

3PAR Inc.  
Form SC 14D9  
August 23, 2010  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## SCHEDULE 14D-9

Solicitation/Recommendation Statement under Section 14(d)(4) of the  
Securities Exchange Act of 1934

**3PAR INC.**

(Name of Subject Company)

**3PAR INC.**

(Name of Person(s) Filing Statement)

Common Stock, par value \$0.001 per share

(Title of Class of Securities)

88580F109

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(CUSIP Number of Class of Securities)

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**Vice President and General Counsel**

**3PAR Inc.**

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

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

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*Name and Address.* The name of the subject company is 3PAR Inc., a Delaware corporation ( **3PAR** or the **Company** ). The address of 3PAR's principal executive office is 4209 Technology Drive, Fremont, California 94538 and the telephone number of 3PAR's principal executive office is (510) 413-5999.

*Securities.* This Solicitation/Recommendation Statement on Schedule 14D-9 (this **Schedule** or **Statement** ) relates to the common stock, \$0.001 par value per share, of 3PAR (the **Shares** or the **Common Stock** ). As of the close of business on August 13, 2010, there were (i) 62,828,936 Shares issued and outstanding, including 712 Shares of Company Restricted Stock Awards (as defined below), (ii) 12,345,318 Shares reserved for future issuance under the Company Stock Plans (as defined in the Merger Agreement), (iii) 2,898,355 Shares reserved for future issuance under 3PAR's employee stock purchase plan, (iv) 10,925,583 Shares issuable upon or otherwise deliverable in connection with the exercise of outstanding stock options and (v) 1,123,294 Shares subject to RSUs (as defined below).

**Item 2. Identity and Background of Filing Person.**

*Name and Address.* 3PAR is the person filing this Statement. The information about 3PAR's business address and business telephone number in Item 1, under the heading *Name and Address*, is incorporated herein by reference. 3PAR's website address is www.3PAR.com. The information on 3PAR's website should not be considered a part of this Statement.

*Tender Offer and Merger.* This Statement relates to the tender offer by Dell Trinity Holdings Corp., a Delaware corporation ( **Purchaser** ) and a wholly-owned subsidiary of Dell Inc., a Delaware corporation ( **Parent** or **Dell** ), disclosed in the Tender Offer Statement on Schedule TO (together with the exhibits thereto, as amended, the **Schedule TO** ), filed by Purchaser and Dell with the Securities and Exchange Commission (the **SEC** ) on August 23, 2010, and pursuant to which Purchaser is offering to purchase all outstanding Shares at a price of \$18.00 per Share, net to the seller in cash (the **Offer Price** ), without interest, less certain applicable taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated August 23, 2010 (the **Offer to Purchase** ), and the related Letter of Transmittal (which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, constitute the **Offer** ). The Offer to Purchase and Letter of Transmittal are being mailed with this Statement and are filed as Exhibits (a)(1)(A) and (a)(1)(B) hereto, respectively, and are incorporated herein by reference.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of August 15, 2010 (as such agreement may be amended from time to time, the **Merger Agreement** ), among Dell, Purchaser and 3PAR. There is no financing condition to the Offer. The consummation of the Offer will be conditioned on (i) the satisfaction of the minimum condition (as described below), (ii) expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the **HSR Act** ), in the United States and receipt of requisite regulatory approvals under the antitrust laws of Austria and Ukraine, and (iii) other customary conditions. The minimum condition requires that, prior to the expiration of the Offer, there be validly tendered and not properly withdrawn a number of Shares that, together with the Shares then owned by Dell and Purchaser (if any), represents at least a majority of all then-outstanding Shares on a fully diluted basis, assuming the issuance of all Shares that may be issued upon the vesting, conversion or exercise of all outstanding options, warrants, convertible or exchange securities and similar rights that are then, or then scheduled to become, exercisable within 90 days following the then scheduled expiration of the Offer in accordance with the terms and conditions thereof. The Merger Agreement provides, among other things, that as soon as possible following the successful consummation of the Offer and subject to the satisfaction of the conditions set forth in the Merger Agreement and in accordance with the relevant portions of the Delaware General Corporation Law (the **DGCL** ), Purchaser will be merged with and into 3PAR (the **Merger** ). Following the consummation of the Merger, 3PAR will continue as the surviving corporation and a wholly-owned subsidiary of Dell. As of the effective time of the Merger (the **Effective Time** ), each Share that is not validly tendered pursuant to the Offer will be converted into the right to receive cash in an amount equal to the Offer Price (other than Shares that are held by 3PAR, Dell, Dell's subsidiaries or Purchaser or Shares held by stockholders, if any, who properly exercise their appraisal rights under the DGCL), without interest thereon and less certain applicable taxes.

If Purchaser acquires 90% or more of the outstanding Shares pursuant to the Offer, then Dell will consummate the Merger pursuant to the short form merger procedures under the DGCL as soon as practicable

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following the consummation of the Offer without a vote or any further action by the holders of the Shares. Purchaser may, but is not required to, provide for one or more subsequent offering periods under federal securities law and in accordance with the Merger Agreement following the consummation of the Offer in order to seek additional Shares and facilitate the consummation of the Merger using such short form merger procedures. In addition, 3PAR has granted Dell a top-up option to acquire additional Shares following the consummation of the Offer in order to facilitate the consummation of the Merger using such short form merger procedures. In the event that Purchaser purchases Shares in the Offer but does not hold at least 90% of 3PAR's outstanding Shares following the consummation of the Offer (and the subsequent offering period provided by Purchaser, if any, and the exercise of the aforementioned option to purchase shares of 3PAR's common stock), Dell and 3PAR must obtain the approval of 3PAR's stockholders holding a majority of the outstanding Shares to adopt the Merger Agreement prior to consummating the Merger. In this event, 3PAR will call and convene a stockholder meeting to obtain this approval, and Purchaser will vote all Shares it acquires pursuant to the Offer in favor of the adoption of the Merger Agreement, thereby assuring approval.

The treatment of 3PAR's outstanding equity awards under the terms of the Merger Agreement is described below in Item 3 Past Contracts, Transactions, Negotiations and Agreements. A copy of the Merger Agreement is filed as Exhibit (e)(1) hereto and is incorporated herein by reference. The Merger Agreement is summarized in Section 11 of the Offer to Purchase.

The Merger Agreement governs the contractual rights among 3PAR, Dell and Purchaser in relation to the Offer and the Merger. The Merger Agreement has been included as an exhibit to this Schedule 14D-9 to provide 3PAR's stockholders with information regarding the terms of the Merger Agreement and is not intended to modify or supplement any factual disclosures about 3PAR or Dell in 3PAR's or Dell's public reports filed with the SEC. In particular, the summary of the Merger Agreement contained in the Offer to Purchase and the assertions embodied in the representations and warranties contained in the Merger Agreement are qualified by information in confidential disclosure schedules provided by 3PAR in connection with the signing of the Merger Agreement. These disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, certain representations and warranties in the Merger Agreement were used for the purpose of allocating risk between 3PAR, Dell and Purchaser, rather than establishing matters of fact. Accordingly, the representations and warranties in the Merger Agreement may not constitute the actual state of facts about 3PAR, Dell or Purchaser.

According to the Offer to Purchase, the Purchaser's and Dell's principal executive offices are located at One Dell Way, Round Rock, Texas 78682, and the telephone number of their principal executive offices is (800) 289-3355.

**Item 3. Past Contracts, Transactions, Negotiations and Agreements.**

Certain contracts, agreements, arrangements or understandings between 3PAR or its affiliates and certain of its executive officers or directors are, except as described below, described in the Information Statement pursuant to Section 14(f) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**) and Rule 14f-1 thereunder (the **Information Statement**) that is attached hereto as Annex I and is incorporated herein by reference. Except as set forth in this Item 3, Item 4 below or Annex I attached hereto, or as otherwise incorporated herein by reference, to the knowledge of 3PAR, there are no material agreements, arrangements or understandings, and no potential or actual conflicts of interest, between 3PAR or its affiliates and (i) 3PAR's executive officers, directors or affiliates or (ii) Purchaser, Dell or their respective executive officers, directors or affiliates.

(a) *Arrangements with Executive Officers and Directors of 3PAR.*

**Interests of Certain Persons.** Certain members of management and 3PAR's board of directors (the **board** or the **board of directors**) may be deemed to have interests in the transactions contemplated by the Merger Agreement that are different from or in addition to the interests of 3PAR stockholders, generally. These interests may create potential conflicts of interest. The board of directors was aware of these interests and considered them,

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among other matters, in approving the Merger Agreement and the transactions contemplated thereby. As described below, consummation of the Offer will constitute a change in control of 3PAR for the purposes of determining the entitlements due to executive officers and directors of 3PAR relating to certain severance and other benefits.

### **Consideration Payable Pursuant to the Offer**

*Consideration for Shares.* If 3PAR's directors and executive officers were to tender any Shares they own for purchase pursuant to the Offer, they would receive the same cash consideration on the same terms and conditions as the other stockholders of 3PAR. As of August 20, 2010, 3PAR's directors and executive officers (and affiliates and affiliated investment entities) owned 25,187,601 Shares in the aggregate (excluding Unvested Company Options (as defined below), Vested Company Options (as defined below) and Company RSUs (as defined below)). If the directors and executive officers (and affiliates and affiliated investment entities) were to tender all of their Shares for purchase pursuant to the Offer and those Shares were accepted for purchase and purchased by Purchaser, the directors and executive officers would receive an aggregate of approximately \$52,390,476 in cash. The beneficial ownership of each director and executive officer is further described in the Information Statement under the heading "Security Ownership of Certain Beneficial Owners and Management."

*Consideration for Options:* As of August 20, 2010, 3PAR's directors and executive officers held options to purchase 6,039,392 Shares in the aggregate, of which 2,910,582 were vested and exercisable as of that date, with exercise prices ranging from \$0.28 to \$14.00 and an aggregate weighted average exercise price of \$5.81 per Share. Pursuant to, and as further described in, the Merger Agreement, any options to purchase shares of Common Stock that, immediately prior to the Closing Date (as defined in the Merger Agreement), are outstanding and unvested ( "**Unvested Company Options**" ) will be assumed by Dell in connection with the transactions contemplated by the Merger Agreement, but no later than the Effective Time (each an "**Assumed Option**" ). Each Assumed Option shall, except as otherwise agreed to by Dell and the holder of the Assumed Option, be subject to the same terms and conditions as applied to the related Unvested Company Options immediately prior to the Effective Time, including the applicable vesting schedule, except that (i) the number of shares of Dell common stock ( "**Dell Common Stock**" ) subject to each Assumed Option will be determined by multiplying the number of shares of Common Stock subject to such Assumed Option as of immediately prior to the Effective Time by a fraction with a numerator equal to the Merger Consideration (as defined in the Merger Agreement) of \$18.00 and a denominator equal to the volume weighted average per share closing price of Dell Common Stock for the 10 trading days immediately preceding (but not including) the date on which the Effective Time occurs on the New York Stock Exchange, rounded to four decimal places (such fraction the "**Incentive Award Exchange Ratio**" ), with the resulting number rounded down to the nearest whole share, and (ii) the per share exercise price of the Dell Common Stock issuable upon the exercise of each Assumed Option shall be equal to the quotient determined by dividing the exercise price per share of Common Stock as of immediately prior to the Effective Time by the Incentive Award Exchange Ratio, with the resulting price per share rounded up to the nearest whole cent.

