7-29-2016

Aruba Doc 5 2016.07.29 Dages Expert Report for Aruba

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

Verition Multi-Strategy Master Fund Ltd. and Verition Partners Master Fund Ltd., Petitioners, v. Aruba Networks, Inc., Respondent.	C.A. No. 11448-VCL

EXPERT REPORT OF KEVIN F. DAGES

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I. QUALIFICATIONS

1. I am an Executive Vice President of Compass Lexecon, a consulting firm that specializes in the application of economics to a variety of legal and regulatory issues. I am a Certified Public Accountant ("CPA") and regularly serve as a consulting or testifying expert in valuation and damages matters.

2. I have testified in or directed litigation matters regarding securities fraud, accounting misstatements, business valuation (including appraisal cases), mergers and acquisitions disputes, bankruptcy, shareholder/management fraud and self-dealing, punitive damages, NAFTA Chapter 11 disputes, and general damages issues. I have testified and been accepted as an expert in accounting and valuation matters (including appraisal cases) before the Delaware Court of Chancery, the Illinois state courts, and various federal courts. I have also testified before American Arbitration Association and NAFTA arbitration panels. My resume is attached as Appendix A to this expert report.

II. INTRODUCTION

3. Aruba, a Hewlett Packard Enterprise company (formerly Aruba Networks, Inc.) ("Aruba"), a leader in the enterprise wireless local area networking ("WLAN") industry, develops, markets, and sells products and services that help to satisfy its customers' secure mobility needs.[1] As Dominic Orr, Aruba's CEO explained Aruba's business "We let you cut that Ethernet cord from your PC and laptop and take your work and work at Starbucks, work from your kitchen, and yet with the security as if you're still sit[ting] . . . at the desk."[2]

1. Aruba Networks, Inc. Schedule 14A, April 3, 2015 ("Aruba Proxy"), p. 1.
2. Deposition Transcript of Dominic Orr in *In re Aruba Networks, Inc. Stockholder Litig.*, C.A. No. 10765-VCL (the "Orr Class Action Deposition"), at p. 16.

4. On March 2, 2015, Hewlett-Packard Company ("HP")[3] and Aruba announced a definitive agreement (the "Merger Agreement") for HP to acquire Aruba for $24.67 per share in cash (the "Merger Consideration") (the "Transaction").[4] On May 18, 2015, HP completed the acquisition of Aruba.[5]

5. On April 29, 2015, Verition Partners Master Fund LTD. and Verition Multi-Strategy Fund LTD. (collectively, "Verition" or "Petitioners") asserted their appraisal rights pursuant to Section 262 of the Delaware General Corporation Law ("DGCL") with respect to 418,586 and 1,869,648 shares of Aruba common stock beneficially owned by the Master Fund and Multi-Strategy Fund, respectively.[6] I understand that Aruba received additional demands for appraisal such that holders of 2,511,144 shares of Aruba common stock have demanded appraisal.[7]

III. ASSIGNMENT AND SUMMARY OF OPINIONS

6. I have been asked by counsel for Respondent to opine on the "fair value," as the term is used in Section 262 of the DGCL, of Aruba common stock as of May 18, 2015

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3. On November 1, 2015, Hewlett Packard Enterprise Company ("HPE"), HP's former enterprise technology infrastructure, software, services and financing businesses, was created through a separation from HP (the "Separation"). HP Form 10-K for the Fiscal Year Ending October 31, 2015, p. 4. In connection with the Separation, HP changed its name to HP Inc. ("HPI"). *Id*. It was HP that acquired Aruba pursuant to a merger agreement announced on March 2, 2015. The merger closed on May 18, 2015, and the former Aruba business became part of HPE in the Separation. *Id*., p. 146.
4. Aruba Form 8-K, March 2, 2015, Ex-99.1 (HP News Release, HP to Acquire Aruba Networks to Create an Industry Leader in Enterprise Mobility).
5. Aruba Form 8-K, May 18, 2015.
6. Petition for Appraisal of Stock filed August 28, 2015 (VERITION-00001508-13).
7. May 28, 2015 letter from Marc Sonnenfeld to Josh Goldstein (VERITION-00001497).

("Valuation Date").[8] Section 262 of the DGCL states that the court should "determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation" and that in determining fair value, "shall take into account all relevant factors."

7. I have concluded that the fair value of Aruba as of the Valuation Date was **$19.85 per share**. I base this opinion on the materials reviewed and the analyses performed and detailed below. I calculate the fair value of a share of Aruba based on a two-stage discounted cash flow ("DCF") model, and also perform numerous other analyses and calculations, all of which corroborate the reasonableness of my fair value conclusion.

8. This expert report sets forth the results of my analyses, my opinions and the supporting evidence. Appendix B lists the documents I have relied upon in performing my analyses and reaching my opinions. I have been assisted in my work by a team of professionals at Compass Lexecon working under my direct supervision.[9] My compensation and the compensation received by Compass Lexecon are not contingent on the outcome of this litigation. I reserve the right to modify or supplement my analyses and conclusions should additional evidence become available.

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8. Pursuant to Section 262, "the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation… In determining such fair value, the Court shall take into account all relevant factors." 8 DEL. C. § 262(h).

9. Compass Lexecon is being compensated for its professional services at its standard rates. My standard rate is $900 per hour, while those of my colleagues range from $210 - $820 per hour.

IV. BACKGROUND

A. WLAN Industry

9. Aruba operated in the enterprise wireless local area network ("WLAN") industry.[10] The enterprise WLAN market consists of vendors primarily selling to organizations while the consumer WLAN market consists of vendors primarily selling directly to end users. According to the International Data Corporation ("IDC"), an international strategy and management consulting firm, the global enterprise WLAN market grew at a compound annual growth rate ("CAGR") of 17.05 percent from 2008 to 2014.[11] The WLAN market was expected to grow at a CAGR of 7 percent from 2015 to 2019.[12] However, in the first quarter of 2015, growth in the enterprise segment slowed considerably, increasing just 3 percent over the same quarter in 2014.[13]

10. The enterprise WLAN market is highly competitive. According to IDC, as of the fourth quarter of 2014, the top five vendors accounted for approximately 74 percent of the enterprise WLAN market. Cisco Systems, Inc. ("Cisco") was by far the dominant player with approximately 48.4 percent market share, followed by Aruba with 11.8 percent, Ruckus

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10. A WLAN is a flexible data communications system that can use either infrared or radio frequencies to transmit and receive information over the air. Feng, Pan. "Wireless LAN Security Issues and Solutions", 2012 IEEE Symposium on Robotics and Applications, p.3. A WLAN consists of two basic components; access points and network interface cards. Access points are the hub of the WLAN and exchange information with other wireless devices by means of an antenna working within a specific frequency spectrum. The network interface card scans the available frequency spectrum and associates it to the access point. *Id.*

11. IDC WW WLAN Tracker_FinalHistoricalPivot_2014Q4_Aruba.xlsx.

12. Wireless LAN Report, Five Year Forecast 2015 – 2019, Dell'Oro Group, January 2015, p. 1 (ArubaAA0196131-59 at 35).

13. "Worldwide WLAN Market Shows Slowed Growth in First Quarter of 2015" *IDC*, May 28, 2015.

Wireless, Inc. ("Ruckus") with 6.2 percent, HP with 4.3 percent, and Ubiquiti Networks, Inc. ("Ubiquiti") with 3.3 percent. Aerohive Networks ("Aerohive) had a 2.1 percent market share as of the fourth quarter of 2014.[14]

11. WLAN vendors have been able to report consistent growth in revenue quarter after quarter, but operating profits have been a different story. Despite promises of operating leverage over the long-term, the "pure-play" or "standalone" wireless vendors like Aruba, Ruckus and Aerohive, have had a difficult time delivering on that promise. This stands in contrast to vendors, like Cisco, who could offer both wireless and wired solutions. A June 2014 Deutsche Bank report on the WLAN market observed:

> In the WLAN space, we question whether there is room for both the number of players and on the whole, profitability. Each standalone WLAN has promised over the long term, their respective business model had leverage. And while some of these companies commanded significant gross margins, upwards of 70 percent in some cases, they are still unable to expand their operating margin despite promising the opposite. In the recent past, each of these companies has relied less on competitive differentiation and more on the traditional sales techniques to boost the top line. We believe this does little except make the market as a whole, simply an intensified food fight.[15]

12. The difficulties faced by the standalone wireless vendors are evidenced by the consolidation in the industry both before and after the Transaction. In its *2015 WLAN Infrastructure Vendor Scorecard*, Matthias Machowinski, research director for enterprise networks and video at the consulting company IHS, Inc., states:

> Consolidation in the WLAN market has bifurcated the vendor landscape into end-to-end networking providers that can address the whole range of enterprise networking requirements, such as Cisco and HP, and WLAN specialists like Aerohive, Ruckus and Zebra that focus on a particular niche or new ways of solving old problems.

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14. IDC WW WLAN Tracker_FinalHistoricalPivot_2014Q4_Aruba.xlsx.

15. "The WLAN Market, Food Fight!" Deutsche Bank, June 29, 2014, p.1 (ArubaAA0449205-16 at 05).

> Specialists drive innovation, but once their period of hyper growth is over, they must have a long-term plan to compete against much larger and entrenched vendors. Meanwhile, end-to-end networking providers can leverage the completeness of their portfolio and their installed base, but they cannot become complacent in their success—they must continue developing or acquiring new technology.[16]

Mr. Machowski's assessment of the WLAN industry is corroborated by transactions that have occurred in the WLAN industry. Following the announcement of HP's acquisition of Aruba, Aerohive, another 'pure play' WLAN vendor rumored to be a potential acquisition target, announced that Dell would begin reselling its WLAN and related management products.[17] Some industry executives considered the Dell/Aerohive partnership to be a precursor to a potential acquisition.[18] In addition, Fortinet announced that it was acquiring Meru Networks in May 2015 and Brocade announced that it was acquiring Ruckus Wireless in April 2016.[19] Acquisitions in the WLAN space that preceded HP's acquisition of Aruba include Cisco's acquisition of Meraki in November 2012 and Zebra Technologies' acquisition of Motorola Solutions' enterprise business in April 2014.[20]

13. The continued consolidation of the WLAN industry suggests that few of the 'niche' WLAN vendors believed they could continue to operate on a standalone basis and still be competitive with the end-to-end networking providers.

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16. WLAN Infrastructure Vendor Scorecard, Infonetics Research, July 6, 2015, p. 2 (ArubaAA0334968-91 at 73).
17. "HP buys Aruba and next thing you know Dell is reselling Aerohive WiFi Gear." *Network World*, April 27, 2015. Web.
18. "Dell Aerohive Partnership 'Smells' Like an Acquisition Ahead, Partners Say." CRN, April 28, 2016. Web.
19. Meru Networks, Inc. Form 8-K, May 27, 2015; Ruckus Wireless Inc. Form 8-K, April 3, 2016.
20. "Cisco Buying Meraki for $1.2 Billion for WiFi Networking." *Bloomberg*, November 19, 2012; Motorola Solutions, Inc. Form 8-K, April 14, 2014.

B. Aruba Networks

14. Aruba was founded in 2002 by Keerti Melkote and Pankaj Manglik.[21] At the time of the Transaction, Aruba was the second largest participant in the enterprise WLAN market. Aruba's total revenue grew at a CAGR of 26.5 percent from $178.3 million in FY 2008 to $728.9 million in FY 2014.[22] Over that same time period, Aruba's share of the global enterprise WLAN market grew from approximately 7 percent to 11.7 percent.[23] However, despite its number two position in the industry and its ability to consistently grow revenue quarter after quarter, Aruba faced a number of significant challenges at the time of the transaction.

Aruba Faced Significant Competition from Cisco

15. In order to fuel revenue growth, Aruba had to make sizable investments in research and development ("R&D") as well as sales and marketing ("S&M"). This made competing with Cisco, the enterprise WLAN market leader, extremely challenging as Cisco could bundle its wired and wireless products and lower its cost to acquire customers. In addition, Cisco's breadth of products allowed it to offer the customer a more complete solution. Dan Warmenhoven, Aruba's lead independent director, testified about the difficulties associated with the size of Aruba's product line relative to Cisco's:

> I think the board had a pretty good sense of the challenges facing the company and the implications of trying to continue as a standalone. There were a number of factors that would have really made it very difficult for Aruba to be successful in the long-term.
>
> The product line was too narrow to offer a complete value proposition to customers. The level of investment required to broaden the product line was beyond the capability of the company to invest.

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21. "Competition in 802.11ac Remains Fierce." Janney Capital Markets, May 23, 2014, p. 2 (ArubaAA0552027-34 at 28).
22. Aruba Form 10-Ks for the Fiscal Years Ending 2008 to 2014.
23. IDC WW WLAN Tracker_FinalHistoricalPivot_2014Q4_Aruba.xlsx.

> Cisco had a 50 percent market share, and having a complete product line was a major market force, and it became more and more difficult to compete effectively with them.[24]

Mr. Warmenhoven also indicated that Cisco's breadth of products allowed it to be more competitive on price:

> And the competition from Cisco was heating up. Remember, I said most customers were starting to think of Wi-Fi purchases not as a stand-alone purchase, but as an extension to their overall infrastructure. And in a bundled transaction like this, Cisco has enormous economic power with the customer. They could discount the Wi-Fi much deeper and still make the margins on the rest of the backbone.[25]

Impact of SBC and Restructuring on Aruba's Operating Leverage

16. Despite robust growth in revenue, more than tripling from 2008 to 2014, Aruba's operating income over that same period has remained flat. This lack of operating leverage is illustrated in **Exhibits 1A-B.**

17. And while companies like Aruba also report a non-GAAP operating income figure that adds back stock-based compensation ("SBC") expense, that metric distorts reality as SBC represents a true and substantial economic cost for a company like Aruba. In fact, Aruba's stock-based compensation expense was closely watched by analysts and was recognized as too high. For example, a March 13, 2014 RBC report noted:

> Taking cognizance of its admittedly high stock-based compensation structure, something we highlighted in our "Mind the Gap" report last year, Aruba's now committed to reduce stock-comp as a percent of revenues longer-term.[26]

Similarly, a February 27, 2015 Morgan Stanley report noted:

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24. Deposition of Dan Warmenhoven ("Warmenhoven Deposition"), pp. 153-154.

25. Warmenhoven Deposition, p. 119.

26. "Owning the Air, Looking for Consistency." RBC Capital Markets, March 13, 2014, p. 1 (ArubaAA0549208-15 at 08).

> Our conversations with investors suggest high SBC is a notable sticking point for the stock, and as the company continues to trim stock awards and its share repurchase program becomes a more meaningful avenue of capital return we expect the market to become more positive on the name.[27]

18. Indeed, Aruba's SBC expense has been significantly higher than its competitors over the five years prior to the transaction. **Figure 1** plots SBC expense as a percentage of revenue for Aruba and its peers.

Figure 1
SBC Expense as % of Revenue

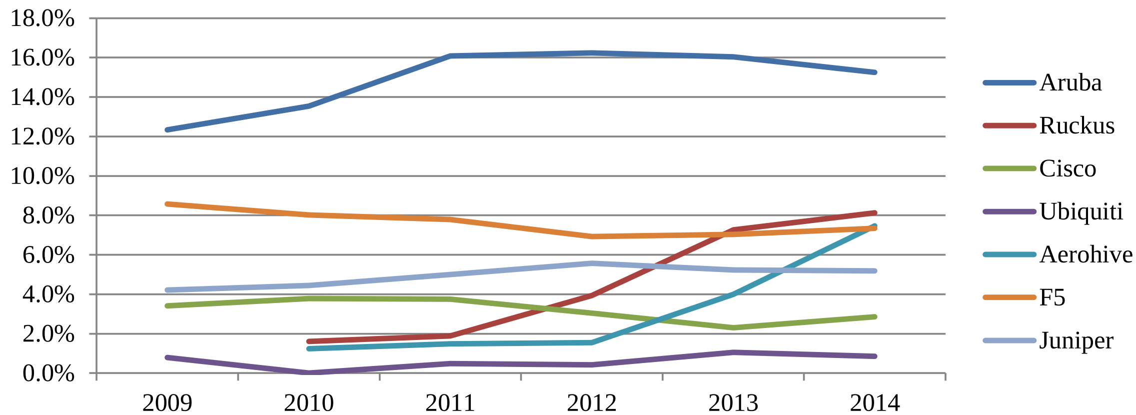

Figure 1 very clearly illustrates that Aruba's SBC expense as a percent of revenue has been significantly higher than its peer group over the five years prior to the deal. Aruba's SBC as a percent of revenue was approximately 12 percent in 2009, 14 percent in 2010, and then hovered around 16 percent from 2011 to 2013 before retreating slightly to 15 percent in 2014. No other peer comes close to even broaching the double digit mark in terms of SBC as a percentage of revenue.

