BARRACUDA NETWORKS INC
Form PREM14A
December 27, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE

SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

BARRACUDA NETWORKS, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: common stock, par value $0.001 per share, of Barracuda Networks, Inc.

(2) Aggregate number of securities to which transaction applies: As of December 19, 2017, 53,664,879 shares of common stock; 2,075,072 shares of common stock issuable upon the exercise of stock options with an exercise price below $27.55; and 3,899,603 shares of common stock underlying restricted stock units.

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): The maximum aggregate value was determined based upon the sum of: (A) 53,664,879 shares of common stock multiplied by $27.55 per share; (B) options to purchase 2,075,072 shares of common stock with an exercise price below $27.55 multiplied by $12.06 (the difference between $27.55 and the weighted average exercise price of $15.50 per share); and (C) 3,899,603 shares of common stock underlying restricted stock units multiplied by $27.55 per share. In accordance with Section 14(g) of the Securities Exchange Act of 1934, as amended, the filed fee was determined by multiplying the sum calculated in the preceding sentence by $0.0001245.

(4) Proposed maximum aggregate value of transaction: $1,610,926,847.42

(5) Total fee paid: $200,560.40

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

Barracuda Networks, Inc.

3175 S. Winchester Blvd.

Campbell, CA 95008

[ ], 201[ ]

To the Stockholders of Barracuda Networks, Inc.:

You are cordially invited to attend a special meeting of stockholders (the Special Meeting) of Barracuda Networks, Inc., a Delaware corporation (Barracuda , the Company , we , us , or our), to be held on [ ], 2018, at [ ], Pacific ti

At the Special Meeting, you will be asked to consider and vote on a proposal to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement), dated November 26, 2017, by and among Barracuda, Project Deep Blue Holdings, LLC, a Delaware limited liability company (Newco), and Project Deep Blue Merger Corp., a Delaware corporation and a wholly-owned subsidiary of Newco (Merger Sub). Newco and Merger Sub were formed by an affiliate of the private equity investment firm Thoma Bravo, LLC (Thoma Bravo). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into Barracuda (the Merger), and Barracuda will become a wholly owned subsidiary of Newco.

If the Merger is completed, you will be entitled to receive $27.55 in cash, without interest, for each share of common stock that you own (unless you have properly exercised your appraisal rights), which represents a premium of : (1) approximately 21.5% over the average closing price of Barracuda s common stock over the thirty (30) day trading period prior to and including November 24, 2017, the last trading day prior to the date on which Barracuda entered into the Merger Agreement; and (2) approximately 16.3% over the closing price of Barracuda s common stock on November 24, 2017.

The Board of Directors of Barracuda (the Board of Directors), after considering the factors more fully described in the enclosed proxy statement, has unanimously (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and in the best interests of Barracuda and its stockholders; and (2) adopted and approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement. The Board of Directors recommends that you vote (1) FOR the adoption of the Merger Agreement; and (2) FOR the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the Merger Agreement at the time of the Special Meeting.

The enclosed proxy statement provides detailed information about the Special Meeting, the Merger Agreement and the Merger. A copy of the Merger Agreement is attached as Annex A to the proxy statement. The proxy statement also describes the actions and determinations of the Board of Directors in connection with its evaluation of the Merger Agreement and the Merger. We encourage you to read the proxy statement and its annexes, including the Merger Agreement, carefully and in their entirety, as they contain important information.

Whether or not you plan to attend the Special Meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the Internet or by telephone. If you attend the Special Meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted.

If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals, including the proposal to adopt the Merger Agreement, without your instructions.

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Your vote is very important, regardless of the number of shares that you own. We cannot complete the Merger unless the proposal to adopt the Merger Agreement is approved by the affirmative vote of the holders of at least a majority of the outstanding shares of common stock.

If you have any questions or need assistance voting your shares, please contact our proxy solicitor:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Banks and Brokerage Firms Call: (212) 493-3910

Stockholders Call Toll Free: (800) 334-0384

On behalf of the Board of Directors, I thank you for your support and appreciate your consideration of this matter.

