

OPSWARE INC  
Form SC TO-C  
July 23, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE TO**

**TENDER OFFER STATEMENT UNDER SECTION 14(d)(1) OR 13(e)(1)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**OPSWARE INC.**

(Name of subject company (Issuer))

**HEWLETT-PACKARD COMPANY  
ORCA ACQUISITION CORPORATION**

(Names of Filing Persons (Offerors))

**Common Stock, \$0.001 par value per share**  
(Title of classes of securities)

**68383A101**  
(CUSIP number of common stock)

**Charles N. Charnas, Esq.**  
**Vice President, Deputy General Counsel & Assistant Secretary**  
**Hewlett-Packard Company**  
**3000 Hanover Street**  
**Palo Alto, California 94304**  
**(650) 857-1501**

(Name, address, and telephone number of person authorized to receive notices and communications  
on behalf of filing persons)

*Copies to:*

**Paul T. Porrini, Esq.**  
**David K. Ritenour, Esq.**  
**Hewlett-Packard Company**  
**3000 Hanover Street**  
**Palo Alto, California 94304**  
**(650) 857-1501**

**Christopher E. Austin, Esq.**  
**Cleary Gottlieb Steen & Hamilton LLP**  
**One Liberty Plaza**  
**New York, New York 10006**  
**(212) 225-2000**

**CALCULATION OF FILING FEE**

**Transaction Valuation\***

**Amount of Filing Fee\***

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**Not applicable\***

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**Not applicable\***

\*

filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

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Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid:	N/A	Filing Party:	N/A
Form of Registration No.:	N/A	Date Filed:	N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of the tender offer.

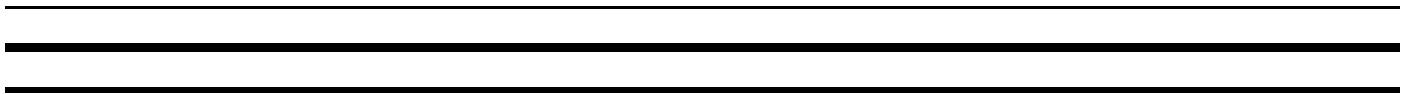
Check the appropriate boxes below to designate any transactions to which the statement relates:

third party tender offer subject to Rule 14d-1

issuer tender offer subject to Rule 13e-4

going private transaction subject to Rule 13e-3

amendment to Schedule 13D under Rule 13d-2

































































































## Frequently Asked Questions

July 23, 2007

## HP to acquire Opsware Inc.

Frequently Asked Questions for external audiences

### General and deal rationale

#### **What is HP announcing?**

HP announced today that it has signed a definitive agreement to acquire Opsware Inc., a leading data center automation software company.

#### **Why is HP acquiring Opsware?**

The acquisition will establish HP as a leader in data center automation and will extend HP Software's capabilities to automate the entire data center from initial provisioning of servers, networks and storage devices to managing ongoing change and compliance requirements with integrated process automation, removing the latency inherent in today's IT environments.

The proposed deal will expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing segments of IT operations.

The proposed deal will also solve our customers' biggest pain point in IT operations managing change. With the addition of the Opsware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

Editorial contacts:

Jean Kondo

+1 510 823 4728

Jean.kondo@hp.com

Opsware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP. Additionally, Opsware has a fast-growing revenue stream (66% in FY07) and an established, loyal customer base for its automated data center capabilities.

#### **Who is Opsware?**

Ryan J. Donovan

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+1 650 857 8410

ryan.j.donovan@hp.com

Headquartered in Sunnyvale, CA, Opware is a market leader in data center automation. It is a public company with FY07 revenue of \$101.7 million and year-over-year growth of 66%. Opware has been identified by industry analysts as the fastest-growing server provisioning vendor and a leader in network change and configuration.

HP Media Hotline

+1 866 266 7272

pr@hp.com

Opware has an established, loyal customer base for its automated data center capabilities. More than 350 of the world's largest companies, service providers and government agencies use Opware to automate their data center.

[www.hp.com/go/newsroom](http://www.hp.com/go/newsroom)

HP

3000 Hanover Street

Palo Alto, CA 94304

[www.hp.com](http://www.hp.com)

Currently, Opsware has approximately 550 employees located around the world. Opsware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP.

**How do Opsware and HP products fit together?**

The acquisition will combine Opsware data center automation capabilities with existing HP Software business service management and IT service management solutions to deliver the next generation of IT operations.

**What is the value to customers?**

With the addition of the Opsware software portfolio, HP Software would offer market-leading solutions that reduce the cost of running data centers, provide IT end-to-end operations and mitigate the business impact of change.

**What is data center automation software?**

Data center automation refers to automating the lifecycle of IT data center resources, including provisioning, deploying, changing, scaling, securing, recovering, consolidating, auditing and reallocating servers, network devices, storage devices and business applications.