Dell will not assume any options to purchase shares of Common Stock that, immediately prior to the Closing Date, are outstanding and vested (each a "**Vested Company Option**" and together, the "**Vested Company Options**" ). Immediately prior to the Effective Time, (i) each Vested Company Option that remains outstanding as of immediately prior to the Effective Time shall be cancelled and terminated as of the Effective Time and (ii) in consideration of such cancellation and termination, each holder of each such Vested Company Option shall be paid by 3PAR at or promptly after the Effective Time, subject to any required tax withholding, an amount in cash (without interest), if any, equal to the product obtained by multiplying (x) the aggregate number of shares of Common Stock that were issuable upon exercise of such Vested Company Option immediately prior to the Effective Time, and (y) \$18.00, less the per share exercise price of such Vested Company Option.

With respect to Company Options (as defined in the Merger Agreement), a portion of which are vested and a portion of which are unvested, the vested portion of such option will be treated as a separate Vested Company Option and the unvested portion as a separate Unvested Company Option.

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*Consideration for Restricted Stock Units:* As of August 20, 2010, 3PAR's executive officers held outstanding Company restricted stock units ( **RSUs** ) covering 660,000 Shares in the aggregate (3PAR's directors do not hold any RSUs). Pursuant to, and as further described in, the Merger Agreement, each Company RSU that, immediately prior to the Closing Date is outstanding and unvested (each, an **Unvested Company RSU** and together, the **Unvested Company RSUs** ) will be assumed by Dell in connection with the transactions contemplated by this Agreement, no later than the Effective Time (the **Assumed RSUs** ). The number of shares of Dell Common Stock subject to each award of Assumed RSUs will be determined by multiplying the number of shares of Common Stock subject to each award of Unvested Company RSUs as of immediately prior to the Effective Time by the Incentive Award Exchange Ratio (with the resulting number rounded down to the nearest whole share). Each such award of Assumed RSUs otherwise will, except as otherwise agreed to by Dell and a holder of such Assumed RSUs, be subject to the same terms and conditions as applied to the related award of Unvested Company RSUs immediately prior to the Effective Time, including the vesting schedule applicable thereto.

*Acceleration of Equity:* Pursuant to, and as further described in, the Merger Agreement, effective as of immediately prior to, and contingent upon, the Appointment Time, 3PAR will amend each outstanding Company RSU, Company Option and award of outstanding Company restricted stock (each, a **Company Restricted Stock Award** and together, the **Company Restricted Stock Awards** ) to provide that, if upon or within 12 months following the Appointment Time, the employment or service of the holder of any such Company RSU, Company Option and/or Company Restricted Stock Award is terminated by 3PAR or the Dell (or any employing parent or subsidiary thereof) by reason of elimination of the holder's position due to redundancy or integration of Dell and 3PAR business units (but, for avoidance of doubt, excluding terminations for death, Disability, Serious Misconduct, or Poor Performance, (as such terms are defined in 3PAR Disclosure Letter)), then 100% of the then unvested shares subject to such Company RSU, Company Option and/or Company Restricted Stock Award shall become immediately vested and, if applicable, exercisable. As of August 20, 2010, 3PAR's executive officers and directors did not hold any Company Restricted Stock Awards.

In addition, for David C. Scott only, all of Mr. Scott's unvested and assumed Company Options will be, pursuant to the Dell Scott Offer Letter (as defined below), immediately fully vested after the Closing Date (however, such vesting will only apply to Mr. Scott's Assumed Options and will not apply to any Assumed RSUs).

### *Treatment of Director Equity Awards*

3PAR's Amended and Restated 2007 Equity Incentive Plan (the **2007 Plan** ) provides that Awards (as defined in the 2007 Plan) granted to an Outside Director (as defined in the 2007 Plan) will fully vest, all restrictions will lapse, and all Performance Goals (as defined in the 2007 Plan) or other vesting criteria will be deemed achieved at 100% of target levels and all other terms and conditions met upon a Change in Control (as defined in the 2007 Plan). The initial acceptance for payment by the Purchaser of the Shares (the **Appointment Time** ) will constitute a Change in Control for purposes of the 2007 Plan.

3PAR has also entered into offer letters with the following directors: Mark A. Jung, dated December 11, 2006, Chris Paisley, dated July 26, 2006 and Michael Sheridan, dated September 1, 2007 (collectively, the **Director Offer Letters** ). The Director Offer Letters each provide that in the event the director's continuous status as a member of the board of directors is terminated immediately following a change of control of 3PAR, all of the shares subject to the options referenced in each Director Offer Letter will immediately vest. The Appointment Time will constitute a change of control for purposes of the Director Offer Letters.

### *Employment Agreements and Management Retention Agreements*

3PAR has entered into employment agreements, offer letters and/or management retention agreements with the following individuals, which Dell has agreed to assume, to the extent described below:

David C. Scott, Chief Executive Officer,

Adriel G. Lares, Vice President of Finance and Chief Financial Officer,

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Jeffrey A. Price, Chief Technical Officer, System Design, Co-Founder and Director,

Ashok Singhal, Chief Technical Officer, System Architecture and Co-Founder,

Peter Slocum, Vice President of Engineering,

Randall J. Weigel, Vice President of Worldwide Sales,

Russell Walther, Vice President of Customer Services,

Craig S. Nunes, Vice President of Marketing,

Stephen F. Crimi, Vice President of Business Development and Alliances,

Randall T. Gast, Vice President of Corporate Operations,

Alastair A. Short, Vice President, General Counsel and Secretary, and

Jeannette Robinson, Vice President of Human Resources.

*Employment Arrangements David C. Scott*

***Dell Offer Letter***

3PAR previously entered into an employment agreement with David C. Scott last amended and restated effective as of December 19, 2008 (the **Scott Agreement**) (described below). For fiscal 2011, Mr. Scott's base salary is \$415,000 and his target incentive bonus is 100% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Scott also entered into a new offer letter with Dell (the **Dell Scott Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Scott Offer Letter, Mr. Scott will receive an annual base salary of \$415,000 and his title will be VP GM, 3PAR. Mr. Scott's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Scott will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Scott will have an annual target bonus opportunity of 100% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance.

All of Mr. Scott's unvested 3PAR equity will be assumed as discussed above, and, pursuant to the Dell Scott Offer Letter all of Mr. Scott's assumed and unvested stock options will vest immediately after the Closing Date (however, such vesting will only apply to Mr. Scott's assumed stock options and will not apply to any assumed RSUs). Mr. Scott's assumed RSUs will vest on December 15, 2011 if Mr. Scott remains employed through that date, or will vest earlier upon his termination of employment by Dell not for Cause (as defined in the Scott Agreement) or a termination for Good Reason (as defined in the Scott Assumption Agreement, which is described below) (together, a **qualifying termination**).

In addition, Mr. Scott will receive a transition cash award of \$2,490,000 (the **Scott Transition Cash Award**) by December 31, 2011, provided he remains employed through December 15, 2011 and subject to his execution of a general release of claims prior to the payment date. If Mr. Scott's employment with Dell is terminated prior to December 15, 2011, and such termination is a qualifying termination, he will receive the full Scott Transition Cash Award. The Scott Transition Cash Award is in lieu of any cash severance Mr. Scott might otherwise be entitled to



receive under the Scott Agreement.

In connection with the Offer and Merger, Dell has agreed to assume the Scott Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Scott have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Scott Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Scott has acknowledged that his new position with Dell and the payment of his Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of the Scott Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Scott Assumption Agreement, 100% of Mr. Scott's assumed RSUs will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

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*Scott Employment Agreement*

Pursuant to the terms of the Scott Agreement, Mr. Scott receives an annual base salary subject to annual review by the board's Compensation Committee (the **Committee**) for possible adjustments in light of Mr. Scott's performance and competitive data. In addition to the equity compensation awards that he has already received, Mr. Scott will be eligible to receive equity awards from 3PAR on a periodic basis consistent with 3PAR's normal compensation practices.

Under the terms of the Scott Agreement, Mr. Scott has agreed that for one-year following his termination of employment with 3PAR for any reason, Mr. Scott's right to receive and retain the severance payments and benefits set forth in the Scott Agreement is conditioned upon Mr. Scott neither directly nor indirectly soliciting, inducing, recruiting or encouraging an employee to leave his or her employment either for Mr. Scott or for any other entity or person with which or for whom Mr. Scott has a business relationship.

Mr. Scott's employment may be terminated for any reason, with the benefits due to him (if any) dependent on the circumstances of the termination, as discussed below.

*Voluntary Resignation other than for Good Reason; Termination for Cause*

If Mr. Scott voluntarily terminates his employment (and such resignation is not a Voluntary Termination for Good Reason (as the definition of such term has been amended in the Scott Assumption Agreement)), or if Mr. Scott is terminated for Cause (as such term is defined in the Scott Agreement), then Mr. Scott will not be entitled to receive severance or other benefits except for those (if any) as may then be established under 3PAR's then existing severance and benefits plans or pursuant to other written agreements with 3PAR.

*Involuntary Termination Other than for Cause or Voluntary Termination for Good Reason Outside of Change of Control Period; Termination Due to Death or Disability*

If Mr. Scott's employment with 3PAR terminates (i) as a result of Mr. Scott's Disability (as such term is defined in the Scott Agreement), (ii) due to his death, (iii) involuntarily by 3PAR for any reason other than for Cause and such termination is not within 18 months following a Change of Control (the **Change of Control Period**), or (iv) due to a Voluntary Termination for Good Reason outside of the Change of Control Period, then, subject to Mr. Scott (or his estate or personal representative) entering into and not revoking a standard form of release of claims with 3PAR within 30 days following his termination and subject to his continued compliance with the non-solicitation provisions of the Scott Agreement (except in the case of death), the Scott Agreement as modified by the Dell Scott Offer Letter will provide Mr. Scott with the following benefits upon such termination:

Any stock option, restricted stock or other 3PAR equity compensation held by Mr. Scott will receive one-year's accelerated vesting; and

3PAR-paid group health, dental, vision and life insurance coverage for Mr. Scott (and Mr. Scott's dependents if the coverage prior to the termination included any dependents) at the same level of coverage as was provided to Mr. Scott immediately prior to the termination and at the same ratio of 3PAR premium payment to his premium payment as was in effect immediately prior to the termination for a period of one-year, or less if Mr. Scott and his dependents become eligible for comparable coverage through another employer.

The Scott Agreement also provided for a cash severance payment of 300% of Mr. Scott's base salary upon the above terminations, but this provision has been superseded by the Scott Transition Cash Award provided under the Dell Scott Offer Letter.

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### *Involuntary Termination Other than for Cause, Death or Disability; Voluntary Termination for Good Reason During Change of Control Period*

If, during the Change of Control Period, Mr. Scott's employment is terminated (i) involuntarily by 3PAR other than for Cause, death or Disability, or (ii) due to a Voluntary Termination for Good Reason, then subject to Mr. Scott entering into and not revoking a standard form of release of claims with 3PAR within 30 days following his termination and subject to his continued compliance with the non-solicitation provisions of the Scott Agreement, the Scott Agreement as modified by the Dell Scott Offer Letter will provide Mr. Scott with the following benefits:

100% of the unvested portion of any stock option, restricted stock or other 3PAR equity compensation held by Mr. Scott will automatically be accelerated in full so as to become completely vested; and

3PAR-paid group health, dental, vision and life insurance coverage for Mr. Scott (and Mr. Scott's dependents if the coverage prior to the termination included any dependents) at the same level of coverage as was provided to Mr. Scott immediately prior to the Change of Control and at the same ratio of 3PAR premium payment to his premium payment as was in effect immediately prior to the Change of Control for a period of one-year, or less if Mr. Scott and his dependents become eligible for comparable coverage through another employer.

The Scott Agreement also provided for a cash severance payment of 300% of Mr. Scott's base salary upon the above terminations, but this provision has been superseded by the Scott Transition Cash Award provided under the Dell Scott Offer Letter.