Sincerely,

William D. BJ Jenkins, Jr.
Chief Executive Officer

The accompanying proxy statement is dated [ ], 201[ ] and, together with the enclosed form of proxy card, is first being mailed on or about [ ], 201[ ].

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

Barracuda Networks, Inc.

3175 S. Winchester Blvd.

Campbell, CA 95008

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [ ], 2018

Notice is hereby given that a special meeting of stockholders (the Special Meeting) of Barracuda Networks, Inc., a Delaware corporation (Barracuda , the Company , we , us , or our), will be held on [ ], 2018, at [ ], at [ ], Pacific for the following purposes:

1. To consider and vote on the proposal to adopt the Agreement and Plan of Merger (as it may be amended from time to time, the Merger Agreement), dated November 26, 2017, by and among Barracuda, Project Deep Blue Holdings, LLC, a Delaware limited liability company (Newco), and Project Deep Blue Merger Corp., a Delaware corporation and a wholly-owned subsidiary of Newco (Merger Sub). Newco and Merger Sub were formed by affiliates of the private equity investment firm Thoma Bravo, LLC (Thoma Bravo). Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into Barracuda (the Merger), and Barracuda will become a wholly-owned subsidiary of Newco;

2. To consider and vote on any proposal to adjourn the Special Meeting to a later date or dates if necessary or appropriate to solicit additional proxies if there are insufficient votes to adopt the Merger Agreement at the time of the Special Meeting; and

3. To transact any other business that may properly come before the Special Meeting or any adjournment, postponement or other delay of the Special Meeting.

Only stockholders of record as of the close of business on [ ], 201[ ] are entitled to notice of the Special Meeting and to vote at the Special Meeting or any adjournment, postponement or other delay thereof.

The Board of Directors unanimously recommends that you vote (1) FOR the adoption of the Merger Agreement; and (2) FOR the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the Merger Agreement at the time of the Special Meeting.

Whether or not you plan to attend the Special Meeting in person, please sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the Internet or by telephone. If you attend the Special Meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your bank, broker or other nominee cannot vote on any of the proposals,

including the proposal to adopt the Merger Agreement, without your instructions.

By the Order of the Board of Directors,

William D. BJ Jenkins, Jr.
Chief Executive Officer

Dated: [ ], 201[ ]

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YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, WE ENCOURAGE YOU TO SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE (1) BY TELEPHONE; (2) THROUGH THE INTERNET; OR (3) BY SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED. You may revoke your proxy or change your vote at any time before it is voted at the Special Meeting.

If you hold your shares in street name, you should instruct your bank, broker or other nominee how to vote your shares in accordance with the voting instruction form that you will receive from your bank, broker or other nominee. Your broker or other agent cannot vote on any of the proposals, including the proposal to adopt the Merger Agreement, without your instructions.

If you are a stockholder of record, voting in person by ballot at the Special Meeting will revoke any proxy that you previously submitted. If you hold your shares through a bank, broker or other nominee, you must obtain a legal proxy in order to vote in person at the Special Meeting.

If you fail to (1) return your proxy card; (2) grant your proxy electronically over the Internet or by telephone; or (3) attend the Special Meeting in person, your shares will not be counted for purposes of determining whether a quorum is present at the Special Meeting and, if a quorum is present, will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement but will have no effect on the other two proposals.

We encourage you to read the accompanying proxy statement and its annexes, including all documents incorporated by reference into the accompanying proxy statement, carefully and in their entirety. If you have any questions concerning the Merger, the Special Meeting or the accompanying proxy statement, would like additional copies of the accompanying proxy statement or need help voting your shares of common stock, please contact our proxy solicitor:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

Banks and Brokerage Firms Call: (212) 493-3910

Stockholders Call Toll Free: (800) 334-0384

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

SUMMARY

This summary highlights selected information from this proxy statement related to the merger of Project Deep Blue Merger Corp. with and into Barracuda Networks, Inc., which we refer to as the Merger , and may not contain all of the information that is important to you. To understand the Merger more fully and for a more complete description of the legal terms of the Merger, you should carefully read this entire proxy statement, the annexes to this proxy statement and the documents that we refer to in this proxy statement. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions under the caption Where You Can Find More Information. The Merger Agreement is attached as Annex A to this proxy statement. We encourage you to read the Merger Agreement, which is the legal document that governs the Merger, carefully and in its entirety.

