time the deal was struck" but went
23 ahead with the transaction anyway. Furthermore, according to a January 22, 2013 *Wall Street Journal*
24 article, the HP Board "skirted some standard company procedure" in evaluating the transaction, with
25 "only half of the directors [] focused on Autonomy." In their eagerness to close the deal, defendants
26 utterly failed to do adequate due diligence, with disastrous consequences for HP and its shareholders.

27 5. Defendants also willfully ignored red flags regarding Autonomy's gross overvaluation,
28 including (i) the enormous amount of goodwill and intangible assets (over \$11 billion combined,

1 virtually the whole purchase price) HP would book as part of the Autonomy acquisition; (ii) vehement
2 internal opposition to the deal from HP's own Chief Financial Officer ("CFO"); (iii) criticism from
3 industry leaders, including Oracle Corporation's CEO Larry Ellison ("Ellison"), who mocked the deal;
4 (iv) Autonomy's suspiciously high receivables and low unearned income on its profit/loss and balance
5 sheets, which did not make sense for a software company; (v) the steady increase in Autonomy's
6 reported operating margins in recent years, even where growth in its customer base was limited; (vi) the
7 giant purchase price for Autonomy (10 times its revenues, 25 times its earnings and one-fourth of HP's
8 total market capitalization); and (vii) HP's inglorious history of overpaying for acquisitions.

9 6. As has now been reported, in May 2012, what HP has described as a "senior" Autonomy
10 executive came forward and revealed the details of the accounting fraud to HP, with substantiating
11 documents. At that time, HP's Board retained a forensic accountant to investigate the facts - action it
12 should have taken prior to the acquisition as part of its due diligence process. This belated investigation
13 set into motion the events culminating in the November 20, 2012 announcement, including referral of
14 the matter to civil and criminal authorities in the United States and the United Kingdom. Notably, the
15 November 20, 2012 announcement and subsequent statements by defendants demonstrate the Board's
16 intention to blame everyone but themselves for the woeful state of affairs at HP.

17 7. As alleged herein, even after the whistle-blower identified the fraud in May 2012, HP's
18 Board permitted the Company to repurchase millions of shares of HP stock on the open market as part
19 of a share repurchase program the Board initially authorized on July 21, 2011. Despite being aware that
20 impending disclosure of Autonomy's accounting scandal (and resulting impaired goodwill and
21 intangible assets) would harm HP's stock price, the directors caused HP to repurchase over 23 million
22 HP shares on the open market through October 2012, wasting cash on artificially inflated stock.

23 8. Plaintiff seeks recovery against defendants and on behalf of HP for breach of fiduciary
24 duty and waste of corporate assets arising out of the Autonomy transaction and the stock repurchase. As
25 alleged herein, a shareholder demand on the Board to bring the asserted claims is excused for futility.

26 THE PARTIES

27 Plaintiff

28 9. Plaintiff Vincent Ho is a current holder of HP stock and has continuously held his shares

1 since May 2011.

2 **Nominal Defendant**

3 10. Nominal Defendant HP is a Delaware corporation headquartered at 3000 Hanover Street,
4 Palo Alto, California. HP is a global provider of products, technologies, software, solutions, and services
5 to consumers, small and medium size businesses, and large enterprises, including customers in the
6 government, health, and education sectors.

7 **Individual Defendants**

8 11. Defendant Leo Apotheker ("Apotheker") was HP's CEO, President, and a director from
9 November 2010 to September 2011. HP paid Apotheker over \$30.4 million in salary, bonus, stock
10 awards and compensation for fiscal year 2011.

11 12. Defendant Margaret C. Whitman ("Whitman") has been HP's CEO and President since
12 September 2011, and a director since January 2011. HP paid Whitman over \$16.5 million in salary,
13 bonus, stock awards and compensation in fiscal year 2011.

14 13. Defendant Shane V. Robison ("Robison") was HP's Executive Vice President and Chief
15 Strategy and Technology Officer from May 2002 to November 2011. HP paid Robison over \$9 million
16 in salary, stock awards, bonuses and compensation in fiscal year 2011.

17 14. Defendant Kennedy Thompson ("Thompson") has been an HP director since 2006. HP
18 paid defendant Thompson over \$346,000 in fees and stock awards in fiscal year 2011.

19 15. Defendant Rajiv L. Gupta ("Gupta") is HP's Lead Independent Director, a position he
20 has held since November 2011. He has been a director since January 2009. HP paid Gupta over
21 \$355,000 in fees and stock awards in fiscal year 2011.

22 16. Defendant Shumeet Banerji ("Banerji") has been an HP director since January 2011. HP
23 paid Banerji over \$326,000 in fees and stock awards in fiscal year 2011

24 17. Defendant Gary M. Reiner ("Reiner") has been an HP director since January 2011. HP
25 paid Reiner over \$317,000 in fees and stock awards in fiscal year 2011.

26 18. Defendant John H. Hammergren ("Hammergren") has been an HP director since 2005.
27 HP paid Hammergren over \$348,000 in fees and stock awards in fiscal year 2011.

28 19. Defendant Marc L. Andreessen ("Andreessen") has been an HP director since 2009. HP

1 paid Andreessen over \$310,000 in fees and stock awards in fiscal year 2011.

2 20. Defendant Raymond J. Lane (“Lane”) is HP’s Executive Chairman of the Board, a
3 position he has held since September 2011. He has been a director since November 2010. Defendant
4 Lane was also HP’s non-Executive Chairman of the Board from November 2010 to September 2011.
5 HP paid Lane over \$290,000 in fees and stock awards in fiscal year 2011.

6 21. Defendant Patricia F. Russo (“Russo”) has been an HP director since January 2011. HP
7 paid Russo over \$290,000 in fees and stock awards for fiscal year 2011.

8 22. Defendant Ann M. Livermore (“Livermore”) has been an HP director since June 2011.

9 23. Defendant Lawrence T. Babbio, Jr. (“Babbio”) was an HP director from 2002 to March
10 2012. HP paid Babbio over \$351,000 in fees and stock awards in fiscal year 2011

11 24. Defendant Sari M. Baldauf (“Baldauf”) was an HP director from 2006 to March 2012.
12 HP paid Baldauf over \$329,000 in fees and stock awards in fiscal year 2011.

13 25. Defendant Dominique Senequier (“Senequier”) was an HP director from January 2011 to
14 March 2012. HP paid Senequier over \$308,000 in fees and stock awards in fiscal year 2011.

