

My Role in the Hewlett-Packard Leak Investigation

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I. Why a Leak Investigation Was Necessary

When I was asked by Hewlett-Packard Company's Board to accept the newly-created position of Non-Executive Chairman in the wake of Carly Fiorina's resignation as Chairman and CEO, I was surprised and honored. Becoming Chairman was a position I neither sought nor expected, but I respected the Board's decision to split the roles of Chairman and CEO, and I agreed with their assessment that someone needed to step forward and represent the Board during a critical time. Certainly I expected there would be challenges in carrying out the important new responsibilities I was asked to undertake, but never in my worst nightmare did I anticipate that the circumstances currently surrounding HP could ever occur.

It is now well reported that the HP Board, particularly as it was constituted in the first year or so of my chairmanship, was beset by considerable conflict among directors. I was cognizant of those conflicts because I heard about them from nearly all sides. Among the most corrosive issues dividing directors was

fundamental distrust driven by the fact that the Board's most sensitive discussions kept ending up in the newspapers. These concerns were brought to a head when directors read, on January 24, 2005, on page one of the Wall Street Journal, the most sensitive details of discussions from its off-site strategy meeting the prior week—including aspects of those discussions that were known only to the Board.

Not surprisingly, given this breakdown of boardroom sanctity and continued disclosures of Board-level information making their way into print over the ensuing weeks, many directors expressed to me their strong opinion that something had to be done to determine their source and bring them to an end. In fact, the majority of directors told me during my first few weeks as Chairman that, next to leading the Board's CEO search, coming to grips with HP's famously leaky Board should be my top priority. They were particularly disturbed because Carly Fiorina's attempt to do this in January, 2005, through interviews conducted by outside counsel, had come to naught. Thus, directors knew that whoever was talking to the press was unwilling to come forward to make a clean breast of the matter. This served only to deepen mutual distrust. Identifying the source of leaks on the HP Board was seen by many directors as "unfinished business" from Ms. Fiorina's tenure as Chairman.

Before explaining what I did in response to this priority as set by my fellow directors, it is important to point out that many supposedly sophisticated business

commentators are astonishingly insensitive to the seriousness of the problem the Board faced. Comments ranging from, “Isn’t it okay for directors to leak if they think it’s for the benefit of the company?”, to “What’s the big deal? Did any of the leaks actually harm the company?”, to “You can’t stop leaking and what happened at HP shows why you shouldn’t even try,” reflect profound ignorance of board functioning and fiduciary responsibility.

The most fundamental duties of a director—the duties of deliberation and candor—rely entirely upon the absolute trust that each director must have in one another’s confidentiality. This is true for trivial as well as important matters, because even trivial information that finds its way from the boardroom to the press corrodes trust among directors. It is even more critical when discussions can affect stock prices, as did with one of the leaks that HP suffered in January, 2006. While I wish fervently that none of this had ever happened, had undisciplined communications with the press continued and a major violation of securities regulations ensued, HP’s Chairman would have been justifiably criticized by the Board and beyond for not having taken their concerns seriously enough.

The most sensitive aspects of a company’s business come before its board: strategy; executive succession; acquisitions; business plans; product development; and key supplier relations. This is exactly the type of information a company’s competitors and those who trade in its stock would love to have before that

information becomes public. Boards have an unquestionable obligation to take appropriate steps to prevent this happening. That certain steps taken during the investigation went well beyond what was appropriate does not undermine the importance of the Board's mission in this matter.

For those still questioning the seriousness of HP's leaks, bear in mind that these disclosures touched the very heart of the Company's most sensitive issues. What could be more private than a Board's discussion of its varied opinions about its CEO, the company's performance, how the company should be organized and who should hold what responsibilities? Those subjects and more were the focus of the January 24, 2005 Wall Street Journal article.

Or consider how damaging it was that one or more directors almost certainly spoke to Business Week during the most sensitive phase of the Company's efforts to recruit a new CEO, disclosing opinions about various candidates and revealing details about the timing and conduct of the search process. If you were a top CEO candidate, would you want to work for a Company whose Board could not be trusted to keep such information confidential? In my view, HP is very lucky that it was able to recruit a candidate of Mark Hurd's caliber under such circumstances.

Furthermore, how does a Board function when management has to worry that directors may purposely or indiscreetly reveal important information inappropriately? This happened at Hewlett-Packard, and management's concerns

could easily have compromised the necessary flow of information to the Board as a result.

It does not matter whether one believes that the information one discloses to the press, as a director, was intended to benefit the Company. Leaking “good” information is as unacceptable as leaking “bad” information—no one can foretell how such information may advantage or disadvantage one investor relative to another. This is why companies have such elaborate rules around confidentiality and disclosure, and why regulators have made fair disclosure such a focus of their efforts over the last years.