**What is BTO?**

BTO helps customers make sure that every IT investment, every resource allocation and every application in development or production meets their business goals.

**How does Opsware support the HP business technology optimization (BTO) strategy?**

BTO helps customers make sure that every investment in IT, every resource allocated and every application in development or production meets their business goals. Opsware adds market-leading technology and expertise in data center automation, turning data center operations into a competitive advantage for business. This allows businesses to accelerate their time to market and shift their spending from reactive problem solving to strategic initiatives.



Pricing and deal structure

**What basis was used to price the deal?**

HP looked at a number of factors, including public company comparables, acquisition comparables, discounted cash flow, trading range of Opware stock and analyst price targets for Opware stock.

**Is this acquisition material to HP?**

Opware is an important acquisition that strengthens the HP BTO software portfolio. However, the acquisition is not material to HP from a financial reporting perspective.

**What has HP previously said regarding its appetite for transactions?**

This is an important acquisition, and we are excited about the opportunity. HP has indicated in the past that it is willing to do digestible strategic and financially sound acquisitions. HP's acquisition of Opware fits that profile.

**How much cash does HP have before and after this transaction, and how much cash is it generating?**

HP ended its second fiscal quarter April 30, 2007 with approximately \$12 billion in cash.

**What is the break up fee if the transaction doesn't proceed with HP?**

The break up fee is about \$50 million and is payable only upon the occurrence of certain events as described in HP's agreement with Opsware.

**How much cash does Opsware have?**

As of April 30, 2007, Opsware's cash balance was approximately \$74 million.

**How much debt does Opsware have?**

As of April 30, 2007, Opsware's debt position was immaterial.

Approval process

**Does this require HP or Opsware stockholder approval?**

The acquisition would be conducted by means of a tender offer for all of the outstanding shares of Opsware, followed by a merger of Opsware with an HP subsidiary. Once HP commences the tender offer for all of Opsware's outstanding shares, each Opsware stockholder will have the opportunity to make an independent investment decision whether to tender its shares in response to the offer.

Depending on the number of shares held by HP after its acceptance of all of the shares properly tendered in connection with the offer, Opsware stockholder approval of the subsequent merger may be required. HP stockholder approval will not be required.

**Is this transaction subject to review by antitrust regulatory authorities?**

The market impact of this transaction may be evaluated by U.S. and foreign regulators.

Opware employment-related questions

**What is the current status of Opware's organization?**

Opware is a publicly traded company, and as of January 31, 2007, had 452 employees, located in several locations around the world. Opware was founded in 1999 and is headquartered in Sunnyvale, California.

**How many employees does Opware have? HP Software? HP?**

As of January 31, 2007, Opware had 452 employees. As of October 31, 2006, HP had 156,000 employees. HP does not break out the specific number of employees in its individual businesses.

**What does today's announcement mean for Opware's employees?**

Today's announcement is that HP and Opware have signed an acquisition agreement, which is subject to certain closing conditions, whereby HP will acquire Opware through a cash tender offer for all of the outstanding shares of Opware, followed by a merger of Opware with an HP subsidiary. We expect the acquisition to close in HP's fourth fiscal quarter of 2007. Between now and the closing of the transaction, Opware will continue its day-to-day business operations.

**Will any Opware employees lose their jobs as a result of today's announcement?**

Between now and closing of the transaction, there will be no changes in Opware's day-to-day business operations.

**Will any Opware employees lose their jobs after the closing?**

Our intention is to acquire an operational business, and we expect that we would need Opware employees to continue their current functions to maintain this business.



The announced agreement contains several closing conditions that must be satisfied before the acquisition can be completed, and we expect that all employment decisions will be made after those conditions have been satisfied, and that all employment offers will be made after these conditions have been satisfied and the closing has occurred.

Employees and their representatives will be informed and, where required, consulted in connection with any employment decisions in accordance with any applicable local legal requirements.

**What will happen to senior Opsware executives?**

The Opsware leadership team will continue to focus on current business and will be active leaders in the integration within their respective functions.

**What will Ben Horowitz's role be?**

Following the close, Ben Horowitz is expected to lead the Business Technology Optimization Organization within HP Software.

**How similar are the compensation programs for the two companies?**

We do not disclose details of how compensation is structured. We are confident that we can work to align our compensation policies as part of the work to integrate these two businesses.

**What will the organizational structure be for Opsware within HP?**

After closing, Opsware would become part of the HP Software business, run by Thomas E. Hogan, Senior Vice President. HP Software is part of the HP Technology Solutions Group, led by Ann Livermore, Executive Vice President.

General Opsware questions

**What are Opsware's capabilities?**

Opsware is a leading data center automation company. Its software automates the entire data center, from provisioning to patching, configuration to compliance and discovery to deployment, turning data center operations into a competitive advantage for business.

**What does Opsware technology provide to HP?**

Opsware adds market-leading technology and expertise in data center automation to the HP IT service management and business service management software portfolio.