The Appointment Time will constitute a Change of Control under the Scott Agreement.

### *Golden Parachute Excise Taxes*

In the event the benefits provided for in the Scott Agreement or otherwise constitute parachute payments within the meaning of Section 280G of the Internal Revenue Code ( **Section 280G** ) and would be subject to the excise tax imposed by Section 4999 of the Code (the **Excise Tax** ), and the aggregate value of such parachute payments is less than 3.59 times Mr. Scott's base amount within the meaning of Section 280G, then such benefits will be reduced to the extent necessary (but only to that extent) so that no portion of such benefits will be subject to the Excise Tax. Alternatively, if the aggregate value of such payments is equal to or greater than the product of 3.59 times Mr. Scott's base amount, then Mr. Scott will receive a payment from 3PAR sufficient to pay the Excise Tax, plus an additional payment from 3PAR sufficient to pay the Excise Tax and the federal and state income and employment taxes arising from the payments made by 3PAR to Mr. Scott pursuant to this sentence (together, the **Excise Tax Gross-Up Payment** ), with such Excise Tax Gross-Up Payment capped at a maximum of \$1,000,000.

### *Employment Arrangements with Adriel G. Lares*

3PAR previously entered into an offer letter with Adriel G. Lares on November 5, 2001 (the **3PAR Lares Offer Letter** ) and a Management Retention Agreement (described below) as amended and restated on December 19, 2008. For fiscal 2011, Mr. Lares' base salary is \$260,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Lares also entered into a new offer letter with Dell (the **Dell Lares Offer Letter** ), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Lares Offer Letter, Mr. Lares will receive an annual base salary of \$270,000 and his title will be Executive Director, Finance 3PAR. Mr. Lares' current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus** ). Beginning February 1, 2011, Mr. Lares will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Lares will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance.

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All of Mr. Lares' unvested 3PAR equity will be assumed as discussed above, and, pursuant to the Dell Lares Offer Letter, any unvested portion of these awards will vest on February 1, 2012 if Mr. Lares remains employed through that date, or will vest earlier upon his termination of employment by Dell not for Cause (as defined in Mr. Lares' Management Retention Agreement) or a termination for Good Reason (as defined in the Lares Assumption Agreement, which is described below) (together, a **qualifying termination**).

In addition, Mr. Lares will receive a transition cash award of \$270,000 (the **Lares Transition Cash Award**) within 30 days after the end of Dell's fiscal year 2012, provided he remains employed at that time and subject to his execution of a general release of claims prior to the payment date. If Mr. Lares' employment with Dell is terminated prior to February 1, 2012, and such termination is a qualifying termination, he will receive the full Lares Transition Cash Award. The Lares Transition Cash Award is in lieu of any cash severance Mr. Lares might otherwise be entitled to receive under his Management Retention Agreement.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Lares' Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Lares have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Lares Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Lares has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Lares Assumption Agreement, 100% of Mr. Lares' outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

### *Employment Arrangements with Jeffrey A. Price*

3PAR previously entered into an offer letter with Jeffrey A. Price on April 19, 1999 (the **3PAR Price Offer Letter**) and a Management Retention Agreement (described below) as amended and restated on December 19, 2008. For fiscal 2011, Mr. Price's base salary is \$264,000 and he has a target incentive bonus of 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Price also entered into a new offer letter with Dell (the **Dell Price Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Price Offer Letter, Mr. Price will receive an annual base salary of \$275,000 and his title will be Principal Storage Architect. Mr. Price's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Price will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Price will have an annual target bonus opportunity of 55% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Price will receive an additional grant of Dell restricted stock units with an aggregate value of \$1,375,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Price's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Price's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Price have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Price Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Price has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Price Assumption Agreement, 100% of Mr. Price's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

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*Employment Arrangements with Ashok Singhal*

3PAR previously entered into an offer letter with Ashok Singhal on April 19, 1999 (the **3PAR Singhal Offer Letter**) and a Management Retention Agreement (described below) as amended and restated on December 19, 2008. For fiscal 2011, Mr. Singhal's base salary is \$250,000 and he has a target incentive bonus of 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Singhal also entered into a new offer letter with Dell (the **Dell Singhal Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Singhal Offer Letter, Mr. Singhal will receive an annual base salary of \$275,000 and his title will be Principal Storage Architect. Mr. Singhal's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Singhal will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Singhal will have an annual target bonus opportunity of 55% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Singhal will receive an additional grant of Dell restricted stock units with an aggregate value of \$1,375,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Singhal's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Singhal's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Singhal have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Singhal Assumption Agreement**) which will become effective as of and contingent upon the Appointment Time. Mr. Singhal has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Singhal Assumption Agreement, 100% of Mr. Singhal's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Peter Slocum*

3PAR previously entered into an offer letter with Peter Slocum on April 15, 2009 (the **3PAR Slocum Offer Letter**) and a Management Retention Agreement (described below) on April 21, 2009. For fiscal 2011, Mr. Slocum's base salary is \$230,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Slocum also entered into a new offer letter with Dell (the **Dell Slocum Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Slocum Offer Letter, Mr. Slocum will receive an annual base salary of \$265,000 and his title will be Executive Director, Engineering. Mr. Slocum's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (the **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Slocum will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Slocum will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Slocum will receive an additional grant of Dell restricted stock units with an aggregate value of \$1,325,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Slocum's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Slocum's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and

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Mr. Slocum have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Slocum Assumption Agreement** ), which will become effective as of and contingent upon the Appointment Time. Mr. Slocum has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason . Pursuant to the terms of the Slocum Assumption Agreement, 100% of Mr. Slocum s outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Randall J. Weigel*

3PAR previously entered into an offer letter with Randall J. Weigel on July 25, 2007, as amended on July 26, 2007, and as further amended on May 1, 2009 (the **3PAR Weigel Offer Letter** ) and a Management Retention Agreement (described below) on May 1, 2009. For fiscal 2011, Mr. Weigel s base salary is \$250,000 and he is eligible to participate in 3PAR s sales incentive plan with a target sales incentive of \$180,000. Mr. Weigel also entered into a new offer letter with Dell (the **Dell Weigel Offer Letter** ), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Weigel Offer Letter, Mr. Weigel will receive an annual base salary of \$250,000 and his title will be Executive Director Sales, 3PAR. Mr. Weigel s current 3PAR sales incentive will be paid after the end of April 2011, and he will be given sales credit through April 2011 against his 3PAR quota period normally ending in March (the **Pro-Rata Bonus** ). Beginning May 1, 2011, Mr. Weigel will be eligible to participate in Dell s Sales Incentive Plan with a full-year sales incentive target of \$180,000, which will be prorated for fiscal 2012 to reflect three quarters under the plan. Mr. Weigel will also receive an additional grant of long-term performance cash with a potential value of \$1,000,000 to be paid out over two years (\$500,000 per year) to the extent that certain 3PAR sales objectives have been met (the **Cash Award** ). The Cash Award will be subject to Dell s standard terms and conditions relating to long-term performance awards including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Weigel s unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Weigel s Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Weigel have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Weigel Assumption Agreement** ) which will become effective as of and contingent upon the Appointment Time. Mr. Weigel has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason . Pursuant to the terms of the Weigel Assumption Agreement, 100% of Mr. Weigel s outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Russell Walther*

3PAR previously entered into an offer letter with Russell Walther on July 27, 2009 (the **3PAR Walther Offer Letter** ) and a Management Retention Agreement (described below) on June 30, 2009. For fiscal 2011, Mr. Walther s base salary is \$260,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Walther also entered into a new offer letter with Dell (the **Dell Walther Offer Letter** ), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Walther Offer Letter, Mr. Walther will receive an annual base salary of \$270,000 and his title will be Executive Director, Customer Services. Mr. Walther s current 3PAR bonus will be

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paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Walther will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Walther will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Walther will receive an additional grant of Dell restricted stock units with an aggregate value of \$1,350,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Walther's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Walther's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Walther have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Walther Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Walther has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Walther Assumption Agreement, 100% of Mr. Walther's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Craig S. Nunes*

3PAR previously entered into an offer letter with Craig S. Nunes on June 19, 2000 (the **3PAR Nunes Offer Letter**) and an Amended and Restated Management Retention Agreement (described below) on December 19, 2008. For fiscal 2011, Mr. Nunes' base salary is \$230,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Nunes also entered into a new offer letter with Dell (the **Dell Nunes Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Nunes Offer Letter, Mr. Nunes will receive an annual base salary of \$240,000 and his title will be Executive Director, Storage Marketing. Mr. Nunes' current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Nunes will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Nunes will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Nunes will receive an additional grant of Dell restricted stock units with an aggregate value of \$480,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Nunes' unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Nunes' Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Nunes have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Nunes Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Nunes has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Nunes Assumption Agreement, 100% of Mr. Nunes' outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

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*Employment Arrangements with Stephen F. Crimi*

3PAR previously entered into an offer letter with Stephen F. Crimi on October 2, 2002 (the **3PAR Crimi Offer Letter**) and an Amended and Restated Management Retention Agreement (described below) on December 19, 2008. For fiscal 2011, Mr. Crimi's base salary is \$230,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Crimi also entered into a new offer letter with Dell (the **Dell Crimi Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Crimi Offer Letter, Mr. Crimi will receive an annual base salary of \$250,000 and his title will be Executive Director, Business Development & Alliances. Mr. Crimi's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Crimi will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Crimi will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Crimi will receive an additional grant of Dell restricted stock units with an aggregate value of \$500,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Crimi's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Crimi's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Crimi have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Crimi Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Crimi has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Crimi Assumption Agreement, 100% of Mr. Crimi's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Randall T. Gast*

3PAR previously entered into an offer letter with Randall T. Gast on March 31, 2006 (the **3PAR Gast Offer Letter**) and an Amended and Restated Management Retention Agreement (described below) on December 19, 2008. For fiscal 2011, Mr. Gast's base salary is \$240,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Gast also entered into a new offer letter with Dell (the **Dell Gast Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Gast Offer Letter, Mr. Gast will receive an annual base salary of \$265,000 and his title will be Executive Director, Operations. Mr. Gast's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Gast will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Gast will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance. Mr. Gast will receive an additional grant of Dell restricted stock units with an aggregate value of \$1,325,000 that will be scheduled to vest ratably over three years and will be subject to Dell's standard terms and conditions relating to restricted stock units including a return of payment if the individual engages in conduct detrimental to Dell. All of Mr. Gast's unvested 3PAR equity will be assumed as discussed above.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Gast's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Mr. Gast



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have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Gast Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Gast has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Gast Assumption Agreement, 100% of Mr. Gast's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

*Employment Arrangements with Alastair A. Short*

3PAR previously entered into an offer letter with Alastair A. Short, amended on December 19, 2008 (the **3PAR Short Offer Letter**) (pursuant to which he was entitled to severance equal to 6 months' base salary upon any termination by 3PAR other than for cause) and a Management Retention Agreement (described below) as amended and restated on December 19, 2008. For fiscal 2011, Mr. Short's base salary is \$250,000 and his target incentive bonus is 45% of his base salary to be earned based on the achievement of certain performance objectives. Mr. Short also entered into a new offer letter with Dell (the **Dell Short Offer Letter**), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Short Offer Letter, Mr. Short will receive an annual base salary of \$260,000 and his title will be Executive Director, Legal. Mr. Short's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (his **Pro-Rata Bonus**). Beginning February 1, 2011, Mr. Short will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Mr. Short will have an annual target bonus opportunity of 40% of his base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance.

All of Mr. Short's unvested 3PAR equity will be assumed as discussed above, and, pursuant to the Dell Short Offer Letter, any unvested portion of these awards will vest on February 1, 2012 if Mr. Short remains employed through that date, or will vest earlier upon his termination of employment by Dell not for Cause (as defined in Mr. Short's Management Retention Agreement) or a termination for Good Reason (as defined in the Short Assumption Agreement, which is described below) (together, a **qualifying termination**).