At Hewlett-Packard, all directors, officers and employees are bound by the same Standards of Business Conduct, to which each individual attests compliance annually. There are several sections of the code applying to confidentiality, including one that says, “You may not grant interviews or provide comments to the press without prior approval from HP Corporate Communications. Unless you receive other guidance from HP Corporate Communications, you are expected to decline the opportunity to respond to any inquiries for news or information about HP and refer the request to the appropriate HP spokesperson.”

Anyone serving as an HP director who operated beyond this boundary violated the Company’s Standards of Business Conduct. Repeated reminders to directors about confidentiality did not stop the behavior. Informing directors, as I

did on multiple occasions, that a leak investigation was underway did not stop the behavior. Expecting the responsible party to come forward to spare the Company the expense and potential disruption of a leak investigation did not stop the behavior. Even an attempt by HP's CEO to encourage a confession during a one-on-one conversation with the responsible party in mid-March, just before the investigative report was issued, was unsuccessful.

II. The Leak Investigation

I believed that Hewlett-Packard directors were justifiably concerned about the risks posed by leaks from the Board, and knew they had delegated to me the responsibility to do something more than expect the leaker or leakers to come forward to stop the problem. I look forward to my appearance before Congress to tell you as best I can what happened. The following provides the basics.

A. I Was Referred to the Investigator Who Was Under Contract to Hewlett-Packard's Global Security Group

There was no guidebook or policy to assist the Board or its Chairman in dealing with the problem of unauthorized disclosure of confidential information. However, there was one director on the Board who had overall responsibility for the ways in which HP handled such matters on an ongoing basis. A company like HP frequently suffers unauthorized disclosures of confidential information and, to protect shareholders, must seek to identify their sources and deal with them appropriately. I therefore asked HP's then acting CEO, CFO and Director of

Administration, Bob Wayman, for his advice in responding to requests by Board members that I take affirmative action on the problem of leaks. It is worth noting that he himself, as a director and top executive, was as concerned as anyone about the problem of leaks.

Mr. Wayman is one of the longest-serving and most trusted executives at Hewlett-Packard, and one of the most respected CFOs in Corporate America. He had also served as a director of HP for many years, and was re-appointed to the Board in February, 2005. At HP, his span of authority included, at the time I consulted him in February and March of 2005, the Internal Audit function, the General Counsel's Office, Real Estate/Workplace Services & Security, and Risk Management, as well as all the typical functions reporting to the CFO, such as Treasury, Tax and Global Controllershship.

I knew from working directly with a number of Mr. Wayman's top executives over many years, individuals such as the Company's General Counsel, Global Controller, and Head of Internal Audit, that people in Mr. Wayman's areas of responsibility were unquestionable for their commitment to "doing the right thing." I was impressed time and again with the integrity and high ethics of all those on his staff. As a member and Chairman of the Audit Committee for several years, I had ample opportunity to observe Mr. Wayman and key members of his

staff very closely, and I knew of their unwavering commitment to strong controls, good disclosure, and thoroughness in all their undertakings.

I was also continually impressed with the level of teamwork among Mr. Wayman's key reports. It was a source of general comfort to me, as a director, that, regardless of whether key issues arose through the Global Controller, the General Counsel or the Head of Internal Audit, all were remarkably familiar with one another's priorities and issues. I found this to be a signal of a healthy, risk-management oriented culture, which was all the more impressive given the size and scope of the responsibilities carried by these individuals in a huge global company like HP. Based on this experience, I had every reason to rely upon Mr. Wayman's recommendations as to how the security issues at the Board level—which is how the leaks were defined during the first phase of the ensuing investigation—could best be handled given that all of the control functions of the Company were under his oversight.

Mr. Wayman referred me to an individual within his organization, Kevin Huska, who was introduced to me as having responsibility for Global Security at HP. I had a brief meeting with Mr. Huska around February or March 2005. We met near the CFO's office at HP's headquarters. Mr. Huska explained to me that the Company dealt day-in and day-out with violations of its Standards of Business Conduct related to unauthorized disclosure of confidential information, and that it

had experienced resources at hand to deal with the problem. He seemed to understand the sensitivity and seriousness of the problem, and I had the clear impression that Mr. Huska had been briefed about why I had been referred to him. Mr. Huska told me that, if I wanted to pursue an investigation following the normal processes used by the Company, I should talk with Mr. Ron Delia, who was responsible for designing and implementing investigations involving breaches of confidential information on behalf of Hewlett-Packard. By late March (for reasons explained below), it seemed to me that Mr. Delia operated what was in effect a “captive subsidiary.” By that time, I had come to understand that he worked almost exclusively for HP, which only served to increase my confidence that he would be a reliable and trustworthy agent to undertake its sensitive investigative work.

