

# EXHIBIT 2

## (Part 1)

*Privileged and Confidential/Attorney Work Product*  
*January 2, 2014*

*Introductory Portion of Counsel's Report*

*Partner Lead: Ann M. Ashton*



*Independent Committee Meeting*

*January 6-7, 2014*

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Proskauer >>

## > HP: Bd Comms Relevant to Acquisition

- Two Bd Committees played role in M&A process (cont.)
  - Finance and Investment Committee

**HEWLETT-PACKARD COMPANY BOARD OF DIRECTORS  
FINANCE AND INVESTMENT COMMITTEE CHARTER**

**I. Purpose**

2. Pursuant to HP's M&A approval policies, to assist the Board in evaluating investment, acquisition, enterprise services, joint venture and divestiture transactions in which HP engages as part of its business strategy from time to time; and

*Background:  
Autonomy  
Analyst/Media Reports*

## ➤ Autonomy: Analyst/Media Reports

- Following 1998 IPO, Autonomy was subject of many analyst/media reports
  - Focusing on period starting in late 2000s, complaint cites reports criticizing various aspects of Co.
  - But, not surprisingly, both negative/positive reports existed
    - > Of 229 reports reviewed for period 2/2006 through 8/2011
      - 53 were principally positive
      - 35 were principally negative
      - 141 were essentially neutral
    - > Some reports contained both positive/negative comments
    - > Reports issued in same period sometimes contradicted each other on relevant points



## ➤ Autonomy: Analyst/Media Reports

- For example, complaint cites statements by CFRA's Dan Mahoney purportedly made in 2007

128. In 2007, Dan Mahoney of the accounting research firm CFRA, who covered Autonomy until it was acquired by HP, described Autonomy as having all the hallmarks of a company that recognized revenue too aggressively. According to Mahoney, the reason for

- Appears statement actually made in late 2012 – though CFRA did issue negative reports starting in 2007, including



September 5, 2007

**COMPANY REPORT** **Autonomy Corporation plc (AU/LN)**

**RATING 4** **Significant Concerns – On Biggest Concerns List**

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**Revenue Growth Concern from Rising Receivables and Declining Deferred Revenue**

**CFRA REPORTS**

**Prior Reports:**  
February 12, 2007  
January 18, 2007

**Key Takeaway**  
While AU's reported revenue growth rate continued to improve in 1H07, continued adverse trends in both receivables and deferred revenue raise concern regarding the sustainability of future revenue growth. Moreover, given the potentially unsustainable nature of the benefits to operating profits and margins in FY06 and the continued benefit to reported CFFO in 1H07 from classification issues, we maintain our 'Significant' concern level on the Company and retain it on our 'Biggest Concerns' list.

## ➤ Autonomy: Analyst/Media Reports

- However, CFRA reports were 3½ years before HP's Autonomy due diligence and were contradicted by intervening positive reports, incl. by Credit Suisse



### CREDIT SUISSE

09 November 2009  
Europe/United Kingdom  
Equity Research  
Software (Software & Services) / OVERWEIGHT

▪ **Attractive long-term strategic story.** We are positive on Autonomy as a leading vendor in the high-growth markets of Enterprise Search, eDiscovery, Content Management and Archiving (we expect a 7–12% CAGR through 2013). The company's strong IDOL technology, coupled with an extensive catalogue of data repository connectors, provides high barriers to entry and should allow the company to sustain strong growth for the foreseeable future.

## Accounting review

### Revenue recognition

Autonomy's revenue recognition practices are very similar to other companies in the software space. Autonomy has three primary sources of revenue: software licenses, maintenance and professional services. New software revenues are recognised when a licensing contract has been signed with a customer, the products are delivered, and payment is fixed and free of contingencies. The company also recognises software license revenues for hosting contracts (often recognised in arrears) and OEM royalties. Maintenance revenues are recognised rateably over the duration of the contract, which is normally one year in length. Professional services revenues are typically recognised as the services are performed.

## ➤ Autonomy: Analyst/Media Reports

- Complaint citation to 6/10 Deutsche Bank report by former Autonomy employee (¶ 132) focuses on negative

132. In June of 2010, Deutsche Bank analyst Marc Geall wrote a detailed report on the problems at Autonomy. Geall had formerly worked at Autonomy, where he ran a software division and also served as head of investor relations and corporate strategy. Geall was highly critical of Autonomy's management and business model, stating that the management structure, controls and systems at Autonomy were "more representative of a start-up than a major global player." According to Geall, Autonomy's service business was "too lean" and "risk[ed] falling short of standards demanded by customers." HP was well aware that Autonomy was not investing in its own technology and that its technology was outdated and not competitive.