19. Aruba recognized that its historically high level of SBC created issues for the

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27. "Coping Well with K-12 Purchase Delays; HP Matters Most." Morgan Stanley, February 27, 2015, p. 1. (ArubaAA0515193-205 at 193).

company. Michael Galvin, Aruba's CFO testified regarding Aruba's SBC expense being twice as high as its peers:

> Okay. And I did have charts that several sell-side analysts gave to me which -- with us being in the mid to high teens of SBC expenses as a percent of our revenue. Very much the market was in the mid- -- mid-ish to high single digits. So we were 2x on that metric.[28]

20. Acknowledging that its SBC expense was too high, Aruba planned to reduce its SBC to 12-14 percent of revenue in FY2015 and even further in subsequent years.[29] Aruba's high SBC expense, as well the company's efforts to reduce that expense were highlighted by management during earnings calls. For example, during the Q4 2014 earnings call, Mr. Galvin stated:

> Next, I would like to comment on our stock-based compensation, or SBC. As I have discussed in previous quarters, we have implemented changes over the past year in our stock issuance practices. <u>Our goal is to both reduce our SBC as a percentage of revenue as well as to moderate our stock dilution</u>. In fiscal years '12 and '13, we had SBC of 16 percent of revenues in each year. In our last 2 fiscal quarters, we have begun to see the benefits of the changes in our issuance practices, reporting SBC as a percentage of revenue of 15 percent in Q3 and 13 percent in this Q4. These actions brought our full fiscal '14 SBC down to 15 percent of revenue.[30]

21. Even with this reduction in SBC, Aruba's SBC as a percentage of revenue was still significantly higher than that of its peers.

<u>*Aruba Implements a Restructuring Plan*</u>

22. In an attempt to address its profitability issues, on August 26, 2014 during the Q4 2014 earnings call, Aruba announced a minor restructuring to increase its focus on "increasing

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28. Deposition of Michael Galvin ("Galvin Deposition"), p. 133.

29. Aruba FQ4 2014 Earnings Call Transcript, August 26, 2014, p. 4 (ArubaAA0341667-83 at 71).

30. *Id*. (emphasis added).

operating leverage."[31] Commenting on the restructuring effort, Dominic Orr, Aruba's CEO stated:

> We believe now is the right time to refine our operating structure in order to achieve that goal. Based on extensive analysis, we have identified opportunities to optimize our cost structure by eliminating certain positions as well as shifting others to administrative center of excellence in lower-cost region with rich talent pools.[32]

Mr. Galvin provided additional detail on the Aruba's efforts to optimize its cost structure:

> [W]e will reduce approximately 4 percent of our workforce. The reduction in force takes effect this quarter, and the relocation of jobs will take place largely over the first half of this fiscal year. The company's headquarters will remain in Sunnyvale, California.[33]

23. Aruba's announcement was generally well received by analysts, particularly those that had been disappointed with the company's inability to translate revenue growth into profits. In an August 27, 2014 report, Barclay's analyst wrote that Aruba's commitment to increase operating leverage was a "welcome surprise[]" and that the focus on leverage "will be well received by investors."[34] Similarly, Buckingham Research Group's analyst indicated that "the restructuring actions are a positive and could eventually deliver upside to estimates as the company continues to drive top line growth."[35]

24. However, one analyst acknowledged that the announcement suggested serious concerns for the future of the WLAN industry:

> We cannot ignore the restructuring and what it portends for the overall WLAN – in short, it is a challenging market and in order to exhibit leverage it must come in the

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31. *Id.*, p. 9.
32. *Id.*, p. 3.
33. *Id.*, p. 5
34. "Top Line Momentum Continues; Focusing More on Leverage." Barclays, August 27, 2014, p. 1. (ArubaAA0453223-34 at 23).
35. "Clean Beat, Restructuring a Positive as Share Gains Continue." Buckingham Research Group, August 27, 2014, p. 1. (ArubaAA0533219-35 at 19).

> form of cost cuts, or shifting headcount to oversea, cheaper locations.
>
> ***
>
> Why is management cutting costs and shifting jobs overseas if the long term model never had an issue with profitability according to management? We believe it did. In a recent S2N (S2N #506 Food Fight!) we noted how difficult it was to generate profit in this sector given the competition. Now the company must lower its relative cost basis in order to deliver profitability. So while we appreciate the top-line numbers this quarter, we remain cautious given the moves made by management. We maintain our Hold and $19 price target.[36]

25. The four percent workforce reduction at Aruba was also reported to have created an internal morale issue at the company. In a December 23, 2014 report, JMP Securities' analyst noted:

> Over the last year, Aruba has made significant changes in its sales organization in an effort to optimize costs, such as cutting jobs in sales support functions and lowering overall compensation for sales representatives. While we view the cost-optimization plans favorably, our checks suggest the changes have affected morale. Notably, our conversations indicate that at least a few sales reps have left or are planning to leave the company, which has impacted sales in those regions.[37]

Aruba's Bookings Decline Prior to the Transaction

26. Unfortunately, around the same time Aruba started to focus on its cost structure, its bookings began to soften. As the company strove to meet its revenue targets, its backlog was depleted. Mr. Galvin explained what bookings are at his deposition:

> So bookings are…valid orders… that ultimately can become revenue for the company. So it is, essentially, a purchase order from the customer.[38]

Mr. Galvin went on to explain the importance of bookings to Aruba's business:

> The bookings are -- the bookings are what drive the business. That is the metric -- that's

36. "FY Q4 Results." Deutsche Bank, August 27, 2014, p. 1. (ArubaAA0453282-9 at 2).
37. "VP of North America Sales Resigns." JMP Securities, December 23, 2014, p. 2. (ArubaAA0108732-9 at 3)
38. Galvin Deposition, p. 24.

> the leading indicator of what revenue is coming down the road. So bookings absolutely [are] the pulse of the business and what drives it. After that, you figure out when can it become revenue and in what form.[39]

Mr. Galvin further explained that backlog is a measure of bookings that have not been converted to revenues by the end of the period, and that Aruba closely evaluated its quarterly bookings and backlog in forecasting revenue:

> And so we very closely looked at and tracked what were known as "weeks of backlog," and that was -- you would have a certain amount of what we called "weeks of backlog" entering quarters to -- you know, in a sense, it was kind of a bank account of what work -- what prior bookings had the potential of becoming revenue within a quarter.
>
> Definitely portions, and then there was a layer backlog, that usually could never become revenue in the next quarter, but that was -- so I guess it would be bookings, as the leading indicator, and then an evaluation of backlog to say, you know, is the backlog in an appropriate, healthy enough state to where we believe we can get revenue conversion out of the bookings for the next quarter or two quarters.[40]

27. Aruba's generated backlog turned negative in the first quarter of 2015 and the book-to-bill ratio (a measure that divides bookings by revenue) dropped below 1 for the first time in seven quarters.[41] A book-to-bill ratio greater than 1 indicates that more orders were received than filled, indicating stronger demand, while a ratio below 1 implies weaker demand. **Exhibit 2** presents Aruba's quarterly bookings and generated backlog information from January 2013 to January 2015. The exhibit shows that Aruba's book-to-bill ratio remained below 1.0 for the second quarter of 2015 as well, falling to 0.96 from 0.97 in the first quarter of 2015 as the backlog decreased from -$7.2 million to -$8.9 million.

28. Mr. Galvin testified that Aruba missed the bookings targets in Aruba's plan for multiple quarters prior to the transaction:

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39. Galvin Deposition, p. 26.

40. Galvin Deposition, p. 28.

41. Aspen – Discussion Exhibits (3).xlsx, p. 4. (ArubaAA0466129-49 at 32).

> We missed the July 31st bookings number. We missed the October 31st bookings number. And we missed the January 31st bookings number. And the accumulative of those totals was we had missed by $46 million over the three quarters.
>
> So we were 46 in the hole from a planning standpoint, which is obviously a substantive number. The backlog was, you know, bone dry in terms of revenue; revenue was the lowest it had ever been in the company's history.[42]

Mr. Galvin further testified that, because they missed their internal bookings targets, the company had to dip into its backlog to make its revenue guidance:

> At this point, as of the end of Q1 '15, we had missed our internal bookings numbers two quarters in a row. So we were -- let me check the math.
>
> I believe the last two quarters now we were 19 million under our bookings plans for the last two quarters. So we had dug into our bank account and started to pull backlog lower than our historical levels at this point.
>
> So we were dealing with a smaller bank account than we would have liked to have been. And so then you get into, okay, well, why were bookings missing the targets, et cetera.
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> ***
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> Q. But, in fact, you hit the guidance?
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> A. We hit our numbers by taking our backlog down to the lowest level that it had ever been.[43]

29. **Exhibit 3** presents the bookings estimates for Q3 2014 and Q4 2014 contained in Aruba's 2H' 2014 plan, the bookings estimates for Q1 2015 and Q2 2015 contained in Aruba's 1H' 2015 plan, and the actual bookings figures in each of those four quarters. As the exhibit indicates, Aruba missed its bookings estimates by $1.9 million in Q3 2014, $14.7 million in Q4 2014, $4.4 million in Q1 2015, and $26.9 million in Q2 2015. All told, as of January 31, 2015 Aruba was actually $48 million in the hole from a planned bookings standpoint.

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42. Galvin Deposition, p. 290.

43. *Id*., pp. 235, 251.

30. With bookings $48 million below plan as of January 31, 2015 and its backlog depleted, Aruba revised its projections downward in February 2015. Mr. Galvin testified regarding the decision to revise the projections:

> So we were 46 in the hole from a planning standpoint, which is obviously a substantive number. The backlog was, you know, bone dry in terms of revenue; revenue was the lowest it had ever been in the company's history.
>
> So it would have been anything but – it would have been completely imprudent to not change these numbers to the reality of where we were sitting at that time.[44]

Impending Departure of CEO

31. In addition to the challenges described above, Aruba was also facing the impending departure of its CEO. Mr. Warmenhoven described Mr. Orr as "the cornerstone of the entire company" and "the face to the customers, the face to the partners, and the face to the employees."[45] On Aruba's prospects without Mr. Orr, Mr. Warmenhoven commented, "we had the prospect [of a] company facing a much more difficult market and having no leader. Not a good combo."[46] Mr. Warmenhoven also testified about how the Board factored Mr. Orr's retirement plans into its assessment of Aruba's standalone prospects:

> But at the end of this discussion, after the financial advisors had left the room, there was a director-only discussion about risks associated with the execution without Dominic. Not only was the market contracting or changing, but we were going to be without our iconic leader, the founder, CEO, who everybody identified as the face of the company, and that brought enough execution risk associated with it that we concluded that -- and Mr. Galvin did not know about Mr. Orr's decision to retire.
>
> So Mike did not have any of that wrapped into his financial projections, appropriately so. But the board was aware, and, therefore, we felt that we should treat this as optimistic because there would no doubt be difficulty in a CEO transition in sustaining

44. Galvin Deposition, p. 290.

45. Warmenhoven Deposition, p. 154.

46. *Id*.

the execution.[47]

Overall, Aruba Faced Multiple Serious Challenges at the Time of the Transaction

32. Taken together, the challenges facing Aruba at the time of the Transaction reflected a perfect storm for the company. The competitive dynamics of the WLAN industry and competition from Cisco, in particular, was making it very difficult for Aruba to compete on product breadth and price. Aruba had to significantly reduce its SBC expense as that was negatively perceived by analysts and investors and its restructuring plan had created a morale issue at the company. Aruba's efforts to convert its topline revenue growth to operating income were further side-tracked when bookings began to falter. Finally, the pending departure of its CEO further undermined the company's long term prospects as a standalone entity. Mr. Warmenhoven summarized the difficult position Aruba was in:

> I think we all have a pretty good appreciation of the strategic issues the company faced in competing with Cisco and getting out-invested and outsold in terms of bundling products. And if this deal didn't go through, we knew there was no other alternative for acquisition, and if it didn't go through we would start the CEO search the next day.
>
> A CEO transition is not an attractive prospect. It's one of the biggest reasons why companies get sold.[48]

Other Aspects of Aruba's Standalone Business Plan

33. In addition to reducing its SBC expense and restructuring its workforce, Aruba's standalone business plan also included a share repurchase plan as well as a potential convertible debt offering.

34. At the time of the Transaction, the Aruba Board had authorized a stock repurchase

47. *Id.*, pp. 184-185.

48. Warmenhoven Deposition, p. 168.

program for an aggregate amount of up to $500 million.[49] Aruba repurchased 5.3 million shares for a total purchase price of $86.2 million during fiscal 2013, 14.7 million shares for a total purchase price of $263 million during fiscal 2014, and 5.3 million shares for a total purchase price of $105 million during the first half of fiscal 2015.[50] According to Mr. Galvin, the basic motive of Aruba's stock buyback plan was to negate dilution.[51]

35. Aruba had also contemplated a convertible debt offering prior to the Transaction. The purpose of the potential convertible debt offering was (1) to shore up Aruba's balance sheet as it had spent a significant portion of its cash repurchasing shares and (2) to fund future cash M&A activity.[52] Aruba did not complete the convertible debt offering because HP approached the Company about a possible transaction before they had come to a final decision on whether to move forward with the offering.[53]

V. SALES PROCESS

36. On August 27, 2014, Antonio Neri, Senior Vice President and General Manager, HP Servers and HP Networking Global Business Units, contacted Mr. Orr and indicated that HP was interested in discussing a possible acquisition of Aruba.[54]

37. On September 5, 2014, Aruba engaged Qatalyst Partners as its financial advisor in

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49. Aruba Form 10-K for the Fiscal Year Ending July 31, 2014, p. 38.
50. *Id.*; Aruba Form 10-Q for the Quarter Ending January 31, 2015, p. 20.
51. Galvin Deposition, p. 33.
52. Galvin Deposition, pp. 101-102.
53. Galvin Deposition, pp. 109-111.
54. Aruba Proxy, p. 39.

connection with a potential transaction with HP.[55]

38. On September 10, 2014, representatives of Qatalyst Partners met with the Aruba Board to discuss background financial information on the company and possible next steps. The Qatalyst Partners representatives also discussed third parties that might have the interest and capability to consider a transaction with Aruba.[56]

39. On September 25, 2014, the Board met with senior executives of the company as well as representatives from Qatalyst Partners. At that meeting, the Board directed Qatalyst Partners to reach out to a select group of potential strategic acquirers that had both the financial wherewithal to pursue a transaction and a strategic interest in mobile technology, and could thus bid competitively against HP. The Board determined not to contact any potential financial buyers as the volatility of Aruba's cash flow and the lack of synergies in such a transaction would make it difficult for those firms to bid competitively against HP.[57]

40. Between September 29, 2014 and October 2, 2014, representatives of Qatalyst Partners contacted senior executives at five potential strategic acquirers: Oracle, EMC, IBM, Google and Samsung.[58] All five companies contacted by Qatalyst Partners declined to engage in evaluating a potential acquisition of Aruba.[59] The reasons given by the potential strategic acquirers for why they were declining to engage varied. For example, Google responded that if they really wanted that technology, they would build it themselves while IBM indicated that they

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55. *Id*.

56 *Id*.

57 Aruba Proxy, p. 40.

58. Deposition of George Boutros ("Boutros Deposition"), p. 219; Respondents' Responses and Objections to Petitioners' First Interrogatories, p. 9.

59. Aruba Proxy, pp. 40-41.

were exiting the hardware business altogether.[60] In addition, Dominic Orr, Aruba's CEO, personally reached out to Google Access and Dell.[61]

41. On October 2, 2014, management teams from Aruba and HP met in person to discuss the potential strategic transaction. At that meeting, Aruba's management made a presentation to the HP executives that included, among other things, financial projections prepared by Aruba management and potential synergies that could result from the transaction.[62]

42. On November 20, 2014, Aruba announced its financial results for the first quarter of fiscal 2015 and provided guidance for the second quarter of fiscal 2015 that was below the consensus street estimate.[63]

43. On November 24, 2014, Mr. Neri informed Mr. Orr that HP's board wanted HP's management to prepare additional financial analyses regarding the proposed transaction and that HP would require an additional two to three weeks to address the Board's questions. After internal discussion, Aruba determined that it would suspend discussions with HP.[64]

44. On January 21, 2015, Messrs. Orr and Neri had a dinner meeting with Meg Whitman during which discussions regarding a strategic transaction were reopened.[65]

45. On January 30, 2015, representatives of Qatalyst Partners contacted a senior executive at another potential strategic acquirer – Citrix – to assess its interest in a potential

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60. Warmenhoven Deposition, p. 101.
61. Deposition of Dominic Orr ("Orr Deposition), pp. 175-8.
62. Aruba Proxy, p. 40.
63. Aruba Proxy, p. 41.
64. Aruba Proxy, p. 42.
65. *Id*.

acquisition of Aruba.[66] Three days later, Citrix informed Qatalyst Partners that it was declining to engage in evaluating an acquisition of Aruba.[67] Qatalyst did not, at this point, recanvas the original strategic acquirers they had approached as the reasons they had given for declining to engage in evaluating an acquisition of Aruba were related to strategic fit rather than price.[68]

46. On January 31, 2015, Aruba received a non-binding proposal from HP to acquire the company for $23.25 per share in cash.[69]

47. On February 1, 2015 Aruba retained Evercore as an additional financial advisor in connection with its discussions with HP.[70]

48. On February 2, 2015, at a special meeting of the Aruba Board attended by Aruba's financial and legal advisors, Mr. Galvin provided a preliminary review of Aruba's results for the second quarter of fiscal 2015 and presented updated financial projections prepared by management.[71]

49. On February 4, 2015 the Aruba Board met with its legal and financial advisors to discuss HP's January 31 proposal. The Board authorized representatives of Evercore to present a counter-proposal to HP of $29.00 per share in cash.[72]

50. On February 9, 2015, HP submitted a written proposal to acquire Aruba for $24.67 per share in cash and indicated that it was HP's "best and final" offer. HP further

66. Aruba Proxy, p. 42; Respondents' Responses and Objections to Petitioners' First Interrogatories, p. 9.

67. Aruba Proxy, p. 43.

68. Boutros Deposition, pp. 219-220.

69. Aruba Proxy, p. 42.

70. Aruba Proxy, p. 43.

71. *Id*.

