

VMWARE CONDITIONAL SPECIAL DIVIDEND LOGISTICS

Frequently Asked Questions November 16, 2018

Note: This FAQ document is intended to address the conditions and logistics for payment of the conditional special dividend announced by VMware on July 2, 2018. These FAQs speak as of the date set forth above and may be updated from time to time as further information is known and can be made publicly available. For information regarding the background of the dividend declaration, its expected impact on VMware and the related Dell Technologies Inc. (“Dell”) transaction, please see the press releases issued by VMware and Dell on July 2, 2018, the press release issued by Dell on November 15, 2018 and additional materials available on the VMware and Dell websites. For an update on the timing of the dividend record and payment dates, please see the Current Report on Form 8-K filed by VMware with the Securities and Exchange Commission (“SEC”) on November 15, 2018.

1. What are the basic facts regarding the conditional special dividend? What does a stockholder need to know?

- On July 1, 2018 the VMware Board of Directors declared an \$11 billion conditional special dividend to be distributed pro-rata to stockholders.
- Dell’s pro-rata share of the conditional special dividend will total approximately \$9 billion.
- The dividend is conditional. Payment of the special dividend is conditioned upon approval of the Dell transaction agreement by the stockholders of Dell, including the separate approval of the holders of Dell Class V common stock (“DVMT”) (other than affiliates of Dell), and the satisfaction of certain other conditions detailed in the supplemental schedule to VMware’s July 2, 2018 press release announcing the dividend and the Current Report on Form 8-K filed by VMware with the SEC on November 15, 2018.
- Dell has reaffirmed that, pending stockholder approval, it expects the Dell transaction to close in calendar year 2018. Accordingly, assuming that all conditions to the closing of the Dell transaction agreement are met (other than the actual payment of Dell’s pro-rata portion of the dividend) and other conditions to the dividend are satisfied, the dividend payment would also occur in 2018 to stockholders of record on the record date. However, we don’t know the precise timing of the dividend payment, as it depends primarily on timing for the Dell transaction, which is uncertain and not within VMware’s control.
- The timing of the record date is based on the date that Dell publicly announces that it has received votes from its stockholders sufficient to approve the Dell transaction agreement and the date that Dell’s Class C Common Stock is approved for listing on the New York Stock Exchange (“NYSE”) and will be established as set forth in the Current Report on Form 8-K that VMware filed with the SEC on November 15, 2018.
- This is a one-time conditional special dividend. VMware does not plan to pay a recurring dividend.

2. What is the Dell transaction agreement?

- Dell is pursuing an exchange transaction pursuant to which each share of Dell's Class V common stock will be converted into the right to receive, at the holder's election (i) a number of shares (the "**Share Consideration**") of Dell's Class C common stock to be determined by an exchange ratio that will be established in accordance with the terms of a transaction agreement, as amended, entered into by Dell, or (ii) \$120.00 in cash (the "**Cash Consideration**"), subject to an aggregate amount of Cash Consideration that may be received by holders of Dell Class V common stock not to exceed \$14 billion.
- Upon the closing of the Dell transaction, shares of Dell's Class V common stock will be eliminated and Dell' Class C common stock will be publicly traded.
- The Dell transaction is subject to Dell stockholder approval, including approval by holders of the Dell's Class V common stock (other than affiliates of Dell), and the satisfaction of other conditions set forth in the Dell transaction agreement.
- For more information, please visit the Dell investor relations webpage to view the Dell press releases of July 2, 2018 and November 15, 2018 and additional information regarding the Dell transaction.

3. Exactly how much per share will each VMware stockholder receive from the conditional special dividend?

- The \$11 billion amount of the conditional special dividend will be paid pro-rata to stockholders as of the record date. The amount per share will depend upon the number of shares outstanding on the record date for the dividend.
- For example, if the record date had been August 31, 2018, the \$11 billion dividend amount would have been divided by the 408,733,940 shares of VMware Class A and Class B common stock outstanding on August 31, and each share of VMware Class A and Class B common stock would have been entitled to a special dividend of approximately \$26.91.
- We can't predict the precise number of shares outstanding on the record date, and therefore can't provide detail on the dividend amount per share until after the record date.

