



North Carolina Department of State Treasurer

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For Immediate Release
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WITH HP UNDER FIRE, MOORE CALLS FOR SHAREHOLDER VOICE Proposal Would Allow Shareholder-Nominated Candidates Access to Proxy

RALEIGH – With a spy scandal rocking Hewlett-Packard Co. and with the company's stock price dropping, State Treasurer Richard Moore joined with a group of the nation's largest public pension funds seeking to allow shareholder-nominated candidates run for seats on HP's board of directors. The group has filed a proposal seeking access to the proxy for candidates nominated by shareholders or groups of shareholders who have owned 3 percent of HP's stock continuously over at least two years.

“The unethical and possibly illegal actions of HP's board and leadership demonstrate the need for clear accountability to the owners of the company - the shareholders,” Moore said. “The current scandal has hurt stock prices and could significantly weaken the company's long-term value. Now is the time for real change, and shareholders deserve a clear voice in the company and on the board.”

The pension funds, which are concerned with the board's handling of an investigation into an information leak and its potential negative impact on shareholder value, include the New York State Common Retirement Fund, the Connecticut Retirement Plans and Trust Funds, the North Carolina Retirement Systems and the American Federation of State, County and Municipal Employees Pension Funds. Collectively, the plans own more than 30 million HP shares with a market value of \$675.9 million. The North Carolina Retirement Systems owns nearly 5 million shares of HP with a market value of approximately \$174.3 million.

The HP resolution comes two weeks after the Second Circuit Court of Appeals reversed a Securities and Exchange Commission (SEC) action in a separate case that allowed American International Group (AIG) to omit from its proxy materials a shareholder resolution on proxy access submitted by the AFSCME Pension Fund. The court decision clarifies SEC rules, which now give shareholders the right to change corporate nomination procedures through shareholder resolutions. This decision is important because of the large number of public companies that are subject to the jurisdiction of that court.

As a result of the Second Circuit Court of Appeals decision, the SEC has scheduled a meeting for October 18, 2006 to consider changes to Rule 14a-8 under the Securities Exchange Act of 1934 concerning director nominations by shareholders. In light of the ongoing investigation at HP, the shareholders believe there would be significant value in being able to participate in nominating director candidates and they strongly urge SEC commissioners to consider this as they contemplate any revisions to rule 14a-8.

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In January, 2005, the *Wall Street Journal* reported details from an HP board retreat at which board members discussed possibly shifting the responsibilities of then-CEO Carly Fiorina as well her possible removal as CEO. Fiorina was subsequently fired in February as Chairman and CEO and replaced by Director Patricia Dunn.

In the following months, at Dunn's request, HP began an investigation into board leaks and hired a private investigation firm, which, through subcontractors, began accessing personal phone records of board members, reporters and others by impersonating them, a technique called pretexting,. Additional reporting in recent months disclosed that board members approved the targets of the investigation and approved of these as well as different tactics, including pretexting phone records. It has also been reported that the firm's general counsel may have advised board members on the potential illegality of pretexting.

On Friday Chairman Patricia Dunn resigned and was replaced by CEO Mark Hurd. The House Energy and Commerce Investigations subcommittee has scheduled a hearing on these matters for September 28. Additionally, the Department of Justice and FBI are investigating HP's actions.

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