72. *Id*.

indicated that there would be no financing or funding condition but that the offer was contingent upon the parties entering into a 30-day exclusivity agreement.[73]

51. On February 10, 2015, the Aruba Board discussed the sales process undertaken by its financial advisors, in which all of the strategic acquirors that presented the strongest strategic fit with Aruba had declined to explore an acquisition transaction. The Aruba Board also discussed the recent weakness in the Aruba's stock price as well as the potential upside and risks of successfully executing on its standalone strategy. The Aruba Board also discussed whether to make a counter-offer to HP at $25.00 per share in light of the fact that HP had characterized its proposal as its "best and final" offer. After discussion, the Board concluded that $24.67 per share in cash was a compelling offer and authorized management to enter into an exclusivity agreement with HP and commence negotiations on that basis.[74]

52. On February 25, 2015, Bloomberg Business reported that Aruba was in discussions with HP regarding a potential acquisition of Aruba by HP. Aruba's stock price closed at $22.24 on February 25, up 21 percent from its opening price of $18.38.[75]

53. On March 1, 2015, the Aruba Board convened a special meeting to consider the terms of the proposed strategic transaction. At the meeting, representatives of Qatalyst Partners reviewed its financial analyses of the consideration to be received by Aruba stockholders pursuant to the Merger Agreement, and delivered its oral opinion, subsequently confirmed in writing on March 1, 2015, that the $24.67 per share merger consideration to be received by the holders of Aruba common stock, other than HP or its affiliates, pursuant to the Merger

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73. Aruba Proxy, p. 44.

74. *Id*.

75. Aruba Proxy, p. 45; The Center for Research in Security Prices ("CRSP").

Agreement was fair, from a financial point of view, to such holders.[76]

54. On March 2, 2015, Aruba and HP executed the Merger Agreement and issued a joint press release announcing the transaction.[77]

VI. FAIR VALUE OF ARUBA

55. I have been asked to opine on the "fair value," as the term is used in Section 262 of the DGCL, of Aruba common stock as of May 18, 2015 (the "Valuation Date").[78] Section 262 of the DGCL states that the court should "determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation" and that in determining fair value, "shall take into account all relevant factors."

56. For the reasons more fully discussed below, I determine that the standalone fair value of Aruba is most accurately measured using a discounted cash flow ("DCF") analysis. My DCF analysis of Aruba indicates a fair value of **$19.85 per share**. Prior to discussing my DCF analysis, I first discuss other indications of fair value that I calculate and/or consider including:

- the merger price (excluding any synergies);
- the contemporaneous analyst price targets;
- the various financial advisors' valuations;
- a comparable company analysis; and
- a comparable transactions analysis.

A. Merger Price (Excluding Any Synergies)

57. One potential indicator of fair value is the merger price itself, particularly in

76. Aruba Proxy, p. 45.

77. *Id*., p. 46.

78. Pursuant to Section 262, "the Court shall determine the fair value of the shares exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation… In determining such fair value, the Court shall take into account all relevant factors." 8 DEL. C. § 262(h).

situations where the target company was acquired in an arms' length transaction subject to a robust sales process.[79] However, in situations where the merger price includes a portion of the merger-specific synergies as opposed to solely the target's value as a going concern, the portion of the buyer's synergies paid to the seller in order to complete the transaction should be subtracted.[80]

58. Based on the record in this case, it appears that Qatalyst Partners conducted a robust sales process, and I have seen no evidence indicating that the transaction was not done at arms' length. Moreover, the record indicates that HP paid a portion of its estimate of the synergies to Aruba.

59. As mentioned above, Qatalyst Partners and/or Dominic Orr contacted eight potential strategic acquirers and all eight declined to engage in even evaluating an acquisition of Aruba for strategic reasons.[81] Qatalyst Partners did not contact potential financial buyers because the Board determined that financial buyers could not be competitive in their potential valuations. The determination by the Board that potential financial buyers would not be as competitive in their valuations of Aruba was reasonable.

60. Strategic buyers and financial buyers have different motivations for making acquisitions. Strategic buyers acquire firms to supplement or complement existing operations while financial buyers generally acquire firms in order to operate the acquired company as an

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79. *See*, e.g., *Huff Fund Inv. P'ship v. CKx, Inc.*, 2013 WL 5878807, at *9 (Del. Ch. Nov. 1, 2013); *Highfields Capital, Ltd. v. AXA Fin., Inc.*, 939 A.2d, at *34, 42 (Del. Ch. 2007); *Merion Capital LP and Merion Capital II LP v. BMC Software, Inc.*, at *2, 42-43 (Del. Ch. Oct. 21, 2015).

80. *See LongPath Capital, LLC v. Ramtron Int'l Corp.*, Slip. Op. June 30, 2015, C.A. No. 8094-VCP (Del. Ch. June 30, 2015), p. 67.

81. Warmenhoven Deposition, pp. 96-104.

independent entity, pay down acquisition debt, and eventually resell it or take it public.[82] The financial buyer's primary concern is whether the company will generate enough cash flow to repay the purchase price and generate a profit.[83] The strategic buyer, while certainly concerned with cash flows and profits, will also focus on the potential synergies that can be achieved by the acquisition.

61. The different motivations and operative frameworks for strategic and financial buyers lead them to evaluate potential acquisitions using different valuation methods. The internal rate of return ("IRR") is the primary metric by which financial buyers asses a potential transaction. Financial buyers typically target transactions with a 20 percent+ IRR.[84] The primary drivers of the IRR are the purchase price, the financing structure (particularly the size of the equity component), the exit multiple, and the year of exit. Therefore, given the cash flows of the business, the cost of debt financing, the amount the buyer is willing to commit in equity, and an assumed exit year/multiple, there is a cap on what a financial buyer can pay in order to generate a target IRR of 20 percent or greater. The valuation implied by this type of framework tends to be at the lower end of the spectrum as compared to methodologies employed by strategic buyers like DCF and precedent transaction analysis.[85] This largely due to the constraints imposed by the financial buyer's target IRR.

62. This Court has also recognized that a financial buyer's willingness to pay is based on a model that is focused on achieving a targeted IRR rather than the fair value of the company.

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82. Lajoux, Alexandra Reed and Stanley Foster Reed. *The Art of M&A*. McGraw-Hill, 1999, p. 4.

83. *Id*., p. 11.

84. Pearl, Joshua and Joshua Rosenbaum. *Investment Banking: Valuation, Leveraged Buyouts and Mergers & Acquisitions.* Wiley, 2009. ("*Investment Banking*"), p. 172

85. *Investment Banking*, p. 236.

In its Memorandum Opinion, *In Re: Appraisal of Dell Inc.*, the Court illustrates the limitation of the financial buyer:

> Using the same set of projections for both a DCF analysis and an LBO analysis, JPMorgan showed why a financial sponsor would not be willing to pay an amount approaching the Company's going-concern value. Using the September Case and a DCF analysis, JPMorgan valued the Company as a going concern at between $20 and $27 per share. But using the *same projected cash flows* in an LBO model, JPMorgan projected that a financial buyer's willingness to pay would max out at approximately $14.13 per share, because at higher prices, the sponsor could not achieve a minimum return hurdle of a 20 percent IRR over five years.[86]

The Court ultimately concluded:

> Taken as a whole, the foregoing evidence, along with other evidence in the record, establishes that the Original Merger Consideration was dictated by what a financial sponsor could pay and still generate outsized returns. <u>This fact is a strong indication that the Original Merger Consideration undervalued the Company as a going concern.</u>[87]

63. In the case of HP's acquisition of Aruba, we have the exact opposite situation. Qatalyst and/or Mr. Orr contacted eight strategic buyers, but contacted no financial buyers as the Board recognized that the financial buyers would be limited in what they would be willing to pay.[88] With varying degrees of synergies available to the potential strategic acquirors, Qatalyst focused its efforts on the group of buyers likely to pay the most to acquire Aruba.

64. HP's approach to valuing Aruba illustrates this point. Joakim Johansson, HP's Vice President of Corporate Development, testified regarding how HP determined the amount it was willing to pay for Aruba:

> So we look at what's the total value to us. We look at standalone value, which is our valuation of what we think the business can do by itself. And then we layer on top the

86. *In Re: Appraisal of Dell Inc*., Memorandum Opinion, May 31, 2016, p. 65.

87. *In Re: Appraisal of Dell Inc*., Memorandum Opinion, May 31, 2016, p. 69 (emphasis added).

88. Warmenhoven Deposition, pp. 91-92.

> synergies that we think we can bring. That's the total value to HP. So we call that the "HP strategic value."[89]
>
> ***
>
> If you look at our total strategic valuation, I'm going off memory, but I think it was 3 and a half, 3.6. [billion] So we were literally paying away -- and we understand [Aruba's stand alone] value pegged at 1 -- $2 billion. So we are literally paying away $1 billion of our synergies. So we didn't feel comfortable going higher than this.[90]

65. In the absence of specific record evidence of the amount of synergies included in the merger price, one may look to contemporaneous estimates of the target's standalone value created by the buyer as potential baselines to infer the level of synergies paid. HP internally valued Aruba using a DCF analysis on a standalone basis at $2 billion and valued the synergies at $1.410 billion including revenue synergies of $1.175 billion and cost synergies of $235 million.[91] HP's synergy estimates were supported by market research and analyses performed by McKinsey. McKinsey's revenue synergy estimate was $1.260 billion and assumed a 3 percent market share gain in wired and a 7 percent market share gain in wireless and a 17.4 percent operating margin on the synergy revenue.[92] McKinsey's findings based, in part, on interviews and surveys with over 120 purchasing executives and channel partners suggested that the share gains, while aggressive, were feasible.[93] McKinsey's cost synergy estimate was $295 million assumed a 1 percent expansion in operating margins through the elimination of duplicative costs in S&M and R&D, and G&A. McKinsey concluded that HP's savings estimates were in line

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89. Deposition of Joakim Johansson ("Johansson Deposition"), Page 29.
90. Johansson Deposition, p. 110.
91. Project Aspen, IRB Approval to Sign, February 28, 2015, pp. 7, 10 (ArubaAA0519872-917 at 878, 881).
92. Project Aspen Discussion Document, December 2014, p. 2. (ArubaAA0337815-44 at 17).
93. *Id.*, p. 3.

with industry benchmarks.[94,95]

66. HP's financial advisor, Barclays, valued Aruba using a DCF analysis based on HP's projections for the Aruba standalone business and its synergy estimates. **Exhibit 4A** presents a replication of Barclay's DCF analysis of Aruba with synergies. Including synergies, Barclays valued Aruba at $3.0 to $4.5 billion ($27.51 to $39.71 per share) with a point estimate of $3.6 million ($32.30 per share). **Exhibit 4B** takes the same analysis presented in **Exhibit 4A** and removes both the revenue and cost synergies (i.e., standalone value). Excluding synergies, Barclays valued Aruba at $1.8 to $2.6 billion ($17.31 to $23.97 per share) with a point estimate of $2.1 billion ($19.93 per share). Subtracting the values in **Exhibit 4B** from the values in **Exhibit 4A** indicates the synergies were valued by Barclays at $1.2 to $1.9 billion ($10.20 to $15.74 per share) with a point estimate of $1.5 billion ($12.37 per share). Barclay's analysis ascribes a similar value to the synergies ($1.5 billion).

67. The actual transaction price of $24.67 implies an enterprise value of $2.651 billion.[96] Therefore, HP's internal analysis indicates that HP paid $651 million more for Aruba than its $2 billion estimate of standalone enterprise value. This suggests that HP paid 46.2 percent of its $1.410 billion synergy estimate or 41.9 percent of McKinsey's $1.555 billion synergy estimate to Aruba. Similarly, Barclay's analysis indicates that HP paid $551 more for Aruba than its $2.1 billion estimate of standalone enterprise value or 36.7 percent of its $1.5 billion synergy estimate to Aruba.

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94. *Id.*

95. The difference between the McKinsey synergy estimate of $1.555 billion and HP's $1.410 estimate is a $155 million due diligence adjustment (*see* Project Aspen, IRB Approval to Sign, February 28, 2015, pp. 11 (ArubaAA0519872-917 at 882).

96. *See* Exhibit 9.

68. The percentage of synergies actually paid by HP to Aruba cannot be accurately measured. It will vary depending on the assumptions made regarding the value of the synergies and the value of the standalone business. However, a March 2013 study by the Boston Consulting Group ("BCG") suggests that, on average, sellers collect 31 percent of the average capitalized value of the synergies although the seller's share varies widely from 6 percent to 51 percent.[97] The shared synergy percentages implied by the DCF valuations performed by HP and Barclays are within the range observed by BCG.

69. The fair value indications based on the merger price less shared synergies (i.e., standalone value) of **$19.93 per share** based on the Barclay's analysis and **$18.98 per share** based on HP's internal analysis both support my estimate of Aruba's fair value.[98]

B. Analyst Target Prices

70. Another potential indication of standalone value is reflected in the contemporaneous price targets of equity analysts following the company prior to the announcement of the deal. In the case of Aruba, the company was very well covered by Wall Street at the time of the Transaction. **Exhibit 5** presents the price targets set by sixteen different analysts following the report by Bloomberg on February 27, 2015 that HP and Aruba were discussing a possible transaction. The exhibit also indicates the prior target for each analyst. The analysts' price targets ranged from **$19.00 per share to $29.00 per share** with a median of $22.00 prior to the Bloomberg report and ranged from **$20.00 per share to $34.00 per share** with a median of $26.00 after the report.

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97. "How Successful M&A Deal Split Synergies." *BCG Perspectives*, March 27, 2013. Web.
98. $2 billion / ($2.1 billion / $19.93 per share) = $18.98 per share.

C. Financial Advisors' Valuations

71. As discussed earlier, in connection with the Transaction, Aruba retained two financial advisors, Qatalyst Partners and Evercore, while HP retained Barclays as its sole financial advisor. All three financial advisors analyzed Aruba's value and presented or provided those findings to their respective clients.[99] In the sections that follow, I briefly summarize the analyses performed by each of the three financial advisors.

<u>Qatalyst Partners</u>

72. As discussed above, on March 1, 2015 Qatalyst Partners delivered its opinion to the Aruba Board on March 1, 2015, that the $24.67 per share merger consideration to be received by the holders of Aruba common stock, other than HP or its affiliates, pursuant to the Merger Agreement was fair, from a financial point of view, to such holders. The financial analyses performed by Qatalyst in support of its fairness opinion are summarized in a March 2015 presentation (the "March 2015 Qatalyst Deck").[100]

73. The March 2015 Qatalyst Deck contains a DCF analysis of Aruba's standalone value resulting in a value range of $20.85 to $30.02 per share with a midpoint value of $25.16 per share.[101] Qatalyst also performed a comparable company analysis and concluded a value range of $18.52 to $26.46 per share based on the Management Projections (*see infra)* and $17.23 to $24.61 per share based on the Street Case (reflecting consensus analyst estimates as of February 27, 2015). Lastly, Qatalyst performed a comparable transaction analysis using

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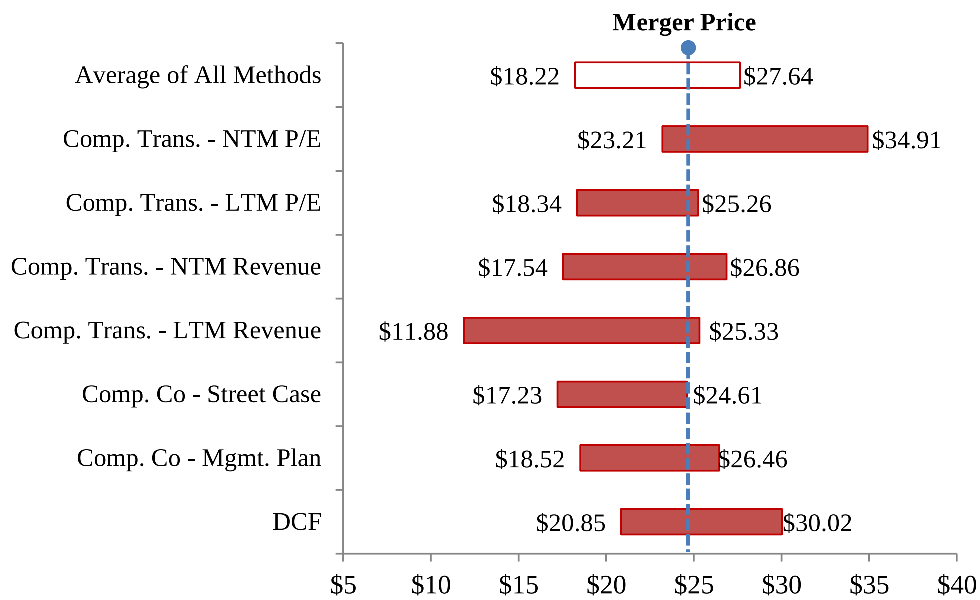
99. Evercore shared their analysis but did not make a presentation to Aruba. (See Deposition of Jeff Reisenberg, pp. 111, 166).