B. Mr. Delia Was Under Contract to HP When the Leak Investigation Was Undertaken

I did not “hire” the private investigators who were involved in the Kona 1 (or Kona 2) investigations. They were already under contract to HP when the leak investigation was initiated. I initiated the investigation, in response to directors who urged me to take more serious action in response to leaks. I turned to resources that HP normally used to do this type of work. The fact that these resources included an outside supplier was, in my mind, simply an artifact of the way in which the company had chosen to arrange its activities in this area. I later

learned that Mr. Delia had worked in this fashion for HP for eight or nine years, so I continued to have no reason to doubt the quality of his work.

I was a director of the company, not an officer or employee, and had no authority to enter into contracts, approve invoices, or handle any similar matters. It was my assumption that Mr. Wayman, having ultimate authority over all the resources involved in security and investigations, as well as having been one of the directors who felt the most strongly about the importance of controlling leaks from the Board, had provided authorization for whatever work was undertaken. I learned in late August 2006 that the work done by Mr. Delia in “Kona 1” was authorized—by whom I do not know specifically—as an extension to a pre-existing work order under which he was performing various investigative assignments for Hewlett-Packard.

In addition to the comfort I took from being referred to Mr. Delia from within Mr. Wayman’s organization, I learned in late March 2005 that he also performed sensitive work for HP’s Human Resources Department. As the search for HP’s new CEO was heading toward completion, both the executive search consultant engaged by HP, Andrea Redmond of Russell Reynolds, and HP’s Global Head of Human Resources, Marcela Perez de Alonso, pointed out to me that every company conducts background checks on top executives before extending final offers. Ms. Redmond explained that this was not work that search

consultants do on behalf of their clients, but that companies themselves undertake. Ms. Perez de Alonso confirmed this was a routine step that the Company took responsibility for performing before committing to hire executives above a certain level.

Ms. Perez de Alonso therefore put the background check in motion in the middle of March 2005 for Mark Hurd, knowing from me that he was emerging as the Board's top candidate. I contacted Ms. Perez de Alonso in the third week of March to find out if the background check was complete because I needed to report to the Board urgently on any concerns that arose. The Board unofficially decided to make an offer to Mr. Hurd on March 23 or March 24. On March 23, Ms. Perez de Alonso referred me to Mr. Delia for a verbal report in advance of his written report, which she explained to me would not be complete for several more days. I therefore spoke to Mr. Delia on March 23.

In the March 23 conversation, my notes indicate that Mr. Delia made it clear that all of the information upon which his background check was based was drawn from publicly available sources, and that one area in which I expressed interest, which was whether there were any medical issues that could interfere with Mr. Hurd's ability to carry out his responsibilities, could only be obtained upon the issuance of a court order. This seemed reasonable and right to me, and served to

give me the impression that Mr. Delia conducted his business in the fully above-board manner that I would expect of any long-time employee or contractor to HP.

C. The “Kona 1” Investigation: Supervision and Conduct

When the work that eventually was termed “Project Kona” got under way, I did not at any point consider myself its “supervisor.” I assumed that, given how all the control elements of HP’s global functions came together under Mr. Wayman, an appropriate person such as Mr. Huska was directing the work as necessary. I expected to be kept abreast of the progress of the investigations and to respond to inquiry by those in charge of the investigation as necessary for them to conduct the work. I recall that Mr. Huska had told me that it was standard practice in company investigations that the individual who was trying to solve the problem on behalf of the business—in this case on behalf of the Board—had to provide input to the investigators and answer their questions along the way. This was consistent with my experience as an executive.

I had intermittent contact with Mr. Delia via telephone and email in the spring and early summer of 2005 during Kona 1. My attitude and approach was to try to be helpful to the smooth conduct of the investigation. As a matter of course, I asked Mr. Delia at every point of contact for his representation that everything being done was proper, legal and fully in compliance with HP’s normal practices. I did this because it is the role of directors to ask questions and seek such

representations from the right people. Indeed, reliance on representations from trusted sources is a bedrock concept in board governance for the express reason that directors cannot directly supervise management's actions.

At some point during the late spring of 2005, I became aware from Mr. Delia that phone records were accessed as a standard component of such investigations by HP. The clear impression I had from Mr. Delia was that such records could be obtained from publicly available sources in a legal and appropriate manner, and that this was just one of several methods that would be pursued in the investigation. I now believe that not only I, but all of the executives upon whom I relied at HP, whose integrity I have never questioned to this day, were similarly confident that these records were accessed under fully legal circumstances.