Except as otherwise specifically noted in this proxy statement, Barracuda , the Company , we , our , us and similar words refer to Barracuda Networks, Inc., including, in certain cases, our subsidiaries. Throughout this proxy statement, we refer to Project Deep Blue Holdings, LLC as Newco and Project Deep Blue Merger Corp. as Merger Sub . In addition, throughout this proxy statement we refer to the Agreement and Plan of Merger, dated November 26, 2017, by and among Barracuda, Newco and Merger Sub, as it may be amended from time to time, as the Merger Agreement .

Parties Involved in the Merger

Barracuda Networks, Inc.

Barracuda simplifies IT with cloud-enabled solutions that empower customers to protect their networks, applications and data, regardless of where they reside. These powerful, easy-to-use and affordable solutions are trusted by more than 150,000 organizations worldwide and are delivered in appliance, virtual appliance, cloud and hybrid deployment configurations. Barracuda s customer-centric business model focuses on delivering high-value, subscription-based IT solutions that provide end-to-end network and data protection. Barracuda s common stock is listed on the New York Stock Exchange (the NYSE) under the symbol CUDA .

Project Deep Blue Holdings, LLC

Project Deep Blue Holdings, LLC was formed on November 9, 2017, solely for the purpose of engaging in the transactions contemplated by the Merger Agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the Merger Agreement and arranging of the equity financing and debt financing in connection with the Merger.

Project Deep Blue Merger Corp.

Project Deep Blue Merger Corp. is a wholly owned direct subsidiary of Newco and was formed on November 9, 2017, solely for the purpose of engaging in the transactions contemplated by the Merger Agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the Merger Agreement and arranging of the equity financing and debt financing in connection with the Merger.

Newco and Merger Sub are each affiliated with Thoma Bravo Fund XII, L.P. (TBFXII). In connection with the transactions contemplated by the Merger Agreement, (1) TBFXII has provided to Newco equity commitments of up to approximately $740 million; and (2) Newco has obtained debt financing commitments from Goldman Sachs & Co.

LLC, Credit Suisse Securities (USA) LLC, UBS Investment Bank, Stamford Branch and UBS Securities LLC, and certain of their respective affiliates for an aggregate amount of $835 million, which

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will be available to fund a portion of the payments contemplated by the Merger Agreement (in each case, pursuant to the terms and conditions as described further under the caption The Merger Financing of the Merger).

Newco, Merger Sub and TBFXII are affiliated with Thoma Bravo, LLC (Thoma Bravo). Thoma Bravo is a leading private equity investment firm building on a 30 year history of providing equity and strategic support to experienced management teams and growing companies.

The Merger

Upon the terms and subject to the conditions of the Merger Agreement, if the Merger is completed, Merger Sub will merge with and into Barracuda, and Barracuda will continue as the surviving corporation and as a wholly owned subsidiary of Newco (the Surviving Corporation). As a result of the Merger, Barracuda will cease to be a publicly traded company, all outstanding shares of Barracuda stock will be cancelled and converted into the right to receive the $27.55 per share in cash, without interest and less any applicable withholding taxes (the Per Share Merger Consideration) (except for any shares owned by stockholders who are entitled to and who properly exercise appraisal rights under the Delaware General Corporation Law (the DGCL)), and you will no longer own any shares of the capital stock of the Surviving Corporation.

After the Merger is completed, you will have the right to receive the Per Share Merger Consideration, but you will no longer have any rights as a stockholder (except that stockholders who properly exercise their appraisal rights may have the right to receive a payment for the fair value of their shares as determined pursuant to an appraisal proceeding as contemplated by Delaware law, as described below under the caption The Merger Appraisal Rights).

