

[Special Dividend Logistics FAQ](#)

October 19, 2021

Frequently Asked Questions

Note: This FAQ document is intended to address the conditions and logistics for payment of the conditional special dividend announced by VMware on April 14, 2021 in connection with the planned spin-off of VMware by Dell Technologies Inc. (“Dell”). These FAQs speak as of the date set forth above and may be updated from time to time as further information is known and can be made publicly available. For information regarding the background of the dividend declaration, its expected impact on VMware and the related separation of VMware from Dell pursuant to Dell’s distribution of its shares of VMware to Dell stockholders (the “Spin-off”), please see the press releases issued by VMware and Dell on April 14, 2021 and additional materials available on the VMware and Dell websites the Current Reports on Form 8-K filed by VMware with the Securities and Exchange Commission (“SEC”) on April 14, 2021 and October 7, 2021.

1. What are the basic facts regarding the Special Dividend? What does a stockholder need to know?

- On April 13, 2021, the VMware Board of Directors declared a conditional special dividend of \$11.5 billion to \$12.0 billion to be distributed pro-rata to stockholders (“**Special Dividend**”).
- On October 7, 2021, VMware announced that the amount of the Special Dividend will be \$11.5 billion to be distributed pro-rata to all VMware stockholders, subject to satisfaction of the closing conditions.
- On October 19, 2021, VMware announced that October 29, 2021 will be the record date (“**Record Date**”) for the Special Dividend.
- The Special Dividend is payable in connection with the closing of the transactions contemplated by that Separation and Distribution Agreement (the “Separation Agreement”), both originally announced on April 14, 2021, pursuant to which VMware will be spun-off from Dell Technologies Inc.
- Payment of the Special Dividend remains subject to the Dividend Payment Conditions, as defined in the Separation and Distribution Agreement and described in VMware’s Current Reports on Form 8-K filed with the Securities and Exchange Commission on April 14, 2021, and October 7, 2021.
- The Special Dividend will be payable pro-rata to all VMware stockholders of record as of the close of business on the Record Date.
- VMware will announce the per share dividend amount following the end of trading on the New York Stock Exchange on the Record Date.
- Stockholders of record of Dell common stock that are entitled to receive the distribution of VMware Class A common stock as part of the Spin-off will not be entitled to the cash dividend.
- The payment date for the Special Dividend will be November 1, 2021 (the “Payment Date”), subject to satisfaction of the closing conditions.
- Dell’s pro-rata share of the Special Dividend will total approximately \$9.3 billion, depending upon Dell’s ownership percentage of VMware on the Record Date.

- The final per share amount of the Special Dividend to VMware stockholders will depend upon the total number of shares outstanding as of the close of market on the Record Date.
- On August 2, 2021, VMware issued five unsecured senior notes pursuant to a public debt offering in an aggregate amount of \$6.0 billion. The proceeds are expected to be used to fund a portion of the Special Dividend and, to the extent any proceeds remain, for general corporate purposes.
- On September 2, 2021, VMware received commitments under term loan facilities that would provide VMware with financing of up to \$4.0 billion, which, if funded, may be used to finance a portion of the Special Dividend and for general corporate purposes.
- The Special Dividend is still conditional. On September 23, 2021, Dell announced receipt of a favorable private letter ruling from the U.S. Internal Revenue Service, which confirmed the tax-free status of its planned spin-off of VMware for U.S. federal income tax purposes. However, payment of the Special Dividend is conditioned upon the satisfaction of certain closing conditions including, among other things, that no credit rating agency has downgraded VMware's credit rating below investment grade. These and other closing conditions are detailed in the Current Reports on Form 8-K filed by VMware with the SEC on April 14, 2021, and October 7, 2021.
- This Special Dividend is declared in connection with the Spin-off. VMware does not plan to pay a recurring dividend.

2. What is the Spin-off and how is it related to the Special Dividend?

- As of June 30, 2021, Dell currently owns 80.6% of VMware's outstanding capital stock, including 30,678,605 shares of VMware Class A common stock which is publicly traded on the New York Stock Exchange (the "NYSE") under the ticker symbol "VMW" and 307,221,836 shares of VMware Class B common stock, which is not publicly traded.
- On April 14, 2021, Dell and VMware entered into the Separation Agreement pursuant to which VMware will pay the Special Dividend of \$11.5 billion to be distributed pro-rata to all VMware stockholders, including Dell. Immediately following payment of the special dividend, Dell will distribute all of its shares of VMware common stock pro-rata to Dell stockholders (the "**Distribution**") and, immediately following and automatically as a result of the Distribution, all shares of VMware Class B common stock will convert to VMware Class A common stock on a 1-to-1 basis.
- Accordingly, following the Spin-Off, all shares of VMware Class B common stock will have converted into Class A common stock, and all shares of VMware common stock held by Dell will be held instead by Dell stockholders.
- In connection with the Separation Agreement, VMware and Dell also agreed to the form of certain ancillary agreements more fully described in the Current Report on Form 8-K filed by VMware with the SEC on April 14, 2021, and to be executed in connection with the Spin-off.
- The payment of the Special Dividend and the Spin-off are each subject to specific closing conditions being met, and the Special Dividend will be paid only if the Spin-off will occur immediately thereafter.
- The payment date for the Special Dividend will be November 1, 2021, subject to satisfaction of the closing conditions.