I informed the Board at its March 2005 meeting that a leak investigation in response to their concerns had been initiated. I explained, as had been explained to me that, due to its very nature, those being investigated—including me—could not know the details of how the investigation was being conducted. It had been explained to me that to do so would compromise the effectiveness of the investigation, which made sense to me.

I updated the Board at its normal July 2005 meeting that the leak investigation was still underway and had yielded no results. I also assured them

that I was a full subject of the investigation. I recall informing the Board at its normal September 2005 meeting that the investigation was slowing down.

No director questioned me in Board session or privately about concerns regarding how the investigation was being conducted. I had the clear impression that they were satisfied that I had taken their priority seriously and that they fully expected whatever was being done would be done properly.

As Kona 1 progressed, I wanted to obtain greater comfort that the best people at HP were overseeing the investigation. My notes indicate that, in addition to some conversation with Ann Baskins and/or Mark Hurd on April 19, 2005, I noted on June 20, 2005, "Ann—Ron Delia follow-up." This indicates to me that by the mid-point of the project, I had reached out to Ann Baskins regarding the investigation. My notes also indicate that on the same day, June 20, 2005, I discussed the investigation with Mark Hurd, informing him I had been told that results from the investigation were "a week to ten days away/some gaps remain." I also noted "Confidentiality/Kroll," which refers to a question I had about whether the people doing the investigation were top-notch, particularly given that the investigation was inconclusive at that point. I never doubted, however, that what they were doing was legal.

I would like to note that, among all the executives with whom I have come in contact at HP, no one rates higher in my estimation than Ann Baskins for her

commitment to ethics, integrity and doing the right thing for Hewlett-Packard every step of the way. I began to seek her involvement in the early summer of 2005. Similarly, Mark Hurd knew that boardroom leaks were a problem at HP, and he made it clear he was a “hawk” on the matter within his own executive team. He also made it clear to me that he found the idea of directors talking out of turn to the press to be reprehensible. At some point, apparently at least by April 20, 2005, I informed him there was an investigation underway that pre-dated his arrival on March 30. (I have found Mark Hurd to be among the most straightforward, clear-thinking and honorable executives with whom I have ever come in contact. Time and again I have heard him refer to his conscience and his ethics as driving his priorities, and I have seen him behave accordingly.)

By some time in August 2005, I was informed that the investigation had come to a stopping point. I do not recall a point where anyone informed me that Project Kona was ended, but I do recall knowing at some point that it had failed to produce results. By this time, no significant leaks from the boardroom had occurred for several months, and I hoped that simply the knowledge of an investigation had brought them to a halt. I did not take any steps to encourage the investigation to continue at that time.¹

¹ I hope the Committee will bear in mind that, through this period, as important as this work was, it was far from being a major focus of my attention. For example, focusing on my work with HP alone, I was much more occupied with initiating and carrying out a

The Board advised me on August 31, 2006, after hearing the results of its outside counsel's (Wilson Sonsini Goodrich & Rosati) review of the entire investigation, that during Kona 1 I did not have sufficient support from internal or external counsel. It was explained to me by Mr. Sonsini that the Board felt that perhaps not one chairman in ten would have had the insight under the circumstances to bring in outside counsel. (I note, however, that the same individuals who were involved with Kona 1, in the chain from me to Mr. Wayman to Mr. Huska, were involved when the chain went from me to Ms. Baskins to Kevin Hunsaker in "Kona 2," as further explained below.)

D. The "Kona 2" Investigation: Supervision and Conduct

From January 19 to 21, 2006, the HP Board held its annual Strategy Board meeting in Palm Springs, California. Soon after, on or about January 24, 2006, I was informed via email from Bob Sherbin, head of HP's Public Relations Department, that there had been a major leak emanating from the off-site strategy meeting, which appeared on CNET, a widely read online technology-oriented publication, the prior day. I informed the Board immediately and received several emails expressing concern and outrage from various directors. I was asked by

project to overhaul the Board's governance processes, including all the documentation supporting its policies, corporate governance guidelines, and committee charters, for which I retained a governance expert (again with Board encouragement). As important as it was, Kona 1 occupied a very small proportion of my time between March and August 2005.

several if the leak investigation was still ongoing and I said I would see to it that it was re-initiated.

The CNET leaks of January 23, 2006, were serious. They referred to the most sensitive commercial relationships of the Company and its plans for those relationships (i.e., Intel and AMD, HP's micro-processor suppliers); they referred to potential acquisitions in a very concentrated part of the public markets for infrastructure software companies; they confirmed the Company's plans to target a key competitor by name in the printing business (Heidelberg Press); and they discussed the Company's plans for branding its key new offering in the enterprise computing business. A separate article on the same day referred to discussions that the Company was having with a potential acquisition target, CSC Corporation.

