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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SANTA CLARA

106CV-076081

PEOPLE OF THE STATE OF CALIFORNIA, Plaintiff, **v.** **HEWLETT-PACKARD COMPANY,** a Delaware Corporation, Defendant.	**CASE NO.:** **FINAL JUDGMENT AND PERMANENT INJUNCTION**

Plaintiff, the People of the State of California, appearing through its attorneys, Bill Lockyer, Attorney General of the State of California, by Chief Assistant Attorney General Tom Greene, Senior Assistant Attorney General Albert Norman Shelden, and Deputy Attorney General Catherine Z. Ysrael, and defendant Hewlett-Packard Company, a Delaware corporation (hereinafter, "HP"), appearing through its attorneys Morgan, Lewis & Bockius LLP, by Michael J. Holston and John H. Hemann, and it appearing to the Court that the parties hereto, in the Stipulation for Entry of Final Judgment and Permanent Injunction (hereafter "Stipulation") on file herein, have stipulated and consented to the entry of this Final Judgment and Permanent Injunction without the taking of proof and without trial or adjudication of any fact or law herein,

without this Final Judgment and Permanent Injunction constituting evidence of or an admission by HP regarding any issue of law or fact alleged in the Complaint on file herein, and without HP admitting any liability herein in so far as any other litigation regarding allegations of violations, which occurred prior to the entry of this Final Judgment and Permanent Injunction, is concerned, the Court having considered the matter and good cause appearing therefore:

IT IS HEREBY ORDERED THAT:

A. This Court has jurisdiction of the parties hereto.

B. This Court has jurisdiction of the subject matter hereof.

C. The Final Judgment and Permanent Injunction entered into by the parties has been reviewed by the Court, and it is found to have been entered in good faith and to be in all respects suitable and equitable.

D. The injunctive provisions of this Final Judgment and Permanent Injunction shall be applicable to defendant HP, as well as its subsidiaries; its successors and the assigns of all or substantially all of the assets of its businesses; and its directors, officers, employees, agents, independent contractors, partners, associates and representatives of each of them.

PERMANENT INJUNCTION

E. Pursuant to California Business and Professions Code section 17203, HP shall be and hereby is permanently enjoined and restrained from directly or indirectly doing any of the following acts or practices in connection with the conduct of investigations:

(1) Using false or fraudulent pretenses, representations, personations, or promises to obtain from a public utility any confidential, privileged, or proprietary information, including customer or billing records, in violation of California Penal Code section 538.5.

(2) Obtaining and unlawfully using personal identifying information, including social security numbers, in violation of California Penal Code section 530.5.

(3) Knowingly accessing and without permission using any data, computer, computer system, or computer network in order to (a) devise or execute any scheme or artifice to defraud, deceive, or extort, or (b) wrongfully obtain property or data, in violation of California Penal Code section 502(c)(1).

(4) Knowingly accessing and without permission taking, copying, or making use of any data from a computer, computer system, or computer network, or taking or copying any supporting documentation, whether existing or residing internal or external to a computer, computer system, or computer network, in violation of California Penal Code section 502(c)(2).

(5) Violating California Penal Code section 638, effective January 1, 2007, which prohibits the purchasing, offering to purchase or conspiring to purchase any telephone "calling pattern record or list" without the written consent of the subscriber or, through fraud or deceit, attempting to procure or obtain any telephone "calling pattern record or list," as set forth in the statute.

HP'S PAST AND FUTURE CORPORATE GOVERNANCE MEASURES TO ENSURE COMPLIANCE WITH CALIFORNIA STATE LAW

F. As set forth in the Stipulation, since the time that the Attorney General and HP commenced negotiations to resolve this action, HP has undertaken a number of relevant corporate governance reforms. Certain additional reforms have been requested by the Attorney General. To ensure that employees of HP do not in the future violate the California Penal Code sections identified herein in connection with investigatory activity, pursuant to California Business and Professions Code section 17203, for a period of five (5) years, HP shall implement and, if it already has done so, continue the following measures:

(1) HP has appointed to the Board of Directors a new director who is "independent" under Section 303A of the New York Stock Exchange Listed Company Manual. This new independent director ("Independent Director") shall be responsible for reviewing as set forth below and reporting to the Board on HP's compliance with legal and ethical requirements related to the conduct of investigations. The Independent Director will provide advice and guidance to the Chief Ethics and Compliance Officer ("CECO"), whose responsibilities are described below, and will report to the full Board and the Audit Committee of the Board as the Independent Director deems appropriate.