In addition, Mr. Short will receive a transition cash award of \$520,000 (the **Short Transition Cash Award**) within 30 days after the end of Dell's fiscal year 2012, provided he remains employed at that time and subject to his execution of a general release of claims prior to the payment date. If Mr. Short's employment with Dell is terminated prior to February 1, 2012, and such termination is a qualifying termination, he will receive the full Short Transition Cash Award. The Short Transition Cash Award is in lieu of any cash severance Mr. Short might otherwise be entitled to receive under his 3PAR Short Offer Letter or Management Retention Agreement.

In connection with the Offer and Merger, Dell has agreed to assume Mr. Short's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and his 3PAR Short Offer Letter and Dell and Mr. Short have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Short Assumption Agreement**), which will become effective as of and contingent upon the Appointment Time. Mr. Short has acknowledged that his new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of his Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Short Assumption Agreement, 100% of Mr. Short's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for his current equity awards.

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### *Employment Arrangements with Jeannette Robinson*

3PAR previously entered into an offer letter with Jeannette Robinson on December 30, 2000, as amended January 18, 2001 and as amended on January 22, 2001 (the **3PAR Robinson Offer Letter** ) and a Management Retention Agreement (described below) dated March 30, 2001, and as amended December 19, 2008. For fiscal 2011, Ms. Robinson's base salary is \$210,000 and her target incentive bonus is 45% of her base salary to be earned based on the achievement of certain performance objectives. Ms. Robinson also entered into a new offer letter with Dell (the **Dell Robinson Offer Letter** ), as described below, to become effective the day after the closing of the Merger.

Under the terms of the Dell Robinson Offer Letter, Ms. Robinson will receive an annual base salary of \$220,000 and her title will be Director, HR 3PAR. Ms. Robinson's current 3PAR bonus will be paid on a pro-rata basis in February 2011 based on 3PAR's accrual rate on the Closing Date (her **Pro-Rata Bonus** ). Beginning February 1, 2011, Ms. Robinson will be eligible to participate in Dell's Incentive Bonus Plan, pursuant to which Ms. Robinson will have an annual target bonus opportunity of 40% of her base salary to be earned based on Dell's financial results, attainment of strategic corporate initiatives and personal performance.

All of Ms. Robinson's invested 3PAR equity will be assumed as discussed above, and, pursuant to the Dell Robinson Offer Letter, any invested portion of these awards will vest on February 1, 2012 if Ms. Robinson remains employed through that date, or will vest earlier upon her termination of employment by Dell not for Cause (as defined in Ms. Robinson's Management Retention Agreement) or a termination for Good Reason (as defined in the Robinson Assumption Agreement, which is described below) (together, a **qualifying termination** ).

In addition, Ms. Robinson will receive a transition cash award of \$220,000 (the **Robinson Transition Cash Award** ) within 30 days after the end of Dell's fiscal year 2012, provided she remains employed at that time and subject to her execution of a general release of claims prior to the payment date. If Ms. Robinson's employment with Dell is terminated prior to February 1, 2012, and such termination is a qualifying termination, she will receive the full Robinson Transition Cash Award. The Robinson Transition Cash Award is in lieu of any cash severance Ms. Robinson might otherwise be entitled to receive under her Management Retention Agreement.

In connection with the Offer and Merger, Dell has agreed to assume Ms. Robinson's Management Retention Agreement as of the Appointment Time with certain modifications (as discussed below) and Dell and Ms. Robinson have entered into an Amendment, Assumption and Acknowledgment Agreement to this effect (the **Robinson Assumption Agreement** ), which will become effective as of and contingent upon the Appointment Time. Ms. Robinson has acknowledged that her new position with Dell and the payment of the Pro-Rata Bonus will not constitute grounds for a Voluntary Termination for Good Reason for purposes of her Management Retention Agreement and also has agreed to a new definition of Good Reason. Pursuant to the terms of the Robinson Assumption Agreement, 100% of Ms. Robinson's outstanding Assumed RSUs and Assumed Options will vest upon a qualifying termination if such termination occurs at any point during the remaining vesting period for her current equity awards.

### *Management Retention Agreements*

3PAR has entered into a Management Retention Agreement with each of Adriel G. Lares, Jeffrey A. Price, Ashok Singhal, Peter Slocum, Randall J. Weigel, Rusty Walther, Craig S. Nunes, Stephen F. Crimi, Randall T. Gast, Alastair A. Short and Jeannette Robinson (each an **Executive** and together, the **Executives** ).

Under the terms of each Management Retention Agreement, and in consideration for the severance benefits the Executive will receive pursuant to the Management Retention Agreement (if any), each Executive has agreed that he or she will not, for a period of one-year following his or her termination date, directly or indirectly solicit

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any individuals to leave 3PAR (or any of its subsidiaries) employ for any reason or interfere in any other manner with the employment relationships at the time existing between 3PAR (or any of its subsidiaries) and its current or prospective employees.

Each Executive's employment may be terminated for any reason, with the benefits due to him or her dependent on the circumstances of the termination, as discussed below.

*Voluntary Resignation other than a Voluntary Termination for Good Reason; Disability; Death; Termination Apart from Change of Control; Termination for Cause*

If an Executive's employment terminates due to (i) the Executive's voluntary resignation (and is not a Voluntary Termination for Good Reason (as such term is defined in the Management Retention Agreement)), (ii) Executive's Disability (as such term is defined in the Management Retention Agreement), (iii) Executive's death, (iv) a termination for any reason, either prior to the occurrence of a Change of Control (as defined in the Management Retention Agreement) or after the 12-month period following a Change of Control, or (v) a termination for Cause (as defined in the Management Retention Agreement) then the Executive will not be entitled to receive severance or other benefits except for those (if any) as may then be established under 3PAR's then existing severance and benefits plans or pursuant to other written agreements with 3PAR. If the Executive is terminated for Cause, then the Executive will not be entitled to receive severance or other benefits.

*Change of Control Severance Benefits Involuntary Termination other than for Cause, Death or Disability or Voluntary Termination for Good Reason Following a Change of Control*

If, within 12 months following a Change of Control, the Executive's employment is terminated (i) involuntarily by 3PAR other than for Cause, death or Disability or (ii) by the Executive pursuant to a Voluntary Termination for Good Reason, then, subject to the Executive entering into and not revoking a mutual form of release of claims with 3PAR and subject to his or her continued compliance with the non-solicitation provisions of the Management Retention Agreement, each Executive will be entitled to receive the following:

50% of his or her annual base salary at the rate in effect immediately preceding the Executive's termination, payable in a lump sum (or 100% of his base salary in the case of Mr. Short; however, entitlement to this payment has been superseded by the Short Transition Cash Award as described above);

50% of the unvested portion of any stock option, restricted stock or other 3PAR equity compensation held by the Executive will automatically be accelerated in full so as to become completely vested, or, if the Executive has exercised his or her early exercise rights with respect to any stock option, then 50% of the unreleased portion of the stock option shall automatically be released from 3PAR's repurchase option (or 100% of the unvested or unreleased portion in the case of Mr. Short); and

3PAR-paid health, dental, vision, long-term disability and life insurance coverage for each Executive (and his or her dependents if the coverage prior to the termination included any dependents) at the same level of coverage as was provided to the Executive immediately prior to the Change of Control and at the same ratio of 3PAR premium payment to Executive premium payment as was in effect immediately prior to the Change of Control for a period of one-year, or less if the Executive and his or her dependents become eligible for comparable coverage through another employer.

The Appointment Time will constitute a Change of Control under each Management Retention Agreement.

*Standard Dell Employment Agreements*

Dell has a form of employment agreement (the **Form Employment Agreement**) that all employees of Dell sign regardless of position. Thus, all 3PAR employees and executives who join Dell by virtue of the Merger (the **Transferred Employees**) are to enter into the Form Employment Agreement at the Effective Time. All of

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the executives listed in the table below have signed the Form Employment Agreement. The Form Employment Agreement includes a number of acknowledgments by the Transferred Employee regarding (among other things) (i) at-will employment status, (ii) obligations regarding the use and development of intellectual property, inventions and copyrightable materials and (iii) responsibilities relating to the non-disclosure of confidential information, proprietary information and controlled technology and software. The obligations relating to these acknowledgments generally are limited to the period of the employee's employment with Dell. The Form Employment Agreements do not specify the compensation or benefits to be provided to the Transferred Employees.

*(b) Potential Payments upon a Termination In Connection with a Change of Control.*

The following table sets forth the approximate payments and/or benefits that would be owed to each of 3PAR's executive officers upon a qualifying termination of employment in connection with the Offer, assuming that the Offer is completed at the Offer Price of \$18.00 per share of Common Stock and the termination of employment took place on August 16, 2010.

Name	Benefit Type	Payment Upon the Appointment Time	Payment in the Case of a Qualifying Termination
David C. Scott	Cash Payment (1)		\$ 2,490,000
	Value of Continued Employee Benefits (2)		\$ 20,502
	Value of Equity Award Acceleration (3)		\$ 5,294,930
	Excise Tax Gross-Up Payment (4)		\$ 1,000,000
	<b>Total Value:</b>		\$ 8,805,432
Adriel G. Lares	Cash Payment (1)		\$ 270,000
	Value of Continued Employee Benefits (5)		\$ 6,768
	Value of Equity Award Acceleration (3)		\$ 2,339,650
	<b>Total Value:</b>		\$ 2,616,418
Jeffrey A. Price	Severance (6)		\$ 137,500
	Value of Continued Employee Benefits (5)		\$ 26,996
	Value of Equity Award Acceleration (3)		\$ 2,033,540
	<b>Total Value:</b>		\$ 2,198,036
Ashok Singhal	Severance (6)		\$ 137,500
	Value of Continued Employee Benefits (5)		\$ 680
	Value of Equity Award Acceleration (3)		\$ 2,031,595
	<b>Total Value:</b>		\$ 2,169,775
Peter Slocum	Severance (6)		\$ 132,500
	Value of Continued Employee Benefits (5)		\$ 26,947
	Value of Equity Award Acceleration (3)		\$ 2,212,800
	<b>Total Value:</b>		\$ 2,372,247
Randall J. Weigel	Severance (6)		\$ 125,000
	Value of Continued Employee Benefits (5)		\$ 20,627
	Value of Equity Award Acceleration (3)		\$ 2,357,938
	<b>Total Value:</b>		\$ 2,503,565
Russell Walther	Severance (6)		\$ 135,000
	Value of Continued Employee Benefits (5)		\$ 20,436
	Value of Equity Award Acceleration (3)		\$ 2,161,800
	<b>Total Value:</b>		\$ 2,317,236
Craig S. Nunes	Severance (6)		\$ 120,000
	Value of Continued Employee Benefits (5)		\$ 20,613

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Value of Equity Award Acceleration (3)	\$	1,777,250
<b>Total Value:</b>	\$	1,917,863

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Name	Benefit Type	Payment Upon the Appointment Time	Payment in the Case of a Qualifying Termination
Stephen F. Crimi	Severance (6)		\$ 125,000
	Value of Continued Employee Benefits (5)		\$ 20,613
	Value of Equity Award Acceleration (3)		\$ 1,691,250
	<b>Total Value:</b>		\$ 1,836,863
Randall T. Gast	Severance (6)		\$ 132,500
	Value of Continued Employee Benefits (5)		\$ 20,627
	Value of Equity Award Acceleration (4)		\$ 1,560,700
	<b>Total Value:</b>		\$ 1,713,827
Alastair A. Short	Cash Payment (1)		\$ 520,000
	Value of Continued Employee Benefits (5)		\$ 20,642
	Value of Equity Award Acceleration (3)		\$ 1,891,350
	<b>Total Value:</b>		\$ 2,431,992
Jeannette Robinson	Cash Payment (1)		\$ 220,000
	Value of Continued Employee Benefits (5)		\$ 14,233
	Value of Equity Award Acceleration (3)		\$ 1,651,000
	<b>Total Value:</b>		\$ 1,885,233

- (1) Represents payment of the transition cash award, as outlined and described above.
- (2) Includes 3PAR-paid health, dental, vision, and life insurance coverage for a period of 12 months, as outlined and described above.
- (3) Represents the value of equity awards that would accelerate upon a qualifying termination following the expiration of the Offer, as outlined and described above.
- (4) Represents the maximum additional payments to which Mr. Scott could be entitled pursuant to the Scott Agreement to compensate for excise taxes that would be due pursuant to Code Section 280G as a result of Mr. Scott's change of control benefits equaling or exceeding 3.59 times his base amount as defined in Code Section 280G, as outlined and described above.
- (5) Includes 3PAR-paid health, dental, vision, long-term disability and life insurance coverage for a period of 12 months, as outlined and described above.
- (6) Represents severance payments pursuant to the individual's Management Retention Agreement.