4. What are the key dates to understand?

- There are three key dates to understand.
 - **First is the record date.** All stockholders who hold outstanding shares of VMware stock on the record date will be entitled to receive the dividend payment. The per share dividend amount will be determined based on the number of shares outstanding on the record date.
 - **Second is the dividend payment date.** The dividend payment date is expected to be the first business day (or possibly the second business day) immediately following the record date. This is when the

dividend will be paid to stockholders entitled to receive the dividend. Note that the conditions to payment of the dividend must be met in order for the payment to proceed.

- **Third is the ex-dividend date.** This is expected to be the first trading day immediately following the dividend payment date. This is the day that the NYSE has informed VMware that VMware shares will begin trading without the right to receive the dividend payment.

5. What does a conditional special dividend mean? What are the conditions?

- The special dividend will be paid only if the conditions for the dividend payment are met by January 31, 2019. In addition, the dividend will not be paid if the Dell transaction agreement is terminated for any reason.
- We are calling this dividend a “special” dividend because VMware does not pay ordinary dividends on a periodic basis. We have not declared a dividend since our IPO in 2007 and, aside from this special dividend, we do not plan to pay dividends in the future.
- Payment of the special dividend is conditioned upon approval by the holders (other than affiliates of Dell) of Dell’s Class V common stock of the Dell transaction agreement and Dell Technologies’ ability to consummate its transaction, as well as certain legal requirements.
- These and other conditions are detailed in the supplemental schedule to our July 2, 2018 press release and the Current Report on Form 8-K filed with the SEC on November 15, 2018, both available on the Investor Relations page of VMware’s website.

6. Please provide a more detailed overview of the conditions.

- There are two sets of conditions. The first set must be met in order to set a record date for the special dividend. The second set must be met in order for VMware to pay out the special dividend.
- This FAQ summarizes the conditions for setting the record date and paying the VMware special dividend. For the specific list of conditions, please refer to the supplemental schedule to our July 2, 2018 press release and the Current Report on Form 8-K filed by VMware with the SEC on November 15, 2018 available on the Investor Relations page of VMware’s website.

7. What are the conditions for setting the record date?

- a) The public announcement by Dell that it has received votes from its stockholders sufficient to approve of the Dell transaction, including the separate approval of a majority of the holders of Dell’s Class V common stock unaffiliated with Dell; and
 - b) Approval of Dell’s Class C common stock for listing on the NYSE.
- The record date will be first business day following the deadline for Dell Class V common stockholders to elect whether to receive cash or Dell Class C common stock in exchange for their Class V common stock shares (the “**Election Deadline**”), provided that such day is at least eight calendar days

- following the approval of Dell's Class C common stock for listing on the NYSE, except that if such day is December 24 (Christmas Eve) or December 31 (New Year's Eve), then the record date will be next succeeding business day.
- Dell has established the Election Deadline as the eighth trading day following Dell's announcement that it has sufficient stockholder votes to approve the Dell transaction.
 - For example, if Dell announces the approval of the Dell transaction on the date of its stockholder meeting, December 11, then the dividend record date would be December 26, provided that Dell Class C common stock is approved no later than December 18 for listing on the NYSE.
 - Additionally, a Dividend Committee of the Board of Directors of VMware may set different record and payment dates with the approval of Dell if it deems it advisable.
 - The Dell stockholder approval must be obtained no later than January 18, 2019.

8. What additional conditions must be met for VMware to pay the special dividend?

- a) Dell must provide a certification to VMware that each of the conditions (other than the payment of the special dividend) to the Dell transaction have been satisfied or (to the extent permitted in the Dell transaction agreement) waived, including the conditions that:
- i. The stockholders of Dell have approved the Dell transaction.
 - ii. There is no legal injunction or other legal restraint or any new law or regulation restricting consummation of the Dell transaction.
 - iii. The governing body of each Dell subsidiary through which the dividend proceeds must pass to get to the Dell parent level must have determined that each such entity meets solvency and other requirements necessary to distribute the dividend up the Dell corporate ladder.
 - iv. The registration statement to be filed by Dell with the Securities and Exchange Commission ("**SEC**") with respect to its Class C common stock to be issued in its transaction must be effective.
 - v. Dell's Class C common stock must have been approved for listing on the NYSE.
 - vi. The representations and warranties of Dell and its merger subsidiary contained in the Dell transaction agreement are true and correct in all material respects, and Dell must have satisfied in all material respects its obligations under the transaction agreement.
 - vii. Neither Dell nor VMware has suffered, nor would either reasonably be expected to suffer, a material adverse effect since the end of their 2018 fiscal years (February 2, 2018).
 - viii. If the amount required for cash elections in the Dell transaction is equal to or greater than \$14 billion in the aggregate, certain subsidiaries of