- But no suggestion of fraud/misconduct in report
- And complaint fails to note positive statements in report, including setting out following strengths



# > Autonomy: Analyst/Media Reports

Company

ets Research

Europe United Kingdom  
Technology IT Software & Services

10 October 2010

## Autonomy Corp Plc

Reuters: AUTN.L   Bloomberg: AU/ LN   Exchange: LSE   Ticker: AUTN

### The billion dollar question; downgrading to Hold

**Marc Geall**  
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**Deutsche Bank** 

**Recommendation Change**

**Hold**

|                           |                     |
|---------------------------|---------------------|
| Price at 8 Oct 2010 (GBP) | 1,620.00            |
| Price Target (GBP)        | 1,600.00            |
| 52-week range (GBP)       | 1,975.00 - 1,305.00 |

**Key changes**

|              |                               |
|--------------|-------------------------------|
| Rating       | Buy to Hold ↓                 |
| Target Price | 2,000.00 to 1,600.00 ↓ -20.0% |

**Price/price relative**

|                 |    |    |     |
|-----------------|----|----|-----|
| Performance (%) | 1m | 3m | 12m |
|-----------------|----|----|-----|

### Strengths

- *Technology leadership:* IDOL is a unique product that can solve many challenging issues for corporates, especially in their need to understand, manage, and process unstructured information.
- *Entrepreneurial culture:* there is drive and commitment to get things done. The business can adapt quickly and there is laser focus on quarterly targets.
- *Evolving OEM business:* IDOL is a product that can be embedded in other software products and has been designed to be "plug and playable". This is a Trojan horse that virally places IDOL at a critical point in the fabric of enterprise IT systems.
- *High degree of operating leverage:* the business model is pure (95% product sales) and thus the business has generated best-in-class margins.

## ➤ Autonomy: Analyst/Media Reports

- Numerous positive reports were published – including in months leading up to HP due diligence



**CREDIT SUISSE**

19 October 2010  
Europe/United Kingdom  
**Equity Research**  
Software (Software & Services) / OVERWEIGHT

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Chandramouli Srinivasan  
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■ **Bullish commentary should assuage demand environment concerns and help support shares:** Going into this report, management needed to assuage growing investors fears regarding the demand for Autonomy solutions, particularly in the "Protect" market. We believe the management commentary in the release has accomplished this as the company states that i) demand has increased since Q3 closed, ii) Autonomy has already closed some of these slipped "Protect" deals at an extended scope, and iii) the company concedes the conservatism of its outlook, leaving room for upside to current estimates. Given our recent checks regarding a more back-end loaded 2010 in terms of license sales, we believe Autonomy has the potential to outperform current Q4'10 estimates, returning to strong double digit license growth and justifying a premium multiple.

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**Investment thesis: Strong, defensible franchise with recent sell-off providing entry point**

Autonomy is a leading vendor in the high-growth markets of Enterprise Search, eDiscovery and Content Management. The company's strong IDOL technology, coupled with an extensive catalogue of data repository connectors, provides high barriers to entry, which we believe should allow the company to sustain its profitable growth for the foreseeable future. In addition, management has a strong track record of value creation through the continued signing of OEM relationships and strategic acquisitions. We believe

## > Autonomy: Analyst/Media Reports

- Numerous positive reports were published – including in months leading up to HP due diligence (cont.)

**PANMURE GORDON & CO**  
INTEGRITY IN INVESTMENT BANKING SINCE 1876

17 December 2010  
Equity Research

### MORNING NOTE

#### Autonomy

##### Glass half empty? - it overfloweth

A blistering night on Wall St saw tech companies Oracle, Accenture and RIM all come in ahead of expectations and raise guidance. Taken together the results point to a strengthening of the corporate B2B IT market. The most obvious beneficiary on LSE is Autonomy. We caution that Oracle, Accenture and RIM are each leaders in their particular segments – so we are cautious about reading across to the entire LSE sector – but this undoubtedly bodes well. To reflect the improving operational outlook we lift Autonomy Q4 estimates – a move which raises our FY Autonomy EPS from US\$113.4¢ to US\$113.8¢ – a move which increases our target price from 1,693 to 1,726p. We remind that we are in the ‘lift’ period of the Autonomy share price. Buy.