15 26. Defendant Raymond V. Whitworth has been a director of HP since November 2011.

16 27. These defendants are sometimes collectively referred to herein as the Individual
17 Defendants. Each of these defendants owed HP fiduciary duties of care, good faith and loyalty.

18 28. At the time of the Autonomy acquisition in October 2011, all of the Individual
19 Defendants except Apotheker, Robison and Whitworth served on the Board of Directors.

20 29. HP’s Board has an Audit Committee. According to HP’s public filings, the Audit
21 Committee assists the Board in fulfilling its responsibilities for overseeing HP’s financial reporting
22 processes and the audit of HP’s financial statements, including the integrity of HP’s financial statements,
23 HP’s compliance with legal and regulatory requirements, the qualifications and independence of the
24 independent registered public accounting firm, the performance of HP’s internal audit function and the
25 independent registered public accounting firm, and risk assessment and risk management. In addition,
26 the Audit Committee prepares the Audit Committee report for inclusion in the annual proxy statement;
27 annually reviews its charter and performance; appoints, evaluates and determines the compensation of
28 the independent registered public accounting firm; reviews and approves the scope of the annual audit,

1 the audit fee and the financial statements; reviews HP's disclosure controls and procedures, internal
2 controls, information security policies, internal audit function, and corporate policies with respect to
3 financial information and earnings guidance; reviews regulatory and accounting initiatives and off-
4 balance sheet structures; oversees HP's compliance programs with respect to legal and regulatory
5 requirements; oversees investigations into complaints concerning financial matters; and reviews risks
6 facing HP and management's approach to addressing these risks, including significant risks or
7 exposures relating to litigation and other proceedings and regulatory matters that may have a significant
8 impact on HP's financial statements, and discusses policies with respect to risk assessment and risk
9 management. At the time of the Autonomy acquisition, defendants Thompson, Babbio, Baldauf and
10 Banerji served on the Audit Committee.

11 30. HP's Board has a Finance and Investment Committee. According to the Company's
12 public filings, the Finance and Investment Committee provides oversight to the finance and investment
13 functions of HP. The Finance and Investment Committee reviews or oversees significant treasury
14 matters such as capital structure, derivative policy, global liquidity, fixed income investments,
15 borrowings, currency exposure, dividend policy, share issuances and repurchases, and capital spending;
16 oversees HP's loans and loan guarantees of third-party debt and obligations; reviews HP Financial
17 Services' capitalization and operations, including residual and credit management, risk concentration,
18 and return on invested capital; and reviews the activities of HP's Investor Relations department. The
19 Finance and Investment Committee also assists the Board in evaluating investment, acquisition,
20 outsourcing services, joint venture and divestiture transactions in which HP engages as part of its
21 business strategy from time to time, reports to the Board and makes recommendations to the Board as to
22 scope, direction, quality, investment levels and execution of such transactions; evaluates and revises
23 HP's approval policies with respect to such transactions; oversees HP's integration planning and
24 execution and the financial results of such transactions after integration; evaluates the execution,
25 financial results and integration of HP's completed transactions; and oversees and approves HP's
26 strategic alliances. At the time of the Autonomy acquisition, defendants Banerji, Hammergren, Reiner
27 and Livermore served on the Finance and Investment Committee.

28 31. HP's Board has a Technology Committee. According to the Company's public filings,

1 the Technology Committee assesses HP's technology development strategies and the scope and quality
2 of HP's intellectual property. The Technology Committee makes recommendations to the Board as to
3 scope, direction, quality, investment levels and execution of HP's technology strategies; oversees the
4 execution of technology strategies formulated by management; provides guidance on technology as it
5 may pertain to, among other things, market entry and exit, investments, mergers, acquisitions and
6 divestitures, new business divisions and spin-offs, research and development investments, and key
7 competitor and partnership strategies; and reviews and makes recommendations on proposed
8 investment, acquisition, joint venture and divestiture transactions with a value of at least \$200 million
9 that involve technology pursuant to HP's M&A approval policies. At the time of the Autonomy
10 acquisition, defendants Andreessen, Reiner, Russo and Livermore served on the Technology
11 Committee.

12 32. Each of the Individual Defendants, by virtue of his or her management and/or
13 directorship positions, owed to the Company and its shareholders the fiduciary duties of care, loyalty,
14 and good faith. As fiduciaries, the Individual Defendants were required to exercise good faith and
15 prudent supervision over the management, policies, practices, and controls of the financial affairs of HP.
16 To discharge their duties as fiduciaries, the officers and directors of HP were required to, among other
17 things: (a) manage, conduct, supervise, and direct the business affairs of HP in accordance with the
18 applicable federal, state and local laws, rules and regulations, and HP's charters and bylaws; (b) neither
19 violate nor permit any officer, director or employee of HP to violate applicable federal laws, rules, and
20 regulations and state or local laws; (c) implement and maintain an adequate system of internal controls.

21 33. The true names and capacities of defendants sued herein under California Code of Civil
22 Procedure §474 as Does 1 through 100, inclusive, are presently not known to plaintiff, who therefore
23 sues these defendants by such fictitious names. Plaintiff will seek to amend this complaint and include
24 these Doe defendants' true names and capacities when they are ascertained. Each of the fictitiously
25 named defendants is responsible in some manner for the conduct alleged herein and for the injuries
26 suffered by the Company as a result of defendants' wanton and illegal conduct.

27 SUBSTANTIVE ALLEGATIONS

28 Background

1 34. HP was founded in 1939 and led the way as one of the first international technology
2 companies. In recent times HP has been best known for its electronics and computer hardware and
3 inkjet and laser printer businesses. After joining HP as CEO in late 2010, defendant Apotheker sought a
4 “transformative” acquisition to move HP away from these traditional, low margin markets and into the
5 more profitable corporate software and services sector.

6 35. Apotheker initially approached software companies such as Comverse Technology,
7 Amdocs and Tibco Software, but could not get a deal done. Apotheker then found a potential partner in
8 Autonomy, a software company which was being shopped around for a transaction by its strategic
9 advisor, Frank Quattrone. Autonomy is a British company specializing in a type of software that can
10 assimilate and analyze large amounts of unstructured corporate data, providing intelligent search
11 capabilities. Autonomy’s main technology was called Intelligent Data Operating Layer, or IDOL, which
12 allows a company to search and process information across formats, from databases, audio and video
13 files, to other data sources. IDOL technology also had a capability to learn what information its user was
14 seeking and infer the relevance or significance of data.