100. Qatalyst Partners, Project Athens, Materials for Discussion, March 2015 (ARUN000093-130).

101. Qatalyst DCF range assumes a WACC of 10.5% to 14.0% and terminal NOPAT multiples of 11.0x to 16.0x.

enterprise value to revenue multiples and P/E multiples. Qatalyst's LTM revenue multiple analysis indicated a value range of $11.88 to $25.33 per share with a median of $19.40 per share and the NTM revenue multiple indicated a value range of $17.54 to $26.86 per share with a median of $20.80 per share. Qatalyst's LTM P/E multiple analysis indicated a value range of $18.34 to $25.26 per share with a median of $21.96 per share and the NTM P/E multiple indicated a value range of $23.21 to $34.91 per share with a median of $29.86.[102] **Figure 2** presents the ranges per share for each of Qatalyst's analyses and compares them to the $24.67 merger price.

Figure 2
Qatalyst Valuation Analyses



74. Averaging the ranges indicated by the various financial analyses performed by Qatalyst results in a value range of **<u>$18.22 per share to $27.64 per share</u>**.

<u>Evercore</u>

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102. Qatalyst Partners, Project Athens, Materials for Discussion, March 2015, p. 3.

75. Evercore was retained by Aruba as an additional financial advisor on February 1, 2015. Although Evercore did not provide a fairness opinion they did perform valuation analyses. The financial analyses performed by Evercore are summarized in a March 1, 2015 presentation (the "March 1, 2015 Evercore Deck").[103]

76. The March 1, 2015 Evercore Deck contains a DCF analysis of Aruba's standalone value resulting in a value range of $21.11 to $29.77 per share based on the perpetual growth rate ("PGR") approach and $24.23 to $29.75 per share based on a terminal EBITDA multiple approach.[104] Evercore performed a comparable company analysis and concluded a value range of $18.34 to $26.21 per share based on the Management Projections and $16.73 to $23.90 per share based on the Street Case.[105] Evercore also performed a present value of future share price analysis and concluded a value range of $21.27 to $31.20 per share under the management plan and $16.96 to $24.88 under the per share Street case. Lastly, Evercore performed a premiums paid analysis and concluded a value range of $20.68 to $25.17 per share based on the 1-week premium and $20.71 to $24.60 per share based on the 4-week premium.[106] **Figure 3** presents the ranges per share for each of Evercore's analyses and compares them to the $24.67 merger price.

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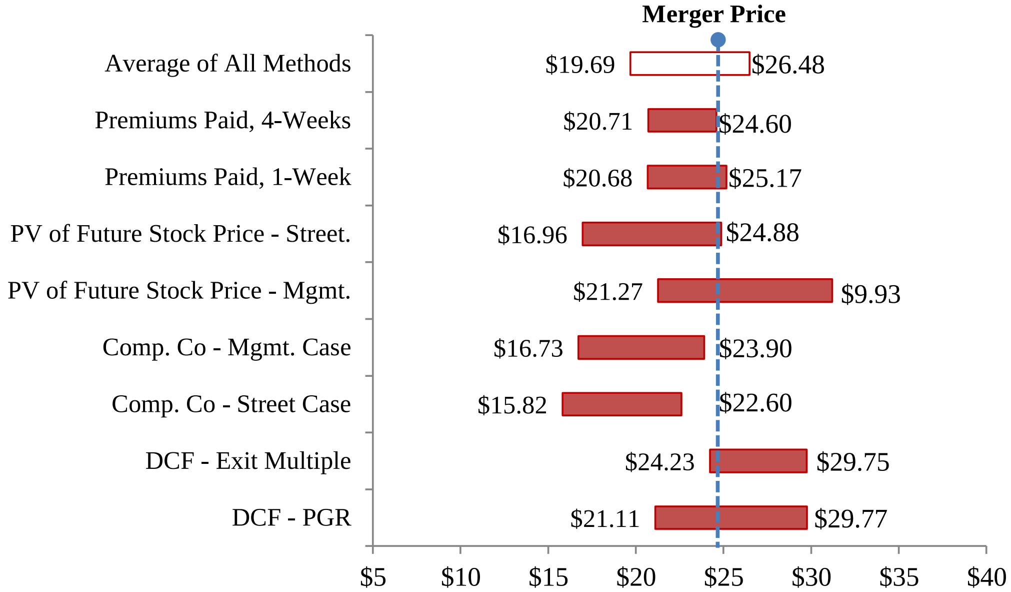
103. Project Athens Supporting Valuation Analysis, March 1, 2015 (EVERCORE00011411-32).

104. Evercore's DCF analysis assumes a WACC of 11% to 13% and a PGR of 4% to 5% (for PGR approach) and terminal EBITDA multiple of 9.0x to 11.0x (for multiple approach).

105. Evercore makes two mistakes on page 6 of its March 1, 2015 presentation. First, Evercore transposes the 1 and the 3 in the street case EPS figure and uses $1.31 rather than $1.13 to determine the value range. Second, Evercore mislabels the value ranges for the management plan and street case. I correct for both of these errors in the value ranges provided (see March 1, 2015 Evercore Deck, pp. 6, 15).

106. Project Athens Supporting Valuation Analysis, March 1, 2015, p. 6.

Figure 3
Evercore Valuation Analyses



77. Averaging the ranges indicated by the various financial analyses performed by Evercore results in a value range of **<u>$19.69 per share to $26.48 per share</u>**.

<u>Barclays</u>

78. Barclays was retained by HP as its financial advisor in connection with the Transaction. The financial analyses performed by Barclays are summarized in a February 27, 2015 presentation (the "February 27, 2015 Barclay's Deck").[107]

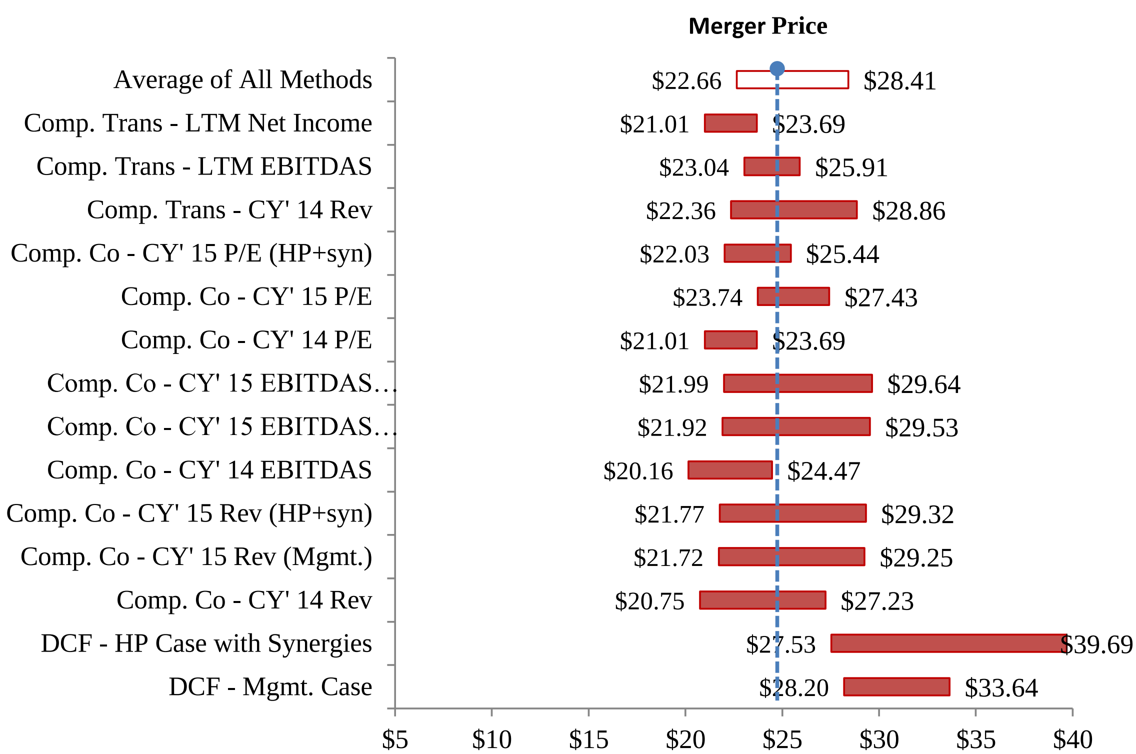
79. The February 27, 2015 Barclay's Deck contains a DCF analysis based on the Management Projections resulting in a value range of $28.20 to $33.64 per share and one based on the HP management case including synergies resulting in a value range of $27.53 to $39.69 per share.[108] The Barclays Deck also includes 9 comparable trading measures – 3 based on

107. Project Aspen Board Materials, February 27, 2015 (ArubaAA0519962).

108. Barclay's DCF based on Management Projections assumes a WACC of 11% to 13% and terminal EBITDAS multiples of 11.0x to 13.0x. Barclay's DCF based on the HP case

revenue multiples, 3 based on EBITDAS (earnings before interest, taxes, depreciation & amortization, and stock based compensation) multiples, and 3 based on price to earnings multiples. The value range indicated by these measures is $20.75 to $29.32 per share for the revenue multiples, $20.16 to $29.64 per share for the EBITDAS multiples, and $21.01 to $27.43 per share for the price to earnings multiples. Finally, Barclays performed a comparable transaction analysis that indicated a value range of $21.01 to $28.86 per share.[109] **Figure 4** presents the ranges per share for each of Barclays's analyses and compares them to the $24.67 merger price.

Figure 4
Barclay's Valuation Analyses



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assumes a WACC of 11% to 13% and a PGR of 2% to 4%.

109. Project Aspen Board Materials, February 27, 2015 (ArubaAA0519962), p. 6.

80. Averaging the ranges indicated by the various financial analyses performed by Barclays results in a value range of **<u>$22.66 per share to $28.41 per share</u>**.[110]

D. Comparable Company Analysis

81. Another commonly accepted valuation method calculates the value of the subject company based on its value relative to the trading multiples of comparable companies. This valuation method involves identifying publicly traded companies that are sufficiently similar to the target company with respect to, for example, product lines, geographic reach of services, business risk, financial characteristics and/or growth prospects. Usually that entails identifying companies in the subject entity's same industry (i.e., its competitors) and calculating a multiple of that reference company's value (e.g., enterprise value or equity market capitalization) relative to a measure of financial performance (e.g., EBITDA, earnings or revenues). The subject entity's value is then calculated by applying a representative multiple, or range of multiples, to the subject company's historical or projected financial performance. A trading multiples-based method estimates the value of the subject entity based on the market prices that other companies' stock trades for under current market conditions (i.e., a minority interest valuation) as opposed to the value of acquiring an entire company (i.e., no minority discount).[111]

82. I understand that the various parties that have valued Aruba have looked to a

110. The average of the Barclay's range excluding the HP Case with Synergies is $22.28 per share to $27.55 per share.

111. As a result, some valuation professionals add a control premium to the resulting valuation range in order to compare with the offer received from a control buyer. (*See, e.g.,* Cornell, Bradford. *Corporate Valuation*, Business One Irwin, 1993 ("*Corporate Valuation),* pp. 87-88 ("control premiums paid for other companies may not be applicable to the appraisal target because the factors that led investors to pay premiums in other situations may not characterize the appraisal target. Nonetheless, it is safe to say that the estimate of value derived from the market prices of securities establishes a floor beneath the company's value. Under certain circumstances, the appraiser may choose to elevate the appraised value above that floor to take into account a control premium.")

broader set of networking peers as potentially comparable. Thus, I first identify companies potentially comparable to Aruba using an objective methodology in which I document how frequently a peer company is relied on in contemporaneous analyst reports and investment banker presentations. I reviewed the financial advisors presentations as well as Aruba analyst reports published between January 1, 2015 and February 27, 2015 in order to identify potential comparable companies. As shown in **Exhibit 6**, there are 51 companies that were considered comparable to Aruba. I limit my peer set to the seven companies that were selected in four or more of the reports and presentations considered.

83. I calculate multiples of enterprise value to EBITDA[112] for each peer company using that company's enterprise value as of May 18, 2015 divided by its LTM EBITDA as of that same date, its projected EBITDA for the twelve months-ended December 31, 2015, and its projected EBITDA for the twelve months ended December 31, 2016. The median enterprise value to LTM EBITDA multiple for the peer group is 11.88x and the median enterprise value to CY 2015 EBITDA and CY 2016 EBITDA is 11.44x and 10.67x, respectively (*see* **Exhibit 7**).

84. The implied equity value derived when applying the median EV/EBITDA multiple for the peer group to Aruba's LTM EBITDA as of February 24, 2015 is **$11.55 per share**. The implied equity value per share derived when applying the median EV/CY2015E EBITDA multiple for the peer group to the 2015 EBITDA estimate in the Management Projections is **$16.68 per share** and the implied equity value per share derived when applying the median EV/CY2016E EBITDA multiple for the peer group to the 2016 EBITDA estimate in the Management Projections is **$21.75 per share**. (*see* **Exhibit 8**).

112. EBITDA in my comparable company and comparable transaction analyses reflects GAAP EBITDA so SBC is treated as an expense.

E. Comparable Transaction Analysis

85. Investment bankers and valuation practitioners often consider a third valuation method that is similar to comparable company analysis but measures multiples using actual transaction values rather than market values. And like a comparable company analysis, a comparable transaction analysis is also highly dependent on finding transactions where the acquired company is sufficiently comparable to the company being valued.

86. In order to try and identify transactions that were sufficiently comparable to Aruba, I analyzed all transactions in the ten year period prior to the Valuation date where the company being acquired had an SIC code of 3576 (computer communications equipment), 3663 (radio and television communications equipment) and 7373 (computer integrated systems design). These SIC codes were selected based on the primary SIC codes of the companies I selected as my peer group for purposes of my beta estimate and comparable company analysis. I further limited my search to closed transactions in the United States and Canada with a transaction value greater than $1 billion. **Exhibit 9** presents a summary of the transactions identified using these search parameters. The median multiple of transaction value to LTM EBITDA for the comparable transactions was 20.5x.

87. In **Exhibit 10**, I apply the median multiple for the comparable transactions to Aruba's LTM EBITDA as of the Valuation Date to estimate an implied enterprise value of $1.684 billion. I then subtract net debt (or in this case add net cash as Aruba had no debt and a cash balance of $291 million) and divide by the shares outstanding to reach my comparable transaction value estimate for Aruba of **<u>$17.94 per share</u>**.

F. Discounted Cash Flow Analysis

88. The discounted cash flow Method is widely adopted by academics and valuation experts as the valuation method that most clearly reflects the underlying value of an enterprise–that is, an explicit estimate of the enterprise's ability to generate future cash flows.[113] The DCF method is also commonly accepted, and often the sole method used, in valuing a company for purposes of Delaware Chancery Court appraisal proceedings.[114] A DCF model employs projections of a business' future free cash flows discounted to the valuation date at a rate of return that appropriately reflects the risks inherent in those expected free cash flows.[115] The three key inputs to a DCF model are (i) projections of free cash flows over a finite period (for example, over five years from the valuation date),[116] (ii) an estimate of the value of the free cash flows beyond the finite period (the firm's "Terminal Value"), and (iii) an estimate of the enterprise's risk-adjusted discount rate.[117]

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113. Koller, Tim, Marc Goedhart, and David Wessels, *Valuation 5th Edition*: John Wiley & Sons, Inc., 2005 ("*Valuation 5th Edition*"), pp.. 101-102, 311, 322.

114. *See, e.g., In Re Appraisal of Dell,* (Del. Ch. May 31, 2016), at*114 ("Because it is impossible to quantify the exact degree of the sale process mispricing, this decision does not give weight to the Final Merger Consideration. It uses the DCF methodology exclusively to derive a fair value of the Company.); *Highfields Capital LTD, et al. v. AXA Financial, Inc.*, 939 A.2d 34, at *52-53 (Del. Ch. August 17, 2007), ("Typically, Delaware courts tend to favor a DCF model over other available methodologies in an appraisal proceedings."); *Andaloro et al. v. PFPC Worldwide Inc.*, 2005 WL 2045640, at *9 (Del. Ch., 2005).

115. *Valuation 5th Edition*, pp. 231-232.

116. Free cash flows represent the cash that a company is able to generate after spending the money required to maintain its operations.