**What are Opsware's latest financials?**

Opsware's financial statements for its fiscal quarter ended April 30, 2007 are included beginning on page 1 of its Q107 Form 10-Q, which is available at <http://www.sec.gov/Archives/edgar/data/1100813/000110465907046684/0001104659-07-046684-index.htm>.

**Is there customer base overlap between Opsware and HP?**

HP and Opsware do have customers in common. The acquisition would provide the opportunity to offer broader IT management capabilities to both Opsware customers and HP customers.

**Does Opsware have particular strengths in certain vertical segments?**

Opsware technology is used by hundreds of companies worldwide including banks, service providers, retailers, manufacturers and Internet companies

**Who are Opsware's key competitors in the market today? How does the Opsware acquisition affect the competitive landscape?**

Opsware's primary competitors include BladeLogic and IBM. We believe that the combined capabilities of Opsware and HP BTO software and services would allow Opsware to be even more competitive by providing more complete enterprise IT automation and management solutions for aligning business and IT.

**Does the addition of data center automation take HP Software into a new market?**

Opsware has a strong customer base for its data center automation capabilities. Opsware's strengths in data center automation would complement the IT service management and business service management of HP Software.

General HP questions

**How does today's acquisition fit into HP's broader software and enterprise strategies?**

This acquisition would expand HP's business technology optimization BTO portfolio and enhance HP's ability to automate IT business outcomes.

**Does this acquisition further HP's next generation data center intentions? If so, how?**

This acquisition focuses on adding new data center automation capabilities to our software portfolio.

**What previous acquisitions has HP made for its enterprise management portfolio?**

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This acquisition would build upon the several acquisitions made by HP in the past three years of leading software technology, products and services to create one of the world's leading portfolio of enterprise IT management software and services. Among these acquisitions are:

Select Access from Baltimore Technologies (2003): identity access management

Talking Blocks (2003): SOA management

CodeArts (2004): virtual machine management

Novadigm (2004): client configuration management

Consera Software (2004): configuration management

TruLogica (2004): identity user provisioning

AppIQ (2005): infrastructure management

RLX (2005): infrastructure management

Outerbay (2005): storage infrastructure management

Peregrine Systems (2005): asset management, service management and service request management



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TrustGenix (2005): federated identity management

Mercury (2006): application delivery and management, IT and SOA governance

Bristol Technologies (2007): business transaction management

SPI Dynamics (pending): application security assessment

### **Will there be any follow-on acquisitions?**

We continually look for growth opportunities.

### **Will any HP employees lose their jobs if the acquisition is completed?**

As with most acquisitions, there may be areas of overlap in certain roles. The announced agreement contains several closing conditions that must be satisfied before the acquisition can be completed, and we expect that all employment decisions will be made after those conditions have been satisfied and the closing has occurred.

Employees and their representatives will be informed and, where required, consulted in connection with all employment decisions in accordance with any applicable local legal requirements.

### HP Software Business

### **How will Opware be integrated within HP?**

After closing, Opware would become part of the HP Software Business, run by Thomas E. Hogan, Senior Vice President, within the HP Technology Solutions Group, run by Ann Livermore, Executive Vice President.

### **How will the Opware portfolio be integrated with the rest of TSG, comprising servers, storage and HP Services?**

As with HP Software, Opsware supports the heterogeneous IT environments that our customers have. We believe that the combination of Opsware and HP would provide the best IT management and automation, the best IT infrastructure and the best professional services and solutions to deliver value to our customers.

Sales and customer channels

**Will Opsware products be sold through HP?**

Following the close of the acquisition, Opsware products would be available from HP through standard HP sales and service channels. More information about product integration, branding and the selling model would be available after the acquisition closes.

**Important information**

THESE FREQUENTLY ASKED QUESTIONS ARE FOR INFORMATIONAL PURPOSES ONLY AND ARE NOT AN OFFER TO BUY OR THE SOLICITATION OF AN OFFER TO SELL ANY SECURITIES. THE SOLICITATION AND THE OFFER TO BUY SHARES OF OPSWARE COMMON STOCK WILL BE MADE ONLY PURSUANT TO AN OFFER TO PURCHASE AND RELATED MATERIALS THAT HP INTENDS TO FILE WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"). OPSWARE STOCKHOLDERS AND OTHER INVESTORS SHOULD READ THESE MATERIALS CAREFULLY BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING THE TERMS AND CONDITIONS OF THE OFFER. ONCE FILED, OPSWARE STOCKHOLDERS AND OTHER INVESTORS WILL BE ABLE TO OBTAIN COPIES OF THE TENDER OFFER STATEMENT ON SCHEDULE TO, THE OFFER TO