*Indemnification and Insurance.* Section 145 of the DGCL permits a corporation to include in its charter documents, and in agreements between the corporation and its directors and officers, provisions expanding the scope of indemnification beyond that specifically provided by current law. 3PAR's certificate of incorporation provides for the indemnification of 3PAR's directors to the fullest extent permissible under the DGCL. Consequently, no director will be personally liable to 3PAR or its stockholders for monetary damages for any breach of fiduciary duties as a director, except liability for:

any breach of the director's duty of loyalty to 3PAR or its stockholders;

any act or omission not in good faith or which involves intentional misconduct or a knowing violation of law;

unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or

any transaction from which the director derived an improper personal benefit.

In addition, 3PAR's certificate of incorporation provides that 3PAR is required to indemnify its directors and 3PAR's bylaws provide that 3PAR is required to indemnify its directors, officers, employees and agents, in each case to the fullest extent permitted by the DGCL. 3PAR's bylaws

also provide that 3PAR shall advance expenses incurred by a director, officer, employee or agent in advance of the final disposition of any action or

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proceeding, and permit 3PAR to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in that capacity regardless of whether 3PAR would otherwise be permitted to indemnify him or her under the provisions of the DGCL.

3PAR has entered into agreements to indemnify its directors, officers and other employees as determined by the board of directors. With certain exceptions, these agreements provide for indemnification for related expenses including, among other things, attorneys' fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding. This description of the indemnification agreements entered into between 3PAR and its directors, officers and employees is qualified in its entirety by reference to the form of indemnification agreement filed as Exhibit (e)(7) hereto, which is incorporated herein by reference. 3PAR also maintains directors' and officers' liability insurance that insures 3PAR's directors and officers against certain losses and insures 3PAR with respect to its obligations to indemnify its directors and officers.

The Merger Agreement provides that the Surviving Corporation and its subsidiaries will honor and fulfill in all respects the obligations of 3PAR and its subsidiaries under any indemnification agreements between 3PAR or any of its subsidiaries and any of their respective current or former directors and officers and any person who becomes a director or officer of 3PAR or any of its subsidiaries prior to the Appointment Time (the **Indemnified Persons**). In addition, until the sixth anniversary of the Effective Time, the Surviving Corporation and its subsidiaries will indemnify each Indemnified Person in respect of acts or omissions in such Indemnified Person's capacity as a director, officer, employee or agent of 3PAR or any of its subsidiaries or any of the transactions contemplated by the Merger Agreement.

Furthermore, until the sixth anniversary of the Effective Time, the surviving corporation in the Merger (the **Surviving Corporation**) will maintain in effect 3PAR's current directors' and officers' liability insurance ( **D&O Insurance** ) in respect of acts or omissions occurring at or prior to the Effective Time, covering each person covered by the D&O Insurance, on terms with respect to the coverage and amounts that are equivalent to those of the D&O Insurance, provided that in satisfying such obligations, Dell and the Surviving Corporation will not be obligated to pay annual premiums in excess of 300% of the amount paid by 3PAR for coverage for its last full fiscal year (such 300% amount, the **Maximum Annual Premium**). If the annual premiums of such insurance coverage exceed such amount, Dell and the Surviving Corporation will obtain a policy with the greatest coverage available for a cost not exceeding the Maximum Annual Premium.

Prior to the Effective Time, 3PAR may purchase a six-year tail or runoff policy under 3PAR's current directors' and officers' insurance policies and fiduciary liability insurance policies, provided that the aggregate cost for such tail or runoff policy does not exceed 500% of the current annual premiums paid by 3PAR for directors' and officers' and fiduciary liability insurance policies.

*Representation on 3PAR's Board of Directors.* The Merger Agreement provides that, effective upon the Acceptance Date, Dell will be entitled to designate a number of directors, rounded up to the next whole number, on the board of directors equal to the product of the total number of directors on the board of directors (giving effect to the directors elected pursuant to this sentence) and the percentage that the number of Shares beneficially owned by Dell and/or Purchaser following such purchase bears to the total number of Shares outstanding, and 3PAR will cause Dell's designees to be elected or appointed as directors of 3PAR, including by increasing the size of the board of directors and seeking and accepting the resignations of incumbent directors. Notwithstanding the foregoing, at least three of 3PAR's current directors who are not employees of 3PAR and who are not officers, directors, employees, or designees of Dell or Purchaser or any of their affiliates shall remain members of the board of directors until the Effective Time in accordance with the terms of the Merger Agreement.

(c) *Arrangements with Dell or Purchaser.*

*Merger Agreement.* The summary of the Merger Agreement contained in Section 11 of the Offer to Purchase filed as Exhibit (a)(1)(A) to the Schedule TO and the description of the conditions of the Offer contained in Section 15 of the Offer to Purchase are incorporated herein by reference. Such summary and description are qualified in their entirety by reference to the Merger Agreement, which is filed as Exhibit (e)(1) hereto and incorporated herein by reference to provide information regarding its terms.



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*Tender and Voting Agreement.* In connection with the execution of the Merger Agreement, certain stockholders of 3PAR and their affiliates, if applicable, who hold approximately 33% of the outstanding stock of 3PAR have entered into a tender and voting agreement with Dell and Purchaser (the **Tender and Voting Agreement**), which provides, among other things, that these stockholders will irrevocably tender their Shares in the Offer and vote their Shares in favor of adopting the Merger Agreement, if applicable. In addition, such stockholders have agreed, subject to certain exceptions, to refrain from disposing of their Shares and soliciting alternative acquisition proposals to the Offer and Merger. The Tender and Voting Agreement will terminate upon the earlier to occur of (i) the termination of the Merger Agreement in accordance with its terms, (ii) the termination or expiration of the Offer, without any Shares being accepted for payment thereunder, and (iii) the Effective Time. This summary of the Tender and Voting Agreement does not purport to be complete and is qualified in its entirety by reference to the Tender and Voting Agreement, which has been filed as Exhibit (e)(2) hereto and incorporated herein by reference.

*Confidentiality Agreement.* Dell and 3PAR entered into a confidentiality agreement, dated as of July 17, 2010 (the **Confidentiality Agreement**), in connection with a possible negotiated transaction between the parties. Under the Confidentiality Agreement, the parties agreed, subject to certain customary exceptions, to keep all non-public information furnished by the disclosing party to the receiving party or its representatives solely for the purpose of evaluating a potential transaction between the parties. This summary of the Confidentiality Agreement does not purport to be complete and is qualified in its entirety by reference to the Confidentiality Agreement, which is filed as Exhibit (e)(3) hereto and is incorporated herein by reference.

*Exclusivity Agreement.* Dell and 3PAR entered into an exclusivity letter agreement, dated as of August 1, 2010 (the **Exclusivity Agreement**), in connection with a possible negotiated transaction involving Dell and 3PAR. Under the Exclusivity Agreement, 3PAR agreed not to, directly or indirectly, solicit, initiate or knowingly encourage any offer or proposal for, or any indication of interest in, a business combination transaction between 3PAR and any party other than Dell through August 15, 2010. This summary of the Exclusivity Agreement does not purport to be complete and is qualified in its entirety by reference to the Exclusivity Agreement, which is filed as Exhibit (e)(4) hereto and incorporated herein by reference.

### **Item 4. The Solicitation or Recommendation**

#### ***(a) Solicitation/Recommendation.***

After careful consideration, including a thorough review of the Offer with 3PAR's legal and financial advisors, at a meeting held on August 15, 2010, the board of directors unanimously (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable and in the best interests of and are fair to 3PAR and 3PAR's stockholders and (ii) approved and authorized the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger.

**Accordingly, and for the other reasons described in more detail below, the board of directors unanimously recommends that 3PAR's stockholders accept the Offer and tender their Shares pursuant to the Offer.**

A letter to stockholders communicating the board of directors' recommendation and the joint press release issued by 3PAR and Dell announcing the execution of the Merger Agreement are filed as Exhibits (a)(2)(A) and (a)(5)(A) hereto, respectively, and are incorporated herein by reference.

#### ***(b) Background.***

As part of the ongoing evaluation of our business, our board of directors and members of our senior management regularly review and assess opportunities to achieve long-term strategic goals, including potential opportunities for business combinations, acquisitions, dispositions, internal restructurings and other strategic alternatives.

In late 2009 and early 2010, we and Dell explored a potential reseller arrangement between the two companies. After several discussions, however, the companies determined not to move forward with a reseller arrangement at that time.

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On May 3, 2010, David C. Scott, the President and Chief Executive Officer of 3PAR, had an informal discussion with executives of Company A to explore possible commercial relationships between 3PAR and Company A. Mr. Scott and the Company A executives agreed to have follow up discussions on potential commercial relationships, but these discussions have not yet occurred. In addition, the Company A executives also requested to be contacted if 3PAR were ever to consider an acquisition by another company.

On May 7, 2010, Mr. Scott had an informal discussion with Michael S. Dell, the Chairman of the Board and Chief Executive Officer of Dell, and Dave Johnson, the Senior Vice President of Corporate Strategy of Dell, concerning a range of possible commercial relationships between 3PAR and Dell. Messrs. Scott and Dell agreed that such a relationship could have significant benefits for both companies and, therefore, agreed to further consider such a relationship with their respective business teams.

On July 8, 2010, an executive officer of Company B contacted Mr. Scott to express Company B's interest in potentially acquiring 3PAR. The two executives agreed to hold meetings the following week to explore on a preliminary basis a possible business combination involving the two companies.

To facilitate the further exchange of confidential information in contemplation of a possible transaction between the two companies, we entered into a mutual non-disclosure agreement with Company B on July 13, 2010.

On July 14 and July 15, 2010, there were several meetings between the Company B and 3PAR management teams, during which meetings the 3PAR management team presented an overview of 3PAR's business strategy and operations to enable Company B to further assess the manner in which 3PAR could be combined with Company B's businesses. During these meetings, representatives of Company B stated that Company B intended to submit a proposal to acquire 3PAR in the near term. In addition, on July 14, 2010, Mr. Scott met with the chief executive officer of Company B, during which meeting the Company B chief executive officer expressed Company B's seriousness about acquiring 3PAR.