(a) The Independent Director shall receive and review copies of any reports created by the CECO and the Compliance Council relating to the conduct of investigations, as well as any reports provided to the Board related to the conduct of investigations.

(b) The Independent Director shall review and authorize all investigations related in any way to the Board of Directors or the conduct of individual members of the Board, unless the investigation or conduct relates to the Independent Director, in which case the lead independent director of the Board shall provide such review and authorization.

(c) The Independent Director shall review and approve the training program implemented pursuant to paragraph 8 below.

(d) The Independent Director shall be authorized to engage independent legal advisors as necessary without obtaining approval from the CEO or General Counsel, subject to review by the Board of Directors.

(e) If the Independent Director concludes that HP is violating any California law or this Judgment in conducting any investigations, he or she shall promptly report this conclusion to the California Attorney General.

(f) If the Independent Director concludes that, in connection with any investigation, HP is violating any California law or this Judgment, or is in violation of its code of ethics that is applicable to directors, officers and other employees of HP and is known as the "Standards of Business Conduct" (the "SBC"), or that any outside vendor is violating any California law or this Judgment, or is in violation of HP's applicable code of conduct, with respect to the conduct of investigations, he or she shall immediately report this conclusion to the General Counsel, the CECO, the CEO, and Board of Directors.

(g) Each of the Independent Director and the CECO, at his request or at the request of the Audit Committee, shall be permitted to meet in private session with the Audit Committee. The Audit Committee's charter shall be amended, as

necessary, to ensure that the Independent Director and CECO each has the ability to meet in private session with the Audit Committee.

(2) HP has created the position of Chief Ethics and Compliance Officer ("CECO"). HP has employed and shall continue to employ an experienced, senior executive in this position. The CECO will be responsible for the management and supervision of ethics and compliance and will be assigned to HP's Palo Alto headquarters. The CECO shall report directly to the General Counsel and to the Audit Committee of HP's Board of Directors. HP shall maintain an anonymous toll-free complaint line, which will be overseen by the CECO.

(a) With regard to the CECO's oversight of HP's investigative practices, the CECO shall provide reports to the Independent Director. The CECO will be authorized to hire appropriate staff and obtain other appropriate resources to perform his duties, and also will be authorized to engage independent legal advisors as necessary without obtaining approval from the CEO or General Counsel, subject to review by the Independent Director and the board of directors.

(b) The CECO shall review HP's investigative practices (both as performed internally and as conducted by third parties), the SBC, and codes of conduct applicable to outside investigation firms. The CECO shall consult with the Qualified Authority discussed in paragraph F(3) below in order to review the findings and recommendations provided by the Qualified Authority. On or before July 31, 2007, the CECO will report the results of this review and make recommendations for improvements in those practices to the CEO, the Independent Director, and the Board of Directors. HP will provide a copy of such report to the California Attorney General, which shall be exempt from disclosure under the California Public Records Act pursuant to Government Code sections 6254(b), 6254(f), and 6254.15. Thereafter, the CECO will provide annual reports, and additional reports as appropriate, to the CEO and Board of Directors regarding HP's compliance with recommendations for improvements in HP's

practices with respect to its SBC, applicable codes of conduct and other policies regarding business ethics and privacy protection.