Dell or their affiliates must have received \$5 billion of gross proceeds from debt financing (the “**Debt Financing Proceeds**”) (or, in the event that the aggregate amount required for cash elections is greater than \$9 billion but less than \$14 billion, the relevant subsidiaries must have received an amount of Debt Financing Proceeds equal to the aggregate amount of cash elections, less \$9 billion),

- ix. The governing body of each Dell subsidiary through which such Debt Financing Proceeds will pass must have determined that such subsidiary meets all solvency and legal requirements to distribute the proceeds it receives in accordance with the distribution plan established by Dell, and
 - x. Any transfers of Dell Class V common stock following the Election Deadline but prior to the closing of the Dell transaction shall not have resulted in the aggregate number of Dell Class C common stock to be issued in the Dell transaction exceeding the aggregate number of shares of Dell Class C common stock registered pursuant to the Dell registration statement on Form S-4 filed in connection with the Dell transaction.
- b) Dell certifies to VMware that, if Dell’s pro-rata share of the dividend is received by the Dell subsidiaries who are record holders of VMware stock by 3:30 pm Eastern time on the payment date, the closing of the Dell transaction will occur on such date (provided that if payment cannot occur by 3:30 pm Eastern time, the dividend will be paid on the following business day). Additionally, a Dividend Committee of the Board of Directors of VMware may set a different payment date with the approval of Dell if it deems it advisable.
- c) The Special Committee of VMware’s Board of Directors composed solely of independent directors that was established to provide a recommendation to VMware’s Board of Directors on Dell strategic proposals, including the special dividend (the “**Special Committee**”), and VMware’s Board of Directors each has received an updated opinion from a nationally recognized expert that, as of the date of payment, VMware, under the Delaware General Corporation Law (“**DGCL**”), will have adequate surplus to pay the dividend, and VMware will remain solvent after the dividend payment (the “**Delaware law requirements**”).
- d) The Special Committee and VMware’s Board of Directors determine that, as of the payment date, (i) VMware meets Delaware law requirements and (ii) any VMware subsidiaries that need to transfer any cash required to pay the dividend to VMware meet solvency and other requirements necessary to transfer up the VMware corporate ladder.
- Each of these conditions must be met no later than January 31, 2019.
 - Additionally, if the Dell transaction agreement is terminated for any reason, the special dividend will be automatically cancelled.

9. What if conditions for the special dividend aren't met and the dividend is cancelled?

- In the event the special dividend is not paid, VMware will continue to evaluate the use of cash in conjunction with its well-balanced capital allocation strategy. The strength of our balance sheet and cash generation is supported by strong business performance and growth opportunities.

10. Since neither the record date nor the payment date has been set, when does VMware actually expect the special dividend to be paid?

- That largely depends upon the date that Dell announces that it has received votes from its stockholders sufficient to approve the Dell transaction and the date that Dell satisfies the conditions necessary to close the Dell transaction.
- Dell has stated that it expects its transaction to close during the fourth quarter of calendar year 2018, and in an SEC filing made on October 19, 2018, Dell disclosed that it was calling a stockholder meeting on December 11, 2018 to vote on the proposed exchange transaction. If all conditions for the dividend payment are met, the VMware dividend is expected to be paid on the day of the closing of the Dell transaction.
- For example, if Dell announces the approval of the Dell transaction on the date of its stockholder meeting, December 11, then the dividend record date would be December 26, provided that Dell Class C common stock is approved no later than December 18 for listing on the NYSE
- We expect to provide more specific guidance as to when the dividend payment will occur as soon as Dell announces that it has received votes from its stockholders sufficient to approve the Dell transaction and Dell's Class C common stock shares has been approved for listing on the NYSE.