|  |                  |
|--|------------------|
| Buy  | 1465p            |
| (Remains Unchanged) (Priced at close 16/12/10) |                  |
| Target Price:                                  | 1726p<br>(1693p) |
| Stock Codes:                                   | AUTN.L / AU / LN |
| Panmure Gordon EPS Estimates                   |                  |
| Dec 2009 A                                     | 88.44¢           |
| Dec 2010 E (113.4¢)                            | 113.84¢          |
| Dec 2011 E                                     | 119.37¢          |
| Market Cap:                                    | £3552m           |

## ➤ Autonomy: Analyst/Media Reports

- Numerous positive reports were published – including in months leading up to HP due diligence (cont.)



**UBS Investment Research**  
**Autonomy Corporation Plc**

**An operationally-gearred recovery play**

■ **A strong capex recovery play for 2010**  
Strong regulatory demand and the “coming-of-age” of unstructured data solutions have driven Autonomy’s significant outperformance over the last two years. We believe opportunities will only multiply in a recovery, with the timely addition of Interwoven’s web content management business enhancing the e-commerce potential of Autonomy’s key IDOL technology. The recent addition of the Structured Probability Engine (SPE) creates new potential within structured data.

■ **Interwoven customer survey provides reassurance**  
In Q4 09 we surveyed over 50 Interwoven customers on their reaction to the

**Global Equity Research**

United Kingdom

Software

|                  |                                      |
|------------------|--------------------------------------|
| 12-month rating  | <b>Buy</b><br><i>Unchanged</i>       |
| 12m price target | 1,750p/US\$28.00<br><i>Unchanged</i> |
| Price            | 1,478p/US\$23.72 (ADR)               |

RIC: AUTN.L BBG: AU/LN

**6 January 2010**

**Trading data (local US\$)**

|             |                            |
|-------------|----------------------------|
| 52-wk range | 1,636p-950/US\$25.40-13.70 |
| Market cap. | £3.54bn/US\$5.69bn         |
| Shares o/s  | 240m (ORD)/240m (ADR)      |
| ADR ratio   | 1 ADR:1 ORD                |
| Free float  | 89%                        |



# > Autonomy: Analyst/Media Reports



UBS Investment Research  
Autonomy Corporation Plc

Global Equity Research

United Kingdom

Software

12-month rating

Buy

Unchanged

12m price target


£400.18338.00

## Investment Thesis

The opportunity facing Autonomy is substantial and we think the shares are very attractively priced. The regulatory push for organisations to better manage and monitor unstructured data, the continuing aggressive growth of that data, and the commercial benefits companies can gain from harnessing their knowledge resources are strong long-term growth drivers. The unstructured data management market today feels a lot like the business intelligence market 4-5 years ago, being on the cusp of going "mainstream". Despite a challenging economic environment and difficult comparatives, Autonomy preannounced in-line Q4 09 results, giving it 18-19% organic sales growth for the year and over 40% earnings growth – having successfully assimilated Interwoven during the period. Despite the prospect of better economic activity translating into higher demand in 2010, consensus today is for just 13% organic sales growth. While we expect the "usual" guidance range of 10-15%, we are modelling 17% growth. Taken with the natural operating leverage in the model, this means we are 8% ahead of consensus at the earnings level for 2010E.

## ➤ Autonomy: Analyst/Media Reports

- Numerous positive reports were published – including in months leading up to HP due diligence (cont.)



**UBS**

Global Equity Research

United Kingdom

**UBS Investment Research**

**Autonomy Corporation Plc**

**15% accretive, low-risk acquisition**

■ \$380m acquisition of Iron Mountain's digital archiving business

AU announced today the \$380m acq'n of Iron Mountain's (IRM) digital archiving, e-discovery and backup assets. Conversations started as far back as Autumn 2009.

|                         |                                |
|-------------------------|--------------------------------|
| Software                |                                |
| 12-month rating         | <b>Buy</b>                     |
|                         | <i>Unchanged</i>               |
| 12m price target        | 2,100p/US\$33.96               |
|                         | <i>Prior: 1,950p/US\$31.53</i> |
| Price                   | 1,734p/US\$27.73 (ADR)         |
| RIC: AUTN.L BBG: AUV LN |                                |
| 16 May 2011             |                                |

■ **Autonomy Corporation Plc**

Autonomy's software automates the analysis of unstructured data, whether in the form of text, audio, images or video. It is the market leader in enterprise search, and is almost unique in establishing an end-to-end e-discovery solution with the acquisitions of ZANTAZ (2007), Meridio (2007) and Interwoven (2009). The US\$10bn markets it addresses are growing at an estimated blended 10%. It employs a largely indirect sales approach, including selling (10-15%) through other software companies, which embed Autonomy's technology in their own products (OEM sales). This makes it a lean organisation with premium margins.