(3) HP has employed a qualified authority ("Qualified Authority") who is in the process of performing a comprehensive review of HP's compliance with applicable legal requirements and ethical standards, as these standards apply to HP's policies and practices regarding investigations. The Qualified Authority shall make recommendations for ensuring that any investigations performed by or on behalf of HP are legal, ethical and appropriate. The Qualified Authority shall report his or her findings directly to the CECO, the Independent Director and the Board of Directors. Based on this review, HP will adopt internal processes and controls designed to prevent misconduct in future HP investigations. The Qualified Authority's conclusions and recommendations shall be incorporated into the initial report written by the CECO referenced in paragraph F(2)(b) above.

(4) HP shall expand the duties and responsibilities of HP's Chief Privacy Officer to include responsibility for reviewing HP's investigation protocols to ensure they appropriately address matters related to privacy and ethics. Such investigation protocols shall ensure there are adequate approval and oversight policies with respect to investigations conducted either within HP or by its outside vendors.

(5) HP shall establish a Compliance Council chaired by the CECO. The members of the Council will include the CECO (chair), the Chief Privacy Officer, the Deputy General Counsel for compliance matters, the head of Internal Audit, and several Ethics and Compliance liaisons (chosen by the CECO from each business segment and function). The Compliance Council will develop, initiate, maintain and revise policies and procedures for the general operation of HP's ethics and compliance programs consistent with applicable laws and regulations. The Compliance Council will provide written semi-annual reports to each of the CEO, the Audit Committee and the Nominating and Governance Committee, and written annual reports to the Board. Additionally, the Council's liaisons shall report to the Compliance Council as needed with respect to the investigatory methods used in investigations within their area of responsibility, including those conducted by outside vendors.

(6) The CECO will report any material violation of the codes of conduct applicable to outside investigation firms to the head of the appropriate business segment or function, who, in consultation with the CECO, will take appropriate action. The CECO will also report any material violation of the SBC, with respect to investigations conducted in-house, to the head of the appropriate business segment or function, who, in consultation with the CECO, will take appropriate action. Such action may include adverse employment actions, reallocation of resources, corrective actions or other methods reasonably necessary to remediate the violation. If the head of the appropriate business segment or function does not take appropriate action, the CECO shall report the violation to the CEO and the Independent Director. The CECO will report in writing to the Compliance Council semi-annually on all actions taken, and the Compliance Council shall review the appropriateness of the action taken, including for consistency as compared to other actions taken.

(7) In the event of a dispute regarding the appropriateness of any action to be taken by the Independent Director, the CECO, the Qualified Authority, the Chief Privacy Officer, or the Compliance Council pursuant to this Final Judgment and Permanent Injunction, the matter shall be referred by the Independent Director or the CECO to the Audit Committee for resolution.

(8) HP shall enhance its current training program as follows:

(a) Under the direction of the CECO and the Compliance Council, the existing annual training requirement will be redesigned and updated to ensure that the business ethics component plays a more prominent role.

(b) Additional training will be required for those HP employees who are engaged in the conduct of investigations for HP. That training will be designed by the CECO, with input from the Chief Privacy Officer and, as appropriate, independent counsel.

(c) The Board and senior management will be given training on potential and actual conflicts of interest that may arise with respect to outside attorneys representing not only HP but also the Board or any of its Committees. The Board

shall be trained regarding the hiring of independent counsel and conduct of investigations.

(d) The Chief Privacy Officer will review the training program implemented pursuant to this paragraph to ensure that it appropriately addresses privacy matters.

(e) The Independent Director shall approve the training program implemented pursuant to this paragraph 8.

(f) In addition to the applicable supplier codes of conduct, all outside investigation firms will be provided written standards of conduct, developed by HP, that pertain specifically to privacy and business ethics concerns regarding investigatory methods used in the course of investigations. HP shall require these outside investigation firms to certify that their employees who work on HP matters have reviewed, understand, and will comply with these written standards of conduct. Compliance with these written standards of conduct, as well as the applicable codes of conduct for outside vendors, shall be a material term of any contract HP enters into with any outside investigation firm.