11. Who will actually receive the special dividend and when will they actually receive it?

- VMware stockholders as of the close of business on the record date will be entitled to receive the dividend.
- Following the record date, VMware shares will trade with the right to receive the dividend ("**due bills**") until and including the dividend payment date, which will be the trading day immediately following the record date, provided that if payment to Dell's subsidiaries holding of record VMware common stock cannot occur prior to 3:30 pm Eastern time, then the dividend will be paid on the next business day, and provided in any event that all of the conditions for payment, as summarized above, have been met.
- Accordingly, all holders of VMware stock at the close of trading on the NYSE on the payment date will receive the dividend payment.
- On the payment date, VMware will distribute the dividend according to standard dividend payment procedures.
- Stockholders who hold VMware shares in a brokerage or similar account should check with their broker for more details on when to expect the dividend payment to appear in their brokerage account.

12. When will VMware's stock price trade ex-dividend? What will happen to VMware's stock price after the special dividend?

- The ex-dividend date will be determined based upon the timing of the record date and the dividend payment date.
- The NYSE has informed us that it expects the ex-dividend date will be the first trading day after the payment date for the dividend, and that VMware stock will trade with due bills during the period following the record date through and including the dividend payment date.
- The dividend payment date is expected to be the first business day following the record date, provided that if payment to Dell's subsidiaries holding of record VMware common stock cannot occur prior to 3:30 pm Eastern time, then the dividend will be paid on the next business day, and provided in any event that all conditions for the dividend payment are satisfied. Accordingly (and subject to the foregoing provisos), the ex-dividend date is expected to be the second business day following the record date.
- We will inform the public once these dates are fixed (subject to the provisos on payment noted above in this FAQ 12), following Dell stockholder approval of the Dell transaction and approval of Dell's Class C common stock for listing on the NYSE.
- While we do not offer predictions about our stock price, it is typical that the stock price of issuers who pay special dividends of this size will change on the ex-dividend date to reflect the dividend payment.
- That said, the special dividend does not alter our focus on building our business. Our ability to return capital to stockholders through this one-time conditional special dividend is the direct result of the exceptional performance we have delivered and the strength of our broad-based portfolio.
- As always, VMware's stock price following the dividend will continue to reflect investor perceptions of our business performance, financial condition and future prospects, as well as general economic and market conditions.

13. Will the special dividend payment be taxable to VMware stockholders?

- We currently expect that more than half of the dividend will be taxable to VMware's public stockholders as a dividend payment. The remaining portion of the dividend will first be treated as a return of capital to stockholders to the extent of the stockholder's basis in shares and then as capital gain.
- The tax treatment of the dividend will be based on VMware's current and accumulated earnings and profits for the fiscal year during which the dividend is paid. Assuming that the conditional special dividend is paid in our fiscal year ended February 1, 2019 ("FY19"), the process of determining current and accumulated earnings and profits requires a final determination of the FY19 results and a review of certain other factors. The determination will be based in part on factors that are outside of the control of the Company and which cannot be ascertained at this time.
- Accordingly, we do not expect the calculation of the portion that will be treated as a dividend for tax purposes to be finalized until after the completion of

- FY19. Accordingly, at payment of the dividend, we will provide an estimate of the portion taxable as a dividend based upon information then available and update that information later in 2019.
- If the dividend is paid in 2018, the initial 1099 forms distributed to stockholders in early 2019 will report the portion taxable as a dividend based upon information available then available. Information on the portion of the distribution in excess of current and accumulated earnings and profits (i.e. in excess of the portion taxable as a dividend) will be posted on our website. If the calculation of the portion taxable as a dividend is modified following the completion of FY19, amended 1099 forms to stockholders will be delivered later in 2019 and our website posting will be updated.
 - The precise tax impact of the dividend to specific stockholders depends upon the stockholder's individual tax situation. Stockholders are urged to consult with their personal tax advisors.
 - With respect to Dell, Dell has stated that it currently expects an 'immaterial tax impact' from the dividend.