15 36. To Apotheker, Autonomy presented an opportunity for HP to enter the field of “big data”
16 wherein software companies provide solutions for corporations dealing with large amounts of
17 information. According to a November 30, 2012 *Reuters* article, Apotheker’s decision to focus on
18 Autonomy was largely motivated by “frustration and desperation” to get an acquisition done as soon as
19 possible, to distance itself from its terrible recent track record in acquiring an integrating companies
20 such as Palm and EDS. HP’s primary motivation was that it was “desperate to plot a new course,”
21 according to the article.

22 37. Negotiations to acquire Autonomy began in May 2011. In July 2011, the HP Board set
23 guidelines for a potential transaction. Later that month, defendants Apotheker and Robison met with
24 Lynch, Autonomy’s CEO, at a resort in France to begin hammering out a deal. According to the
25 November 30, 2012 *Reuters* article, inside HP, Autonomy was seen as “Apotheker’s and Robison’s
26 deal” which was encouraged by defendant Lane. The acquisition closed in October 2011.

27 38. Pursuant to the transaction, HP acquired all of the outstanding shares of Autonomy for
28 £25.50 (\$42.11) per share in cash. The transaction was unanimously approved by the HP Board. Based

1 on the closing stock price of Autonomy on August 17, 2011 (the day before the transaction was first
2 announced), the consideration represented a huge premium to Autonomy shareholders of 64%, and 58%
3 to Autonomy's prior one month average closing stock price.

4 39. In connection with an August 18, 2011 press release discussing the transaction, defendant
5 Apotheker was very bullish on Autonomy's technology and its ability to contribute to HP's bottom line
6 immediately. According to Apotheker, "Autonomy presents an opportunity to accelerate our strategic
7 vision to decisively and profitably lead a large and growing space We believe this bold action will
8 squarely position HP in software and information to create the next-generation Information Platform,
9 and thereby create significant value for our shareholders." Apotheker further proclaimed that Autonomy
10 was a "highly profitable and globally respected software company."

11 40. The August 18, 2011 press release further emphasized Autonomy's financial
12 performance, highlighting that "Autonomy's strong growth and profit margin profile complements HP's
13 efforts to improve its business mix" and that "Autonomy has a consistent track record of double-digit
14 revenue growth, with 87 percent gross margins and 43 percent operating margins in calendar year
15 2010." As such, Autonomy would be "accretive to non-GAAP earnings per share for HP shareholders
16 in the first full year following completion" of the transaction.

17 41. However, seven months after the transaction and these rosy proclamations, in May 2012,
18 a whistle-blower - described as a senior executive of Autonomy - approached HP with documents and
19 emails concerning alleged accounting fraud that had occurred at Autonomy. This prompted HP to
20 conduct a forensic investigation, which turned up several accounting improprieties during the fiscal
21 periods preceding the transaction.

22 42. According to reports, first, Autonomy had booked hardware sales as software, which
23 carries far higher margins. At least some portion of the cost of these products was then booked as a
24 marketing expense, rather than as cost of goods sold. Second, Autonomy had been selling software to
25 value added resellers with no ultimate end user, inflating revenue. Third, long-term deals in which
26 Autonomy hosted applications for customers were converted to short-term licensing deals, accelerating
27 revenue.

28 43. On November 20, 2012, the Company announced a huge goodwill and intangible asset

1 write off, admitting that it had massively overpaid for the acquisition of Autonomy. While defendants
2 sought to cast the blame on Lynch in the November 20, 2012 announcement, this was merely an attempt
3 to divert from their own utter failure to exercise their fiduciary duties to exercise prudent supervision
4 and management of HP leading up to the Autonomy acquisition, as alleged below.

5 **Defendants Utterly Failed to Address Allegations of Autonomy's Accounting Malfeasance**

6 44. In their apparent eagerness to close a large transaction no matter what, the Individual
7 Defendants ignored a bevy of red flags regarding Autonomy's suspect accounting practices. Among the
8 most prominent was that, according to a November 20, 2012 *Wall Street Journal* posting, HP became
9 aware of alleged accounting improprieties well before the transaction closed, but went ahead with the
10 deal anyway. According to Toni Sacconaghi, a respected technology analyst with Sanford C. Bernstein,
11 "there were rumors swirling then that the accounting was fishy." But according to Sacconaghi, HP
12 failed to hire forensic accountants to get to the bottom of these rumors until it was far too late.

13 45. The Board further ignored that Autonomy was not forthcoming with information. HP's
14 own general counsel John Schultz has now conceded that "critical documents were missing from the
15 obvious places" during HP's review of Autonomy's records. This was a major red flag. Furthermore,
16 according to a January 22, 2013 *Wall Street Journal* article, "HP's directors were surprised by how little
17 detail about the target firm's finances became available." According to the article, when HP requested
18 audit "working papers" or "original financial material," Autonomy declined to provide them, instead
19 providing just financial statements and a sampling of contracts.

20 46. Nevertheless, in connection with the merger negotiations, HP relied on a superficial
21 review conducted by auditing firm KPMG. Remarkably, notwithstanding (a) the rumors the Company
22 about of suspect accounting, (b) the lack of transparency by Autonomy, and (c) the multibillion dollar
23 price they would cause HP to pay for Autonomy, KPMG has stated that HP hired it only to perform "a
24 limited set of non-audit related services" related to the Autonomy acquisition, not a review of
25 Autonomy's accounts or work papers.

26 47. In this regard, on September 13, 2011, defendant Apotheker was asked what steps had
27 been taken to investigate Autonomy prior to the acquisition. Apotheker claimed that HP had, and was
28 running, "an extremely tight and very professional due diligence process Autonomy is a publicly

1 traded company in the UK. And they are therefore audited like any other FTSE company, and they're
2 being audited on very professional standards. And therefore, that's where we pick up the trail and do our
3 – that's the basis of our due diligence."

4 48. Thus, Apotheker essentially admitted that there was no independent due diligence at all
5 performed on Autonomy's accounting performed prior to the acquisition, as confirmed by KPMG's
6 admission that it performed only a "limited set" of procedures on Autonomy for HP. Instead, according
7 to Apotheker, not much if any independent review was necessary since Autonomy was a publicly traded
8 company in the UK. But as alleged herein, once HP did the belated forensic analysis of Autonomy's
9 books it should have done during its due diligence in 2011, the fraud was revealed.