PRIVACY AND PIRACY FUND

G. In order to dissipate any harm that may have resulted from HP's past practices in conducting investigations, pursuant to California Business and Professions Code section 17203, HP shall pay to the Plaintiff within sixty (60) days of the entry of this Final Judgment and Permanent Injunction the sum of THIRTEEN MILLION FIVE HUNDRED DOLLARS ($13,500,000), for the creation in the California Attorney General's Office of a Privacy and Piracy Fund (the "Fund"). Such amount is separate and distinct from the amounts set forth in paragraphs H and I hereof. Payment shall be made by check made payable to the "California Attorney General's Office" and shall be delivered to the California Attorney General's Office, 300 South Spring Street, Suite 1700, Los Angeles, California 90013, to the attention of Deputy Attorney General Catherine Z. Ysrael. The following conditions govern the disbursement of funds from the Privacy and Piracy Fund:

(1) Pursuant to California Business and Professions Code section 17203, the California Attorney General shall create a cy pres fund upon receipt of the $13.5 million dollars, and these funds shall be used to establish the Privacy and Piracy Fund.

(2) The Privacy and Piracy Fund is established to allow the California Attorney General's Office and other authorized prosecutors to have access to additional funds so that they can more effectively combat violations of the public's privacy rights and violations of intellectual property rights. An "authorized prosecutor" refers to any district attorney, any city attorney, and any city and county attorney authorized to prosecute violations of California Business and Professions Code 17200 et seq., as set forth in California Business and Professions Code section 17206.

(3) Up to $1,000,000 of the original $13.5 million dollars in the Fund may be disbursed annually; the principal may be invaded for this purpose.

(4) Of the annual disbursement, $500,000 (or 50% of the amount that can be disbursed if the amount in the Fund is less than $1,000,000), is automatically allocated to the California Attorney General's Office for use in investigating and prosecuting violations of the public's privacy rights and violations of intellectual property rights. Any amount of the Attorney General's annual allocation not used by the Attorney General's Office in the year of allocation may be carried over for use by the Attorney General's Office in subsequent years. Such carry-over shall have no effect whatsoever on any subsequent year's allocation amount, which shall be made to the Attorney General's Office in the manner set forth above. These funds shall solely and exclusively augment the budget of the Attorney General's Office and in no manner shall supplant or cause any reduction of any portion of the Attorney General's budget.

(5) Of the annual disbursement, up to $500,000 (or up to 50% of the amount that can be disbursed if the amount in the Fund is less than $1,000,000), may be disbursed to authorized prosecutors for use in investigating and prosecuting violations of the public's privacy rights and violations of intellectual property rights. These funds shall solely and exclusively augment the budget of the authorized prosecutor and in no manner shall supplant or cause any reduction of any portion of the authorized prosecutor's budget. If an authorized prosecutor brings an

investigation or action pursuant to a grant from the Fund, the authorized prosecutor must (1) include a provision in any settlement agreement which requires the Fund to be fully reimbursed for the amount of the grant; (2) fully reimburse the Fund from the money or other consideration received as part of the settlement before any such money or other consideration is used for any other purpose; and (3) use its best efforts to reimburse the Fund in full from any monetary recovery ordered by trial and appellate courts and paid by the defendant in the event the People are the prevailing party after trial. Except as otherwise expressly agreed by the three-person committee of the California Attorney General's Office in writing, unused or excess funds must be returned to the Fund within 60 days after the conclusion of the investigation or litigation for which the grant was requested.

(6) The California Attorney General's Office will create a three-person committee to evaluate grant applications from authorized prosecutors seeking to utilize funds from the Privacy and Piracy Fund. This three-person committee shall consist of the Senior Assistant of the Consumer Law Section, the Senior Assistant Attorney General of the Special Crimes Unit, and the Chief Assistant Attorney General of the Public Rights Division of the California Attorney General's Office or their designee(s). This committee shall establish criteria for grant applications, will evaluate grant applications and make recommendations regarding which grant applications will be funded and the amounts in which they will be funded. The Attorney General will make the final decision regarding which grant applications will be funded and the amounts in which they will be funded. The Attorney General's decision shall be final.