On July 15, 2010, the board of directors convened a special meeting to consider Company B's inquiries regarding a potential acquisition of 3PAR. Representatives of Wilson Sonsini Goodrich & Rosati, Professional Corporation ( **Wilson Sonsini** ), our outside legal counsel, also attended this meeting. Mr. Scott summarized the discussions that the senior management team had over the past several months with various companies regarding a possible transaction, as well as the meetings with Company B representatives during the last couple of days and Company B's desire to proceed expeditiously with a possible acquisition. The board then discussed the retention of an external financial advisor to assist the board and our senior management team in their evaluation of strategic alternatives, including a potential acquisition by Company B. After discussion of various alternatives, the board determined to engage Qatalyst Partners LP ( **Qatalyst** ) and authorized our senior management team to negotiate an engagement agreement with Qatalyst to act as our financial advisor in connection with a potential sale transaction.

The board then reviewed and discussed with representatives of Qatalyst, Company B's inquiries with respect to a potential acquisition of 3PAR and other companies that might be interested in acquiring 3PAR. During this discussion, representatives of Wilson Sonsini advised the board regarding its fiduciary duties in this context. After discussion, the board of directors authorized and directed Qatalyst to approach two other companies that the board of directors, with the advice and input of the attending senior executive officers and representatives of Qatalyst, determined were the most likely to be interested in, and capable of, acquiring 3PAR in order to ascertain their interest in making a proposal to acquire the company. These two companies were Dell and Company A. The board of directors discussed the advisability of seeking indications of interest from other companies that might be interested in acquiring 3PAR, but ultimately determined not to seek alternative indications of interest to acquire 3PAR from other companies at this time due to the significant risks of harm to 3PAR's business and of employee dislocation if speculation arose that 3PAR was considering a transaction with one of these other companies.

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Also at the July 15<sup>th</sup> board meeting, the board discussed the advisability of forming an ad hoc transaction committee of the board in view of the discussions with Company B and the need for directors to be regularly available to guide and instruct our senior management team and our financial advisor and outside legal counsel on discussions with Company B. The board of directors approved the formation of a board committee referred to herein as the Transaction Committee, consisting of Kevin Fong, Christopher B. Paisley, and Mr. Scott. The Transaction Committee was established as a liaison between the board and our senior management team, financial advisor and outside counsel to guide and oversee discussions with Company B or potentially other parties. The board did not empower the Transaction Committee to approve or make any definitive determinations in respect of a transaction with Company B or any other party.

Subsequent to the July 15<sup>th</sup> board meeting, acting under the board's authorization, 3PAR entered into a letter agreement with Qatalyst on July 15, 2010, pursuant to which Qatalyst was formally engaged to act as 3PAR's financial advisor in connection with the evaluation of strategic alternatives, including a possible sale of the company.

On July 16, 2010, Mr. Scott contacted representatives of Dell and Company A to ascertain their potential interest in acquiring 3PAR at this time. The representatives of Dell and Company A each expressed interest in pursuing a potential acquisition of 3PAR.

In addition, on July 16, 2010, there was a meeting of the Transaction Committee, at which representatives of Qatalyst were also present. Mr. Scott reported on his discussions with representatives of Dell and Company A. The Transaction Committee members then discussed with representatives of Qatalyst whether another company—Company C—should be contacted to determine their potential interest in acquiring 3PAR at this time. After deliberation, the Transaction Committee authorized representatives of Qatalyst to contact representatives of Company C for this purpose.

Following the meeting of the Transaction Committee, on July 16, 2010, representatives of Qatalyst contacted the chief executive officer of Company C, who indicated that Company C was unlikely to have any interest in acquiring 3PAR at this time.

To facilitate the further exchange of confidential information in contemplation of a possible transaction between 3PAR, on the one hand, and each of Dell and Company A, on the other hand, we entered into a confidentiality agreement with Dell on July 17, 2010, and a confidentiality agreement with Company A on July 19, 2010.

On July 22, 2010, certain members of our senior management team delivered in-person presentations to representatives of Dell related to our business and operations. In addition, on July 23, 2010, representatives of Dell conducted follow-up sessions regarding certain financial matters pertaining to 3PAR as part of its due diligence activities.

On July 23, 2010, certain members of our senior management team delivered in-person presentations to representatives of Company A related to our business and operations.

On July 23, 2010, we received from Company B a non-binding indication of interest in acquiring all of the outstanding equity of 3PAR. Company B's indication of interest was subject to the satisfactory completion of due diligence and our agreement to negotiate exclusively with Company B for three weeks, but was expressly not subject to a financing condition.

On July 26, 2010, a meeting of the Transaction Committee was held, during which Mr. Scott reported on the events of the previous week to the other members of the Transaction Committee.

On July 27, 2010, there was a regularly scheduled meeting of our board of directors. Representatives of Qatalyst and Wilson Sonsini were also in attendance. During this meeting, representatives of Qatalyst updated

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the board on the recent discussions that had occurred with the companies that were contacted regarding a potential acquisition of 3PAR, and also provided a summary of Company B's July 23<sup>rd</sup> indication of interest. Representatives of Qatalyst then discussed with the board an overview of the technology strategic landscape and preliminary financial analysis with respect to 3PAR. After discussion with our senior management team and representatives of Qatalyst and Wilson Sonsini, the board of directors determined to reject Company B's July 23<sup>rd</sup> indication of interest, but authorized our senior management team and Qatalyst representatives to continue discussions with Company B, as well as Dell and Company A, regarding a potential acquisition of 3PAR.

On July 29, 2010, representatives of Company A informed representatives of Qatalyst that Company A had elected not to submit a proposal at that time.

On July 30, 2010, Mr. Dell, Mr. Johnson and Chris Kleiman, the Vice President of Corporate Development of Dell, met with Mr. Scott, and later Mr. Johnson and Mr. Kleiman met with certain members of 3PAR's senior management team, who provided further information regarding 3PAR. Following the meeting between Mr. Johnson and Mr. Kleiman and certain members of 3PAR's senior management team, Mr. Scott and Mr. Dell held a brief telephone call about the discussions at the meeting.

After the conclusion of these meetings, on July 30, 2010, we received from Dell a preliminary non-binding indication of interest to combine Dell and 3PAR in a transaction in which 3PAR stockholders would receive \$15.00 to \$17.00 per share in cash. Dell's indication of interest was subject to the satisfactory completion of due diligence, but was expressly not subject to a financing condition. In addition, Dell stated that it would require that we negotiate exclusively with Dell for two weeks.

On July 31, 2010, several discussions occurred between representatives of Qatalyst and Credit Suisse Securities (USA) LLC ( **Credit Suisse** ), Dell's financial advisor, regarding the proposed purchase price set forth in Dell's July 23<sup>rd</sup> indication of interest. During these discussions, representatives of Qatalyst initially advised representatives of Credit Suisse that in order for the board of directors to authorize 3PAR to enter into exclusive negotiations with Dell, Dell would need to increase its proposed purchase price above \$17.00 per share and representatives of Qatalyst later advised representatives of Credit Suisse of a request for Dell to increase its proposed purchase price to \$18.25 per share in order for 3PAR's board of directors to authorize 3PAR to enter into exclusive negotiations with Dell. At the conclusion of these discussions, representatives of Credit Suisse informed representatives of Qatalyst that Dell would revise its indication of interest to reflect a purchase price of \$18.00 per share in cash, subject to 3PAR agreeing to enter into exclusive negotiations with Dell.

On July 31 and August 1, 2010, representatives of Qatalyst had discussions with representatives of Company B and its financial advisor. During these discussions, representatives of Qatalyst stated that Company B would need to increase its proposed purchase price higher than the price per share proposed by Company B in its July 23<sup>rd</sup> indication of interest if Company B desired to continue discussions with 3PAR regarding a possible acquisition of 3PAR.

On August 1, 2010, representatives of Company B declined to submit a proposal that was greater than the one set forth in its July 23<sup>rd</sup> indication of interest.

In addition, on August 1, 2010, we received from Dell a revised non-binding indication of interest to combine Dell and 3PAR in a transaction in which 3PAR stockholders would receive \$18.00 per share in cash. Dell's indication was subject to completion of detailed due diligence, but was expressly not subject to a financing condition. The indication of interest also stated that we would be required to negotiate exclusively with Dell for two weeks.

The board of directors convened a special meeting on August 1, 2010 to consider and discuss Dell's August 1<sup>st</sup> indication of interest. Representatives of Qatalyst and Wilson Sonsini also attended this meeting. Mr. Scott and representatives of Qatalyst provided the board with a summary of the events that had occurred since the July 27<sup>th</sup> board meeting, including Company A's election not to submit a proposal at this time, Company B's election not to submit a proposal which was higher than in its July 23<sup>rd</sup> indication of interest, and on the July 30<sup>th</sup> meetings involving Mr. Scott and other 3PAR representatives, on the one hand, and with

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Mr. Dell and other Dell representatives, on the other hand. Representatives of Qatalyst then reviewed the terms of Dell's August 1<sup>st</sup> indication of interest, and presented updates to certain preliminary financial analyses of 3PAR and the purchase price reflected in Dell's August 1<sup>st</sup> indication of interest, which was higher than the proposed purchase price contained in Company B's indication of interest. After a discussion of these matters, and based on Dell's August 1<sup>st</sup> indication of interest, the board determined to approve the execution of an exclusivity agreement with Dell, which provided for an exclusive negotiation period through August 15, 2010.

Following the August 1<sup>st</sup> board meeting, Mr. Scott called Mr. Dell to indicate that the board of directors had accepted Dell's August 1<sup>st</sup> indication of interest and we entered into an exclusivity agreement with Dell which provided for an exclusive negotiation period through August 15, 2010.

On August 2, 2010, representatives of Qatalyst transmitted to representatives of Credit Suisse a draft definitive merger agreement for the transaction.

Also on August 2, 2010, Mr. Dell called Jeffrey A. Price, 3PAR's Chief Technical Officer, System Design and a member of the board of directors to indicate that Mr. Dell was looking forward to pursuing the acquisition of 3PAR.

During the weeks of August 2 and August 9, 2010, our senior management team held a series of due diligence sessions with representatives of Dell and Credit Suisse. In addition, on August 2, 2010, we granted access to an electronic data room to representatives of Dell and its outside advisors, including Credit Suisse and Debevoise & Plimpton LLP ( **Debevoise** ), Dell's outside legal counsel. Until August 15, 2010, Dell conducted its due diligence investigation of 3PAR. Dell's due diligence consisted of a review of the data and other materials made available in the electronic data room, various conference calls with representatives of 3PAR and its outside advisors, and in-person meetings with representatives of 3PAR and its outside advisors.

On August 3, 2010, Mr. Dell called Mr. Scott to discuss integration issues and communications plans upon the signing of the Merger Agreement.

On August 7, 2010, representatives of Debevoise delivered a revised draft of the merger agreement and a draft tender and voting agreement to representatives of Wilson Sonsini. Among other terms, the draft merger agreement proposed a termination fee of 4.75% of the equity value of the transaction and the reimbursement to Dell of all or a portion of its transaction related expenses if the "minimum condition" in the tender offer were not satisfied prior to final expiration or termination. Representatives of Wilson Sonsini reviewed the revised draft of the merger agreement and the draft tender and voting agreement, discussed the terms proposed in the revised draft of the merger agreement and the draft tender and voting agreement with representatives of 3PAR on August 8, 2010, and prepared a further revised draft of the merger agreement. Representatives of Wilson Sonsini transmitted the further revised draft of the merger agreement to representatives of Debevoise on August 10, 2010.

On August 10, 2010, Mr. Dell had a call with Mr. Scott to discuss the process of the plan for the announcement of the transactions contemplated by the Merger Agreement.

On August 11, 2010, representatives of Wilson Sonsini and Debevoise discussed the terms of the definitive merger agreement in an effort to resolve as many of the open items as possible. The key terms that remained unresolved after this discussion included the amount of the termination fee, the circumstances that would give rise to our obligation to pay the termination fee, and whether or not we would be obligated to reimburse Dell for all or a portion of its transaction related expenses if the "minimum condition" in the tender offer were not satisfied prior to final expiration or termination. Later that night, representatives of Debevoise delivered a revised draft of the merger agreement to representatives of Wilson Sonsini.