PURCHASE AND RELATED DOCUMENTS WITHOUT CHARGE FROM THE SEC THROUGH THE SEC'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV). OPSWARE STOCKHOLDERS AND OTHER INVESTORS ALSO WILL BE ABLE TO OBTAIN COPIES OF THESE DOCUMENTS, WITHOUT CHARGE, FROM INNISFREE M&A INCORPORATED, THE INFORMATION AGENT FOR THE OFFER, AT +1 877 750 5838 OR BY EMAIL AT [INFO@INNISFREEMA.COM](mailto:INFO@INNISFREEMA.COM), FROM J.P. MORGAN SECURITIES, INC, THE DEALER MANAGER FOR THE OFFER, AT +1 877 371 5947, OR FROM HP. OPSWARE STOCKHOLDERS AND OTHER INVESTORS ARE URGED TO READ CAREFULLY THOSE MATERIALS PRIOR TO MAKING ANY DECISIONS WITH RESPECT TO THE OFFER.

#### **Forward-looking statements**

These frequently asked questions contain forward-looking statements that involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, the results of HP and its consolidated subsidiaries could differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including the expected benefits and costs of the transaction; management plans relating to the transaction; the expected timing of the completion of the transaction; the ability to complete the transaction considering the various closing conditions, including those conditions related to regulatory approvals; the plans, strategies and objectives of management for future operations, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the possibility that expected benefits may not materialize as expected; that the transaction may not be timely completed, if at all; that, prior to the completion of the transaction, Opware's business may not perform as expected due to transaction-related uncertainty or other factors; that the parties are unable to successfully implement integration strategies; and other risks that are described from time to time in HP's and Opware's Securities and Exchange Commission reports, including but not limited to the risks described in HP's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2007 and Opware's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2007. HP assumes no obligation and does not intend to update these forward-looking statements.

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7/2007

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July 23, 2007

TO: HP Software customers

FROM: Thomas E. Hogan, Senior Vice President, HP Software

SUBJECT: HP to Acquire Opsware Inc., establishing HP as a leader in data center automation software market

Today, HP announced that we signed a definitive agreement to acquire Opsware Inc., a leader in data center automation software.

We have heard from you, our customers, that data center management has become one of your most critical pain points. We understand that the high growth in IT management costs and complexity is driving the need for automation.

The proposed acquisition of Opsware will establish HP as a leader in data center automation and will extend HP Software's capabilities to automate the entire data center from initial provisioning of servers, networks and storage devices to managing ongoing change and compliance requirements with integrated process automation, removing the latency inherent in today's IT environments.

The proposed deal will expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing segments in IT operations.

The proposed deal will also solve your biggest pain point in IT operations managing change. With the addition of the Opsware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

The addition of Opsware will reinforce our commitment to you and our standing as one of the world's leading software companies. We are excited about the opportunity to better serve your needs and help you deliver better business outcomes from your IT investments.

We will update you on our plans for integration when the acquisition closes, which is expected to occur in HP's fourth fiscal quarter of 2007 (subject to customary closing conditions). In the meantime, if you have any questions about this announcement, please contact your HP sales representative.

Regards,

Tom

THIS LETTER IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT AN OFFER TO BUY OR THE SOLICITATION OF AN OFFER TO SELL ANY SECURITIES. THE SOLICITATION AND THE OFFER TO BUY SHARES OF OPSWARE COMMON STOCK WILL BE MADE ONLY PURSUANT TO AN OFFER TO PURCHASE AND RELATED MATERIALS THAT HP INTENDS TO FILE WITH THE SECURITIES AND EXCHANGE COMMISSION. OPSWARE STOCKHOLDERS AND OTHER INVESTORS SHOULD READ THESE MATERIALS CAREFULLY BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING THE TERMS AND CONDITIONS OF THE OFFER. ONCE FILED, OPSWARE STOCKHOLDERS AND OTHER INVESTORS WILL BE ABLE TO OBTAIN COPIES OF THE TENDER OFFER STATEMENT ON SCHEDULE TO, THE OFFER TO PURCHASE AND RELATED DOCUMENTS WITHOUT CHARGE FROM THE SECURITIES AND EXCHANGE COMMISSION THROUGH THE COMMISSION'S WEBSITE AT [WWW.SEC.GOV](http://WWW.SEC.GOV). OPSWARE STOCKHOLDERS AND OTHER INVESTORS ALSO WILL BE ABLE TO OBTAIN COPIES OF THESE DOCUMENTS, WITHOUT CHARGE, FROM INNISFREE M&A INCORPORATED, THE INFORMATION AGENT FOR THE OFFER, AT +1 877 750 5838 OR BY EMAIL AT [INFO@INNISFREEMA.COM](mailto:INFO@INNISFREEMA.COM), FROM J.P. MORGAN SECURITIES, INC, THE DEALER MANAGER FOR THE OFFER, AT +1 877 371 5947, OR FROM HP. STOCKHOLDERS AND OTHER INVESTORS ARE URGED TO READ CAREFULLY THOSE MATERIALS PRIOR TO MAKING ANY DECISIONS WITH RESPECT TO THE OFFER.