10 49. Significantly, due to persistent allegations of bogus accounting, Autonomy had long been
11 a target of short sellers. For example, a report published in July 2009 by Kynikos Associates
12 ("Kynikos"), a firm founded by the investor James S. Chanos ("Chanos"), criticized Autonomy's
13 accounting. In its 2009 report, Kynikos said that Autonomy's deferred revenue appeared too low for a
14 software company. Software companies usually have high deferred revenue because of the extensive
15 service component that is attached to their products, which service must be performed over time.
16 Kynikos added that Autonomy might have masked its underperformance with acquisitions. According
17 to Chanos, Autonomy was "a very, very aggressive roll-up." In a speech explaining why he bet against
18 Autonomy in 2010, Chanos said "the accounting was absolutely dreadful, a disaster." Chanos later
19 referred to the transaction as a result of HP's "willful blindness" in the face of Autonomy's reputation
20 for aggressive accounting.

21 50. Similarly, a story on the *Daily Telegraph* website dated October 31, 2009 raised concerns
22 about Autonomy's growth rate. The story questioned Autonomy's ability to turn earnings into cash and
23 said Autonomy's cash conversion rate "should ring alarm bells for investors." In a sign that Autonomy
24 was not forthcoming with information regarding its financial statements, an earlier October 20, 2009
25 article in the *Daily Telegraph* revealed that analysts who were "bearish" on Autonomy were prevented
26 from asking questions on the company's earnings calls.

27 51. There had also been a great deal of skepticism from British analysts regarding
28 Autonomy's financial results. According to one analyst in July 2010, "there is always something of

1 concern with Autonomy, whether it is poor cash conversion or increased research and development
2 capitalization.” In August 2009, Paul Morland of London brokerage Peel Hunt warned about
3 Autonomy’s statements being “wrong and misleading.” He followed that with other reports that
4 Autonomy’s “track record over the last few years has been exaggerated” and that it “needs to make an
5 acquisition every twelve to eighteen months in order to sustain its apparent high rate of growth.”

6 52. Deutsche Bank analyst Marc Geall (“Geall”) issued a 2010 report detailing problems at
7 Autonomy. Geall had real credibility, having worked at Autonomy until June 2010 with first-hand
8 knowledge of the company. While at Autonomy, Geall ran a software division for several years and
9 then served as head of investor relations and corporate strategy. Geall was highly critical of Autonomy's
10 management and business model. The management structure, controls, and systems at Autonomy, he
11 said, were “more representative of a start-up than a major global player.”

12 53. According to Dan Mahoney, research director at forensic accounting firm CFRA, “our
13 concern was the organic growth that Autonomy was reporting was overstated,” summarizing the
14 skepticism of other analysts. Mahoney said his forensic accounting firm began sounding alarms in
15 reports to its investor clients in 2007, adding “it seemed like they were constantly moving things around
16 in their financial statements to make things appear better than they are.” When the fraud was recently
17 revealed, Mahoney stated that he was “not surprised that there were accounting issues at Autonomy at
18 all, just given the history.” Since 2001, CFRA had issued over a dozen warnings on Autonomy.

19 54. Autonomy was audited by the UK arm of Deloitte LLP (“Deloitte”). While Deloitte had
20 signed off on Autonomy’s financial statements, Autonomy’s annual reports revealed that Deloitte
21 earned millions in non-audit fees – almost one half of its total Autonomy billings – from consulting
22 services – including executive remuneration, tax, corporate finance and general governance matters.
23 According to a November 29, 2012 *New York Times* article, Deloitte “was doing a lot of non-audit work
24 for the company, evidently including advising on how much the managers whose work it was checking
25 should be paid.”

26 55. Shareholder adviser PIRC in the UK had previously raised concerns regarding this
27 arrangement, noting that Deloitte “raked in significant non-audit fees” which it found “problematic”
28 because such consulting services are known to undermine auditor independence.

1 56. Even with all of the rumors regarding accounting improprieties at Autonomy, combined
2 with the obvious conflicts created by Deloitte's lack of independence from Autonomy, and the
3 enormous \$11 billion acquisition price HP would pay, the Individual Defendants failed to ensure that a
4 proper review of Autonomy's books and accounts was conducted until it was far too late.

5 57. As stated in the November 29, 2012 *New York Times* article, notwithstanding the "harsh
6 criticism" Autonomy's accounting had received over the years, HP "evidently did not care" and utterly
7 failed to exercise proper due diligence. According to analyst Tim Steer, "it is surprising that HP never
8 opened up the reports and accounts ahead of offering \$12 billion for Autonomy. The warning signs were
9 written all over the accounts."

10 **Defendants Ignored Vehement Opposition of the Company's Own CFO**

11 58. The Individual Defendants ignored CFO Catherine Lesjak's ("Lesjak") opposition to
12 HP's proposed acquisition of Autonomy.

13 59. According to a story published in *Fortune* in May 2012, Lesjak was quoted as telling the
14 Board that she could not support the deal. Lesjak was quoted as saying: "I don't think it's a good idea. I
15 don't think we're ready. I think it's too expensive. I'm putting a line down. This is not in the best interests
16 of the company."

17 60. Despite this vehement opposition, the Board backed Apotheke and Robison and
18 approved the deal.

19 **Defendants Were Oblivious to Industry and Shareholder Criticism**

20 61. The Individual Defendants also disregarded Oracle CEO Ellison's public statements
21 concerning the overvaluation of Autonomy. As HP was in the process of acquiring Autonomy for over
22 \$11 billion, Ellison publicly stated that Autonomy was overvalued at \$6 billion. Ellison disclosed that
23 Oracle had been approached by Lynch to shop Autonomy. Ellison was vocal about how Oracle had
24 "taken a pass" on Autonomy and later maintained that HP had paid an "absurdly high" price.

25 62. Significantly, Ellison's comments also raised red flags concerning Lynch's honesty and
26 reliability, and were yet another red flag to HP for proper due diligence. After Ellison's public
27 statements, Lynch issued a denial that he had shopped Autonomy to Oracle. Ellison then produced
28 details regarding meetings that had occurred between his team and Autonomy. When Lynch responded

1 that he was “not there to sell anything,” Ellison produced PowerPoint slides Lynch had provided to
2 Oracle when he was pitching Autonomy. Oracle issued a press release stating that “Either Mr. Lynch
3 has a very poor memory or he’s lying.”