## ➤ Autonomy: Analyst/Media Reports

- Complaint emphasizes 2009 Chanos criticism

129. In July of 2009, James Chanos of Kynikos Associates LP, an investment firm, criticized Autonomy's accounting. Software companies typically rely heavily on service contracts in which revenue is earned over the life of the contract and thus a large portion of revenue is deferred. According to Kynikos, Autonomy's deferred revenues were suspiciously low for a software company. The low deferred revenue was an indicator that the revenue being reported was not good revenue linked to the sale of a strong, in-demand product. Kynikos believed that Autonomy might have hidden its underperformance with acquisitions. This was known to HP during its review of Autonomy prior to HP's acquisition. The fact that Autonomy's growth was driven by acquisition was not a secret. HP knew that there was little organic growth at Autonomy. Autonomy was the same company that Mark Hurd had rejected in 2010 and before, and it was the same company that Apotheker pushed to acquire for a whopping \$11.7 billion in 2011.



## ➤ Autonomy: Analyst/Media Reports

- Complaint emphasizes 2009 Chanos criticism (cont.)
  - And his after-the-fact comments

130. According to James Chanos, in describing HP's acquisition of Autonomy, "[t]his whole thing is a debacle and probably should have never happened." Chanos added that "[w]e had been short Autonomy in our European fund in 2010 and 2011, and watched in horror as it was taken out at a big premium by Hewlett-Packard. It was one of our absolute favorite shorts at the time." Chanos stated that the accounting problems were **hard to miss** and characterized HP's decision to ignore the warning signs as constituting "willful blindness." Chanos added that "[i]t was pretty clear if you look at Autonomy's books over time that it was a very, very aggressive roll-up." HP knew that Autonomy was buying other companies, writing them down and putting the goodwill on its books. HP's own internal review showed all of this information. Chanos recognized this type of accounting scheme as what "most accounting mavens know is a real way to play earnings games if you want to."

- But Chanos was well known for short selling, which must be considered in evaluating his comments



## ➤ Autonomy: Analyst/Media Reports

- Class action securities complaint emphasizes criticism in reports by analyst Paul Morland of Peel Hunt

19. Khan's concerns about Autonomy were echoed by Autonomy analyst Morland who published a highly critical research note about Autonomy in June 2009. The note, entitled "*Accounting Red Flags*," explained that "[a]lthough investors do not have access to the same detailed information as auditors, there are plenty of analytical techniques that can be used to help identify when a company's performance might not be quite as good as it seems." Similarly, in

20. On September 18, 2009, Morland published another negative research report about Autonomy entitled, "Getting Worse Before It Gets Better." In the report, Morland queried whether it was "[t]ime to call a hearse [for Autonomy]" adding that: (i) Autonomy's "track record over the last few years has been *exaggerated*," and (ii) Autonomy had been "[m]assaging [its] *growth rate*" by recognizing revenue improperly. The report also specifically described how Autonomy:

## ➤ Autonomy: Analyst/Media Reports

- Class action securities complaint emphasizes criticism in reports by analyst Paul Morland of Peel Hunt (cont.)

22. By summer 2010, analysts were still aggressively questioning whether Autonomy was misrepresenting its organic growth rate through an aggressive roll-up acquisition strategy. On July 2, 2010, Morland, in a research report entitled "More Questions than Answers," presciently noted:

Our thesis is that Autonomy needs to make acquisitions to sustain high rates of growth and poor cash conversion is caused by working capital rising faster than growth should dictate. There is also evidence to suggest the early recognition of revenues, particularly with reference to acquired deferred income. Given our concerns and uncertainty around the next acquisition, we believe Autonomy is a stock to avoid.

*Organic growth rates appear to be overstated:* When Autonomy adjusts reported sales to calculate organic growth rates, the amounts added back for acquired companies are consistently below our own estimates. We have observed this with most of the acquisitions made in the last three years.