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## Frequently Asked Questions

July 23, 2007

### HP to acquire Opsware Inc.

Frequently Asked Questions for customers

#### General and deal rationale

##### **What is HP announcing?**

HP announced today that it has signed a definitive agreement to acquire Opsware Inc., a leading data center automation software company.

##### **Why is HP acquiring Opsware?**

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The proposed deal will expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing segments of IT operations.

The proposed deal will also solve our customers' biggest pain point in IT operations managing change. With the addition of the Opsware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

Opsware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP. Additionally, Opsware has a fast-growing revenue stream (66% in FY07) and an established, loyal customer base for its automated data center capabilities.

### **Who is Opsware?**

Headquartered in Sunnyvale, CA, Opsware is a market leader in data center automation. It is a public company with FY07 revenue of \$101.7 million and year-over-year growth of 66%. Opsware has been identified by industry analysts as the fastest-growing server provisioning vendor and a leader in network change and configuration.

Opsware has an established, loyal customer base for its automated data center capabilities. More than 350 of the world's largest companies, service providers and government agencies use Opsware to automate their data center.

Opsware currently has approximately 550 employees located around the world. Opsware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP.

**How do Opsware and HP products fit together?**

The acquisition will combine Opsware data center automation capabilities with existing HP Software business service management and IT service management solutions to deliver the next generation of IT operations.

**What is the value to customers?**

With the addition of the Opsware software portfolio, HP Software would offer market-leading solutions that reduce the cost of running data centers, provide IT end-to-end operations and mitigate the business impact of change.

Products and technology

**What will happen to the various product lines that Opsware currently markets?**

We intend to support Opsware's existing customers. We also intend to strengthen the integration between Opsware solutions and the HP Software portfolio.

**Don't HP and Opsware have similar product capabilities? How will you resolve overlapping functionality?**

HP Software provides client automation expertise today for managing the configuration, identity and assets of desktop systems. Opsware would add enhanced automated management capabilities for servers, networks and storage, complementing HP Software capabilities.

Sales contacts

**Whom should I work with if I am interested in the other company's products?**

Continue to work with your HP or Opware sales representative as you currently do. Your sales representative can answer your sales, product, pricing, service and support questions.

If you are interested in products from the other company, you need to contact a sales representative from the other company for more information. Until the acquisition closes, the two companies must continue to operate independently.

**How will HP and Opware operate after the close of the acquisition?**

Following the closing of the acquisition, Opware will become part of the HP Software organization, and the Opware sales organization will become part of HP Software Sales.

**Will the acquisition affect my relationship with my HP partner?**

Continue to work with your partner as you currently do. After closing, we would work with Opware and HP Software channel partners to determine how to combine and optimize their strengths. As part of our go-to-market program, we would determine how to enable HP Software channel partners to sell Opware products and how to align Opware partners with HP partner programs. More information will be made available when the acquisition closes.



General Opware questions

**Will any Opware employees lose their jobs as a result of today's announcement?**

Between now and closing of the transaction, there will be no change in Opware's day-to-day business operations.

The announced agreement requires a number of steps to obtain government and shareholder approval before the merger will be final, and we expect that any employment decisions will be made at the conclusion of that process. Employees and their representatives will be informed and, where required, consulted in connection with any employment decisions in connection with local legal requirements.

**What will happen to senior Opware executives?**

The Opware leadership team will continue to focus on current business and will be active leaders in the integration within their respective functions.

**How will Opware be integrated within HP?**

After closing, Opware would become part of the HP Software business, run by Thomas E. Hogan, Senior Vice President. HP Software is part of the HP Technology Solutions Group, led by Ann Livermore, Executive Vice President.

General HP questions

**How does today's acquisition fit into HP's broader software and enterprise strategies?**

This acquisition would expand HP's business technology optimization BTO portfolio and enhance HP's ability to automate IT business outcomes.

**What previous acquisitions has HP made for its enterprise management portfolio?**

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This acquisition would build upon the several acquisitions made by HP in the past several years of leading software technology, products and services to create one of the world's leading portfolios of enterprise IT management software and services. Among these acquisitions are:

Select Access from Baltimore Technologies (2003): identity access management

Talking Blocks (2003): SOA management

CodeArts (2004): virtual machine management

Novadigm (2004): client configuration management

Consera Software (2004): configuration management

TruLogica (2004): identity user provisioning

AppIQ (2005): infrastructure management

RLX (2005): infrastructure management

Outerbay (2005): storage infrastructure management

Peregrine Systems (2005): asset management, service management and service request management

TrustGenix (2005): federated identity management

Mercury (2006): application delivery and management, IT and SOA governance



Bristol Technologies (2007): business transaction monitoring

SPI Dynamics (pending): application security assessment software

**Will there be any follow-on acquisitions?**

We continually look for growth opportunities.