4 63. In addition, the PowerPoint slides made public by Ellison, which had been presented to
5 Oracle in January 2011, valued Autonomy at just \$5.7 billion – yet only a few months later, HP would
6 pay almost twice that amount to acquire Autonomy. According to one Oracle executive, “we looked at
7 Autonomy. After doing the math, we couldn’t make it work. We couldn’t figure out where the numbers
8 came from. And taking the numbers at face value, even at \$6 billion it was overvalued.”

9 64. Similarly, Michael Dell, Chairman and CEO of Dell Computers, recently stated in an
10 interview that Autonomy was “shopped” to his company as well prior to its acquisition by HP, but that
11 he had rejected the deal at the proposed price, which he called “an overwhelmingly obvious conclusion
12 that any reasonable person could draw.” According to Dell, when a company pays “an unbelievably
13 large premium” it means it is taking “an unbelievably large risk.”

14 65. Indeed, the price to be paid by HP for Autonomy was 10 times its revenues, 25 times its
15 earnings and one-fourth of HP’s total market capitalization. When the deal was announced, several
16 major shareholders approached defendant Lane, urging him to abandon it. According to Mr.
17 Sacconaghi, as quoted in a November 30, 2012 *New York Times* article, “not one person thought HP
18 should do this deal. There was so much bitterness.”

19 66. Even while these major shareholders were “begging” defendant Lane to stop the
20 transaction, the Individual Directors the serving on the Board all voted to approve it.

21 **Defendants Failed to Grasp Anomalies in Autonomy’s Financial Results**

22 67. According to public reports, red flags were apparent with respect to how Autonomy, a
23 software company, reported its financial results.

24 68. Software companies tend to have low receivables and higher unearned income. A
25 receivable is a debt a company is owed and expects to be paid. While companies that sell goods book
26 large receivables because they complete their obligations upon the sale of the item, software is usually
27 sold for cash up front, and then any further payments tend to come from service and support on an
28 ongoing basis. A software company cannot report the ongoing payments as income because it has not

1 been paid yet or completed the earnings process, and the risk of not being paid is higher.

2 69. According to one analyst, the Individual Defendants would have seen a glaring problem
3 with Autonomy if they conducted appropriate due diligence. Autonomy was booking as income cash it
4 had not received (which is why the receivables were large) and not booking any obligation to provide
5 future services for that income. For 2010, Autonomy booked sales at \$870 million, receivables at \$330
6 million, and deferred revenue at \$177 million. The amount of receivables compared to total sales was
7 too large. The HP Individual Defendants should have recognized this critical red flag.

8 70. The same analyst further noted that the Individual Defendants would also have noticed
9 that Autonomy's operating margins, which grew from 15% in 2005 to 50% by early 2010, were too
10 high. Autonomy could increase its margins by better amortizing its research and developments costs, the
11 only real costs associated with creating software. The only way to better amortize these costs was to
12 boost the number of customers, yet Autonomy was not growing its relatively small customer base.
13 Operating margins of over 40% are typical only in mature business with large installed customer bases.

14 **Defendants Failed to Ascertain Proper Value of Autonomy**

15 71. According to a November 30, 2012 *New York Times* article, it is unclear whether the
16 Board even understood the acquisition and how Autonomy was valued by HP. When the deal was
17 announced, defendant Apotheker stated that "we have a pretty rigorous process inside HP that we
18 follow, which is a DCF-based model," in reference to discounted cash flow, a standard valuation
19 methodology.

20 72. However, according to the foregoing article, "few seem to have seen such an analysis. At
21 least one large shareholder asked [defendant Lane], the chairman, if the company had performed such
22 an analysis and asked what growth assumptions were used in the model. Mr. Lane seemed unfamiliar
23 with any discounted cash flow analysis but contended the price was justified because Autonomy was
24 unique and critical to HP's strategic vision." [emphasis supplied].

25 73. Defendant Lane's failure to be able to even articulate the results of a standard valuation
26 methodology in the merger and acquisition arena - for an \$11 billion transaction - is indicative of the
27 Board's lack of due diligence permeating the deal. This failure is even more egregious given that
28 Autonomy reported just \$80.2 million in tangible assets at the time of the acquisition, such that virtually

1 the entire \$11 billion purchase price was allocated to goodwill and intangible assets.

2 74. Furthermore, in its January 2011 sales presentation to Oracle, which has been made
3 public by Oracle, Autonomy showed that in connection with Autonomy's own acquisitions in preceding
4 years, it had paid in the range of 1.5 to 3.6 times last twelve months ("LTM") revenues for the target
5 company. This multiple as applied to Autonomy itself would have provided a value range of just \$1 to
6 \$3 billion for Autonomy in 2011. Yet HP paid an astounding 10 times Autonomy's LTM.

7 **Defendants Failed to Consider HP's Disastrous Acquisition Record and Repeated It**

8 75. HP has a history of vastly overpaying for its acquisitions. HP paid \$1.2 billion for Palm in
9 2010 but was forced to promptly write off \$3.3 billion a year later, about half of which was related to
10 winding down Palm's core business, which was well on its way to becoming obsolete when HP
11 purchased it. Autonomy is the second multi-billion dollar charge to HP's earnings resulting from an
12 acquisition this year alone. In the third quarter of fiscal year 2012, HP took an \$8 billion charge on its
13 acquisition of Electronic Data Systems, which failed to support the value HP paid for it.

14 **Repurchases of HP Stock**

15 76. Defendants Apotheker, Livermore, Lane, Babbio, Hammergren, Baldauf, Thompson,
16 Gupta, Andreessen, Banerji, Reiner, Russo, Senequier, Whitman and Whitworth directed or permitted
17 the Company to overpay for its own stock through massive stock repurchases.

18 77. In particular, on July 21, 2011, less than a month before the announcement of the
19 Autonomy acquisition, defendants Apotheker, Livermore, Lane, Babbio, Hammergren, Baldauf,
20 Thompson, Gupta, Andreessen, Banerji, Reiner, Russo, Senequier, and Whitman authorized an
21 additional \$10 billion to the Company's stock repurchase program, which still had \$4 billion of
22 repurchase authorization remaining.

23 78. By the time the Company announced the repurchase authorization in July 2011, the
24 Board had either already decided to, or was anticipating the decision to, acquire Autonomy for over \$11
25 billion. As alleged herein, these defendants knew or recklessly disregarded numerous red flags that
26 alerted them of Autonomy's suspect accounting practices and substantial overvaluation.