On August 12, 2010, the board of directors held a special meeting to consider the proposed acquisition by Dell. Representatives of Qatalyst and Wilson Sonsini also attended this meeting. Representatives of Qatalyst updated the board on the discussions and interactions with Dell since we entered into an exclusive negotiation period with Dell. Representatives of Qatalyst then presented updated financial analyses of 3PAR, and a financial

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analysis of the proposed acquisition by Dell. Representatives of Wilson Sonsini summarized the terms of the merger agreement and the tender and voting agreement. The board of directors also discussed the major unresolved issues in the negotiation of the merger agreement and the tender and voting agreement, including the amount of the termination fee, the circumstances that would give rise to our obligation to pay the termination fee, and whether or not we would be obligated to reimburse Dell for all or a portion of its transaction related expenses if the minimum condition in the tender offer were not satisfied prior to final expiration or termination. Mr. Scott and representatives of Wilson Sonsini also summarized the treatment of outstanding equity awards in the acquisition and the terms upon which Dell had proposed to assume the existing management retention agreements and executive employment agreements (as modified). After discussion, the board expressed their support for entering into a definitive merger agreement on the terms proposed, subject to satisfactory resolution of the unresolved matters (with respect to which the board provided representatives of Wilson Sonsini and Qatalyst its views) and final approval of the board.

Following the board meeting, representatives of Wilson Sonsini transmitted a revised draft of the tender and voting agreement to representatives of Debevoise.

On August 13, 2010, representatives of Wilson Sonsini and Debevoise engaged in numerous discussions to resolve as many of the open items as possible in the draft merger agreement and tender and voting agreement. At the conclusion of the day, the negotiation of the definitive merger agreement and tender and voting agreement was substantially complete, except for the amount of the termination fee, the circumstances that would give rise to our obligation to pay the termination fee, and whether or not we would be obligated to reimburse Dell for all or a portion of its transaction related expenses if the minimum condition in the tender offer were not satisfied prior to final expiration or termination.

On August 14, 2010, representatives of Qatalyst and Credit Suisse had several discussions regarding the key unresolved matters in the definitive merger agreement. Subject to approval of their respective clients, the representatives of Qatalyst and Credit Suisse tentatively agreed that the termination fee would be 4.25% of the equity value of the transaction and that Dell would not be reimbursed for any of its transaction related expenses if the minimum condition in the tender offer were not satisfied prior to final expiration or termination.

The board of directors held another special meeting on August 15, 2010. Representatives of Qatalyst and Wilson Sonsini also participated in this meeting. At this meeting, representatives of Qatalyst and Wilson Sonsini reviewed the proposed resolution of each of the previously unresolved issues that had been reported to the board. After further discussion, representatives of Qatalyst then delivered its oral opinion, which was subsequently confirmed in writing, to the effect that as of the date thereof, and subject to and based upon the various qualifications and assumptions set forth in its written opinion, the consideration to be received by the holders of shares of 3PAR common stock (other than Dell or any of its affiliates or any affiliates of 3PAR who have executed the tender and voting agreement) pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. The full text of the written opinion of Qatalyst, dated August 15, 2010, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken in connection with the opinion, is attached as Annex II. After considering each of the factors described below in Reasons for Recommendation, the board of directors determined it was in the best interests of 3PAR and our stockholders to enter into the Merger Agreement with Dell. Accordingly, the board of directors unanimously (i) determined that it is in the best interests of 3PAR and our stockholders, and declared it advisable, to enter into the Merger Agreement, (ii) approved the execution and delivery by 3PAR of the Merger Agreement and (iii) resolved to recommend that the holders of Shares accept the Offer, tender their Shares to Purchaser pursuant to the Offer and, if required by the applicable provisions of Delaware law, adopt the Merger Agreement.

After the board meeting adjourned, the parties executed and delivered the Merger Agreement and Tender and Voting Agreement and related documents.

On August 16, 2010, before the U.S. stock markets opened, Dell and 3PAR jointly announced the transaction.

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***(c) Reasons for Recommendation.***

In evaluating the Merger Agreement and the other transactions contemplated thereby, including the Offer and the Merger, the board of directors consulted with 3PAR's senior management and legal counsel and financial advisors, and considered a number of factors in recommending that all holders of Shares accept the Offer and tender their Shares pursuant to the Offer, including the following:

*3PAR's Operating and Financial Condition; Prospects of 3PAR.* The board of directors considered the current and historical financial condition, results of operations, and business of 3PAR, as well as 3PAR's financial plan and prospects, if it were to remain an independent company. The board of directors evaluated 3PAR's long-term financial plan, including the execution risks and uncertainties, and the potential impact on the trading price of the Shares (which is not feasible to quantify numerically) if 3PAR were to execute or fail to execute upon its financial plan. The board of directors discussed the impact of general economic market trends on 3PAR's sales, as well as general market risks that could reduce the market price of the Shares. The board of directors also considered the highly competitive and rapidly evolving environment in which 3PAR operates and is expected to operate in the future and the fact that many of 3PAR's competitors have greater name recognition, access to larger customer bases and substantially greater resources, and the impact of this competitive environment on 3PAR's ability to retain and expand its portion of the total available market.

*Available Alternatives; Results of Discussions with Third Parties.* The board of directors considered the possible alternatives to the acquisition by Dell and perceived risks of those alternatives, the range of potential benefits to 3PAR's stockholders of these alternatives and the timing and the likelihood of accomplishing the goals of such alternatives, as well as the board of directors' assessment that none of these alternatives were reasonably likely to present superior opportunities for 3PAR to create greater value for 3PAR's stockholders, taking into account risks of execution as well as business, competitive, industry and market risks. The board of directors also considered the results of the process that the board of directors had conducted, with the assistance of 3PAR management and its financial and legal advisors, to evaluate strategic alternatives and the results of discussions with third parties regarding business combination and change of control transactions. The board of directors considered the indication of interest in an acquisition of 3PAR expressed by Party A. The board of directors also considered the ability of other bidders to make, and the likelihood that other bidders would make, a proposal to acquire 3PAR at a higher price.

*Financial Market Conditions; Historical Trading Prices.* The board of directors considered the current regional, national and international economic climate and the conditions of the financial markets. The board of directors considered historical market prices, volatility and trading information with respect to the Common Stock, including the fact that the Offer represents a premium of approximately 87% over the closing price per share of the Shares on August 13, 2010, the last full trading day prior to the meeting of the board of directors to consider and approve the Merger Agreement.

*Opinion of 3PAR's Financial Advisor.* The opinion of Qatalyst Partners LP, referred to herein as Qatalyst, dated August 15, 2010, to the board of directors of 3PAR as to the fairness, from a financial point of view and as of such date, of the \$18.00 per share consideration to be paid to holders of Shares (other than Dell, any affiliate of Dell or affiliates of 3PAR who had executed the Tender and Voting Agreement) pursuant to the Merger Agreement, as more fully described in the section entitled "Opinion of 3PAR's Financial Advisor."

*Cash Consideration; Certainty of Value.* The board of directors considered the form of consideration to be paid to the stockholders in the Offer and the Merger and the certainty of the value of cash consideration compared to stock or other forms of consideration, as well as the fact that Dell's proposal was not subject to obtaining any outside financing. The board of directors considered the business reputation of Dell and its management and the substantial financial resources of Dell and, by extension, Purchaser, which the board of directors believed supported the conclusion that a transaction with Dell and Purchaser could be completed relatively quickly and in an orderly manner.

*Terms of the Merger Agreement.* The provisions of the Merger Agreement, including the respective representations and warranties (as qualified by information in confidential disclosure schedules provided by

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3PAR in connection with the signing of the Merger Agreement, which modify, qualify and create exceptions to the representations and warranties and allocate risk between 3PAR, Dell and Purchaser, rather than establishing matters of fact, and, accordingly, may not constitute the actual state of facts about 3PAR, Dell or Purchaser) and covenants and termination rights of the parties and termination fees payable by 3PAR, including without limitation:

(1) *Cash Tender Offer.* The Offer and the Merger provide for a prompt cash tender offer for all Shares to be followed by a merger for the same consideration, thereby enabling 3PAR's stockholders, at the earliest possible time, to obtain the benefits of the transaction in exchange for their Shares.

(2) *No Financing Condition.* Dell's obligations under the Offer are not subject to any financing condition, Dell's representations in the Merger Agreement that it has and will have sufficient funds available to it to consummate the Offer and the Merger, and Dell's financial strength.

(3) *Ability to Respond to Certain Unsolicited Acquisition Proposals.* The provisions in the Merger Agreement that provide for the ability of the board of directors, in furtherance of the exercise of its fiduciary duties under Delaware law, to engage in negotiations or discussions with any third party that has made a bona fide, written acquisition proposal that the board of directors believes in good faith is or is reasonably likely to lead to a Superior Proposal (as defined in Section 1.1 of the Merger Agreement) and to furnish to such third party non-public information relating to 3PAR pursuant to a confidentiality agreement that contains confidentiality provisions that are no less favorable to 3PAR than those contained in the confidentiality agreement entered into with Dell.

(4) *Change of Recommendation; Fiduciary Termination Right.* In the event 3PAR receives a Superior Proposal, the board of directors has the right, prior to the purchase of Shares pursuant to the Offer, to fail to make, withdraw or modify in a manner adverse to Dell its approval or recommendation to its stockholders of the Offer or declaration of advisability of the Merger Agreement, the Offer, or the Merger. However, the board of directors may not make such an adverse recommendation change in response to an acquisition proposal received by a third party unless (i) such acquisition proposal constitutes a Superior Proposal, (ii) 3PAR promptly notifies Dell in writing at least three business days before the adverse recommendation change of its intention to take such action and (iii) Dell does not make, within three business days after its receipt of that written notification, an offer that is at least as favorable to the stockholders of 3PAR as such Superior Proposal (with any material amendment or modification to the Superior Proposal requiring a new written notification from 3PAR and a new three business day period). The board of directors may terminate the Merger Agreement to accept a Superior Proposal, if (i) the board of directors shall have determined in good faith, after consultation with outside legal counsel, that the failure to take such action would reasonably be expected to be a breach of its fiduciary duties under Delaware Law, (ii) 3PAR has complied with requirements set forth in the prior sentence and (iii) 3PAR pays Dell a termination fee of \$53.5 million in cash.

(5) *Conditions to Consummation of the Offer and the Merger; Likelihood of Closing.* The reasonable likelihood of the consummation of the transactions contemplated by the Merger Agreement and that Dell's obligations to purchase Shares in the Offer and to close the Merger are subject to limited conditions.

(6) *Top-Up Option.* The board of directors considered that Purchaser had been granted a top-up option to purchase from 3PAR, under certain circumstances following consummation of the Offer, at a price per share equal to the Offer Price, up to a number of additional Shares sufficient to cause Purchaser to own 100 Shares more than 90% of the Shares then outstanding, and that this could permit Purchaser to consummate the Merger more quickly as a short form merger under Delaware law.

*Failure to Close; Public Announcement.* The possibility that the transactions contemplated by the Merger Agreement may not be consummated, and the effect of public announcement of the Merger Agreement, including effects on 3PAR's sales, operating results and stock price, and 3PAR's ability to attract and retain key management and sales and marketing personnel.

*Business Reputation of Dell.* The business reputation and capabilities of Dell and its management and the substantial financial resources of Dell and, by extension, Purchaser, which the board of directors believed



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supported the conclusion that a transaction with Dell and Purchaser could be completed relatively quickly and in an orderly manner. The board of directors also considered the impact of the Offer and the Merger on 3PAR's employees, business partners and customers.