**Important information**

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**Forward-looking statements**

These frequently asked questions contain forward-looking statements that involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, the results of HP and its consolidated subsidiaries could differ materially from those expressed or implied by such forward-looking statements and assumptions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including the expected benefits and costs of the transaction; management plans relating to the transaction; the expected timing of the completion of the transaction; the ability to complete the transaction considering the various closing conditions, including those conditions related to regulatory approvals; the plans, strategies and objectives of management for future operations, including the execution of integration plans; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. Risks, uncertainties and assumptions include the possibility that expected benefits may not materialize as expected; that the transaction may not be timely

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completed, if at all; that, prior to the completion of the transaction, Opsware's business may not perform as expected due to transaction-related uncertainty or other factors; that the parties are unable to successfully implement integration strategies; and other risks that are described from time to time in HP's and Opsware's Securities and Exchange Commission reports, including but not limited to the risks described in HP's Quarterly Report on Form 10-Q for the fiscal quarter

## Edgar Filing: OPSWARE INC - Form SC TO-C

ended April 30, 2007 and Opware's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2007. HP assumes no obligation and does not intend to update these forward-looking statements.

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7/2007

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July 23, 2007

TO: HP Software partners  
FROM: Thomas E. Hogan, Senior Vice President, HP Software  
SUBJECT: HP to Acquire Opware Inc., establishing HP as a leader in data center automation software market

Today, HP announced that we signed a definitive agreement to acquire Opware Inc., a leader in data center automation software.

The proposed acquisition of Opware will establish HP as a leader in data center automation and will extend HP Software's capabilities to automate the entire data center from initial provisioning of servers, networks and storage devices to managing ongoing change and compliance requirements with integrated process automation, removing the latency inherent in today's IT environments.

The proposed deal will expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing markets in IT.

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The proposed deal will also solve our customers' biggest pain point in IT operations—managing change. With the addition of the Opsware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

### Additional sales opportunities

Upon its close, this acquisition will provide additional sales opportunities for HP partners. We will be combining two businesses, each growing faster than its addressable market. The combination will make HP a leader in change and configuration management software.

We will focus on the go-to-market program for the Opsware products and services when the acquisition closes, which is expected to occur in HP's fourth fiscal quarter of 2007 (subject to customary closing conditions).

After that time, we will let you know as decisions are made about the role of HP Software partners. Until then, we encourage you to continue doing business as you have been. If you have any questions about this announcement, please contact your HP partner representative.

Good selling

Tom

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## Frequently Asked Questions

July 23, 2007

### HP to acquire Opsware Inc.

Frequently Asked Questions for partners

#### General and deal rationale

##### **What is HP announcing?**

HP announced today that it has signed a definitive agreement to acquire Opsware Inc., a leading data center automation software company.

##### **Why is HP acquiring Opsware?**



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The acquisition will establish HP as a leader in data center automation and will extend HP Software's capabilities to automate the entire data center from initial provisioning of servers, networks and storage devices to managing ongoing change and compliance requirements with integrated process automation, removing the latency inherent in today's IT environments.

The proposed deal will expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing segments of IT operations.

The proposed deal will also solve our customers' biggest pain point in IT operations managing change. With the addition of the Opware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

Opware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP. Additionally, Opware has a fast-growing revenue stream (66% in FY07) and an established, loyal customer base for its automated data center capabilities.

### **Who is Opware?**

Headquartered in Sunnyvale, CA, Opware is a market leader in data center automation. It is a public company with FY07 revenue of \$101.7 million and year-over-year growth of 66%. Opware has been identified by industry analysts as the fastest-growing server provisioning vendor and a leader in network change and configuration.

Opware has an established, loyal customer base for its automated data center capabilities. More than 350 of the world's largest companies, service providers and government agencies use Opware to automate their data center.

Currently, Opware has approximately 550 employees located around the world. Opware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP.

**How do Opware and HP products fit together?**

The acquisition will combine Opware data center automation capabilities with existing HP Software business service management and IT service management solutions

to deliver the next generation of IT operations.

**What is the value to customers?**

With the addition of the Opware software portfolio, HP Software would offer market-leading solutions that reduce the cost of running data centers, provide IT end-to-end operations and mitigate the business impact of change.

**Do you plan to integrate Opware's partners into HP partner programs?**

After closing, HP would work with Opware and HP Software partners to determine how to combine and optimize their strengths. As part of our go-to-market program, we would determine how to enable HP Software partners to sell Opware products and how to align Opware partners with HP partner programs. More information will be made available when the acquisition closes.

**How does the acquisition affect partners who have relationships with both HP and Opware?**

At this time, both partner programs are continuing as they have. Customers should continue to work with both their HP and Opware contacts. More information will be made available when the acquisition closes.

**Where can I get information on Opware products?**

You can access information about Opware from [www.opware.com](http://www.opware.com).

**When will I be able to sell Opware products?**

We will determine that as part of our integration planning after the acquisition closes.