These are the kinds of leaks that not only exposed the Company's most intimate discussions and corroded trust in the boardroom, but exposed HP to potential violations of securities laws. I realized that the investigation needed to be re-initiated, and I had the full support of the CEO—who, unlike during Kona 1, was by then on board and well-established in his role—and the General Counsel in making this decision.

At the inception of Kona 2, I again suggested, this time to Ann Baskins, that Kroll Associates be considered to conduct the investigation. I knew of them only by reputation and thought a highly regarded outside organization might be more

successful in this matter. Ms. Baskins said that, rather than go outside HP, she recommended turning the investigation over to Kevin Hunsaker, whom she described as having responsibility in the legal department for overseeing investigation into standards of business conduct. He reported directly to her. I had never heard of Mr. Hunsaker, but his title and her strong positive opinion of his work were very reassuring to me; thus I concurred with her recommendation.

The Kona 2 investigation lasted from late January 2006 to March 2006. Mr. Hunsaker supervised the project, reporting to General Counsel Ann Baskins. I thought this was an excellent arrangement and a stronger process was being employed relative to Kona 1. Mr. Hunsaker's ultimate report on the investigation specifies who was on the investigation team. I was not named as among them.

Mr. Hunsaker contacted me directly several times for guidance in the investigation, but I believe that almost all these contacts included Ann Baskins. A weekly project conference call was set up on Friday afternoons so that Ann and I could be brought up on any progress and I could answer questions as appropriate on the Board's concerns, motivations, etc. I participated in perhaps two-thirds of those calls. It was not surprising to me that the same individuals who had been brought in to do the actual investigation—Messrs. Delia and Tony Gentilucci, the latter of whose involvement I had been made aware of some time during Kona 1—were doing the underlying work once again.

Once again I was told that phone records were one of the key techniques being used in the investigation, along with “relationship mapping” and what struck me as old-fashioned detective work. I did not find it objectionable that suspected leakers might be followed to see if they were meeting with reporters.

My views of the phone-record access were the same in early 2006 as in mid-2005: I was fully convinced that HP would never engage in anything illegal, and the privacy issues related to our directors were balanced in my mind against their eagerness to get to the bottom of the problem. Indeed, given that attorneys were unambiguously overseeing the investigation in Kona 2 and were following similar practices as in Kona 1 reinforced my understanding that the investigations had been and were being handled appropriately. (It may be interesting to note that, after the HP leak scandal broke, the Associated Press polled 226 public company directors about their attitudes concerning personal privacy versus confidentiality in the boardroom. According to press reports, 85% of responding directors said they “placed a higher priority on corporate confidentiality than shielding their personal information from prying eyes.” The pollster involved commented that it appears company directors have a different view from the general public on this matter.)

By the time Kona 2 was in full swing, Mr. Hurd was more aware than in Kona 1 of its activities. He was included in perhaps two or three meetings, to my knowledge, to review key milestones and provide his own input on the priority and

motivations behind the investigation. Neither Mr. Hurd nor I designed or implemented the investigative techniques. However, we both were made aware of a “sting” operation that the investigators proposed in early February for the purpose of determining whether the CNET reporter to whom Mr. Keyworth was suspected of talking—and by then the investigative team had narrowed its hypothesis about the identity of the leaker to him—was in contact with Mr. Keyworth. I was contacted by Mr. Hunsaker, with Ms. Baskins in the loop on the communication, about this. Having asked for and received all needed assurances that this was a legal and common investigative technique, I referred them to Mr. Hurd for the final decision.

On March 11, Mr. Hunsaker’s draft report on the leak investigation was issued to Mr. Hurd, Ms. Baskins, and me. A meeting was arranged by Mr. Hunsaker for the three of us to meet with the investigative team, including Mr. Delia and Mr. Hunsaker, on or about March 15 in Los Angeles, where the Company was holding a Board meeting in conjunction with its Annual Shareholder’s Meeting. The report emphasized the lawful nature of the procedures, which was unsurprising to me, given that Mr. Hunsaker and Ms. Baskins had provided assurances for their own purposes as well as for my own and Mr. Hurd’s that this was the case. The meeting in Los Angeles focused almost entirely on the conclusions of the investigations and not on its tactics.

