

HEWLETT PACKARD CO

Form DFAN14A

March 11, 2002

**SCHEDULE 14A**  
**(RULE 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement

Definitive

Proxy

Statement

Confidential, for

Use of the

Commission Only

(as permitted by

Rule 14a-6(e)(2))

Definitive

Additional

Materials

Soliciting

Material Pursuant

to Rule 14a-12

**HEWLETT-PACKARD COMPANY**

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(Name of Registrant as Specified In Its Charter)

**WALTER B. HEWLETT, EDWIN E. VAN BRONKHORST AND THE WILLIAM R. HEWLETT REVOCABLE TRUST**

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

Fee not required.

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Rules 14a-6(i)(4)

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(1) Title of each

class of securities

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(1) Amount

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(2) Form,  
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Statement No.:

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(3) Filing Party:

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FOR IMMEDIATE RELEASE

WALTER HEWLETT COMMENTS FROM THE ROAD

**Pleased With Strong Support Against Merger**

Palo Alto, CA, March 10, 2002 Walter B. Hewlett, on behalf of The William R. Hewlett Revocable Trust and its trustees, today sent the following letter to stockholders of Hewlett-Packard Company:

Dear Fellow Hewlett-Packard Stockholder:

As March 19th nears, I want to thank HP stockholders for the support and encouragement we have received. Based on our experience to date, we are ever more confident that the proposed Compaq merger will be defeated.

This is an important vote for you and every other HP stockholder because the value of your investment is at stake. We continue to believe that a merger of HP with Compaq will destroy stockholder value. HP, we're convinced, has economically superior alternatives to prosper with less risk by investing in the crown jewel Imaging & Printing business, filling key gaps and focusing on profitability not scale in PCs.

**In this post-Enron world it is even more important that stockholders let their voice be heard by their board of directors and not allow them to turn a blind eye toward stockholder value.**

On Friday, **CalPERS**, the nation's largest pension fund, which invests over \$151 billion, and a recognized champion for better corporate governance and stockholder value, announced that it would vote against the merger because **the immediate and potential long-term negative financial risk, high premium paid, significant integration risk, and strategic uncertainty of the proposed combination lead them to conclude that the merger did not present the best alternative for value creation to their portfolio.**

In addition, **Ontario Teachers Pension Plan Board**, one of the largest pension funds in Canada, also announced that **it would vote against the merger citing the merger's lack of strategic merit, increased exposure to a troubled commodity PC hardware business and that the merger will significantly dilute Hewlett-Packard's shareholder's interests in a profitable Imaging & Printing business.** Also last week:

**Standard & Poor's**, one of the nation's leading rating agencies, lowered HP's corporate credit and senior debt ratings by three and two notches, respectively, citing the significant execution risk of the merger, as well as decreased earnings predictability and profitability. On the day the merger was announced, Moody's, the other leading rating agency, cut HP's credit rating two levels with outlook negative as a result of the proposed merger.

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An independent study was disclosed with more than 1,000 customer responses conducted by Ziff-Davis Market Experts that concluded that **most customers are not coming down on the side of the HP/CPQ management and that IBM and Dell will benefit from the merger.**<sup>1</sup>

**HP stockholders lost another \$1 billion in value on March 6, 2002, the first trading day after HP touted the ISS decision on the HP/Compaq merger.** Once again the market passed judgment on the HP/Compaq merger just as it did when the transaction was announced. And once again, the price of HP stock dropped, resulting in another major loss for stockholders. The market has consistently spoken against this merger.

These developments only serve to strengthen our belief, which has been endorsed by numerous HP stockholders and business experts, that the proposed merger is a terrible idea and not the best path for HP. We believe that the merger would:

Create an unattractive business mix by trading away an interest in HP's crown jewel Imaging & Printing business for a double down bet on commodity computing

Impose a substantial and unacceptable integration risk by attempting to combine and rationalize sales forces, support services, product lines and production facilities

Cause a near-term and long-term negative financial impact on HP

HP employees also appear to agree. In three separate studies, commissioned by David W. Packard and conducted by the Field Research Corporation, an independent nationally recognized opinion research firm, **HP employees surveyed were more than 2 to 1 against the merger.**<sup>2</sup>

#### **HP'S BRIGHT FUTURE > WITHOUT COMPAQ**

We believe that HP has a brighter future without Compaq. Under our analysis, a "Focus and Execute" strategy would have the potential to generate \$14 to \$17 greater value per share than the proposed Compaq merger.<sup>3</sup> Under this strategy, HP would hardly stand still. Rather, HP would enhance its strengths, support its weaknesses and move rapidly toward greater profitability and a stronger competitive position. The three guiding principles of this strategy are:

Re-allocate investment in Imaging & Printing to defend HP's position and capitalize on emerging growth opportunities