(7) Fourteen (14) months from the date of entry of the Final Judgment, the Attorney General's Office will provide a report to the Court identifying disbursements from the Fund, including the names of the grant recipients and the amounts awarded to each recipient. Every year thereafter, on the anniversary date of the first report, the Attorney General shall submit a report to the Court detailing disbursements from the Fund since the preceding report was filed.

CIVIL PENALTIES

H. Pursuant to Business and Professions Code section 17206, HP will pay to the Plaintiff within sixty (60) days of the entry of this Final Judgment and Permanent Injunction the

sum of SIX HUNDRED AND FIFTY THOUSAND DOLLARS ($650,000). Payment shall be made by check made payable to the "California Attorney General's Office" and shall be delivered to the California Attorney General's Office, 300 South Spring Street, Suite 1700, Los Angeles, California 90013, attention Deputy Attorney General Catherine Z. Ysrael.

COST OF INVESTIGATION AND PROSECUTION

I. HP will pay to the Plaintiff within sixty (60) days of the entry of this Final Judgment and Permanent Injunction the sum of THREE HUNDRED AND FIFTY THOUSAND DOLLARS ($350,000) as costs of investigation and prosecution of this matter. Payment shall be made by check made payable to the "California Attorney General's Office" and shall be delivered to the California Attorney General's Office, 300 South Spring Street, Suite 1700, Los Angeles, California 90013, attention Deputy Attorney General Catherine Z. Ysrael.

RETENTION OF JURISDICTION

J. Jurisdiction is retained by the Court for the purpose of enabling any party to the Final Judgment and Permanent Injunction to apply to the Court at any time for such further orders and directions as may be necessary or appropriate for the construction or the carrying out of this Final Judgment and Permanent Injunction, for the modification of any of the injunctive provisions hereof, for enforcement of compliance herewith, and for the punishment of violations hereof, if any.

K. Conditioned upon HP making full payment as provided under Paragraphs G, H, and I of this Final Judgment and Permanent Injunction, defendant and all of its present and former officers, directors, shareholders, any parents or affiliates, subsidiaries, employees, successors, predecessors and assigns (collectively, the "Released Parties") are discharged from all claims, to the extent permitted by law, related to or arising from the conduct of HP directors, officers, employees, agents, and contractors in connection with the "Kona Investigation" as described in the Complaint filed in this matter that the Attorney General could have brought pursuant to California Business and Professions Code sections 17200, or Penal Code sections 502(c)(1)-(2), 530.5, or 538.5. Provided, however, notwithstanding any term of this Judgment or

this paragraph, specifically reserved and excluded from the scope and terms of this paragraph as to any entity or person are any and all of the following:

(1) Any criminal liability, save and except that HP shall not be barred or prevented from raising and asserting the defenses of res judicata, collateral estoppel, and double jeopardy to the extent such defenses are applicable to any matter that served as the basis for this litigation;

(2) Any personal injury, property damage, indemnification, or contribution claims by the State;

(3) Any tax liability;

(4) Any obligations created under this Judgment; and

(5) Any unlawful conduct not covered by the injunctive terms of this Judgment.

L. Nothing in this Final Judgment and Permanent Injunction shall be deemed to permit or authorize any violation of any law or regulation of the State of California or otherwise be construed to relieve Defendant of any on-going duty to comply with such applicable laws, rules and regulations; nor shall anything herein be deemed to constitute permission to engage in any acts or practices prohibited by such laws, rules or regulations.

M. The waiver or failure of any party to exercise any rights under this Final Judgment and Permanent Injunction shall not be deemed a waiver of any right or any future rights. If any part of this Final Judgment and Permanent Injunction shall for any reason be found or held invalid or unenforceable by any court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of this Final Judgment and Permanent Injunction, which shall survive and be construed as if such invalid or unenforceable part had not been contained herein.

N. This Final Judgment and Permanent Injunction shall take effect immediately upon entry thereof, without further notice to HP.

O. The clerk is ordered to enter this Final Judgment and Permanent Injunction forthwith.

DATED: DEC - 7 2006

JUDGE OF THE SUPERIOR COURT
JACK KOMAR