Mr. Hurd met with Mr. Keyworth on the evening of the day that the above meeting with the investigative team took place. He has related many times to me and to others that he tried in every way he could to get Mr. Keyworth to come forward and admit his culpability. Ms. Baskins and I were sitting near them during this meeting, which occurred over cocktails in the hotel lobby, and I could see that Mr. Hurd was intensely engaged with Mr. Keyworth. Mr. Hurd subsequently described to me, to Ms. Baskins and to others that, though he gave Mr. Keyworth several chances to come forward, Mr. Keyworth declined to acknowledge his culpability.

III. The Leak Matter Comes Before the HP Board

Mr. Hurd, Ms. Baskins and I had several telephone, email and in-person exchanges in the following month to determine the best way to take the matter forward. I informed them that Mr. Perkins—whom I had informed more closely than any other director about the leak investigation given his role as Chairman of the Nominating & Governance Committee—had begun pressuring me during Kona 1 that we should not bring the identity of the leaker, if found, to the full Board. This was seen by all of us as very sensitive because Mr. Keyworth and Mr. Perkins described themselves as best friends, and were close allies on the HP Board. I explained to Mr. Hurd and Ms. Baskins that it was Mr. Perkins' strong view that the two of us should privately seek a confession from the leaker, and a

promise never to do so again, at which point we would simply inform the Board that the investigation was closed, the leaker had confessed, and the matter was therefore permanently behind us without ever disclosing his or her identity.

Mr. Hurd and Ms. Baskins were as uncomfortable with Mr. Perkins' proposed process as was I. We met with HP's outside counsel, Larry Sonsini, on April 19 to discuss the matter. Having defined the matter at its essence from the beginning as a Standards of Business Conduct violation, we decided it was appropriate to involve Bob Ryan, the Chairman of the Audit Committee, in determining the right way forward. Ms. Baskins thus sent Mr. Ryan a copy of Mr. Hunsaker's draft report on April 24 at my request.

On April 27, Messrs. Hurd, Ryan, Sonsini, Ms. Baskins and I met in person at HP to discuss the best way to take the matter forward. I explained again the strength of Mr. Perkins' view that the Board should never know the identity of the leaker. Mr. Sonsini and Ms. Baskins advised us that such a "behind the scenes" process was improper, and that the full Board should be given the opportunity to deliberate on the investigation's findings and determine the right course of action to take concerning Mr. Keyworth.

In preparation for a regular HP Board meeting on May 18, 2006, Mr. Ryan worked directly with Ms. Baskins in preparing a summary of the Hunsaker report for the Board. His summary was aimed at focusing on the results of the report and

helping the Board decide any appropriate actions to be taken as a result. At this point, I was relieved to have this matter completed and in the hands of the right individual for any further action.

In order to finalize the report, it was determined through consultation among Messrs. Hurd, Sonsini, Ryan and Ms. Baskins and me, that Mr. Ryan should interview Mr. Keyworth the evening before the Board meeting scheduled for May 18. It was further determined among us that I would inform Mr. Perkins on the morning of that meeting that the investigation was complete, that Mr. Keyworth had been identified, and that the matter was being brought to the full Board.

Mr. Ryan reported to the above-named group after his interview with Mr. Keyworth that Mr. Keyworth's immediate response to hearing the investigation's results was to admit he was the leaker, followed by the question, "Why didn't you just ask me?" All of us were flummoxed by this response, as it was clear to us all that for the prior 15 months Mr. Keyworth could have come forward at any time to acknowledge his culpability.

On the morning of May 18, I informed Mr. Perkins that the investigation was complete and that Mr. Keyworth had admitted his culpability. His reaction comforted me because he said, "Pattie, you had to do this investigation. It's too bad Jay has created this problem." He did not seem surprised that Mr. Keyworth

had been identified. I told him that the full Board needed to hear the results, and he said he understood. Thus, I entered the Board meeting on May 18 thinking that we could get through this painful matter with a minimum of disruption.

The matter was taken up by the Board as its first item. I introduced the subject, reminded the Board that leak investigations had been underway for over a year, and said that Mr. Ryan would present its findings to them. Mr. Ryan presented his summary of the Hunsaker report without identifying the leaker, as had been requested by another director (not Mr. Perkins) at the start of his presentation in order for the Board to deliberate based on the facts and not upon personalities or relationships. Mr. Ryan ultimately identified Mr. Keyworth after a significant amount of deliberation had taken place.

Mr. Keyworth was asked by the Board to explain himself. He did not apologize in a way that convinced the Board that he understood the gravity of the matter, and he was asked to recuse himself while the Board deliberated. Mr. Ryan conducted this part of the meeting; I did not take an active part in the deliberations except to offer my own views, as a director and not as Chairman, just as every director was asked to do. My views were among the last to be heard.