Treatment of Options and Restricted Stock Units

As a result of the Merger, the treatment of Barracuda s options to purchase shares of common stock (each, a Company Option) and restricted stock units (each, an RSU) that are outstanding immediately prior to the time at which the Merger will become effective (the Effective Time) will be as follows:

Options

To the extent not exercised prior to the Effective Time, each outstanding vested Company Option (including any Company Option that vests in connection with the Merger) will be cancelled and converted into the right to receive an amount in cash (without interest and subject to deduction for any required withholding tax) equal to the product of (1) the excess, if any, of $27.55 per share over the exercise price per share of each such vested Company Option, multiplied by (2) the number of shares of common stock issuable upon the exercise in full of such vested Company Option (the Option Consideration).

Each unvested Company Option outstanding as of immediately prior to the Effective Time (and that will not vest in connection with the Merger) will be cancelled and converted into the contingent right to receive an amount in cash (without interest and subject to deduction for any required withholding tax), equal to the product of: (1) the excess, if any, of $27.55 per share over the exercise price per share of each such unvested Company Option; and (2) the number of shares of common stock issuable upon the exercise in full of such unvested Company Option (the Contingent Option Consideration). The Contingent Option Consideration will be subject to the holder remaining continuously employed with the Surviving Corporation and satisfaction of the original vesting conditions applicable to the underlying unvested Company Option.

Each outstanding Company Option with an exercise price per share equal to or greater than $27.55 per share will be cancelled without consideration upon the Effective Time.

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Restricted Stock Units

Each vested RSU outstanding as of immediately prior to the Effective Time (including any RSU that becomes a vested RSU in connection with the Merger) will be cancelled and converted into the right to receive an amount in cash (without interest and subject to deduction for any required withholding tax) equal to the product of (1) $27.55 per share and (2) the number of shares of common stock subject to such vested RSU to be paid as soon as practicable (and in no event more than 30 calendar days) following the Closing.

Each unvested RSU outstanding immediately prior to the Effective Time (and that will not vest in connection with the Merger), will be cancelled and converted into the contingent right to receive an amount in cash (without interest and subject to deduction for any required withholding) equal to the product of (1) $27.55 per share, and (2) the number of shares of common stock subject to such unvested RSU (the Contingent RSU Consideration). The Contingent RSU Consideration will be subject to the holder remaining continuously employed with the Surviving Corporation and satisfaction of the original vesting conditions applicable to the underlying unvested RSU.

Treatment of Purchase Rights under the Employee Stock Purchase Plan

Prior to the Effective Time (1) all outstanding purchase rights under the 2015 Employee Stock Purchase Plan (the ESPP) will automatically be exercised upon the earlier of (i) immediately prior to the Effective Time and (ii) the last day of the current offering period in progress as of the date of the Merger Agreement; (2) the ESPP will terminate with such purchase and no further purchase rights will be granted under the ESPP thereafter; (3) each individual participating in the ESPP will not be permitted to (i) increase the amount of his or her rate of payroll contributions from the rate in effect as of the date of the Merger Agreement or (ii) make separate non-payroll contributions to the ESPP on or following the date if the Merger Agreement; and (4) no individual who is not participating in the ESPP as of the date of the Merger Agreement may commence participation in the ESPP following the date of the Merger Agreement. All shares of common stock purchased under the ESPP in the final offering will be cancelled at the Effective Time and converted into the right to receive $27.55 per share.

Financing of the Merger

We anticipate that the total amount of funds necessary to complete the Merger and the related transactions will be approximately $1.6 billion, which will be funded via equity financing and debt financing described below, as well as cash on hand of the Company. This amount includes funds needed to (i) pay stockholders the amounts due under the Merger Agreement; (ii) make payments in respect of our outstanding equity-based awards pursuant to the Merger Agreement; and (iii) repay our existing third-party indebtedness.

In connection with the Merger, Newco has entered into an equity commitment letter, dated as of November 26, 2017, with TBFXII for an equity commitment of approximately $740 million. For more information, see the section of this proxy statement captioned The Merger Financing of the Merger.