Build mid-range and high-end enterprise position by filling key gaps

Focus on profitability, not scale, in PCs

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**Because a Focus and Execute strategy yields a more attractive business mix with less risk, we believe that HP would have more predictable earnings, less volatility and a higher return on equity than HP/Compaq combined.** Therefore, we believe that following this strategy, HP would command a significantly more attractive earnings multiple, more in line with HP's multiple prior to the announcement of the proposed merger. **We believe that this strategy, and not a double down bet on commodity computing, is the path to create significant stockholder value.**

**HP IS NOT JUST ANOTHER COMPANY  
MARCH 19th IS NOT JUST ANOTHER STOCKHOLDER MEETING**

Behind all of the financial analysis, all of the studies and polls, and the heated rhetoric from HP lies this simple truth: you, as a stockholder of HP, have the opportunity to decide what kind of company HP will be. HP management has consistently tried to present this decision as a choice between HP's past and HP's future. **Rather, it is a choice between different futures. For many decades, HP has represented a unique vision of the best an American corporation could be. This merger threatens everything that has made HP great.**

HP has many strengths to build on – a leading position in the very attractive imaging and printing market, a great consumer brand, a strong reputation with enterprise customers and a prodigious source of innovation in HP Labs. HP had strong results in the fourth quarter, demonstrating the underlying strength of the company, and pointing out the inherent fallacy of a bet-the-company merger with Compaq, which derives 65% of its revenue from low-margin commodity computing. **HP is not a company in crisis and is not a company that deserves to be trashed the way we believe it will be if the merger is completed.**

**ON MARCH 19th YOU WILL DECIDE ON HP'S FUTURE**

Every vote counts in this matter because your investment is at stake. You need merely focus on what really matters – stockholder value – to reach the right answer, as so many other HP stockholders and business experts have already done.

**Do not allow HP to make a \$25 billion mistake by acquiring Compaq. It is wrong for HP. It is wrong for stockholder value. It is wrong for you.**

We urge you to vote **AGAINST** the proposed merger by signing, dating and mailing your **GREEN** proxy today. Only your latest dated proxy counts – you can vote more than once – you have every right to now vote against the merger by returning a **GREEN** proxy even if you have previously voted.

Thank you for your continued support and encouragement.

Sincerely,

/s/ Walter B. Hewlett

Walter B. Hewlett

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1 Ziff Davis Market Experts survey The HP/Compaq Merger: Customers in the Balance, February 2002.  
2 The surveys  
were  
commissioned  
and paid for by  
David W.  
Packard, acting  
as an individual.  
Mr. Packard is  
not a participant  
in the solicitation  
of proxies from  
Hewlett-Packard  
stockholders  
being conducted  
by Walter B.  
Hewlett, Edwin  
E. van  
Bronkhorst and  
The William R.  
Hewlett  
Revocable Trust.  
Field Research  
Corporation: Poll  
of HP's Corvallis  
Employees Finds  
Strong  
Opposition to the  
Company's  
Proposed Merger  
With Compaq  
2/20/02; HP's  
Boise Employees  
as Strongly  
Opposed to the  
Company's  
Proposed Merger  
with Compaq as  
Its Corvallis  
Employees  
2/25/02. Survey  
results are based  
on random  
samples of a total  
of 940 current  
and 1,037 former  
HP  
employees.<sup>3</sup> Based  
on assumptions  
outlined in a  
report titled HP  
Has Higher  
Value, Lower  
Risk Strategic  
Alternatives to



the Proposed  
Merger filed with  
the SEC on  
2/19/02.

For additional information, visit our website at [www.votenoHPcompaq.com](http://www.votenoHPcompaq.com).

**FORWARD-LOOKING STATEMENTS**

The views expressed in this letter contain judgments, which are subjective in nature and in certain cases forward-looking in nature. This letter also contains estimates made without the benefit of actual measurement. Forward-looking statements and estimates by their nature, involve risks, uncertainties and assumptions. Forward-looking statements and estimates are inherently speculative in nature and are not guarantees of actual measurements or of future developments. Actual measurements and future developments may and should be expected to differ materially from those expressed or implied by estimates and forward-looking statements. The information contained in this letter does not purport to be an appraisal of any business or business unit or to necessarily reflect the prices at which any business or business unit or any securities actually may be bought or sold.

**ADDITIONAL IMPORTANT INFORMATION**

On February 5, 2002, Walter B. Hewlett, Edwin E. van Bronkhorst and the William R. Hewlett Revocable Trust (collectively, the Filing Persons ) filed a definitive proxy statement with the Securities and Exchange Commission relating to the proposed merger involving Hewlett-Packard Company and Compaq Computer Corporation. The Filing Persons urge stockholders to read their definitive proxy statement because it contains important information. You may obtain a free copy of the Filing persons' definitive proxy statement and any other soliciting materials relating to the Filing Persons' solicitation on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov), on the Filing Persons website at [www.votenoHPcompaq.com](http://www.votenoHPcompaq.com), or by contacting MacKenzie Partners, Inc. at 1-800-322-2885 or 1-212-929-5500, or by sending an email to [proxy@mackenziepartners.com](mailto:proxy@mackenziepartners.com).

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