3. What are the key dates to understand?

- There are three key dates to understand.

- **First is the Record Date.** All stockholders who hold outstanding shares of VMware common stock at the close of trading on the Record Date (October 29, 2021) and hold such shares through the Payment Date will be entitled to receive their pro rata share of Special Dividend amount. The per share dividend amount will be determined based on the number of shares outstanding on the Record Date.
- **Second is the dividend Payment Date.** The dividend Payment Date will be November 1, 2021, or the first trading day immediately following the Record Date, subject to satisfaction of the closing conditions. This is when the dividend will be paid to stockholders entitled to receive the dividend.
- **Third is the ex-dividend date.** November 2, 2021 is the day that the NYSE has informed VMware that VMware shares will begin trading without the right to receive the dividend payment and the VMware per share stock price will be adjusted down by the per share dividend amount.

4. What does a Special Dividend mean? What are the conditions?

- The Special Dividend will be paid if the conditions for the dividend payment, including the conditions for the Spin-off, are met. In addition, the dividend will not be paid if the Separation Agreement is terminated for any reason.
- We are calling this dividend a “special” dividend because VMware does not pay ordinary dividends on a periodic basis. We previously paid a special dividend of \$11.0 billion in 2018, but, aside from this Special Dividend, we do not plan to pay dividends in the future.
- Payment of the Special Dividend is conditioned upon meeting specific closing conditions, including, among other things, that no credit rating agency has downgraded VMware’s credit rating below investment grade.
- These and other closing conditions are detailed in the Current Reports on Form 8-K filed by VMware with the SEC on April 14, 2021 and October 7, 2021. You may obtain copies of all documents filed by VMware with the SEC regarding this transaction, free of charge, at the SEC’s website, www.sec.gov or from VMware’s website at <https://ir.vmware.com/>.

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

- The obligation of each of VMware and Dell to pay the Special Dividend payment and complete the Spin-off is subject to a number of conditions, including, among other things:
 - Receipt of opinions from independent firms regarding surplus and solvency matters,
 - Receipt of certain opinions by VMware and Dell concerning the federal income tax treatment of the Transactions,
 - Receipt by Dell of a private letter ruling from the IRS concerning the federal tax treatment of the Transactions, which was received from the IRS on September 23, 2021,
 - Absence of legal restraints that prohibit, enjoin or make illegal the consummation of the Transactions,
 - Absence of pending litigation that would reasonably be expected to prohibit, impair or materially delay the ability of VMware and Dell to consummate the Special Dividend payment and the Spin-off on the terms contemplated by the Separation Agreement, or that seeks material damages or another material remedy in connection with the Separation Agreement or the special dividend and Spin-off,
 - Satisfaction of the “Additional Dividend Payment Conditions” (as listed below), and

- Accuracy of representations and warranties and compliance with covenants, subject to certain materiality standards.
- In addition to each of the conditions stated above, the payment of the Special Dividend is further conditioned upon the following “Additional Dividend Payment Conditions”:
 - The absence of a VMware Material Adverse Effect (as defined in the Separation Agreement) prior to declaration of the Special Dividend,
 - VMware having an investment grade rating,
 - VMware’s receipt of an opinion from a nationally recognized and independent firm that as of the date of payment, (x) VMware (on a consolidated basis) has sufficient surplus under Delaware corporate law for the payment of the Special Dividend and (y) following the payment of the Special Dividend, VMware (on a consolidated basis) will be solvent under Delaware law, and
 - certain other conditions as are further described in the Separation Agreement.
- Either VMware or Dell may terminate the Separation Agreement if:
 - the Special Dividend and the Spin-off are not completed on or before January 28, 2022,
 - a court or other governmental entity issues a final and non-appealable order permanently restraining, enjoining, or otherwise prohibiting the consummation of the special dividend or the Spin-off, or
 - VMware or Dell breaches certain of its representations, warranties, covenants or other agreements in the Separation Agreement in a way that, subject to certain cure rights, would entitle the other party to seek to terminate the agreement and not consummate the Special Dividend and the Spin-off.

6. What if conditions for the Special Dividend aren’t met? Would the Special Dividend and the Spin-off both be cancelled?