In connection with the Merger, Newco has obtained debt financing commitments from Goldman Sachs & Co. LLC, Credit Suisse Securities (USA) LLC, UBS AG, Stamford Branch and UBS Securities LLC and certain of their respective affiliates, pursuant to which they have committed to provide Newco with $630 million in senior secured first lien facilities and $205 million in a senior secured second lien credit facility, which will be available to fund a portion of the payments contemplated by the Merger Agreement. For more information, see the section of this proxy statement captioned The Merger Financing of the Merger. Although the obligation of Newco and Merger Sub to consummate the Merger is not subject to any financing condition, the Merger Agreement provides that, without Newco s agreement, the closing of the Merger will not occur earlier than the first business day after the expiration of

the marketing period, which is the first period of eighteen (18)

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consecutive business days throughout which Newco has received certain financial information from Barracuda necessary to syndicate any debt financing; provided that the marketing period will not begin prior to January 3, 2018. For more information, see the section of this proxy statement captioned The Merger Agreement Marketing Period.

Conditions to the Closing of the Merger

The obligations of Barracuda, Newco and Merger Sub, as applicable, to consummate the Merger are subject to the satisfaction or waiver of certain conditions, including (among other conditions), the following:

- the adoption of the Merger Agreement by the requisite affirmative vote of stockholders;
- the (i) expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act); and (ii) approvals or clearances of the Merger by the relevant antitrust authorities in Austria and Germany;
- the consummation of the Merger not being made illegal or otherwise prohibited by any law or order of any governmental authority of competent jurisdiction;
- the accuracy of the representations and warranties of Barracuda, Newco and Merger Sub in the Merger Agreement, subject to materiality qualifiers (generally other than as would not constitute a Company Material Adverse Effect or, in the case of the capitalization and RSU vesting schedule representations and warranties of Barracuda, in each case, other than as would not increase the aggregate Merger consideration by more than $5 million), as of the date of the Merger Agreement and/or as of the Effective Time or the date in respect of which such representation or warranty was specifically made;
- since the date of the Merger Agreement, there not having occurred or arisen any Company Material Adverse Effect that is continuing;
- the performance or compliance in all material respects by Barracuda, Newco and Merger Sub of their respective obligations required to be performed by them under the Merger Agreement at or prior to the Effective Time; and
- receipt of certificates executed by executive officers of Barracuda, on the one hand, or Newco and Merger Sub, on the other hand, to the effect that the conditions described in the preceding three bullets have been satisfied.

Regulatory Approvals Required for the Merger

Under the Merger Agreement, the Merger cannot be completed until (i) the applicable waiting period under the HSR Act, has expired or been terminated; and (ii) the approvals or clearances of the Merger by the relevant antitrust authorities in Germany have been granted; and (iii) the applicable waiting period under the Austrian Federal

Competition Authority (FCA) has expired or been terminated.

Recommendation of the Board of Directors

Barracuda s Board of Directors (the Board of Directors), after considering various factors described under the caption The Merger Recommendation of the Board of Directors and Reasons for the Merger, has unanimously (1) determined that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable and in the best interests of Barracuda and its stockholders and (2) adopted and approved the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement. The Board of Directors unanimously recommends that you vote (1) **FOR** the adoption of the Merger Agreement; and (2) **FOR** the adjournment of the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes to adopt the Merger agreement at the time of the Special Meeting.

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Fairness Opinion of Morgan Stanley

The Company retained Morgan Stanley to provide it with financial advisory services in connection with the possible sale of the Company and to render a financial opinion letter with respect to the consideration to be received by the stockholders in the Transaction. The Board of Directors selected Morgan Stanley to act as the Company s financial advisor based on Morgan Stanley s qualifications, expertise, and reputation, its knowledge of and involvement in recent transactions in the software industry, and its knowledge and understanding of the Company s business and affairs. At the meeting of the Board of Directors on November 26, 2017, Morgan Stanley rendered to the Board of Directors its oral opinion, subsequently confirmed by delivery of a written opinion, dated as of November 26, 2017, that as of the date of such opinion and based upon and subject to the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of review undertaken by Morgan Stanley as set forth in the written opinion, the consideration to be received by the holders of shares of Company common stock pursuant to the Merger Agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Morgan Stanley to the Board of Directors, dated as of November 26, 2017, which sets forth, among other things, the assumptions made, procedures followed, matters considered and qualifications and limitations on the scope of the review undertaken by Morgan Stanley in rendering its opinion, is attached as Annex B to this proxy statement and is incorporated by reference in this proxy statement in its entirety. The summary of the opinion of Morgan Stanley in this proxy statement is qualified in its entirety by reference to the full text of the opinion. Holders of shares of Company common stock should read Morgan Stanley s opinion carefully and in its entirety. Morgan Stanley s opinion was directed to the Board of Directors, in its capacity as such, and addressed only the fairness from a financial point of view of the consideration to be received by the holders of shares of Company common stock pursuant to the Merger Agreement as of the date of the opinion and did not address any other aspects or implications of the Merger. Morgan Stanley s opinion was not intended to, and does not, constitute advice or a recommendation to any holder of Company common stock nor was it intended to express any opinion as to how any stockholder of the Company should vote at any stockholders meeting that may be held in connection with the Merger.