*Termination Fee.* The termination fee of approximately \$53.5 million that could become payable pursuant to the Merger Agreement under certain circumstances, including if 3PAR terminates the Merger Agreement to accept a Superior Proposal or if Dell terminates the Merger Agreement because 3PAR's board of directors changes its recommendation with respect to the Offer or the Merger. The board of directors considered that these provisions in the Merger Agreement could have the effect of deterring third parties who might be interested in exploring an acquisition of 3PAR but was of the view that the payment of the termination fee was comparable to termination fees in transactions of a similar size, was reasonable and would not likely deter competing bids. In addition, the board of directors recognized that the provisions in the Merger Agreement relating to termination fees and non-solicitation of acquisition proposals were insisted upon by Dell as a condition to entering into the Merger Agreement and that the termination fee would not likely be required to be paid unless 3PAR entered into, or intended to enter into, a definitive agreement with respect to a Superior Proposal.

The foregoing discussion of information and factors considered and given weight by the board of directors is not intended to be exhaustive, but is believed to include all of the material factors considered by the board of directors. In view of the variety of factors considered in connection with its evaluation of the Offer and the Merger, the board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. In addition, individual members of the board of directors may have given different weights to different factors.

The board of directors also considered the impact of the Offer and the Merger on 3PAR and its subsidiaries' employees, business partners, customers and others having dealings with them.

In arriving at their respective recommendations, the directors of 3PAR were aware of the interests of executive officers and directors of 3PAR as described under "Past Contracts, Transactions, Negotiations and Agreements" in Item 3 hereof.

The foregoing discussion of information and factors considered and given weight by the board of directors is not intended to be exhaustive, but is believed to include all of the material factors considered by the board of directors. In view of the variety of factors considered in connection with its evaluation of the Offer and the Merger, the board of directors did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. In addition, individual members of the board of directors may have given different weights to different factors. In arriving at their respective recommendations, the directors of 3PAR were aware of the interests of executive officers and directors of 3PAR as described under "Past Contracts, Transactions, Negotiations and Agreements" in Item 3 hereof.

***(d) Opinion of 3PAR's Financial Advisor.***

3PAR retained Qatalyst to act as its financial advisor in connection with a potential transaction involving 3PAR. 3PAR selected Qatalyst to act as its financial advisor based on Qatalyst's qualifications, expertise, reputation and knowledge of the business and affairs of 3PAR and the industry in which it operates. As financial advisor to 3PAR, on August 15, 2010, at a meeting of the board of directors held to evaluate the Offer and the Merger, Qatalyst rendered to the board of directors its oral opinion, which was confirmed by delivery of a written opinion dated August 15, 2010, to the effect that, as of such date and based upon and subject to the various assumptions, limitations and qualifications set forth in its opinion, the \$18.00 per share consideration to be received by the holders of Shares (other than Dell, any affiliate of Dell or affiliates of 3PAR who had executed the Tender and Voting Agreement) pursuant to the Merger Agreement was fair, from a financial point of view, to such holders.

**The full text of Qatalyst's written opinion, dated August 15, 2010, to the board of directors of 3PAR is attached hereto as Annex II and is incorporated by reference herein. The opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations and qualifications**

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of the review undertaken by Qatalyst in rendering its opinion. You should read the entire opinion carefully in its entirety. Qatalyst's opinion was provided to the board of directors and addresses only the fairness, as of the date of the opinion and from a financial point of view, of the \$18.00 per share consideration to be received by the holders of Shares (other than Dell, any affiliate of Dell or affiliates of 3PAR who had executed the Tender and Voting Agreement) pursuant to the Merger Agreement. It does not address any other aspect of the Offer or the Merger and does not constitute a recommendation as to whether any holder of Shares should tender Shares in the Offer or how any stockholder should vote with respect to the Merger or any other matter and does not in any manner address the prices at which the Common Stock will trade at any time. The summary of Qatalyst's opinion set forth herein is qualified in its entirety by reference to the full text of the opinion.

In arriving at its opinion, Qatalyst reviewed the Merger Agreement, the Tender and Voting Agreement and certain publicly available financial statements and other business and financial information of 3PAR. Qatalyst also reviewed certain financial projections and operating data prepared by the management of 3PAR (the **3PAR Projections**). Additionally, Qatalyst discussed the past and current operations and financial condition and the prospects of 3PAR with senior executives of 3PAR. Qatalyst also reviewed the historical market prices and trading activity for the Common Stock and compared the financial performance of 3PAR and the prices and trading activity of the Common Stock with that of certain other publicly-traded companies comparable with 3PAR and its securities. In addition, Qatalyst reviewed the financial terms, to the extent publicly available, of selected acquisition transactions and performed such other analyses, reviewed such other information and considered such other factors as it deemed appropriate.

In arriving at its opinion, Qatalyst assumed and relied upon, without independent verification, the accuracy and completeness of the information that was publicly available or supplied or otherwise made available to, or discussed with, it by 3PAR. With respect to the 3PAR Projections, Qatalyst was advised by the management of 3PAR, and Qatalyst assumed, that the 3PAR Projections had been reasonably prepared on bases reflecting the best currently available estimates and judgments of the management of 3PAR of the future financial performance of 3PAR. Qatalyst assumed that the Offer and the Merger will be consummated in accordance with the terms set forth in the Merger Agreement, without any modification or delay. In addition, Qatalyst assumed that in connection with the receipt of all the necessary approvals of the proposed Offer and Merger, no delays, limitations, conditions or restrictions will be imposed that could have an adverse effect on 3PAR or the contemplated benefits expected to be derived in the proposed Merger. Qatalyst did not make any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of 3PAR, nor has it been furnished with any such evaluation or appraisal. In addition, Qatalyst relied, without independent verification, upon the assessments of the management of 3PAR as to the existing and future technology and products of 3PAR and the risks associated with such technology and products.

Qatalyst's opinion has been approved by Qatalyst's opinion committee in accordance with its standard practice. Qatalyst's opinion does not constitute a recommendation as to whether any stockholder of 3PAR should tender Shares in the Offer or how any stockholder should vote with respect to the Merger or any other matter and does not in any manner address the prices at which the Common Stock will trade at any time.

Qatalyst's opinion is necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to it as of, the date the opinion was delivered. Events occurring after the date of the opinion may affect Qatalyst's opinion and the assumptions used in preparing it, and Qatalyst has not assumed any obligation to update, revise or reaffirm its opinion. Qatalyst's opinion does not address the underlying business decision of 3PAR to engage in the Offer and the Merger, or the relative merits of the Offer and the Merger as compared to any strategic alternatives that may have been available to 3PAR. Qatalyst's opinion is limited to the fairness, from a financial point of view, of the \$18.00 per share consideration to be received by the holders of Shares (other than Dell, any affiliate of Dell or affiliates of 3PAR who had executed the Tender and Agreement) pursuant to the Merger Agreement, and Qatalyst expressed no opinion with respect to the fairness of the amount or nature of the compensation to any of 3PAR's officers, directors or employees, or any class of such persons, relative to such consideration.

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The following is a brief summary of the material analyses performed by Qatalyst in connection with its opinion dated August 15, 2010. The analyses and factors described below must be considered as a whole; considering any portion of such analyses or factors, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying Qatalyst's opinion. Except as otherwise noted, for purposes of its analyses, Qatalyst utilized both third-party research analysts projections (the **Street Projections**) and the 3PAR Projections (which consisted of two sets of projections, denoted as Management Case 1 and Management Case 2 herein).

*Illustrative Discounted Cash Flow Analysis.* Qatalyst performed an illustrative discounted cash flow analysis, which is designed to imply a potential value of a company by calculating the net present value of estimated future cash flows of the company. Qatalyst calculated ranges of implied equity values per share for 3PAR based on discounted cash flow analyses utilizing the 3PAR Projections for the fiscal years 2011 through 2016. Qatalyst calculated the net present value of unlevered free cash flows for 3PAR for the years 2011 through 2015 and calculated the value at the end of 2015 by applying a range of multiples of 15.0x to 20.0x to 3PAR's estimated fiscal year 2016 net operating profits after taxes. These terminal values were then discounted to present values using weighted average cost of capital ranging from 13.0% to 15.0%. Qatalyst then applied a dilution factor of 10.0% to illustrate the net dilution to current stockholders due to the net effect of projected future equity compensation grants by 3PAR. Based on the calculations set forth above, this analysis implied a range for the Shares of approximately \$15.88 to \$21.02 per share based on Management Case 1 and approximately \$10.69 to \$13.80 per share based on Management Case 2.

*Selected Company Analysis.* Qatalyst compared selected financial information and public markets multiples for 3PAR with publicly available information and public market multiples for selected storage infrastructure companies and high growth systems companies. The companies used in this comparison included those companies listed below:

*Storage Infrastructure Companies:*

EMC Corporation

NetApp, Inc.

Brocade Communications Systems, Inc.

QLogic Corporation

Isilon Systems, Inc.

CommVault Systems, Inc.

Compellent Technologies, Inc.

*High Growth Systems Companies:*

F5 Networks, Inc.

Riverbed Technology, Inc.

Aruba Networks, Inc.

Fortinet, Inc.

Netezza Corporation

Based upon research analyst consensus estimates for calendar year 2011 and using the closing prices as of August 13, 2010 for shares of the selected companies, Qatalyst calculated, among other things, the closing stock price divided by the estimated consensus earnings per share for calendar year 2011 (the **CY11E P/E Multiple** ).

Based on the analysis of the CY11E P/E Multiple for each of the selected companies, Qatalyst selected a representative range of 30.0x to 50.0x and applied this range to 3PAR's estimated calendar year 2011 earnings

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per share, assuming taxation at 36%. Based on the calculations set forth above, this analysis implied a range for the Shares of approximately \$7.88 to \$12.72 based on Management Case 1, approximately \$6.85 to \$11.01 based on Management Case 2 and approximately \$5.46 to \$8.69 based on Street Projections, in each case, including the estimated per share net present value of federal net operating losses and federal tax credits.

No company included in the selected company analysis is identical to 3PAR. In evaluating the selected companies, Qatalyst made judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters. Many of these matters are beyond the control of 3PAR, such as the impact of competition on the business of 3PAR and the industry in general, industry growth and the absence of any material adverse change in the financial condition and prospects of 3PAR or the industry or in the financial markets in general. Mathematical analysis, such as determining the arithmetic mean or median, or the high or low, is not in itself a meaningful method of using selected company data.

*Selected Transaction Analysis.* Qatalyst compared the multiples paid in 16 selected transactions from January 2009 through May 2010 involving public companies in the technology industry. These transactions are listed below:

**Acquiror**

SAP AG  
 Hewlett-Packard Company  
 Cisco Systems, Inc.  
 Hewlett-Packard Company  
 Cisco Systems, Inc.  
 Emerson Electric Co.  
 Xerox Corporation  
 Dell  
 Adobe Incorporated  
 International Business Machines Corporation  
 EMC Corporation  
 Intel Corporation  
 NetApp, Inc.  
 Open Text Corporation  
 Oracle Corporation  
 Autonomy Corporat

**Target**

Sybase, Inc.  
 Palm, Inc.  
 TANDBERG  
 3Com Corporation  
 Starent Networks, Corp.  
 Avocent Corporation  
 Affiliated Computer Services, Inc.  
 Perot Systems Corporation  
 Omniture, Inc.  
 SPSS Inc.  
 Data Domain, Inc.  
 Wind River Systems, Inc.  
 Data Domain, Inc.  
 Vignette Corporation  
 Sun Microsystems, Inc.