117. *Corporate Valuation*, pp. 100-101.

i. Projections

89. In the normal course of business, from late April to early June of every year, Aruba management creates a three year strategic and financial plan for the following three fiscal years. The three year strategic and financial plan is presented to the Aruba Board at the June Board meeting and lays the groundwork for the Company's annual operating plan which is created in August through early September of every year, and presented to the Board at the September Board meeting. At the September Board meeting, the Board considers the annual operating plan but only approves the operating plan for the first half of the fiscal year. Then, in February of every year, Aruba updates the operating plan and the Board considers and approves the operating plan for the second half of the fiscal year.[118]

90. Mr. Galvin prepared the October projections identified in the Proxy (the "October 2014 Projections) based on the three year strategic and financial plan created in June 2014, and the 2015 annual operating plan created in September 2014.[119]

91. On February 2, 2015, Aruba management presented updated financial projections (the "February 2015 Projections") to the Board reflecting actual financial results through the second quarter of 2015. Mr. Galvin also prepared the February 2015 Projections based on the three year strategic and financial plan created in June 2014 and the 2015 annual operating plan created in September 2014 and updated in February 2015.[120] **Exhibit 11** summarizes the February 2015 Projections and compares them to the October 2014 Projections. The revenue estimates in the February 2015 Projections are lower than the revenue estimates in the October 2014 Projections by $12 million for fiscal 2015, $58 million for 2016, and $132 million for fiscal

118. Respondents' Responses and Objections to Petitioners' First Interrogatories, pp. 22-23.
119. *Id.*, p. 21.
120. *Id.*

2017. The Non-GAAP operating profit in the February projections is $9 million higher than the Non-GAAP operating profit in the October Projections for fiscal 2015 and $6 million and $43 million lower for fiscal 2016 and 2017, respectively.

92. The revenue estimates in the February 2015 Projections were reduced due to the fact that Aruba had missed its bookings targets for four straight quarters and had fully depleted its backlog.[121] The lower Non-GAAP operating profit in the February 2015 projections is almost entirely a function of the lower revenue figures as Non-GAAP operating margins actually increased in the February 2015 Projections in 2015 (up 130 basis points) and 2016 (up 70 basis points) and decreased in 2017 (down 75 basis points).

93. Despite the reduction in revenue in the February 2015 Projections, the revenue growth rates in the February 2015 Projections for fiscal years 2015 through 2017 are still significantly higher than the expected growth rates for the WLAN industry for those same years. **Table 1** below compares the revenue growth rates in the February Projections to the WLAN industry growth projections from the Dell'Oro Group.[122] The revenue growth rate of 20 percent in the February Projections is almost double the 11 percent growth expectation for the WLAN industry. Similarly, the revenue growth rates of 19 percent for both 2016 and 2017 in the February Projections are significantly higher than the expected growth rates for the WLAN industry of 16 percent for 2016 and 10 percent for 2017.

121. Galvin Deposition, pp. 289-290.

122. Dell'Oro Group, Wireless Lan Report, January 2015 (ArubaAA0196131-59).

Table 1
Enterprise WLAN and Aruba Revenue

	CY' 14A	**CY' 15E**	**CY' 16E**	**CY' 17E**
Enterprise WLAN	$4,354.9	$4,841.5	$5,604.7	$6,156.1
Y/Y Growth Rate	*10.0 percent*	*11.2 percent*	*15.8 percent*	*9.8 percent*
	FY' 14A	**FY' 15E**	**FY' 16E**	**FY' 17E**
Aruba Revenue	$729.0	$872.0	$1,038.0	$1,235.4
Y/Y Growth Rate	*22.0 percent*	*19.6 percent*	*19.0 percent*	*19.0 percent*

94. If Aruba Management believed that they could hit the revenue figures contained in the February 2015 projections, analysts covering the company did not share their conviction. **Exhibit 12** compares the revenue growth rates in the February 2015 Projections to both the WLAN industry expected growth rates and the expected growth rates based on the median consensus analyst estimates of revenue for fiscal years 2015 to 2017. The exhibit indicates that analysts more or less believe in the fiscal year 2015 revenue figure but in fiscal years 2016 and 2017, analysts' revenue expectations are more aligned with the expected growth rate of the WLAN industry. However, a November 21, 2014 Bernstein Research report expressed skepticism regarding even the 2015 consensus revenue estimate:

> Aruba (Underperform, $16) is set to experience pressure on margins and market share, as its economic model reaches its limits in a slowing market cornered by Cisco and Ubiquiti. It has been already forced to come down rapidly in price point, just to keep stable market shares, and is likely to find it difficult to improve profitability going forward, as growth will have to come at the cost of increased opex. We model FY2015 revenues and EPS ~3 percent and ~9 percent below consensus.[123]

123. "Aruba: Quarter and Next Well Below Normal Seasonality; 11ac Over 50% of Revenues. Is Wi-Fi Now Slowing?" Bernstein Research, November 21, 2014, p. 3 (ArubaAA0439851-68 at 53).

The Bernstein report further noted that Aruba's guidance for the second quarter of fiscal year 2015 "corresponds to only 1 percent growth, compared to normal seasonality of 8 percent for a second quarter" and "marks a clear slowdown in revenue."[124]

95. The February 2015 Projections were further extrapolated by Aruba management for fiscal years 2018 to 2020.[125] I refer to the February 2015 Projections and the extrapolation of those projections for fiscal years 2018 to 2020 as the "Management Projections." I rely on the Management Projections as the basis for my DCF analysis as those projections reflect the most contemporaneous view of management's expectations for the future financial performance of Aruba as of the Valuation Date and are based on financial projections that were prepared in the regular course. However, given the significant challenges facing Aruba at the time of the Transaction, it is optimistic to assume that the Company could continue to grow in excess of the overall WLAN industry. Therefore, as further discussed below, I also run a sensitivity on my DCF analysis assuming Aruba's revenues grow at the projected industry growth rates over the explicit forecast period, an assumption more aligned with analysts' expectations for the Company.

96. It is sometimes reasonable to further extend financial projections, particularly in situations where an investment or change to the cost structure of the business needs to be explicitly modeled or the business has not otherwise reached a steady state. For example, Barclays extends the financial projections in its analysis out to 2024 in order to reflect realization of HP's synergy estimates. For purposes of valuing Aruba on a standalone basis, I determine

124. *Id.*, p. 1.

125. Respondents' Responses and Objections to Petitioners' First Interrogatories, pp. 21-22.

that modeling a third stage was not sufficiently warranted as there was no investment or change to the operations that needed to be explicitly modeled. Furthermore, given the fact that the Management Projections are already projecting growth well in excess of the overall industry, adding a third stage to the forecast would arguably add more uncertainty to the growth forecast. Such hyper growth assumptions get more problematic the further you move away from the three year period that management forecasted in the ordinary course of business.

97. However, for reasons discussed below, I subtract stock-based compensation ("SBC") expense from the non-GAAP operating figures in the Management Projections in order to estimate Aruba's free cash flows.

Stock-based Compensation

98. The treatment of SBC in a DCF analysis continues to be debated by valuation practitioners and academics. Strictly speaking, although it is treated as an expense on a company's income statement, stock-based compensation is a non-cash expense and, as such, is added back on a company's statement of cash flows for financial reporting purposes. However, it does not follow that stock-based compensation expense should be added back when calculating free cash flows in a DCF analysis. Stock-based compensation represents an economic cost to a company's equity holders either in terms of equity dilution (as the company must issue shares upon exercise of employee stock options ("ESOs") or vesting of restricted stock awards ("RSAs")) or as an actual cash outflow (should the company choose to repurchase shares to eliminate or minimize equity dilution). To treat SBC expense as something other than a cash outflow in estimating free cash flows would give a distorted view of how profitable the business is. Aruba is a perfect example.

99. Aruba's elevated stock-based compensation expense relative to peers has

arguably enabled the company to attract the best and brightest people to the company by offering generous compensation packages including larger grants of stock options. These highly compensated employees, in turn, help grow the revenue and earnings of the business thereby making it more valuable. To completely ignore the cost to Aruba to achieve that valuation in a DCF analysis would result in an inaccurate valuation. To do so would mean including all of the benefits (higher revenue, higher profits, etc.) of the higher compensation structure but none of the cost. How to most properly account for the cost of SBC expense has and will continue to be debated, but it should not be completely ignored.

100. The idea that stock-based compensation represents a true economic cost to the corporation is widely accepted by academics. Responding to the argument that SBC is non-cash and therefore should not be treated as an expense, Damodaran (2005) states:

> There are some accounting and valuation analysts who argue that option grants do not affect cash flows and that it therefore does not affect value. This argument makes no sense. After all, if the option-granting firm had issued the options to the market (as traded warrants) and used the resulting cash proceeds to compensate employees, we would have considered it an operating expense. We cannot reward firms for using their equity as currency. If we do, firms may very well switch to paying for everything with equity (stock or options) and claim to have no cash expenses at all.[126]

101. This Court has also recognized that "once it reaches a material level, SBC must in some manner be accounted for in order to reach a reasonable calculation of fair value. The real dispute is how to do so, whether by measuring its dilutive effect or by accounting for it in expenses."[127]

102. In its fairness analysis, Qatalyst accounted for the dilutive effect of stock-based

126. Damodaran, Aswath. (2005) Employee Stock Options (ESOPs) and Restricted Stock: Valuation Effects and Consequences, p. 14.

127. *In Re Appraisal of Ancestry.com, Inc*., Memorandum Opinion, January 30, 2015, p. 53.

compensation over the forecast period by applying a "dilution factor" to the total shares outstanding. This dilution factor is intended to capture the dilution and was based on projected net new shares (i.e., net of stock repurchases) provided by Aruba management.[128] The Qatalyst dilution factor of 28 percent is an arguably understated approximation of the economic cost of the dilution given Aruba's extensive use of SBC. If Qatalyst had simply modeled SBC expense as a constant percentage of sales in its DCF, the percentage of sales equivalent of the dilution factor it applied would be approximately 5.4 percent[129], considerably lower than Aruba's SBC percentage of sales of approximately 15 percent at the time of the Transaction.

103. One indication that Aruba's use of SBC historically represented a significant economic cost is that the Company paid approximately $369 million over its most recent three fiscal years to repurchase common stock.[130] As noted above, SBC represents a cost to a company either in terms of share dilution or cash outflows to minimize the impact of share dilution upon SBC exercises (i.e., common shares granted upon the exercise of ESOs or vesting of RSAs).[131] In order to assess this cost to Aruba historically, **Exhibit 14** calculates the net cash

128. Boutros Deposition, pp. 120-122.

129. *See* **Exhibit 13A-B.** Exhibit 13A reflects the Qatalyst DCF model while 13B solves for the SBC percent of sales that results in the same value as Qatalyst using a dilution factor.

130. This included $19.9 million in fiscal year 2012, $86.2 million in fiscal year 2013, and $263.0 million in fiscal year 2014. Aruba 2014 10-K, p. 70.

131. The issuance of SBC grants represents a cost to stockholders in terms of share dilution at the time those grants vest, are exercised and exchanged for common stock. The cost to existing stockholders can be thought of as the net cash outflow required to maintain the number of shares outstanding (i.e., to achieve no share dilution). In particular, the cost to existing stockholders of the exercise of SBC grants is the difference between the price paid by the company to repurchase a sufficient number of shares to satisfy the number of shares exercised (a cash outflow) and the sum of the price paid by employees to exercise the ESO grants and the tax benefit the company receives when employees exercise non-qualified ESO grants (both cash inflows). The tax benefit is calculated based on the difference between the market price of the stock at the time of exercise and the exercise price,

outflow required in fiscal years 2008 – 2014 to eliminate share dilution from actual SBC exercises.[132] The exhibit shows that the net cash outflow required to eliminate share dilution from actual SBC exercises over the seven year period leading up to the merger, while highly variable in any individual year, averaged 15 percent of Revenues, or slightly higher than the average SBC expense as a percent of Revenues (14 percent) over the 2008 – 2014 period. Moreover, the exhibit shows the significant cash flow impact should Aruba have chosen to eliminate share dilution in years with significant SBC exercises. For example, the net cash outflow to eliminate dilution in FY 2011 would have been $161 million (41 percent of Revenues) when 7.6 million shares were exercised and the stock price averaged $25.13. And in FY 2014, the net cash outflow to eliminate dilution of $112 million (15 percent of Revenues) is almost identical to the actual SBC expense ($111 million, or 15 percent of Revenues). Based on this comparison of the historical SBC expense to net cash outflow to eliminate dilution, it appears that using projected SBC expense is a reasonable (if not understated) measure of future net cash outflow from SBC exercises given that 4 million unexercised ESOs and 8.4 million RSUs were outstanding as of the Appraisal Date, and thus may have been exercised over the next two to three years absent accelerated vesting from the merger.[133]

104. I identified two different SBC forecasts in the record. The first forecast (the

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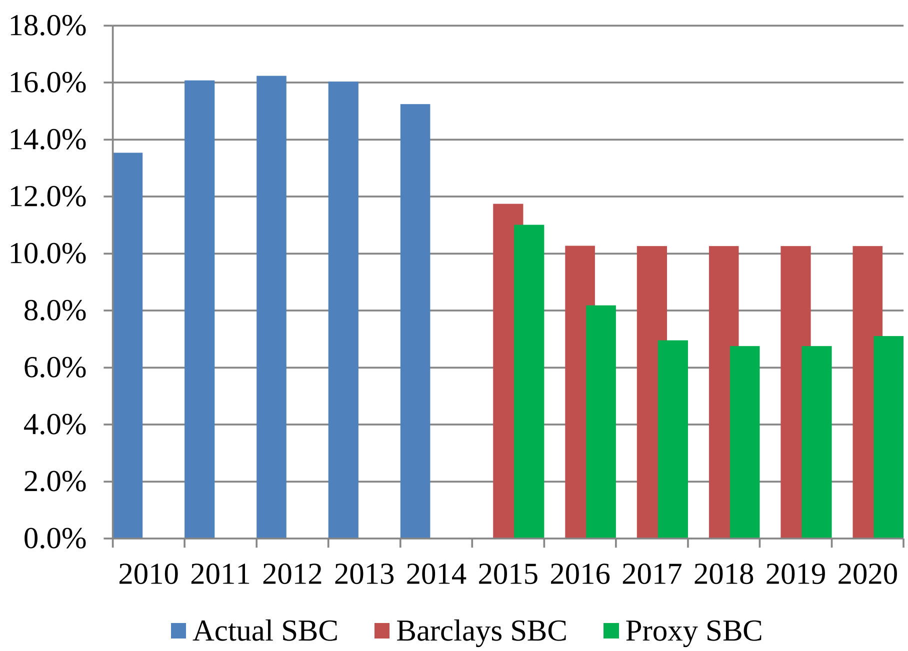
multiplied by the number of exercised shares. (Ciccotello, Conrad S., C. Terry Grant, and Gerry H. Grant, "Impact of Employee Stock Options on Cash Flow," *Financial Analysts* Journal (March/April 2004) ("Ciccotello et al. (2004)"), p. 40)

132. For years in which Aruba repurchase stock, I use the average price for shares repurchased to calculate the net cash flow impact of eliminating the dilution from the actual number of shares exercised during that year. In the two years with no share repurchase (FY 2010 and 2011), I use the average stock price during the year.

133. Aruba Proxy, pp. 58-59; Aruba Form 10-K for the Fiscal Year Ending July 31, 2014, pp. 92-93.

"Barclays SBC Forecast") is reflected in the Barclay's model and assumes that Aruba's SBC expense is between 10 and 11 percent of sales across the forecast period. The second forecast (the "Proxy Reconciliation SBC Forecast") is reflected in the Aruba Proxy in the reconciliation between GAAP operating income and the Non-GAAP operating income reflected in the Management Projections and assumes that SBC declines to approximately 7 percent of sales across the forecast period. I understand that the Proxy Reconciliation SBC Forecast was prepared by Aruba after the Management Projections were prepared and provided to the financial advisors in February 2015.[134] Aruba's SBC as a percent of sales historically and as reflected in the two SBC forecasts is presented in **Figure 5.**

Figure 5
SBC as a Percent of Sales



105. Given the significant revenue growth in excess of the industry reflected in the

134. March 9, 2015 e-mail from Martha Rose to Michael Galvin.

Management Projections as well as Aruba's historical elevated SBC expense, I think it is unreasonable to assume that Aruba would be able to retain and motivate an employee base sufficient to fuel the projected excess revenue growth while cutting its SBC percent of sales in half. The non-GAAP EBITDA figures in the Barclays forecast are identical to the non-GAAP EBITDA figures in the Aruba Proxy so it could not be the case that SBC expense is assumed to be replaced with some other form of compensation in the Proxy Reconciliation Forecast. Therefore, I rely on the Barclays SBC Forecast in my DCF analysis but also run a sensitivity (see below) using the Proxy Reconciliation SBC Forecast coupled with revenue growth rates based on the expected growth for the industry.