Mr. Perkins became very agitated when it became clear that a majority of the Board did not think Mr. Keyworth had handled his response to the Board appropriately and thus were leaning strongly toward asking for his resignation. A

secret ballot, suggested by another director, was taken, in which a strong majority of the Board voted to ask Mr. Keyworth to resign, which later in the meeting he refused to do. At that point Mr. Perkins erupted in great anger.

Mr. Perkins' anger was directed entirely at me, and centered on the "betrayal" he alleged at my not having abided by an agreement that he said we had to cover-up the name of the leaker. I had little opportunity to respond to his outburst except to say, "Tom, we had no such agreement." He discussed how a talented HP executive a few years earlier had been asked to resign because of an ethics violation, and how he thought it was wrong for Ms. Fiorina to bring such a matter to the Board because they had no choice but to advise her that he leave the company.

At no time during Mr. Perkins' outburst did he make any statements whatsoever about the leak investigation—including its justification or its methods.

Mr. Perkins told the Board he resigned and he left the room, at which point a director put a motion on the table to accept his resignation, which was then seconded and carried unanimously.

Mr. Sonsini then was asked to talk to Mr. Perkins about the reasons for his resignation. He reported back to the Board on May 18 that Mr. Perkins told him he had no disagreement with Hewlett-Packard as a company or its Board, but he had a disagreement with me personally because I "betrayed" him. The Board was not in

the habit of reviewing the details of the Company's 8-K filings before the fact, as these are statements by management, not the Board. However, given the sensitivity of the matter, we did spend ten or fifteen minutes discussing this filing.

The Board was comfortable with the Company's filing the 8-K without disclosing that Mr. Perkins had a "disagreement with the Company."

IV. HP and My Role in the Leak Investigation Comes Under Fire

Mr. Perkins resigned from the Board on May 18, 2006. He made no complaint regarding the nature of the investigation into the Board leaks until about May 29, 2006, when he complained of my role in the leak investigation in an email to the NewsCorp Board and others. Mr. Perkins' memo contained false statements about my having organized and conducted an elaborate spying campaign on HP directors for no good reason except, to paraphrase, a delusion of paranoia about leaks coming from the Board. Thus, I knew that Mr. Perkins had, about ten days after his resignation, not yet calmed down.

I remember an e-mail exchange between Mr. Sonsini and Mr. Perkins that has become public. In that exchange, Mr. Perkins expressed frustration and concern about how the leak investigation had been conducted. Mr. Sonsini responded to Mr. Perkins that he had consulted with Ms. Baskins and believed that the investigation was conducted lawfully and properly. I remember that

Mr. Sonsini's e-mail used the word "pretext" in connection with the investigation. That was the first time I began to comprehend what that word meant. I still do not understand whether it is or is not legal, as opinions vary.

Mr. Perkins later demanded that the Board conduct an "investigation of the investigation" to determine whether anything illegal happened. The Nominating & Governance Committee retained Wilson Sonsini (WSGR) to review the details of the investigation. A summary of the investigation results was described by HP in its September 6, 2006, Form 8-K report to the SEC.

By early September, the Board became concerned that Mr. Perkins' changed reasons for his resignation might cast doubt on the veracity of the Company's 8-K filing of mid-May. Accordingly, HP filed a revised 8-K, filed on September 6, accurately describing Mr. Perkins' resignation in more detail.

A. From "The Investigation of the Investigation" to My Resignation

The HP Board met to hear WSGR's review of the "Investigation of the Investigation" in early September. I was informed by Mr. Sonsini that, aside from the recommendation the Board had for me as detailed at the end of the section entitled "Kona 1," above, they expressed unanimous support for my continuing as Chairman and as a director.

However, in the first week of September, intense press attention became focused on the leak investigation and my role in it. Many misleading comments

were written and heard in the ensuing days—for example: that I made the decision to spy on the Board and management unilaterally; that I unilaterally retained private investigators to perform nefarious deeds in pursuit of the leaker; that Mr. Perkins resigned out of outrage over the investigation; and that I had proposed, approved and/or endorsed “pretexting,” particularly of reporters themselves, which was a clear invasion of privacy, unethical, and possibly illegal.

On Friday, September 8 I was asked to comment on the record to the press and did so before I had any opportunity to review documents. This submission to Congress is a clearer presentation of what happened.

On September 11, at a special telephonic meeting, I agreed with the Board that I would step down as Chairman in January, 2007. Board members continued to assure me that they had no concern that I was involved in anything improper or illegal, but I had become a lightning rod for criticism of the Company and the Board. I was urged to remain as a director by the CEO and by several members of the Board.