For a more complete description, see the section of this proxy statement captioned The Merger Fairness Opinion of Morgan Stanley & Co. LLC .

Interests of Barracuda s Directors and Executive Officers in the Merger

When considering the recommendation of the Board of Directors that you vote to approve the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, your interests as a stockholder. In (i) evaluating and negotiating the Merger Agreement; (ii) approving the Merger Agreement and the Merger; and (iii) recommending that the Merger Agreement be adopted by stockholders, the Board of Directors was aware of and considered these interests to the extent that they existed at the time, among other matters. These interests include the following:

- the entitlement of a named executive officer who has entered into an offer letter agreement to receive payments and benefits in connection with a change in control (as such term is defined in the applicable offer letter agreement);

the entitlement of certain executive officers who have entered into offer letter agreements to receive payments and benefits upon an involuntary termination of employment other than for cause (as such term is defined in the applicable offer letter agreement), within twelve (12) months after a change in control;

the cash-out of vested Company Options and RSUs;

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the contingent payment right for unvested Company Options and RSUs;

the accelerated vesting of equity-based awards held by non-employee members of our Board of Directors in connection with their termination pursuant to the 2012 Equity Incentive Plan (the 2012 Plan); and

the continued indemnification and directors and officers liability insurance to be provided by the Surviving Corporation.

If the proposal to adopt the Merger Agreement is approved, the shares of common stock held by our directors and executive officers will be treated in the same manner as outstanding shares of common stock held by all other stockholders. For more information, see the section of this proxy statement captioned The Merger Interests of Barracuda s Directors and Executive Officers in the Merger.

Appraisal Rights

If the Merger is completed, stockholders who do not vote in favor of the adoption of the Merger Agreement and who properly demand appraisal of their shares may be entitled to appraisal rights in connection with the Merger under Section 262 of the DGCL. This means that stockholders may be entitled to have their shares appraised by the Delaware Court of Chancery and to receive payment in cash of the fair value of their shares of common stock, exclusive of any elements of value arising from the accomplishment or expectation of the Merger, together with interest to be paid on the amount determined to be fair value, if any, as determined by the court. Due to the complexity of the appraisal process, stockholders who wish to seek appraisal of their shares are encouraged to seek the advice of legal counsel with respect to the exercise of appraisal rights.

Stockholders considering seeking appraisal should be aware that the fair value of their shares as determined pursuant to Section 262 of the DGCL could be more than, the same as or less than the Per Share Merger Consideration.

To exercise your appraisal rights, you must (i) deliver a written demand for appraisal to Barracuda before the vote is taken on the proposal to adopt the Merger Agreement; (ii) not submit a proxy or otherwise vote in favor of the proposal to adopt the Merger Agreement; and (iii) continue to hold your shares of common stock through the Effective Time. Additionally, certain other conditions, described further herein, must be met. Your failure to follow exactly the procedures specified under the DGCL may result in the loss of your appraisal rights. The DGCL requirements for exercising appraisal rights are described in further detail in this proxy statement, and the relevant section of the DGCL regarding appraisal rights is reproduced in Annex C to this proxy statement. If you hold your shares of common stock through a bank, broker or other nominee and you wish to exercise appraisal rights, you should consult with your bank, broker or other nominee to determine the appropriate procedures for the making of a demand for appraisal on your behalf by your bank, broker or other nominee.