106. **Exhibit 15** presents the Management Projections I rely on in determining Aruba's fair value in my DCF analysis.

ii. Terminal Value

107. Aruba's estimated enterprise value equals the sum of the discounted free cash flows in the explicit forecast period (2015 – 2020) and the present value of its free cash flows beyond the explicit forecast period (i.e., its terminal value). The growth in perpetuity model (or Gordon Growth Model) is a widely accepted method of estimating a terminal value in a DCF model by financial economists, practitioners and courts. [135] Investment bankers often instead estimate a company's terminal value by applying an exit multiple. Such an approach to

135. The Gordon Growth Model values the company at the end of the forecast period (time t), Vt = FCFt+1/(WACC – g), which FCFt+1 = FCFt×(1+g), FCF = free cash flow and g = growth in perpetuity rate. Damodaran, Aswath, *Investment Valuation 3rd Edition*: John Wiley & Sons, Inc. 2012 ("Investment Valuation 3rd Edition"), p. 306. Corporate Valuation, pp. 146-148; *In Re PNB Holding Co. Shareholders Litigation*, C.A. No. 28-N., 2006 WL 2403999, at *31 (Del. Ch. August 18, 2006). Add cite to *DFC* for point that DE Chancery Court likes Gordon Growth Model.

estimating a company's terminal value results in a mix of relative and intrinsic valuation[136] and explicitly assumes the target company at the terminal date is comparable in terms of growth, margins and return on investment to that of the selected comparison companies as of the valuation date.[137] The growth in perpetuity model is superior to using an exit multiple since it allows the valuation expert to explicitly consider the growth prospects for the subject company reflected in management's projections at the end of the explicit forecast period, along with contemporaneous estimates of long-term growth prospects for the economy and industry. Therefore, it is my opinion that the use of a growth in perpetuity model is the proper way to estimate Aruba's terminal value.

iii. Growth Rate

108. One assumption implicit in applying the growth-in-perpetuity method is that free cash flows have reached a steady state in the terminal period.[138] The growth rate used to estimate the terminal value should therefore also reflect a long-term, stable growth rate for the company's free cash flows (i.e., the rate at which they are expected to grow in perpetuity).[139] A reasonable long-term growth rate for a viable company is likely at or above the rate of inflation (i.e., zero real growth) but should not be greater than that of the economy in which the company operates (i.e., the nominal GDP growth rate for a company with domestic operations).[140]

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136. *See, e.g.*, *Investment Valuation 3rd Edition*, p. 305-306; Pratt, Shannon P., and Alina Niculita, Valuing a Business 5th Edition: McGraw Hill, 2008 ("*Valuing a Business 5th Edition*"), p. 220; Pratt, Shannon P., Cost of Capital: Applications and Examples Fifth Edition: John Wiley & Sons, Inc. (2014) ("*Cost of Capital Fifth Edition*"), pp. 48-49.

137. *See, e.g.*, *Corporate Valuation*, pp. 160, 166-167; *Valuation 5th Edition*, pp. 226-227.

138. *Corporate Valuation*, pp. 146-147; *Valuation 5th Edition*, p. 214.

139. *Valuation 5th Edition*, p. 214.

140. *Investment Valuation 3rd Edition*, pp. 306-307; *Corporate Valuation*, p. 147. The expected

109. **Exhibit 16** summarizes estimates of long-term real GDP growth, long term inflation and nominal GDP as of the Valuation Date. As shown in the exhibit, long-term real GDP ranged from 2.20 percent to 2.50 percent, long term inflation ranged from 2.00 percent to 2.30 percent, and overall nominal GDP growth ranged from 4.20 percent to 4.75 percent. The exhibit also shows the median of the estimates of long-term inflation was 2.25 percent and the median of the estimates of long-term nominal GDP was 4.60 percent. For purposes of estimating Aruba's growth in free cash flow beyond the explicit forecast period, I assume a perpetual growth rate of 2.75 percent, which equals my risk free rate.

110. Although the risk-free rate as of the Valuation Date of 2.75 percent falls below economists' estimates of the expected nominal GDP rate, some financial economists caution that the risk-free rate (i.e., the yield on U.S. Treasury securities) should serve as the ceiling for a stable, long-term growth rate. In a recent opinion, this Court adopted the theory that the risk-free rate should serve as a ceiling to the growth rate in perpetuity. Therefore, I select 2.75 percent as my growth rate and note that it represents a 50 basis point premium over the median long-term inflation estimate of 2.25 percent.

iv. Discount Rate

111. In order to estimate enterprise value using the DCF method, one discounts the company's expected free cash flows over the life of the firm using a risk-adjusted discount rate. Risk-adjusted discount rates are the rates of return required by the market to induce market participants to invest capital. Conceptually, risk-adjusted discount rates are determined by three factors: (i) the rate of return required by the market for a risk-free investment, (ii) the underlying relevant risk of the expected free cash flows of the investment, and (iii) the rate of return

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growth rate of the U.S. economy is generally measured by the nominal GDP growth rate.

required by the market to bear that additional risk.[141]

112. I use a weighted average cost of capital ("WACC") calculation to determine the appropriate risk-adjusted discount rates to discount Aruba's projected free cash flows. WACC is the weighted average of the cost of equity capital and the after-tax cost of debt capital based on the company's expected or target capital structure (that is, the relative proportion of debt and equity ownership):

WACC = (Cost of Equity x Equity Weight) + (After Tax Cost of Debt x Debt Weight)

113. WACC is the appropriate discount rate to use when discounting free cash flows available to both debt and equity holders under the DCF method because, other things equal, it replicates the "value" of those cash flows to the company compared to its alternatives in the financial marketplace.[142]

Capital Structure (Equity and Debt) Weights

114. The weighting of debt and equity in the WACC calculation is based on the target capital structure of the firm, which may not necessarily be the same as its historical or current capital structure.[143] As of April 30, 2015, the quarter end date prior to May 18, 2015, Aruba had no debt outstanding resulting in an equity-to-capitalization ratio of 100 percent. Aruba had no debt outstanding for the entire five year period prior to the valuation date and although Aruba had considered a convertible debt offering, no final decision to move forward with that offering had been made at the time of the Transaction. Therefore, I adopt the Company's current capital structure in my WACC calculation.

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141. See, e.g., *Valuation 5th Edition*, pp. 231-234

142. *See, e.g.*, *Valuation 5th Edition*, pp. 231-232.

143. *See, e.g.*, *Corporate Valuation*, p. 224.

Tax Rate

115. I employ a tax rate of 30.0 percent in my estimation of the appropriate discount rate for Aruba, consistent with the tax rate used in my estimation of Aruba's after-tax free cash flows. The 30.0 percent tax rate is based on the effective tax rate used by Aruba in the Management Projections.[144]

Cost of Equity

116. Unlike a company's cost of debt, its cost of equity is not directly observable since equity holders (as a company's residual claimants) do not receive a guaranteed rate of return. I use the widely accepted Capital Asset Pricing Model ("CAPM") as the basis for measuring the equity cost of capital for Aruba.[145] The CAPM defines a firm's risk-adjusted rate of return on equity as equal to the risk-free rate of return plus a premium for risk (a measure of the firm's risk relative to the market's risk, multiplied by a measure of the premium associated with the riskiness of the equity market as a whole – referred to as the equity risk premium). A firm's relative or systematic risk is typically called beta, and it measures both the operating risk and financial risk for the firm.[146] The equity risk premium measures the rate of return necessary to compensate investors for the added risk of purchasing equity securities instead of a risk-free security (for example, a government bond). Under the CAPM, the cost of equity is calculated as follows:

Cost of Equity = Risk-Free Rate + (Beta x Equity Risk Premium)

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144. *See* Athens Cash Flow Template 02-04-15 from MG.xlsx (ArubaAA0053461).

145. *See, e.g.*, *Valuation 5th Edition*, pp. 234-236.

146. A beta equal to 1.0 means the company's stock is as variable as the market as a whole (generally measured by an index such as the S&P 500), whereas a beta less (greater) than 1.0 implies that the company's stock is less (more) variable than the market.

Risk Free Rate

117. The risk free rate is generally estimated by U.S. government bonds with terms that approximate those of the cash flows being discounted.[147] I use the 20-year U.S. Treasury Securities yield available as of May 18, 2015 for the risk-free rate of return: 2.75 percent.[148] While valuation professionals commonly estimate risk free rates using the yield on long-term Treasury securities ranging in maturity from between 10 and 30 years, it is my customary practice to use the 20-year government bond yield as it is consistent with the term of the risk-free rate used in my estimate of the equity risk premium (described below).[149]

Beta

118. Beta measures the extent to which a given stock return varies relative to the return on the entire stock market, or the systematic risk of the firm. Typically in a CAPM model, beta is measured using historical data to estimate a forward looking beta. Beta estimates are imprecise and there is no common standard approach to estimate beta.[150] Many practitioners suggest using two or five years of weekly or monthly returns to estimate historical beta.[151] There are tradeoffs with each combination of the measurement period and measurement frequency. A longer measurement period provides more data points but the firm might have changed its risk characteristics (i.e., changes in corporate strategy or capital structure) over the estimation period,

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147. *Valuation 5th Edition*, pp. 236-238. *Corporate Valuation*, pp. 209-212 advocates using a long-term government bond yield (i.e., 10 – 30 years) and netting out the implied term premium, but notes that this adjustment is not widely employed in practice.
148. 20-year Total Constant Maturity Treasury Yield as of May 18, 2015. Federal Reserve Economic Data (FRED).
149. *Cost of Capital Fifth Edition*, pp. 93-94.
150. *Valuation 5th Edition*, pp. 247.
151. *Valuation 5th Edition*, pp. 247. *Cost of Capital Fifth Edition*, p. 208.

thus making some of the data points irrelevant.[152]

119. In addition to the multiple measurement period and frequency options for measuring historical beta, there are also forward-looking or predicted beta measures published by Morgan Stanley Capital International ("MSCI") Barra. However, Barra betas have yet to be embraced by academics, authoritative valuation texts, and this Court. A 2009 survey of professors found that the majority rely on sources using a regression-based approach (like Bloomberg) to justify their beta estimates.[153] I am also unaware of any academic evidence indicating that Barra beta estimates are superior predictors of a stock's future beta than are historical estimates such as Bloomberg. Moreover, a commonly referenced valuation textbook cautions on the use of Barra betas because they are not replicable.[154] I understand that, for these same reasons, Barra betas have previously not been accepted by the Delaware Chancery Court.[155]

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152. *Investment Valuation 3rd Edition*, p. 188. *Valuation 5th Edition*, p. 247.

153. Fernandez, Pablo, 2009, "Betas Used by Professors: A Survey with 2,500 Answers," *IESE Working Paper WP-822*, at 2-3 http://www.iese.edu/research/pdfs/DI-0822-E.pdf

154. *Cost of Capital, Fifth Edition*. Chapter 15 under subchapter "BARRA's Fundamental Betas" ("Barra predicted betas are derived from a proprietary fundamental risk model. The fact that the model is not replicable can be a problem in some settings such as litigation.").

155. *In Re Appraisal of DFC Global Corp.* C.A. No. 10107-CB at *24 ("Perhaps most problematic, neither Beaulne nor any published research has demonstrated the predictive effectiveness of Barra betas. Consequently, I have very little information guiding whether to rely on Barra betas in constructing a valuation of DFC. There is no benefit to using a second beta methodology without confidence in the methodology itself.") *Global GT et al. v. Golden Telecom, Inc*. C.A. No. 3698–VCS 993 A.2d 497 at *520 (Del. Ch. April 23, 2010) ("For starters, the Barra forecasting model is proprietary, and cannot be reverse-engineered. The Barra predictive beta, which is a forecast of a stock's future looking beta using past data, is based on a thirteen-factor model, but the weight given to each of the factors is not publicly available. In fact, Barra has used three different versions of its model without explaining why or what changes have been made, and it is not apparent whether Barra retroactively updates its past beta calculations as it tinkers with? improves? Changes for changes' sake? or lessens? the reliability of its model. * * * [T]he Barra beta's

120. It has typically been my practice to rely on a beta measure estimated using 2 years of weekly returns for the target company relative to the returns on a market index (i.e., S&P 500).[156] However, in certain cases, a historical 2 year measurement window is distorted in a way as to not be representative of the risk of the business moving forward (e.g., a major acquisition or divestiture is announced). In such cases, I have typically looked to an alternate "clean" measurement period or relied on an industry beta measure estimated using a group of peer companies. I have also typically relied on a "raw" beta measure rather than an "adjusted" measure.[157] However, a recent opinion from this Court concluded that a 5 year measurement window was "conducive to a more accurate measure of beta." That same opinion also opted to use an adjusted beta measure in order to produce a forward-looking WACC estimate in lieu of relying on a predicted beta from Barra.[158]

121. In light of this, I consider multiple estimates of Aruba's adjusted historical beta as of February 24, 2015, the last trading day prior to the rumors of a potential acquisition of Aruba by HP. I measured Aruba's adjusted beta using various measurement periods and frequency intervals typically suggested by practitioners and academic textbooks.[159] Aruba's adjusted beta measure using 2 years of weekly, 5 years of weekly, and 5 years of monthly data is 0.87, 1.41,

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reliability is not buttressed by the weight of any reliable academic or professional literature. The only evidence that the petitioners have produced showing that the Barra beta has a greater reliability than other beta providers such as Bloomberg or Morningstar is a quarter-century old paper authored by Barr Rosenberg, the creator of the Barra beta. No neutral academic support for the predictive power of the Barra beta has yet been published.")

156. This is the default setting from Bloomberg. *Valuation 5th Edition*, p. 247.

157. Bloomberg publishes an adjusted beta measure that accounts for the fact that, over time, betas tend to revert to the market mean or 1.0. The calculation assigns a 2/3 weighting to the "raw" beta and a 1/3 weighting to the market beta of 1.0.

158. *In Re Appraisal of DFC Global Corp.* C.A. No. 10107-CB at *29.

159. *See*, e.g., *Corporate Valuation*, pp. 300-301.

and 1.46, respectively.

122. An alternative to calculating a company specific beta is to calculate an industry beta by measuring the beta of selected peers, unlevering the peer betas to remove the impact of leverage, and then relevering the mean or median unlevered beta to a target capital structure.[160] I analyze the same peer group for my industry beta that I relied on in my comparable company analysis. I calculate each company's adjusted betas using 2 years of weekly, 5 years of weekly, and 5 years of monthly returns. I then unlever the betas and calculate a mean and median unlevered adjusted beta.[161] Since I am adopting Aruba's current capital structure of 100 percent equity, I do not have to relever the peer betas. **Table 2** below summarizes my company specific and industry median adjusted beta measures.

Table 2
Adjusted Beta Measures

	2 Year Weekly	**5 Year Weekly**	**5 Year Monthly**
Aruba Networks	0.87	1.41	1.46
Peer Median	1.10	1.12	1.24

See Exhibits 17A-17C

Equity Risk Premium

123. The appropriate equity risk premium to be employed in a WACC calculation is the premium investors will demand in order to invest in equities rather than risk free securities over the period of the cash flows to be discounted in the DCF. There are several approaches to

160. *Valuation 5th Edition*, pp. 250-252.

161. $\beta_u = \beta_e / (1 + (D/E) * (1- t))$. *Valuation 5th Edition*, p. 785. *Investment Banking*, p. 130.

estimating the equity risk premium commonly used by practitioners and academics in their calculations of the cost of equity. These approaches include surveys of finance professionals or academics, models that estimate the implied equity risk premium based on current equity prices, and estimates using historical returns data.[162] The standard approach for many years was to estimate the future equity risk premium using the observed historical market equity risk premium.[163] Recently, however, finance professors and valuation professionals have advocated the so-called supply-side equity risk premium, which adjusts the historical equity risk premium to reflect more recent expectations of equity returns based on real earnings growth.[164]

124. I adopt the supply-side equity risk premium based on its current level of broad acceptance by the valuation community and the Delaware Chancery Court.[165] Duff & Phelps,

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162. Within each of these methods of estimating the equity risk premium, there are multiple differences in the level of subjectivity involved in the assumptions employed and the choice of inputs, including the use of historical versus forecasted data and the time period chosen. *See* Damodaran, Aswath, "*Equity Risk Premiums (ERP): Determinants, Estimation and Implications – The 2011 Edition*," NYU Stern School of Business, Updated: February 2011, pp. 81-82.

163. *2015 Valuation Handbook, Guide to Cost of Capital, ("2015 Valuation Handbook") pp. 3-22 – 3-23*. Duff & Phelps (formerly Ibbotson Associates) , published in the *2015 Valuation Handbook*, estimates the historical equity risk premium using data on the arithmetic average premium that equity securities have generated above risk free securities over the period 1926 – 2014. Historical equity risk premium estimates from Duff and Phelps have been accepted for valuing companies in appraisals and other valuation disputes in the Delaware Chancery Court.

164. Duff and Phelps forecasts the equity risk premium through a supply side model using historical returns data. The model decomposes historical returns into four pieces (inflation, income return, growth in real earnings per share, and growth in P/E ratios). The model, however, eliminates the fourth component, growth in P/E ratios (which reflect investor's expectation of earnings growth), in estimating the forward looking equity risk premium based on the assumption that the historical growth in P/E ratios will not continue. *2015 Valuation Handbook, pp. 3-26 – 3-28.*

165. Supply side equity risk premium estimates from Ibbotson Associates (nka Duff & Phelps) have been accepted for valuing companies in appraisals and other valuation disputes in the Delaware Chancery Court. *See, e.g., Global GT LP and Global GT Ltd, Petitioners, v.*

which reports estimates of both the long-term historical equity risk premium and supply-side equity risk premium each year, reported a supply-side equity risk premium estimate based on data through December 31, 2014 of 6.21 percent.[166]

WACC Conclusion

125. The WACC estimates based on the inputs discussed above are presented in **Table 3**. The estimates of Aruba's WACC based on Aruba's adjusted beta measures range from 8.2 percent to 11.8 percent while the estimates of Aruba's WACC based on the peer median adjusted beta measures range from 9.6 percent to 10.5 percent. The mean and median WACC estimate based on Aruba's adjusted beta measures are 10.50 percent and 11.52 percent, respectively. The mean and median WACC estimate based on the peer adjusted beta measures are 9.98 percent and 9.81 percent, respectively.