27 79. At least as early as May 2012, HP received notice of accounting fraud at Autonomy from
28 a whistle-blower and began an internal investigation. This investigation would culminate in HP almost

1 entirely writing down the value of Autonomy, as alleged herein. Nevertheless, defendants Whitman,
2 Livermore, Lane, Hammergren, Thompson, Gupta, Andreessen, Banerji, Reiner, Russo, and Whitworth
3 caused HP to continue repurchasing its own stock through October of 2012, despite knowing that these
4 forthcoming announcements would crush the Company's stock price and damage shareholder value.

5 80. In total, the Individual Defendant Board members caused the Company to repurchase 83
6 million shares of HP stock at an aggregate cost to the Company of over \$2.1 billion from August 2011
7 forward. Under defendants' direction, the Company bought back its shares at a weighted average price
8 of \$25.30 - double HP's share price of approximately \$12 after the news broke about Autonomy's false
9 accounting. These repurchases include 23 million shares purchased for \$487 million between May 2012
10 and October 2012 alone, after allegations of Autonomy's fraud were known to HP and the Board.

11 **DAMAGES TO HP**

12 81. The Individual Defendants caused HP to materially overpay for Autonomy. As a direct
13 and proximate result of the Individual Defendants actions, HP has expended, and will continue to
14 expend, significant sums of money. Such expenditures include, but are not limited to, costs incurred
15 from grossly overpaying for Autonomy, from the internal investigation into Autonomy's alleged
16 accounting fraud, and from overpaying for its own stock at artificially inflated prices.

17 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

18 82. Plaintiff brings this action derivatively on behalf of HP to redress injuries suffered, and to
19 be suffered, by HP as a direct result of violations of the breaches of fiduciary duty and waste of
20 corporate assets. HP is named as a nominal defendant solely in a derivative capacity.

21 83. Plaintiff will adequately and fairly represent the interests of HP in enforcing and
22 prosecuting its rights. Plaintiff was a shareholder of HP at the time of the wrongdoing complained of,
23 has continuously been a shareholder since that time, and is a current HP shareholder. Plaintiff delivered
24 a copy of this complaint to the Company before its filing.

25 84. The current Board of HP consists of eleven individuals, all of whom are named as
26 defendants herein: Andreessen, Banerji, Gupta, Hammergren, Lane, Livermore, Reiner, Russo,
27 Thompson, Whitman, and Whitworth.

28 85. Plaintiff has not made any demand on the present Board to institute this action because

1 such a demand would be a futile act, as set forth below.

2 86. Andreessen has been a director since 2009. Andreessen approved the purchase of
3 Autonomy for over \$11 billion despite the numerous red flags alleged herein. As a director, he had an
4 independent duty to collect and consider all reasonably available information before voting to approve
5 the acquisition, yet he utterly failed to do so. Andreessen had specific duties to do so as a member of the
6 Technology Committee, which had responsibility for HP's mergers and acquisitions. His decision to
7 approve such an enormous transaction, while failing to conduct adequate due diligence of Autonomy's
8 finances, accounting and technology in the face of numerous red flags, was not in good faith and not a
9 valid exercise of business judgment. In addition, Andreessen directed the Company to overpay for its
10 own stock through the massive stock repurchases alleged herein. At an absolute minimum, Andreessen
11 knew of accounting fraud at Autonomy since no later than May 2012, when a whistle-blower came to
12 HP with supporting evidence. This began the internal investigation which culminated in HP writing
13 down almost the entire value of Autonomy. Despite being aware that these facts and forthcoming
14 announcements would damage shareholder value, Andreessen caused HP to repurchase over 23 million
15 HP shares after May 2012. Such a reckless disregard for the Company's assets was a breach of
16 Andreessen's duty of care and loyalty in bad faith, and was so egregious that it could not possibly have
17 been based on a valid assessment of the Company's best interests. Demand on Andreessen is excused.

18 87. Banerji has been a director since 2011. Banerji approved the purchase of Autonomy for
19 over \$11 billion despite the numerous red flags alleged herein. As a director, he had an independent duty
20 to collect and consider all reasonably available information before voting to approve the acquisition, yet
21 he utterly failed to do so. Banerji had specific duties as a member of the Audit Committee to analyze
22 and assess risk to HP. In addition, Banerji had specific duties as a member of the Finance and
23 Investment Committee to analyze and assess HP's investments and acquisitions. His decision to approve
24 the enormous Autonomy transaction, while failing to conduct adequate due diligence of Autonomy's
25 finances, accounting and technology in the face of numerous red flags, was not in good faith and not a
26 valid exercise of business judgment. In addition, Banerji directed the Company to overpay for its own
27 stock through the massive stock repurchases alleged herein. At an absolute minimum, Banerji knew of
28 accounting fraud at Autonomy since no later than May 2012, when a whistle-blower came to HP with

1 supporting evidence. This began the internal investigation which culminated in HP writing down almost
2 the entire value of Autonomy. Despite being aware that these facts and forthcoming announcements
3 would damage shareholder value, Banerji caused HP to repurchase over 23 million HP shares after May
4 2012. Such a reckless disregard for the Company's assets was a breach of Banerji's duty of care and
5 loyalty in bad faith, and was so egregious that it could not possibly have been based on a valid
6 assessment of the Company's best interests. Demand on Banerji is excused.

7 88. Gupta has been a director since 2009. Gupta approved the purchase of Autonomy for
8 over \$11 billion despite the numerous red flags alleged herein. As a director, he had an independent duty
9 to collect and consider all reasonably available information before voting to approve the acquisition, yet
10 he utterly failed to do so. His decision to approve such an enormous transaction, while failing to conduct
11 adequate due diligence of Autonomy's finances, accounting and technology in the face of numerous red
12 flags, was not in good faith and not a valid exercise of business judgment. In addition, Gupta directed
13 the Company to overpay for its own stock through the massive stock repurchases alleged herein. At an
14 absolute minimum, Gupta knew of accounting fraud at Autonomy since no later than May 2012, when a
15 whistle-blower came to HP with supporting evidence. This began the internal investigation which
16 culminated in HP writing down almost the entire value of Autonomy. Despite being aware that these
17 facts and forthcoming announcements would damage shareholder value, Gupta caused HP to repurchase
18 over 23 million HP shares after May 2012. Such a reckless disregard for the Company's assets was a
19 breach of Gupta's duty of care and loyalty in bad faith, and was so egregious that it could not possibly
20 have been based on a valid assessment of the Company's best interests. Demand on Gupta is excused.