**What should I do if my customer wants to buy Opware products now?**

Your customer should contact Opware. Until the acquisition closes, the two companies must continue to operate independently.

**Will training be available for Opware products?**

We intend to offer training across the Opware product line. More information will be made available after the acquisition closes.

**Important information**

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7/2007

[Opware employees]

**HP Signs Agreement to Acquire Opware Inc.**

Dear Opware Employees -

By now you may be aware of today's big news. HP has just signed a definitive agreement to acquire Opware Inc., and it's a pleasure for me to have this opportunity to express our excitement about the plan and what it will mean to HP's business and customers. Your market-leading solutions will enhance HP's IT operations solutions by expanding our data center automation offerings. Our combined solutions will enable our customers to automate the entire data center from initial provisioning of servers, networks and storage devices through ongoing changes and updates with integrated process automation, removing the latency inherent in today's IT environments. Put simply, we will have the opportunity to create the next generation of capabilities in IT operations.

By way of introduction, HP Software is the sixth largest software business in the world, but just as important, it is one of the fastest growing. As a company, we've made a major commitment to growing our enterprise software business. Our Business Technology Optimization (BTO) portfolio contains market-leading solutions in the strategy, applications and operations domains of IT management. We also support our customers' needs to manage escalating amounts of business information with our Business Information Optimization (BIO) solutions.

Your solutions for data center automation will expand our leadership in IT operations. We understand and value the intellectual property you have developed. We are also tremendously enthusiastic about you as leaders and technologists who have built a company that is a clear market leader. Moreover, following the closing, Ben Horowitz is expected to lead our important BTO organization within HP Software as a member of my management team.

We expect the acquisition to close in HP's fourth fiscal quarter of 2007, which ends on October 31. At that time Opware would become part of the HP Software business. I also want to let you know that HP's intention is to acquire an operational business, and that means we expect to need most Opware employees to continue in their current functions.

Between now and the closing of the transaction, be assured that there will be no changes in the day-to-day business operations, and your management team will continue to operate business as usual. Our companies will operate as separate entities as the transaction goes through regulatory review and other closing processes. To answer questions about the acquisition, we plan to set up an informational link at [askHP@opware.com](mailto:askHP@opware.com). This should be operational later today.

Best regards,

Tom Hogan

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## Frequently Asked Questions

July 23, 2007

### HP to acquire Opware Inc.

Frequently Asked Questions for Opware employees

#### General and deal rationale

#### **What is HP announcing?**

HP announced today that it has signed a definitive agreement to acquire Opware Inc., a leading data center automation software company.

**Why is HP acquiring Opsware?**

The acquisition will extend HP Software's capabilities to automate the entire data center from initial provisioning of servers, networks and storage devices to managing ongoing change and compliance requirements with integrated process automation, removing the latency inherent in today's IT environments.

The proposed deal will establish HP as a leader in data center automation and expand the HP portfolio of business technology optimization (BTO) software for IT operations and combine market leadership in business service management and IT service management with market leadership in data center automation, one of the fastest growing segments of IT operations.

The proposed deal also will solve our customers' biggest pain point in IT operations managing change. With the addition of the Opsware data center automation software portfolio, HP Software will offer market-leading solutions that mitigate risk by driving automated change throughout the data center and reduce costs by automating repetitive, manual processes.

Opsware is a results-driven, high-performing company with outstanding people who are expected to be a strong addition to HP. Additionally, Opsware has a fast-growing revenue stream (66% in FY07) and an established, loyal customer base for its automated data center capabilities.

**What does today's announcement mean for Opsware's market opportunity?**

HP's agreement to acquire Opsware is a unique opportunity for Opsware to pursue Opsware's strategy to grow faster than the market and would give Opsware the resources to be a leader in data center automation and IT operations. By leveraging the strength of HP's brand and global footprint, Opsware will be in a position to penetrate more IT organizations. With this transaction, Opsware will instantaneously generate greater worldwide awareness for Opsware's data center automation solutions. The combination of HP and Opsware will accelerate our ability to shape the future of IT automation.



**What does today's announcement mean for Opware's employees?**

Today's announcement is that HP and Opware have signed an acquisition agreement, which is subject to certain closing conditions, whereby HP will acquire Opware through a cash tender offer for all of the outstanding shares of Opware, followed by a merger of an HP subsidiary with Opware. We expect the acquisition to close in HP's fourth fiscal quarter of 2007, ending October 31. Between now and the closing of the transaction, Opware will continue its day-to-day business operations.

**What does today's announcement mean to your job at Opware?**

HP's intention is to acquire an ongoing business, and it is very clear that HP needs most employees to continue in their current functions to maintain this business. As with most acquisitions, there may be areas of overlap in certain roles. Final employment decisions will occur during the integration process after the closing of the acquisition.

**What will happen to Opware executives, such as Ben Horowitz?**

Our expectation is that the Opware leadership team will continue to focus on current business and will be active leaders in the integration within their respective functions. Following the close, Ben Horowitz is expected to lead the Business Technology Optimization organization within HP Software.

