SEC Settles Charges Against Hewlett-Packard for Misleading Disclosures Arising Out of Company’s Boardroom Leak Investigation

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Washington, D.C., May 23, 2007 — The Securities and Exchange Commission today filed settled administrative charges against Hewlett-Packard Company for failing to disclose the reasons for a director’s abrupt resignation in the midst of HP’s controversial investigation into boardroom leaks. The Commission found that several months before the public revelation of the company’s leak investigation, an HP director objected to the company’s handling of the matter and resigned from the Board, yet HP failed to disclose the reasons for his resignation as required by federal securities laws.

As described in the Commission’s order, in early 2006 HP initiated an investigation into leaks of confidential information about HP Board meetings to the press. By April, HP investigators had concluded one of HP’s directors was responsible, and the company’s Chairman and several senior executives decided to present the findings to the Board. During the course of a lengthy and heated Board meeting on May 18, 2006, the Board voted to ask the director to resign. According to the Commission, fellow Board member Thomas Perkins (who was not the director asked to resign) voiced strong objections to the manner in which the leak investigation findings were presented to the Board and to the decision to ask the director to resign. For these reasons, Perkins resigned from the Board and left the meeting.

Federal securities laws require a public company to disclose – by making a public filing with the Commission – the circumstances of the disagreement if a director resigns because of a disagreement with the company on any matter relating to its operations, policies or practices. Notwithstanding this requirement, HP did not make the mandated disclosures, instead reporting only the fact that Mr. Perkins had stepped down. The Commission found Mr. Perkins’ disagreement related to HP’s corporate governance and HP’s policies regarding the handling of sensitive information, and therefore was a disagreement related to HP’s operations, policies or practices which was required to be disclosed.

Linda Chatman Thomsen, Director of the Commission’s Division of Enforcement, said, “This action highlights the importance of the required disclosures regarding corporate governance issues. The Federal securities laws exist to ensure transparency, and investors have a right to know when a dispute among board members over operations, policies or practices causes a director to resign, as such a dispute may have far-reaching ramifications for the company.”

Marc Fagel, Associate Regional Director of the Commission’s San Francisco Regional Office, added, “The company viewed this as a personal dispute between a director and the Chairman and opted to stay silent about the disagreement. But the failure to make the required disclosures deprived...
investors of important information about the management of the company by its Board of Directors.”

The Commission’s Order charges HP with violating the public reporting requirements of the Securities Exchange Act of 1934. Without admitting or denying the Commission’s findings, HP consented to an order that it cease and desist from committing or causing violations of these provisions.

For more information, contact:

Marc J. Fagel
Associate Regional Director
(415) 705-2449

Cary Robnett
Assistant Regional Director
(415) 705-2335

San Francisco Regional Office
Securities and Exchange Commission

Additional materials: Administrative Proceeding Release No. 34-55801