- In the event that any of the conditions to the consummation of the Spin-off and the Special Dividend are not met, such condition(s) may be waived, to the extent permitted by law, by the party or parties in whose favor the condition(s) exist (and, in the event of a waiver by VMware, the consent to VMware’s waiver by VMware’s special committee of independent and disinterested directors). In the event of such waiver(s), the Spin-off and Special Dividend may proceed.
- If one or more conditions to the Special Dividend and the Spin-off are not satisfied and VMware and Dell do not both agree to waive the unsatisfied condition(s), the Special Dividend would not be paid and the Spin-off would be terminated. In such event, VMware would likely pay down four of the five tranches of senior unsecured notes issued in August 2021.

7. Who will actually receive the Special Dividend and when will they actually receive it?

- VMware stockholders as of the close of business on the Record Date who hold their shares through the close of trading on the Payment Date will be entitled to receive the Special Dividend.
- On the trading date prior to the Record Date, we expect that VMware shares will trade with the right to receive the dividend (“due bills”) until and including the dividend Payment Date, which we expect will be the trading day immediately following the Record Date.
- Accordingly, all holders of record of VMware stock at the close of trading on the NYSE on the Payment Date will receive the dividend payment.

- On the Payment Date, VMware will distribute the dividend according to standard dividend payment procedures.
- Stockholders who hold VMware shares in a brokerage or similar account should check with their broker for more details on when to expect the dividend payment to appear in their brokerage account.

8. When will VMware's stock price trade ex-dividend? What will happen to VMware's stock price after the Special Dividend?

- The ex-dividend date will be November 2, 2021 (the first trading day following the Payment Date of November 1, 2021). Shares of VMware Class A common stock will trade with due bills from October 28, 2021, through and including the Payment Date of November 1, 2021.
- While we do not offer predictions about our stock price, in accordance with NYSE rules, the NYSE will adjust our stock price down by the amount of the per share Special Dividend amount at the open of trading on the ex-dividend date (or the first trading day following the Payment Date).
- For example, in 2018, we paid a per share dividend amount of \$26.81 on December 28 and the NYSE adjusted VMware's stock price down from \$158.38 to \$131.57 at the start of the next trading day.
- That said, the Special Dividend does not alter our focus on building our business. Our ability to return capital to stockholders through this Special Dividend is the direct result of the exceptional performance we have delivered and the strength of our broad-based portfolio.
- As always, VMware's stock price following the Special Dividend will continue to reflect investor perceptions of our business performance, financial condition and future prospects, as well as general economic and market conditions.

9. Will the Special Dividend payment be taxable to VMware stockholders?

- VMware currently estimates that, for federal tax purposes, 39.49% of the Special Dividend will be treated as a taxable dividend, with the other 60.51% of the Special Dividend being first treated as a return on capital to stockholders to the extent of their basis in VMware common stock, and thereafter as capital gain.
- The tax treatment of the Special Dividend will be based on VMware's current and accumulated earnings and profits through VMware's fiscal year ending January 28, 2022 ("FY22"). The process of determining current and accumulated earnings and profits requires a final determination of VMware's financial results for FY22 and a review of certain other factors. The determination will be based in part on factors that are outside of the control of VMware and which cannot be ascertained at this time. VMware does not expect the calculation of the portion that will be treated as a taxable dividend for federal tax purposes to be finalized until after the completion of FY22. Accordingly, the portion of the Special Dividend estimated to be a taxable dividend provided in this release is based upon currently available information and is subject to change.
- The taxable dividend may be eligible for treatment as a qualified dividend for federal tax purposes depending on the holding period of the underlying stock and other personal tax matters. The precise tax impact of the Special Dividend to specific stockholders depends upon the stockholder's individual tax situation.
- The Internal Revenue Service ("IRS") Form 1099-DIV, issued no later than January 31 of each tax year (or as allowed by IRS procedures), will reflect the amount of the Special Dividend to be treated

as a taxable dividend and the amount of the distribution first treated as a return on capital to stockholders to the extent of their basis in VMware common stock, and thereafter as capital gain.

- Since the tax treatment of the Special Dividend cannot be finalized until after the close of FY22 this may result in stockholders receiving an amended IRS Form 1099-DIV or other required reporting after the initial IRS Form 1099-DIV forms are distributed on January 31, 2022. The decision to issue an amended IRS Form 1099-DIV to stockholders will be made by individual brokerage firms.
- Stockholders are urged to consult with a tax advisor to determine the tax consequences of the Special Dividend received, including any state, local or foreign tax considerations.
- The current estimated return of capital percentages relating to the Special Dividend will also be reported on IRS Form 8937 pursuant to U.S. tax basis reporting required under Internal Revenue Code Section 6045B. The IRS Form 8937 will be posted on the Payment Date to VMware's investor relations website <http://ir.vmware.com> and may be updated once the return of capital percentages on the Special Dividend are finalized.