**What is HP's vision for Opware?**

The Opware acquisition would enhance the HP BTO portfolio, combining Opware data center automation capabilities with existing HP Software business service management and IT service management solutions to deliver the next generation of IT operations.

**How will our customers benefit?**

Leveraging the HP brand, global reach and strength in IT management software, the acquisition would significantly enhance the ability to help Opware customers manage their IT operations across the entire lifecycle from end user to the data center.

HP would provide Opware customers with access to the industry's broadest portfolio of enterprise IT management software, enabling them to align business and technology. HP also has a worldwide presence with customers in more than 170 countries and would be able to more efficiently deliver a combined suite of solutions to global customers.

Furthermore, HP products are backed by a full range of services and support.

**Will we get the funding/resources we need to continue developing and marketing Opware products?**

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HP expects to continue to invest in Opsware technology and in marketing Opsware solutions as an important component of our BTO strategy.

**How should Opware and HP employees interact between now and when the deal closes?**

Between now and the closing of the transaction, Opware needs to continue its day-to-day business operations, and HP and Opware will continue to operate as separate companies. Some integration planning will begin closer to when the acquisition closes, which may involve some Opware employees.

Integration

**What will happen to the various product lines that we currently market?**

HP intends to invest in Opware products and support your existing customers. We also intend to strengthen the integration between Opware and HP Software solutions.

**Will our products be rebranded? How will Opware products be sold?**

Following the close of the acquisition, Opware products would become part of the HP Software portfolio available from HP through the HP Software sales and service channels. More information about branding and the selling model would be available after the acquisition closes.

**How will Opware be integrated within HP?**

After closing, Opware would become part of the HP Software business, led by Thomas E. Hogan, Senior Vice President. Following the close, Ben Horowitz is expected to lead the Business Technology Optimization organization within HP Software.

**Will Opware employees relocate to HP facilities?**

This will be determined as part of the integration planning process. Updates will be provided on an ongoing basis.

**Opware has strong partnerships, including EDS and Cisco. Will this continue after HP acquires us?**

HP recognizes that Opware has existing alliances with EDS and Cisco, which have contributed greatly to its success. HP already has a relationship with these vendors and will continue working with them for continuous support of existing customers and to develop new business opportunities.

**When will HP publish an integration plan and roadmap?**

Product and integration plans will be defined and communicated after the close of the acquisition. Integration planning will begin as the close approaches.

**Where do Opsware employees go with questions about HP?**

Upon closing the acquisition, HP will communicate with you to help integrate Opsware and HP people, processes and culture. HP will also provide an orientation and training on HP contacts and where to go for HP-related information. We will also provide pointers to HP processes and resources. In the meantime, you can send questions about HP to your manager.

**Compensation and benefits**

**What will happen to my healthcare benefits?**

**HP offers a comprehensive and competitive compensation and benefits package to its employees. Total Rewards sessions, hosted by HP benefits and compensation representatives, will occur shortly after the close.**

**What will happen to my compensation and benefits?**

HP offers a comprehensive and competitive compensation and benefits package to its employees. More specific information will be shared later.

**What does this mean for Opware vested stock options?**

Generally, at the close of the acquisition, any outstanding and vested options that have an exercise price less than \$14.25 per share will receive cash equal to the difference between the \$14.25 and the exercise price, multiplied by the number of such vested shares, subject to applicable tax and social insurance withholding requirements.

**What does this mean for Opware unvested stock options?**

At the effective close of the acquisition, HP will convert Opware outstanding and unvested options into HP options with an exercise price below \$14.25 into HP options, subject to the following conditions:

the option holder must be an employee or service provider of HP or an HP subsidiary immediately after the effective time,

for non-U.S. employees:

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HP must be able to obtain applicable regulatory approvals or be able to convert such options under local laws, and

conversion of the options must be in line with HP policies and practices in the applicable jurisdiction.

The number of options and the exercise price of those options will be adjusted according to a conversion ratio, as specified in the Merger Agreement, which will preserve the economic value of the options.

### **What does this mean for the restricted shares that Opware employees have?**

At the effective close of the acquisition, HP will pay employees who hold less than 500 restricted shares cash equal to \$14.25 per restricted share, subject to applicable tax and social insurance withholding requirements.

### **How will employees on visas be affected?**

Until the close of the acquisition, employees with visas will remain in their current Opware status. Continuing employees who receive an offer of ongoing employment with HP will receive assistance from HP in transferring visa status.

### **How will the acquisition affect the Opware Employee Stock Purchase (ESPP) Program?**

The current ESPP offering period will continue until the current purchase date of August 31, 2007. Effective July 20, participants will be able to remain in the plan at their current participation level, reduce the participation level or withdraw prior to the purchase date. The ESPP will be terminated on August 31, 2007.

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