\* \* \*

*Unusual balance sheet movements around acquisitions:* A detailed balance sheet analysis has revealed some unusual movements. We remain unconvinced by explanations received from the company and concerned that Autonomy needs to make acquisitions to sustain high growth rates.

- State court derivative plaintiffs also rely on Morland, noting he called AU's financial statements "wrong and misleading"

## ➤ Autonomy: Analyst/Media Reports

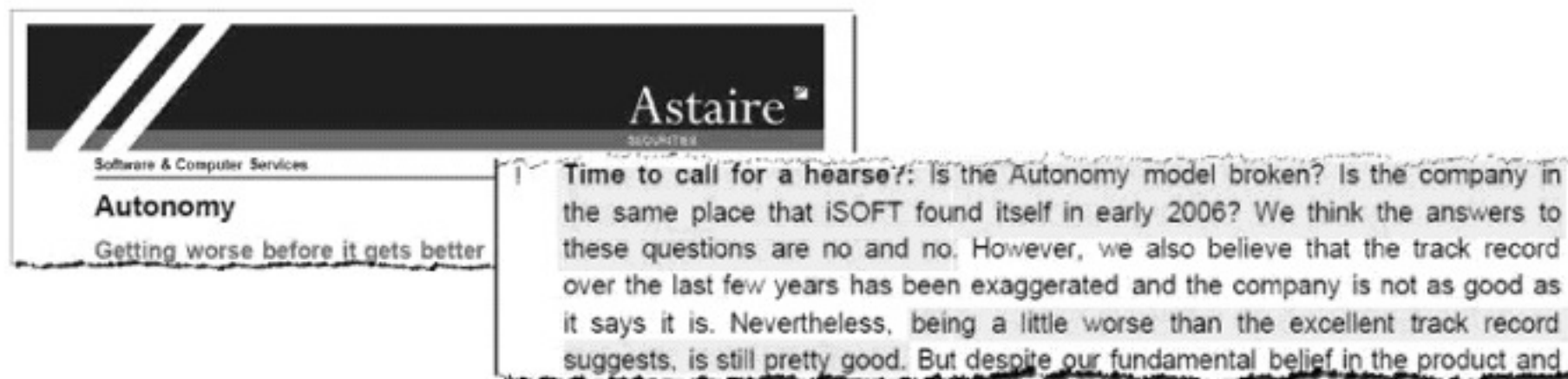
- At least one of cited Morland reports was not focused on AU
  - 2009 report addresses general red flags in technology sector
    - While report cites generally to AU few times also cites to many other large tech companies





## ➤ Autonomy: Analyst/Media Reports

- Class action securities complaint allegation that “Morland queried [in Sept. 2009 report] whether it was ‘[t]ime to call a hearse [for Autonomy]’ fails to note that Morland answered his own question in negative



- While Morland published negative reports on AU prior to acquisition, such reports did not alter information mix in market – were (as noted above) also many positive reports published



# *HP's M&A Policies and Procedures: Overview of Process (At Time of Autonomy Acquisition)\**

*\* In some instances, only documentary evidence of process is found in documents generated since 2011. In including post-2011-generated documents, we have done our best to confirm that policies set out in such documents are consistent with policies in place at time of the Autonomy transaction, whether or not such policies were documented in 2011. We have not always been able to obtain absolute confirmation on this point, but we are reasonably sure that policies were not significantly different at the time of the Autonomy transaction (we note, however, that individuals identified as contact points in 2013 were not necessarily contact points in 2011).*

## Transaction Team: Creation/Composition

- CD and relevant business unit representatives assemble Transaction Team led by sponsor



*HP's M&A Policies  
and Procedures:  
Preliminary Due  
Diligence/Business Case*

***HP's M&A Policies  
and Procedures:  
IRB  
(Investment Review Board)***



*HP's M&A Policies  
and Procedures:  
Professional Advisors*

*HP's M&A Policies  
and Procedures:  
Full Diligence*

## ➤ Due Diligence: Post-ATN → Pre-ATS

- Goals
  - Verify interest in target
  - Evaluate acquisition risks/liabilities
  - Mitigate items of concern by adding closing conditions, reducing price or (if severe) stopping pursuit of target
- Responsible parties
  - Sponsor
  - Transaction Team
  - MADDO functions
  - General Counsel's Office
  - Outside Advisors
    - > Financial
    - > Accounting
    - > Legal