Table 3
Aruba WACC Estimates Based on Adjusted Beta Measures

	2 Year Weekly	**5 Year Weekly**	**5 Year Monthly**
Aruba Networks	8.17%	11.52%	11.81%
Peer Median	9.58%	9.73%	10.46%

126. **Exhibit 18** presents the WACC estimates in Table 3 as well as other contemporaneous measures of Aruba's WACC at the time of the Transaction, including

Golden Telecom, C.A. No. 3698-VCS. 2010 WL 1663987, at 517 (Del. Ch. April 23, 2010); *In Re: Appraisal of the Orchard Enterprises, Inc.*, C.A. No. 5713-CS, 2012 WL 2923305, at *18-19 (Del. Ch. July 18, 2012).

166. *2015 Valuation Handbook*, p. 3-28.

estimates from the financial advisors involved in the Transaction and equity analysts covering Aruba. Qatalyst Partners relied on a WACC range of 10.5 percent to 14 percent with a midpoint of 12.25 percent while both Evercore and Barclays relied on a WACC range of 11 percent to 13 percent with a midpoint of 12 percent. In addition, the two equity analysts with published WACC estimates at the time of the Transaction both estimated a WACC of 12 percent.

127. Based on the range of WACC estimates summarized above and presented in **Exhibit 18**, I select the midpoint of 11 percent an present a WACC range of 10.75 percent to 11.25 percent.

v. DCF Value Conclusion

128. Using the inputs described above: (a) Management Projections; (b) WACC of 11.00 percent; and (c) perpetuity growth rate of 2.75 percent my DCF model implies a valuation of $**<u>19.85 per share</u>** (*see* **Exhibit 19A**). Given that the Management Projections assume revenue growth rates that exceed the growth rate of the overall LAN Market, I also run a sensitivity on my DCF analysis reducing the growth rates in the Management Projections to a level more commensurate with the expected growth of the industry and assuming the Proxy Reconciliation SBC Forecast. The industry growth DCF sensitivity results in a value of **<u>$19.45 per share</u>** (*see* **Exhibit 19B).**[167]

VII. CONCLUSION

129. It is my opinion that Aruba's standalone fair value is most accurately measured using a DCF analysis based on the Management Projections. My DCF analysis indicates a fair

167. If the lower revenue growth projections are used with the Barclays SBC Forecast in my DCF, the resulting value is $17.51 per share. If the Management Projections are used with the Proxy SBC Forecast in my DCF, the resulting value is $23.22 per share (*See* Exhibits 19C-19D).

value per share of $19.85. My fair value conclusion is supported by the other indications of fair value discussed above and summarized in the **Table 4.**

Table 4
Summary of Aruba Value Indications

Value Indication	Low	Mid	High
Dages DCF Value		***$19.85***	
Dages DCF Sensitivity - Industry Growth		$19.45	
HP's Standalone DCF Valuation		$18.98	
Barclay's Standalone DCF Valuation		$19.93	
Analyst Price Targets before Bloomberg Report	$19.00	$23.50	$28.00
Analyst Price Targets after Bloomberg Report	$20.00	$27.00	$34.00
Qatalyst - Average of Valuation Methods	$18.22	$22.93	$27.64
Evercore - Average of Valuation Methods	$19.69	$23.09	$26.48
Barclays - Average of Valuation Methods	$22.66	$25.54	$28.41
Comparable Company - Aruba LTM EBITDA		$11.55	
Comparable Company - Aruba 2015E EBITDA		$16.68	
Comparable Company - Aruba 2016E EBITDA		$21.75	
Comparable Transactions		$17.94	

130. While the merger price less synergies can be a reliable indication of fair value, particularly in cases where other valuation methodologies fall short, I believe a DCF analysis based on Management Projections is a more direct method for measuring Aruba’s standalone value. Moreover, both HP’s internal analysis and its advisors DCF analysis of Aruba on a standalone basis indicate fair values that are similar to my DCF value conclusion.

131. I find the contemporaneous analyst price targets to be informative, particularly the increase in the price targets after Bloomberg reported that Aruba was in talks with HP about a

possible acquisition, as that increase is driven, in part, by the analysts' estimates of the synergies to be paid to Aruba.

132. The valuation analyses performed by the financial advisors are also informative and, given the competing interests of the advisors (i.e., justifying the fairness of the price to their respective clients), taken together they very broadly cover the range of potential fair values.

133. Finally, the discrepancy between the multiples-based valuations and my DCF valuation conclusion is not surprising. Multiples-based analyses are typically less precise because they rely on point estimates of a metric like EBITDA and do not explicitly take into account Aruba's projected growth over the forecast period. The disparity between the values implied by the different measures of Aruba's EBITDA (LTM, 2015E, and 2016E) illustrates this point.

134. I reserve the right to review and rebut the financial analyses and opinions of any other expert offered in support of a determination of the fair value of Aruba.

CARLA J KRAUSE
Official Seal
Notary Public - State of Illinois
My Commission Expires Aug 5, 2019

Kevin F. Dages

July 29, 2014

July 29, 2016

KEVIN F. DAGES May 2016
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Accounting, appraisal and business valuation, securities fraud, and damages.

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B.B.A. Accounting (1979) University of Notre Dame
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PROFESSIONAL EXPERIENCE
Compass Lexecon (formerly Lexecon), *Executive Vice President*, 2013 – Present, *Senior Vice President*, 2006 – 2013

Chicago Partners, LLC, *Principal*, 1996 - 2006
Principal in litigation consulting firm. Provided testifying and consulting expert services in a variety of litigation and pre-litigation engagements.

Fort Dearborn Partners, *Co-founder and Principal*, 1990 – 1995
Co-founder and principal in a financial and management consulting firm specializing in middle market companies and providing business valuation consulting for litigation support.

The Alcar Group Inc., *Vice President and Director of Consulting*, 1984 – 1990
Vice president and director of consulting for a financial consulting, software, and education firm specializing in shareholder value issues. Alcar clients included over 30% of the Fortune 500, major money center banks, and accounting firms.

Abbott Laboratories, *International Auditor and Diagnostic Sales Representative*, 1981 – 1984 Reviewed accounting and reporting systems at Abbott offices worldwide. Received President's Award for outstanding performance.

Grant Thornton, *Senior Auditor*, 1979 – 1981
Supervised and performed audits in a variety of industries including manufacturing, distribution, financial services, construction, not-for-profit, and government.

PROFESSION AFFILIATION
American Institute of Certified Public Accountants

SPEAKING AND GUEST LECTURE ENGAGEMENTS
Guest Lecturer in Financial Statement Analysis courses at University of Chicago Booth School of Business (1995 – Present)

Panel Speaker on Appraisal Valuation at Institutional Investor Education Forum conferences (December 6, 2013; January 29, 2014; May 21, 2014; June 27, 2014)

SELECT CASE EXPERIENCE
Cede & Co. v. Technicolor, Inc., Case No. 7129—Court of Chancery of the State of Delaware —Appraisal and Fraud Action. Consulting expert on behalf of respondent. Deposed in Appraisal remand trial.

Sheldon Shore, et al v. Laidlaw, Inc., et al., Master File No. 91-CV-1829—United States District Court for the Eastern District of Pennsylvania—10b.5 securities action. Consulting expert on behalf of defendant.

Middleby and Co. v. Hussmann, Inc., Case No. 90-C-2744 and 91-C-3188 —Seventh Circuit Court in Northern Illinois, August 1992 -- Merger price dispute and jury trial. Testifying expert (deposition and trial) on behalf of plaintiff.

The Proctor & Gamble Company v. Mafco Holdings, Inc., Revlon, Inc., Revlon International Corporation, and Max Factor & Co., Arb. No. 13 181 00084 92, before the American Arbitration Association Commercial Arbitration Tribunal, November 18, 1992. Consulting expert on behalf of defendant.

The Employees Retirement Systems of Alabama, et al. v. The May Department Stores Company, Inc., Case No. CV92-2726-R – Circuit Court for the Fifteenth Judicial Circuit, Montgomery County Alabama-- Jury trial involving early redemption of bonds. Consulting expert on behalf of defendant.

Michael D. Wolin, et al. v. National Health Laboratories, Incorporated, et al., Case No. 659511 – United States District Court Southern California – 10b.5 securities action. Consulting expert on behalf of defendant.

In the Matter of the Application of Vision Hardware Group, Inc., Case No. 13385 — Court of Chancery of the State of Delaware - Section 262 Appraisal case, April 1995. Testifying expert (deposition and trial) on behalf of respondent.

John Healy vs. Owens-Corning Fiberglass, et al. No. 83 L 21031 – Circuit Court of Cook County, Illinois County Department – Law Division, May 1994. Testifying expert (deposition and trial) on behalf of plaintiffs regarding defendant's ability to pay measures.

Arbitrium (Cayman Islands) Handels AG and Miklos Vendel v. H. Frederick Johnston, Sandra Spillane and Technicorp International II, Inc., Case No. 13506 – Court of Chancery of the State of Delaware - Section 225 matter. Consulting expert on behalf of plaintiff.

Gus Stathis v. Geldermann, Inc. and Geldermann Securities Inc., Case No. 95-L-509 - Circuit Court of Cook County - Jury trial involving breach of contract, diversion of corporate opportunity and constructive fraud. Consulting expert on behalf of defendant.

SSMC Inc. N.V. Plaintiff/Counterclaim - defendant, v. Singer Furniture Company, et al., Case No. 93-0952-R - United States District Court for the Western District of Virginia Roanoke Division – Fraud action. Consulting expert on behalf of defendant.

Danaher Corporation and WEC Corporation v. Acme - Cleveland Corporation, et al., Case No. C2-96-0247 – United States District Court for the Western District of Ohio Eastern Division - Temporary Restraining Order hearing involving the Control Share Acquisition Act (Ohio) and the Ohio Take-Over Act. Consulting expert on behalf of defendant.

Janet Zimek, et al. v. Centel Corporation, et al., Case No. 92-C-3551 (and related cases) – United States District Court for the Northern District of Illinois Eastern Division – 10b.5 securities action. Consulting expert on behalf of defendant.

NRG Barriers, Inc. v. Frederick T. Jelin, et al., Case No. 15013 - Court of Chancery of the State of Delaware, July 1996 – Fraud action. Testifying expert (deposition and trial) on behalf of plaintiffs.

Arthur Kapit, et al. v. Victor M.G. Chaltiel, et al., Case No. SACV-94-893-LHM (EEX) - United States District Court of Central District of California – 10b.5 securities action on behalf of Abbey Healthcare Group, Inc. Consulting expert on behalf of defendant.

In Re: Checkers Securities Litigation, Case No. 93-1749-CIV.-T-17A - United States District Court, for the Middle District of Florida, Tampa Division, 10b.5 securities action. Consulting expert on behalf of defendant.

Charles L. Grimes v. Vitalink Communications Corporation, Case No. 12334 - Court of Chancery of the State of Delaware, November 1996 – Appraisal action seeking to determine fair value of Petitioners' shares based on the Corporation's future cash flows. Testifying expert (deposition and trial) on behalf of respondent.

Carlton Investments, derivatively on behalf of TLC Beatrice International Holdings, Inc. v. TLC Beatrice International Holdings, Inc. , et al., Case No. 13950 – Court of Chancery of the State of Delaware. Derivative action on behalf of the company to recover alleged damages including, a $22.1 million retroactive "compensation package" paid to the late CEO and principal stockholder. Consulting expert on behalf of plaintiff.

In Re: Woolworth Corporation Securities Class Action Litigation Master File No. 94 Civ. 2217 (RO) – United States District Court Southern District of New York - 10b.5 securities action. Consulting expert on behalf of defendant.

In Re: Arbitration between Vitafort International Corporation and Keebler Company, Case No. 74-488-01081-96, before the American Arbitration Association (San Francisco). Lost profits claim. Consulting expert on behalf of defendant.

State of Wisconsin Investment Board & Cede & Co. v. Corporate Software, Inc., Case No. 13519 – Court of Chancery of the State of Delaware. Appraisal action. Consulting expert on behalf of petitioner.

Richard C. Goodwin v. LIVE Entertainment Inc., et al., C.A. No. 15765 NC – Court of Chancery of the State of Delaware. Breach of fiduciary duty action in a shareholders buyout. Consulting expert on behalf of plaintiff.

Union Pacific Resources Group, Inc. et al. v. Pennzoil Company, et al., Civil Action No. 15755 – Court of Chancery of State of Delaware. Breach of fiduciary duty action resulting from Pennzoil's refusal to nullify anti-takeover measures aimed at thwarting UPRG's tender offer and merger. Consulting expert on behalf of plaintiff.

MetalClad Corporation v. The United Mexican States, Case No. ARB(AF)/97/1 – Before the Honorable Tribunal Established Pursuant to Chapter Eleven of The North American Free Trade Agreement (NAFTA). Expert testimony on behalf of the government of Mexico (defendant) in arbitration.

Safety-Kleen Corporation v. Laidlaw Environmental Services, Inc., Docket No. 97 C 8003 – In the United States District Court Northern District of Illinois - Eastern Division. Consulting expert on behalf of plaintiff.

In re Horizon/CMS Healthcare Corporation Securities Litigation, Class Action No. CIV 96-442 BB/LCS – United States District Court for the District of New Mexico.

Testifying expert for the single largest shareholder (State of Wisconsin Investment Board) in a 10b.5 settlement regarding a proposed reduction in attorneys' fees.

In Re Waste Management, Inc. Securities Litigation, Master File No. 97 C 7709 – In the United States District Court for the Northern District of Illinois – Eastern Division, 10b.5 securities action and various asset purchase cases. Consulting expert on behalf of defendant.

Daniel R. McLean and Francis I. Butler v. Alloyd Co., Inc., et al., No. 95 CH 1422 – In the Circuit Court of Cook County, Illinois County Department, Law Division. Action for wrongful dismissal. Testifying expert (deposition and trial) on behalf of defendants.

Arthur L. Gustafson, et al. v. Alloyd Co., Inc., et al., No. 93 L 6341 – In the Circuit Court of Cook County, Illinois County Department, Law Division. Purchase price dispute. Testifying expert (deposition and trial) on behalf of defendants (Buyers).

B. Peter Knudson v. Samsonite Corporation, et al., Case No. 98CV2210 – District Court, City and County of Denver, Colorado, 10b.5 securities action. Consulting expert on behalf of defendant.

Merisel, Inc. v. Turnberry Capital Management, L.P., et al., C.A. No. 15906 NC - Court of Chancery of State of Delaware. Testifying expert on behalf of plaintiff (deposition).

In Re: Credit Acceptance Corporation Securities Litigation, Consolidated Master File No. 98-70417 – United States District Court for the Eastern District of Michigan, Southern Division, 10b.5 securities action. Consulting expert on behalf of defendant.

Robert Clark v. National Techteam, Inc., et al., Case No. 97-60248 – United States District Court for the Eastern District of Michigan, 10b.5 securities action. Consulting expert on behalf of defendant.

In Re Mafco Holdings Securities Litigation - United States District Court, Southern District of New York, 10b.5 securities action. Consulting expert on behalf of defendant.

Cantor Fitzgerald, L.P., v. Iris Cantor, et al., C.A. No. 16297 – Court of Chancery of the State of Delaware in and for New Castle County. Consulting expert on behalf of plaintiff.

J.G. Juran, et al. v. Bastion Capital Fund, L.P., et al., C.A. No. 16464 – Court of Chancery of the State of Delaware in and for New Castle County. Testifying expert on behalf of defendants.

United Rentals, Inc. v. Rental Services, Inc. and NationsRent, Inc. – Court of Chancery of the State of Delaware. Expert affidavit regarding break-up fee data on behalf of plaintiff.

In Re: Arbitration between Sara Lee Corporation and totes Isotoner Holdings Corporation. Consulting engagement on behalf of Sara Lee Corporation with regard to sale of the Aris/Isotoner business to totes.

Sungard Recovery Services, Inc. v. Comdisco, Inc. v. Data Assurance Corporation, Case No. 97-WM-389 – United States District Court for the District of Colorado. Testifying expert (deposition) on behalf of defendant.

Carol Kropinski, et al. v. Johnson & Johnson, Docket No. L8886/96 – Superior Court of New Jersey Law Division, Camden County. Consulting expert on behalf of plaintiff.

In Re Sunbeam Corporation Securities Litigation – United States District Court, Southern District of Florida, 10b.5 securities action. Consulting expert on behalf of defendant.

LaSalle National Bank v. R.O. Perelman, et al., No. 97-645 (RRM) – United States District Court of Delaware, Noteholders litigation. Consulting expert on behalf of defendant.