21 89. Hammergren has been a director since 2005. Hammergren approved the purchase of
22 Autonomy for over \$11 billion despite the numerous red flags alleged herein. As a director, he had an
23 independent duty to collect and consider all reasonably available information before voting to approve
24 the acquisition, yet he utterly failed to do so. Hammergren had specific duties as a member of the
25 Finance and Investment Committee to analyze and assess HP's investments and acquisitions His
26 decision to approve the enormous Autonomy transaction, while failing to conduct adequate due
27 diligence of Autonomy's finances, accounting and technology in the face of numerous red flags, was not
28 in good faith and not a valid exercise of business judgment. In addition, Hammergren directed the

1 Company to overpay for its own stock through the massive stock repurchases alleged herein. At an
2 absolute minimum, Hammergren knew of accounting fraud at Autonomy since no later than May 2012,
3 when a whistle-blower came to HP with supporting evidence. This began the internal investigation
4 which culminated in HP writing down almost the entire value of Autonomy. Despite being aware that
5 these facts and forthcoming announcements would damage shareholder value, Hammergren caused HP
6 to repurchase over 23 million HP shares after May 2012. Such a reckless disregard for the Company's
7 assets was a breach of Hammergren's duty of care and loyalty in bad faith, and was so egregious that it
8 could not possibly have been based on a valid assessment of the Company's best interests. Demand on
9 Hammergren is excused.

10 90. Lane has been a director since 2010. Lane was Chairman of the Board and a strong
11 advocate of the Autonomy acquisition. Lane approved the purchase of Autonomy for over \$11 billion
12 despite the numerous red flags alleged herein. As a director, he had an independent duty to collect and
13 consider all reasonably available information before voting to approve the acquisition, yet he utterly
14 failed to do so. His decision to approve such an enormous transaction, while failing to conduct adequate
15 due diligence of Autonomy's finances, accounting and technology in the face of numerous red flags,
16 was not in good faith and not a valid exercise of business judgment. In addition, Lane directed the
17 Company to overpay for its own stock through the massive stock repurchases alleged herein. At an
18 absolute minimum, Lane knew of accounting fraud at Autonomy since no later than May 2012, when a
19 whistle-blower came to HP with supporting evidence. This began the internal investigation which
20 culminated in HP writing down almost the entire value of Autonomy. Despite being aware that these
21 facts and forthcoming announcements would damage shareholder value, Lane caused HP to repurchase
22 over 23 million HP shares after May 2012. Such a reckless disregard for the Company's assets was a
23 breach of Lane's duty of care and loyalty in bad faith, and was so egregious that it could not possibly
24 have been based on a valid assessment of the Company's best interests. Demand on Lane is excused.

25 91. Livermore has been a director since 2011. Livermore approved the purchase of
26 Autonomy for over \$11 billion despite the numerous red flags alleged herein. As a director, she had an
27 independent duty to collect and consider all reasonably available information before voting to approve
28 the acquisition, yet she utterly failed to do so. Livermore had specific duties as a member of the Finance

1 and Investment Committee to analyze and assess HP's investments and acquisitions. Livermore further
2 had specific duties as a member of the Technology Committee to analyze and assess HP's mergers and
3 acquisitions. Her decision to approve the enormous Autonomy transaction, while failing to conduct
4 adequate due diligence of Autonomy's finances, accounting and technology in the face of numerous red
5 flags, was not in good faith and not a valid exercise of business judgment. In addition, Livermore
6 directed the Company to overpay for its own stock through the massive stock repurchases alleged
7 herein. At an absolute minimum, Livermore knew of accounting fraud at Autonomy since no later than
8 May 2012, when a whistle-blower came to HP with supporting evidence. This began the internal
9 investigation which culminated in HP writing down almost the entire value of Autonomy. Despite being
10 aware that these facts and forthcoming announcements would damage shareholder value, Livermore
11 caused HP to repurchase over 23 million HP shares after May 2012. Such a reckless disregard for the
12 Company's assets was a breach of Livermore's duty of care and loyalty in bad faith, and was so
13 egregious that it could not possibly have been based on a valid assessment of the Company's best
14 interests. Demand on Livermore is excused.

15 92. Reiner has been a director since 2011. Reiner approved the purchase of Autonomy for
16 over \$11 billion despite the numerous red flags alleged herein. As a director, he had an independent duty
17 to collect and consider all reasonably available information before voting to approve the acquisition, yet
18 he utterly failed to do so. Reiner had specific duties as a member of the Finance and Investment
19 Committee to analyze and assess HP's investments and acquisitions. Reiner further had specific duties
20 as a member of the Technology Committee to analyze and assess HP's mergers and acquisitions His
21 decision to approve the enormous Autonomy transaction, while failing to conduct adequate due
22 diligence of Autonomy's finances, accounting and technology in the face of numerous red flags, was not
23 in good faith and not a valid exercise of business judgment. In addition, Reiner directed the Company to
24 overpay for its own stock through the massive stock repurchases alleged herein. At an absolute
25 minimum, Reiner knew of accounting fraud at Autonomy since no later than May 2012, when a whistle-
26 blower came to HP with supporting evidence. This began the internal investigation which culminated in
27 HP writing down almost the entire value of Autonomy. Despite being aware that these facts and
28 forthcoming announcements would damage shareholder value, Reiner caused HP to repurchase over 23

1 million HP shares after May 2012. Such a reckless disregard for the Company's assets was a breach of
2 Reiner's duty of care and loyalty in bad faith, and was so egregious that it could not possibly have been
3 based on a valid assessment of the Company's best interests. Demand on Reiner is excused.

4 93. Russo has been a director since 2011. Russo approved the purchase of Autonomy for
5 over \$11 billion despite the numerous red flags alleged herein. As a director, she had an independent
6 duty to collect and consider all reasonably available information before voting to approve the
7 acquisition, yet she utterly failed to do so. Russo had specific duties as a member of the Technology
8 Committee to analyze and assess HP's mergers and acquisitions. Her decision to approve the enormous
9 Autonomy transaction, while failing to conduct adequate due diligence of Autonomy's finances,
10 accounting and technology in the face of numerous red flags, was not in good faith and not a valid
11 exercise of business judgment. In addition, Russo directed the Company to overpay for its own stock
12 through the massive stock repurchases alleged herein. At an absolute minimum, Russo knew of
13 accounting fraud at Autonomy since no later than May 2012, when a whistle-blower came to HP with
14 supporting evidence. This began the internal investigation which culminated in HP writing down almost
15 the entire value of Autonomy. Despite being aware that these facts and forthcoming announcements
16 would damage shareholder value, Russo caused HP to repurchase over 23 million HP shares after May
17 2012. Such a reckless disregard for the Company's assets was a breach of Russo's duty of care and
18 loyalty in bad faith, and was so egregious that it could not possibly have been based on a valid
19 assessment of the Company's best interests. Demand on Russo is excused.