However, by the Board’s regularly scheduled meeting on September 21, the furor over my perceived role in the leak investigation had reached new heights. The Board did not express any new concerns with my role in the leak investigation but had become unanimous in its view that the Company could not move beyond the controversy if I remained as a director. They asked me to resign and suggested

that it would be best for me if it were announced that I had come to this decision on my own. I let them know that I would only do so if it were clear they had asked me to do so, and we agreed. I left the Board with good feelings, embraces and clear messages from each director that they regretted that this had happened to me.

V. The HP Scandal as a Post-Sarbanes-Oxley Phenomenon

When the final story is written on what happened at HP, I believe that its roots will be understood as emanating from a clash between the old and the new cultures in the Boardroom, driven importantly by Sarbanes-Oxley and related regulatory changes. The clash is perhaps particularly poignant in Silicon Valley, where the culture of innovation, freedom of maneuver and creativity are seen as essential to value creation. The machinery required to implement SOX in the boardroom can be seen as cumbersome, time-wasting and a drag on directors' desires to focus on the truly interesting and valuable parts of their roles—for example, business and product strategy. I saw my role as Non-Executive Chairman as helping the Board transition from its roots as a “founder’s board” to a modern, fully professional board that was driven by appropriate process as opposed to by personalities. The fact that the rules applied to everyone was not accepted by everyone on the HP Board. The fact that, in a modern board, every director is as important as every other director, was not accepted by everyone on

the HP Board. I am proud of the work that I have done to improve the corporate governance at HP, including helping to bring in strong new directors who meet the test of independence in every sense. I do not agree with those who contend that a company cannot receive high marks for governance and still be innovative and successful.

I have spent my entire career as a fiduciary, entrusted for many years with the responsibility to manage billions of dollars of other people's money as carefully as though it were my own. I have been overwhelmed by the support I have received during this difficult period from people with whom I have worked who have offered their attestation to the high standards of ethics and integrity to which I dedicated myself during my career. The saying that "a reputation made over a lifetime can be ruined in minutes" has a sickening level of resonance for me. As a stickler for the sanctity of the boardroom, it pains me to be in a position where I have little choice but to go on the record with details about the HP Board's inner workings.

HP remains a great company. I am honored to have had the opportunity to be a part of bringing elements of its governance forward. It is my hope that the Board continues its process of transformation while management focuses as successfully in the future as it has in the past on creating value for HP

shareholders. The stakeholders in this great company expect and deserve nothing less.

VI. What Congress Can Do to Help Make Sure the HP Scandal Does Not Recur

I am not a lawyer and I am not an investigator, but I had a responsibility to respond to HP directors' desires to stop leaks from the Board. I relied on trusted people who were lawyers and investigators to perform this work on their behalf. Along the way I requested for and received assurances that the investigation was both legal and compliant with HP's Standards of Business Conduct.

Nonetheless, serious questions have been raised about the ethics and legality of the investigation. The fact that so many lawyers who were involved in the HP matter could turn out to be either so misled or so uncertain as to the legality of "pretexting" speaks volumes as to the need for unambiguous legislation to protect individual privacy.

At the same time, every company has a duty and a responsibility to shareholders to protect the property of the corporation, which more than ever includes its intellectual property. At the board level, shareholders have a right to insist that the confidential plans and deliberations of directors be protected as, in effect, property of the company.

Let me state clearly that it would be another in the string of tragedies here if it were to be concluded that companies do not have the right to protect themselves against disclosure violations. We have all learned that companies turn to investigators to do this important work.

I would hate to think that any chairman or director of a public company would ever face the problem I faced with the result that has ensued. I therefore urge Congress to consider legislation that would provide not only clear-cut rules on “pretexting” or any other threat to individual privacy, but will give companies like HP legitimate and sanctioned ways of pursuing their responsibilities to protect their intellectual property and confidentiality.

As an example, had there been an agency of law enforcement to which HP could turn to pursue a fully lawful, sanctioned and protected investigation, based on a set of demonstrable threats to its governance arising from the unauthorized disclosure of boardroom confidences, this series of events would not have occurred.

Every company of consequence has codes of conduct, security departments and compliance officers to deal with violations. At HP, it is management’s responsibility to see to it that the work done by individuals charged with these sensitive responsibilities never again expose the Company to public outrage and reputational harm.

Beyond this, I eagerly encourage Congress to consider legislation that would be of greater assistance to companies seeking to protect shareholder interests in situations when privacy and those interests may conflict. I would hope that such legislation is overarching and clear, so that teams of lawyers are not required for interpretation. If such a “bright line” can be created, then my undertakings in this matter will not have been in vain.

Ms. Dunn served as a director of the Hewlett-Packard Company from July 1998 to September 22, 2006, and as Non-Executive Chairman of Hewlett-Packard Company from February 7, 2005 until September 22, 2006.