Material U.S. Federal Income Tax Consequences of the Merger

For U.S. federal income tax purposes, the receipt of cash by a U.S. Holder (as defined under the caption The Merger Material U.S. Federal Income Tax Consequences of the Merger) in exchange for such U.S. Holder s shares of common stock in the Merger generally will result in the recognition of gain or loss in an amount measured by the difference, if any, between the amount of cash that such U.S. Holder receives in the Merger and such U.S. Holder s adjusted tax basis in the shares of common stock surrendered in the Merger.

A Non-U.S. Holder (as defined under the caption The Merger Material U.S. Federal Income Tax Consequences of the Merger) generally will not be subject to U.S. federal income tax with respect to the exchange of common stock for cash in the Merger unless such Non-U.S. Holder has certain connections to the United States.

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For more information, see the section of this proxy statement captioned The Merger Material U.S. Federal Income Tax Consequences of the Merger. **Stockholders should consult their own tax advisors concerning the U.S. federal income tax consequences relating to the Merger in light of their particular circumstances and any consequences arising under the laws of any state, local or foreign taxing jurisdiction.**

Alternative Acquisiti on Proposals

Under the Merger Agreement, from the date of the Merger Agreement until the Effective Time, Barracuda has agreed not to, and to cause its subsidiaries and its and their respective directors, officers, employees, consultants, agents, representatives and advisors, whom we collectively refer to as representatives, not to, among other things: (1) solicit, initiate, knowingly encourage, knowingly facilitate or knowingly induce the making, submission or announcement of any inquiry, offer or proposal that would be reasonably expected to lead to an acquisition proposal or acquisition transaction (as defined under The Merger Agreement Alternate Acquisition Proposals); or (2) participate or engage in discussions or negotiations regarding, or provide any non-public information to, any person relating to, or that would reasonably be expected to lead to, an acquisition proposal or acquisition transaction.

Notwithstanding these restrictions, under certain circumstances, prior to the adoption of the Merger Agreement by stockholders, Barracuda may provide information to, and engage or participate in negotiations or substantive discussions with, a person regarding an acquisition proposal if the Board of Directors determines in good faith after consultation with its financial advisor and its outside legal counsel that such proposal is a superior proposal or is reasonably likely to lead to a superior proposal and to not do so would be inconsistent with its fiduciary duties. For more information, see the section of this proxy statement captioned The Merger Agreement Alternative Acquisition Proposals .

Barracuda is not entitled to terminate the Merger Agreement to enter into an agreement for a superior proposal unless it complies with certain procedures in the Merger Agreement, including negotiating with Newco in good faith over a three (3) business day period so that any superior proposal no longer constitutes a superior proposal. The termination of the Merger Agreement by Barracuda in order to accept a superior proposal will result in the payment by Barracuda of a $48.26 million termination fee to Newco. For more information, see the section of this proxy statement captioned The Merger Agreement The Board of Directors Recommendation; Company Board Recommendation Change.

Termination of the Merger Agreement

The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after the adoption of the Merger Agreement by stockholders, in the following ways:

by mutual written agreement of Barracuda and Newco;

by either Barracuda or Newco if:

the Effective Time shall not have occurred on or before March 26, 2018, which we refer to as the termination date (except that the right to terminate the Merger Agreement as a result of the occurrence of the termination date will not be available to any party if the failure of such party to perform or comply with its obligations under the Merger Agreement has been the principal cause or resulted in the

failure of the closing of the Merger to have occurred on or before such date);

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Barracuda s stockholders fail to adopt the Merger Agreement at the Special Meeting or any adjournment or postponement thereof; or

any applicable law or order of a governmental authority in the U.S., Austria, or Germany makes the Merger illegal permanently in the U.S., Austria or Germany, or which has the effect of permanently prohibiting the consummation of the Merger in the U.S., Austria or Germany, and such order has become final and nonappealable;

by Barracuda if:

Newco or Merger Sub has breached or failed to perform any of its respective representations, warranties, covenants or other agreements set forth in the Merger Agreement such that certain corresponding conditions set forth in the Merger Agreement are not satisfied, and such breach is not capable of being cured, or is not cured, before the earlier of the termination date or the date that is thirty (30) calendar days following Barracuda s delivery of written notice of such breach (provided that Barracuda may terminate before the end of the thirty (30) calendar days if Newco or Merger Sub cease or fail to exercise and continue not to exercise commercially reasonable efforts to cure such breach or inaccuracy); provided that Barracuda may not terminate the Merger Agreement as described in this bullet point if Barracuda is in material breach of any covenant contained in the Merger Agreement;

in the event that all of the conditions to closing have been satisfied (other than those conditions that by their terms are to be satisfied at the closing, each of which is capable of being satisfied at the closing), but Newco and Merger Sub have failed to consummate the Merger, and Barracuda has irrevocably notified Newco in writing that all of the conditions to closing have been satisfied and continue to be satisfied (other than those conditions that by their terms are to be satisfied at the closing, each of which is capable of being satisfied at the closing) or that it is willing to waive any unsatisfied conditions, and Newco and Merger Sub fail to consummate the Merger on the later of (1) the expiration of three (3) business days after the receipt of such notice or (2) a date set forth in such notice; or

prior to the adoption of the Merger Agreement by stockholders and so long as Barracuda is not then in material breach of its obligations related to acquisition proposals and superior proposals, in order to enter into a definitive agreement with respect to a superior proposal in accordance with the terms of the Merger Agreement, subject to Barracuda paying to Newco a termination fee of $48.26 million; and

by Newco if:

Barracuda has breached or failed to perform any of its respective representations, warranties, covenants or other agreements set forth in the Merger Agreement such that certain corresponding conditions set forth in the Merger Agreement are not satisfied, and such breach is not capable of being cured, or is not cured, before the earlier of the termination date or the date that is thirty (30) calendar days following Newco s delivery of written notice of such breach (provided that Newco may terminate

before the end of the thirty (30) calendar days if Barracuda ceases or fails to exercise and continues not to exercise commercially reasonable efforts to cure such breach or inaccuracy); provided that Newco may not terminate the Merger Agreement as described in this bullet point if Newco is in material breach of any covenant contained in the Merger Agreement; or

prior to the adoption of the Merger Agreement by the stockholders, the Board of Directors effects a company board recommendation change.

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Termination Fees and Expense Reimbursement

Except in specified circumstances, whether or not the Merger is completed, Barracuda, on the one hand, and Newco and Merger Sub, on the other hand, are each responsible for all of their respective costs and expenses incurred in connection with the Merger and the other transactions contemplated by the Merger Agreement.

Barracuda will be required to pay to Newco a termination fee of $48.26 million if the Merger Agreement is terminated under specified circumstances. In certain cases where Newco cannot collect such termination fee, or such termination fee is not then payable, Newco may be due up to $3 million from Barracuda as reimbursement for expenses related to the transactions contemplated by the Merger Agreement. In no case will Newco be due its termination fee and expense reimbursement; if Newco has collected any money for expense reimbursements, such amounts will be deducted from the termination fee when due.

Newco will be required to pay to Barracuda a termination fee of $96.53 million if the Merger Agreement is terminated under different specified circumstances.

For more information on these termination fees, see the section of this proxy statement captioned The Merger Agreement Termination Fees and Expense Reimbursement.

Effect on Barracuda if the Merger is Not Completed

If the Merger Agreement is not adopted by stockholders or if the Merger is not completed for any other reason, stockholders will not receive any payment for their shares of common stock. Instead, Barracuda will remain an independent public company, our common stock will continue to be listed and traded on the NYSE and registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), and we will continue to file periodic reports with the Securities and Exchange Commission (the SEC). Under specified circumstances, Barracuda will be required to pay Newco a termination fee upon the termination of the Merger Agreement; and under different specified circumstances, Newco will be required to pay Barracuda a termination fee upon the termination of the Merger Agreement. For more details see the section of this proxy statement captioned The Merger Agreement Termination Fees and Expe