20 94. Thompson has been a director since 2006. Thompson approved the purchase of
21 Autonomy for over \$11 billion despite the numerous red flags alleged herein. As a director, he had an
22 independent duty to collect and consider all reasonably available information before voting to approve
23 the acquisition, yet he utterly failed to do so. Thompson had specific duties as a member of the Audit
24 Committee to analyze and assess risk to HP. His decision to approve the enormous Autonomy
25 transaction, while failing to conduct adequate due diligence of Autonomy's finances, accounting and
26 technology in the face of numerous red flags, was not in good faith and not a valid exercise of business
27 judgment. In addition, Thompson directed the Company to overpay for its own stock through the
28 massive stock repurchases alleged herein. At an absolute minimum, Thompson knew of accounting

1 fraud at Autonomy since no later than May 2012, when a whistle-blower came to HP with supporting
2 evidence. This began the internal investigation which culminated in HP writing down almost the entire
3 value of Autonomy. Despite being aware that these facts and forthcoming announcements would
4 damage shareholder value, Thompson caused HP to repurchase over 23 million HP shares after May
5 2012. Such a reckless disregard for the Company's assets was a breach of Thompson's duty of care and
6 loyalty in bad faith, and was so egregious that it could not possibly have been based on a valid
7 assessment of the Company's best interests. Demand on Thompson is excused.

8 95. Whitman has been a director since 2011. Whitman approved the purchase of Autonomy
9 for over \$11 billion despite the numerous red flags alleged herein. Whitman was HP's CEO and closed
10 the Autonomy transaction in October 2011, in breach of her duties as an officer. As a director, she had
11 an independent duty to collect and consider all reasonably available information before voting to
12 approve the acquisition, yet she utterly failed to do so. Her decision to approve such an enormous
13 transaction, while failing to conduct adequate due diligence of Autonomy's finances, accounting and
14 technology in the face of numerous red flags, was not in good faith and not a valid exercise of business
15 judgment. In addition, Whitman directed the Company to overpay for its own stock through the massive
16 stock repurchases alleged herein. At an absolute minimum, Whitman knew of accounting fraud at
17 Autonomy since no later than May 2012, when a whistle-blower came to HP with supporting evidence.
18 This began the internal investigation which culminated in HP writing down almost the entire value of
19 Autonomy. Despite being aware that these facts and forthcoming announcements would damage
20 shareholder value, Whitman caused HP to repurchase over 23 million HP shares after May 2012. Such a
21 reckless disregard for the Company's assets was a breach of Whitman's duty of care and loyalty in bad
22 faith, and was so egregious that it could not possibly have been based on a valid assessment of the
23 Company's best interests. Demand on Whitman is excused.

24 96. Whitworth has been a director since 2011. Whitworth directed the Company to overpay
25 for its own stock through the massive stock repurchases alleged herein. At an absolute minimum,
26 Whitworth knew of accounting fraud at Autonomy since no later than May 2012, when a whistle-
27 blower came to HP with supporting evidence. This began the internal investigation which culminated in
28 HP writing down almost the entire value of Autonomy. Despite being aware that these facts and

1 forthcoming announcements would damage shareholder value, Whitworth caused HP to repurchase
2 over 23 million HP shares after May 2012. Such a reckless disregard for the Company's assets was a
3 breach of Whitworth's duty of care and loyalty in bad faith, and was so egregious that it could not
4 possibly have been based on a valid assessment of the Company's best interests.

5 97. Furthermore, according to a January 22, 2013 *Wall Street Journal* article, HP's "normal
6 procedures" require the Board's finance committee, then composed of defendants Hammergren,
7 Banerji, Reiner and Livermore, "to review and approve deal proposals before they reach the full board."
8 According to the article, "that didn't happen with the proposal to acquire Autonomy." Furthermore,
9 according to the article "only half of the directors" even "focused" on the Autonomy acquisition. This
10 utter and deliberate failure of internal board procedures was the responsibility of all directors serving at
11 the time of the Autonomy acquisition, including defendants Andreessen, Banerji, Gupta, Hammergren,
12 Lane, Livermore, Reiner, Russo, Thompson, and Whitman.

13 98. Therefore, defendants Andreessen, Banerji, Gupta, Hammergren, Lane, Livermore,
14 Reiner, Russo, Thompson, Whitman and Whitworth face a substantial likelihood of liability for breach
15 of fiduciary duty and for wasting billions of dollars of the Company's assets. No reasonable person
16 would have paid the price that defendants caused the Company to pay for Autonomy, or for HP stock in
17 the stock repurchases. Accordingly, defendants Andreessen, Banerji, Gupta, Hammergren, Lane,
18 Livermore, Reiner, Russo, Thompson, Whitman and Whitworth are liable for the amount that the
19 Company wasted and therefore, demand as to these defendants is excused. These defendants cannot be
20 relied upon to fairly evaluate their personal responsibility for these disastrous transactions.

21 99. Defendants Andreessen, Banerji, Gupta, Hammergren, Lane, Livermore, Reiner, Russo,
22 Thompson, Whitman and Whitworth receive material payments, benefits, stock options and other
23 emoluments by virtue of their Board membership at HP, including hundreds of thousands of dollars a
24 year in cash and stock awards. Defendant Whitman earned over \$15 million in compensation from HP
25 for fiscal year 2012 alone, and lacks independence. The amounts paid to these defendants, as alleged
26 herein, are material to each of the defendants. They will act to preserve and not threaten their positions
27 of control and the perquisites thereof, and are therefore incapable of exercising independent objective
28 judgment in deciding whether to bring the claims asserted in this action.

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otherwise restricting defendants' assets so as to assure that plaintiff has an effective remedy;

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

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

JURY DEMAND

Plaintiff demands a trial by jury.

Date: January 22, 2013

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By: 

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