Ronald Cantor, Ivan Snyder, James A. Scarpone, as Trustees of the MAFCO Litigation Trust v. Ronald O. Perelman, Mafco Holdings, Inc., MacAndrews and Forbes Holdings, Inc., Andrews Group Inc., William C. Bevins, and Donald G. Drapkin. C.A. No. 97-586 (KAJ). United States District Court for the District of Delaware. Breach of fiduciary duty claim involving issuance of notes. Consulting expert for defendants on remand.

Danis v. USN Communications, Inc., et al., No. 98 C 7482 – United States District Court for the Northern District of Illinois Eastern Division, 10b.5 securities action. Consulting expert on behalf of defendant.

Anthony R. Gold, PC Brand, Inc., Software Communications, Inc., v Ziff Communications Company, d/b/a Ziff-Davis Publishing Case No. 01 L 9518 – In the Circuit Court of Cook County, Illinois County Department – Law Division – Breach of contract. Testifying expert (deposition) on behalf of defendant on remand.

Greenlight Capital Qualified, L.P., Greenlight Capital, L.P., and Greenlight Capital Offshore, Ltd., v. Emerging Communications, Inc., Case No. 16415 – Delaware Chancery Court – Appraisal action. Consulting expert on behalf of petitioners.

APPENDIX A

IBP, Inc., v. Tyson Foods, Inc. and Lasso Acquisition Corporation Case No. 18373 – Delaware Chancery Court- Breach of contract in a takeover/merger. Consulting expert on behalf of defendant (Tyson Foods, Inc.).

Digex, Inc. Shareholders Litigation Case No. 18336 NC -Delaware Chancery Court- Class and shareholder derivative action. Expert affidavit on behalf of plaintiffs concerning value of settlement consideration.

Superior National Insurance Group v. Foundation Health Systems, Inc. and Milliman & Robertson, Inc. Case No. CV-02-5155-PA (MLGx). Fraud and fraudulent conveyance action in the United States District Court for the Central District of California. Consulting expert on behalf of defendant (Foundation Health Systems, Inc.).

Analytical Surveys, Inc. Securities Litigation Case No. IP00-C-0201-M/S – United States District Court for the Southern District of Indiana Indianapolis Division – 10b-5 securities action. Consulting expert on behalf of defendant.

Chesapeake Corporation and Sheffield, Inc., v. Marc P. Shore, Howard M. Liebman, Andrew N. Shore, Leonard S. Verebay, Virginia A. Kamsky, Sharon R. Fairley, R. Timothy O'Donnell, Kevin J. Bannon, William P. Weidner, and Shorewood Packaging Corporation Case No. CV17626 NC – Delaware Chancery Court – Takeover litigation surrounding Chesapeake's bid for Shorewood. Testifying expert (deposition and trial) on behalf of defendants.

JAS Securities LLP v. Merrill Lynch & Co., Inc. Del. Super, Ct., C.A. No. 99C-07-143 (JSS) – In the Superior Court of the State of Delaware in and for New Castle County – Class Action Complaint Non-Arbitration Case. Expert affidavit on behalf of defendant.

Alcatel Alsthom Securities Litigation MDL Docket No. 1263 – In the United States District Court for the Eastern District of Texas Sherman Division – 10b-5 securities action. Consulting expert on behalf of defendant.

Prescott Group Small Cap, L.P., Phil & Jana Frohlich, Phil D. Frohlich, Ira, Leroy Warren Brewer, and Cede & Co., v. The Coleman Company, Inc. C.A. No. 17802 NC – In the Court of Chancery of the State of Delaware In and for New Castle County – appraisal action. Consulting expert on behalf of respondent.

Submissions to the Special Master of the September 11^{th} Victim Compensation Fund of 2001 and to the United States Department of Justice on behalf of the Cantor Fitzgerald, L.P., ESpeed, Inc. and Tradespark, L.P. victims' families. Consulting and testifying (in certain individual hearings) expert on behalf of victims' families.

In Re Sprint Corporation Securities Litigation. Master File No. 01-4080-DES. United States District Court District of Kansas. Securities class action. Consulting expert on behalf of defendants.

Citibank, N.A. and Citibank Canada, v. Itochu International Inc., and III Holding Inc. f/k/a Copelco Financial Services Group, Inc., Case No. 01-CV-6007 (GBD/DF) – United States District Court for the Southern District of New York – transferred to New York State Court. Consulting expert on behalf of plaintiff.

In Re Healthsouth Corp. ERISA Litigation. Consolidated Case No. CV-03-BE-1700-S – In the United States District Court for the Northern District of Alabama Southern Division. Consulting expert on behalf of defendant.

In Re Healthsouth Corporation Stockholder Litigation Case No. CV-03-BE-1501-S – In the United States District Court Northern District of Alabama Southern Division. Consulting expert on behalf of defendant.

In Re Williams Securities Litigation Case No. 02-CV-72H(M) – United States District Court for the Northern District of Oklahoma. Consulting expert on behalf of defendant.

United States Securities and Exchange Commission In the Matter of General Mills, Inc. File No. C-03760-A. Consulting expert on behalf of General Mills, Inc.

In The International Court of Arbitration of the International Chamber of Commerce and In the Matter of an Arbitration BNP Paribas, Arval PHH Holdings (UK) Limited, Arval PHH Holdings and Avis Group Holdings, Inc. and VMS (Bermuda) Holdings Ltd. Consulting expert on behalf of defendant (Avis).

Fuqua Industries, Inc. Shareholder Litigation – C.A. No. 11974. Delaware Chancery Court. Breach of fiduciary duty action. Testifying expert (deposition) on behalf of defendants.

The Litigation Trust of MDIP Inc. (Formerly known as Mosler Inc.) and its Affiliates v. Michel Rapoport, William A. Marquard, Thomas R. Wall, IV, Robert A. Young, III, and Kelso & Co., Inc. C.A. No. 03-CV-779-GMS. United States District Court for the District of Delaware. Breach of fiduciary duty and fraudulent transfer claim. Consulting expert on behalf of defendants.

Donald L. Sturm; Donald L. Sturm Charitable Trust – Donald L. Sturm, TTEE; Sturm Family Foundation; Sturm Family Capital, LLP and Colorado Seminary v. Citigroup, Inc.; Citigroup global Markets, Inc. f/k/a Salomon Smith Barney; and Jack Grubman. NASD Arbitration Nos. 037612 & 037644. Testifying expert (in arbitration) on behalf of defendants.

In Re Royal Ahold Securities and ERISA Litigation Case No. 03-MD-01539-CCB – United States District Court for the District of Maryland Northern Division. Consulting expert for plaintiffs. Affidavit in support of the Plan of Allocation.

Venture Industries, et al v. Autoliv ASP, Inc., successor to Morton International. Inc., Autoliv, Inc. and Morton International, Inc. Case No. 99-75354 – United States District Court Eastern District of Michigan Southern Division. Lost profits/breach of contract action. Consulting expert on behalf of defendants on appeal.

Third Avenue Real Estate Value Fund, et al v. Butler Manufacturing Company and BSL Acquisition Corp. Del Ch., C.A. No. 641-N. Delaware Chancery Court Appraisal Action. Testifying (deposition and trial) on behalf of respondents.

Solo Cup Company, v. Dennis Mehiel, as Stockholders' Representative under the Merger Agreement between Solo Cup Company, Solo Acquisition Corp. and SF Holdings Group, Inc. Case No. 51 489 Y 01966 04 – Before the American Arbitration Association. Consulting expert on behalf of plaintiff.

In Re Chiron Shareholders Deal Litigation. Case No. RG 05-230567. Superior Court of the State of California for the County of Alameda. Testifying expert (deposition) on behalf of defendant (Chiron).

In Re CMS Energy Securities Litigation. Civ. No. 02 CV 72004 (GCS). United States District Court Eastern District of Michigan. Securities class action. Testifying expert (deposition) on behalf of plaintiffs.

In Re Worldcom, Inc. Securities Litigation. Master File No. 01 Civ. 3288 (DLC). United States District Court Southern District of New York. IQ Holdings, Inc. sought compensation under Federal and Texas law for losses suffered on its Worldcom investments. Submitted a rebuttal report on behalf of defendants Citigroup, Inc. and Citigroup Global Markets Inc. (f/k/a Salomon Smith Barney Inc.).

URS Corporation v. The Lebanese Company for the Development and Reconstruction of Beirut Central District, S.A.L., a/k/a/ Solidere. Civil Action No. 06-415-SLR. United States District Court For the District of Delaware. Testifying expert on behalf of plaintiff.

Carpenters Health & Welfare fund, et. al., v. The Coca-Cola Company, et. al. File No. 1:00-CV-2838-WBH. United States District Court Northern District of Georgia Atlanta Division. Securities class action. Testifying expert (deposition) on behalf of defendant The Coca-Cola Company with respect to disclosure and accounting misstatement claims.

Radian International, LLC, The Lebanese Company for Development and Reconstruction of Beirut Central District, S.A.L. ("Solidere"), and URS Corporation. Case No. 14208/EC (C-14236/EC). International Chamber of Commerce International Court of Arbitration. Testifying expert on behalf of URS Corporation.

In re Tyco International Ltd. Securities Litigation (including multiple opt-out cases) MDL Docket No. 02-1335-B. United States District Court, District of New Hampshire, Consulting regarding accounting restatement and audit committee issues on behalf of defendant.

GE Funding Holdings, Inc., a Delaware Corporation, v. FGIC Corporation, C.A. No. 4012-CC. The Court of Chancery of the State of Delaware. Injunction hearing. Consulting expert on behalf of plaintiff.

Broadcom Corporation, et al. v. Fred B. Cox, et al. No. 4536-VSC & No. 4519-VCS. The Court of Chancery of the State of Delaware. Breach of fiduciary duty action involving anti-takeover provisions. Consulting on behalf of plaintiff.

IAC/Interactive Corp and Barry Diller v. Liberty Media Corporation, C.A. No. 3486-VCL. The Court of Chancery of the State of Delaware. Injunction hearing regarding spin-off transactions. Consulting expert on behalf of defendant.

In Re UnitedGlobalCom Shareholders Litigation. C.A. No. 1012-VCS. The Court of Chancery of the State of Delaware. Testifying expert (deposition) behalf of defendant (Liberty Media International) regarding fairness of merger consideration.

VOOM HD Holdings LLC v. Echostar Satellite LLC. Case No. 600292/08. Supreme Court of the State of New York, County of New York. Consulting expert on behalf of plaintiff.

Securities and Exchange Commission v. Warren B. Schmidgall and David E Watson. Case No. 4:08-cv-00677-GAF. United States District Court for the Western District of Missouri Western Division. Testifying expert (deposition) on behalf of defendant David E. Watson.

Russian Federation General Prosecutor's Office v. M.B. Khodorkovsky and P.L. Lebedev , Criminal Case No. 18/432766-07. Khamovnicheskiy District Court, Moscow, Russia. Filed Specialist's report and participated in trial on behalf of defendants: M.B. Khodorkovsky and P.L. Lebedev.

In Re The Student Loan Corporation Litigation, Consolidated C.A. No. 5832 - VCL. The Court of Chancery of the State of Delaware. Affidavit on behalf of Defendant Citigroup, Inc in preliminary injunction hearing.

Cancer Clinics of Excellence, LLC and CCE Partners, LLC v. McKesson Corporation and McKesson Specialty Care Distribution Joint Venture LP (Formerly Oncology Therapeutics Network Joint Venture, LP), Index No. 652124/2010 IAS Part 39. Supreme Court of the State of New York County of New York. Affidavit on behalf of McKesson Corporation.

Liberty Media Corporation and Liberty Media LLC v. The Bank of New York Mellon Trust Company, N.A., as Trustee, C.A. No.: 5702-VCL. In the Court of Chancery of the State of Delaware. Testifying expert (deposition and trial) on behalf of plaintiffs.

Joel Krieger v. Wesco Financial Corporation, et al, C.A. No. 6176-VCL. In the Court of Chancery of the State of Delaware. Testifying expert (deposition) and Affidavit on behalf of Wesco Financial Corporation in preliminary injunction hearing.

In Re Barnes and Noble Stockholders Derivative Litigation, Consolidated C.A. No. 4813-CS. The Court of Chancery of the State of Delaware. Testifying expert (opening report, rebuttal report and deposition) on behalf of plaintiffs.

In Re Rural/Metro Corporation Shareholders Litigation, Consolidated C.A. No. 6350-VCL. The Court of Chancery of the State of Delaware. Testifying expert (affidavit, expert reports, deposition and trial testimony) on behalf of plaintiff Joanna Jervis.

In Re Medco/Express Scripts Merger Litigation, Civil Action No. 11-4211(DMC)(MF). United States District Court, District of New Jersey. Declaration on behalf of defendant Express Scripts.

Kraft Foods Global, Inc. v. Starbucks Corporation, JAMS Arbitration No. 1340008345. Expert report on damages and deposition on behalf of respondent Starbucks.

Kellogg Capital Markets LLC and Eric Rosenfeld v. Troy Group, Inc., Troy Group Holding Company, Inc., Patrick J. Dirk, and Brian P. Dirk. C.A. No. 6455-CS. The Court of Chancery of the State of Delaware. Testifying expert (rebuttal report and deposition) on behalf of defendants.

In Re Feihe International, Inc. Shareholder Litigation, Lead Case No. 120906911
In the Third Judicial District Court In and For Salt Lake County, State of Utah. Declaration on behalf of defendant Feihe International.

In Re Sprint Nextel Corporation Shareholders Litigation, Consolidated Case No. 12CV08366. In the District Court of Johnson County, Kansas. Consulting expert on valuation and deal protection claims on behalf of defendant.

CommonWealth REIT, et al. v. Corvex Management LP, and Related Fund Management, LLC., American Arbitration Association No. 11-512-Y-276-13.

Testifying expert (affidavit and expert report) on behalf of claimant and counterclaim respondent the Trustees of CommonWealth REIT.

Gregg Lapointe, et al. v. Sigma-Tau Pharmaceuticals, Inc., et al., In the Circuit Court of Maryland for Montgomery County. Case No. 363433-v. Testifying expert (opening report and rebuttal report, deposition) on behalf of plaintiffs.

Douglas M. Hayes v. Activision Blizzard, Inc., et al. C.A. No. 8885-VCL. The Court of Chancery of the State of Delaware. Testifying expert (affidavit) on behalf of defendants in a preliminary injunction hearing regarding Activision's repurchase of shares owned by majority shareholder Vivendi S.A.

Santosh George Kottayil, et al., v. Insys Therapeutics, Inc., et al, In the Superior Court of Arizona for Maricopa County. Case No. CV2009-028831. Testifying expert (opening report, rebuttal report, deposition and trial testimony) on behalf of defendants.

Dennis Walter Bond, Sr., et al., v. Marriott International, Inc., et al., Civil Action No.: 8:10-cv-1256-RWT. United States District Court, District of Maryland, Greenbelt Division. Testifying expert (opening report, rebuttal report, supplemental report and deposition) on behalf of defendants.

Chris A. Davis v. 24 Hour Fitness Worldwide, Inc. Civil Action No. 12-01370 GMS. In the United States District Court for the District of Delaware. Testifying expert (opening report and deposition) on behalf of plaintiffs.

In Re Appraisal of NetSpend Holdings, Inc., C.A. No. 8807-VCG. In the Court of Chancery of the State of Delaware. Testifying expert (opening report) on behalf of petitioner.

In Re Jefferies Group, Inc. Shareholders Litigation, C.A. No. 8059-CS. The Court of Chancery of the State of Delaware. Testifying expert (opening report, rebuttal report and deposition) on behalf of defendants.

In Re Dole Food Company, Inc., Stockholder Litigation, C.A. No. 8703-VCL and In Re Appraisal of Dole Food Company, Inc., C.A. No. 9079-VCL. The Court of Chancery of the State of Delaware. Testifying expert (opening report, rebuttal report, deposition and trial testimony) on behalf of plaintiffs.

In Re Cheniere Energy, Inc., C.A. No. 9766-VCL and In Re Cheniere Energy, Inc. Stockholders Litigation, C.A. No. 9710-VCL. The Court of Chancery of the State of Delaware. Testifying expert (report) on behalf of defendants.

In Re Sauer-Danfoss, Inc. Stockholder Litigation, Consolidated C.A. No. 8396-VCL. The Court of Chancery of the State of Delaware. Testifying expert (report, deposition) on behalf of defendants.

In Re Appraisal of DFC Global Corp., Consolidated C.A. No. 10107-CB. The Court of Chancery of the State of Delaware. Testifying expert (opening report, rebuttal report, deposition and trial testimony) on behalf of petitioners.

In re Working Capital Arbitration between United BioSource LLC and Bracket Holding Corp. Testifying expert (declaration) on behalf of seller United BioSource.

TCV VI, L.P., TCV Member Fund, L.P., and Continental Investors Fund LLC v. TradingScreen Inc., et al., C.A. No. 10164-VCL. The Court of Chancery of the State of Delaware. Consulting expert on behalf of plaintiffs in preferred stock redemption dispute.

In Re Cornerstone Therapeutics Inc. Stockholder Litigation, Consolidated C.A. No. 8922-VCG. The Court of Chancery of the State of Delaware. Consulting expert on behalf of defendants in a successful mediation resolution of a breach of fiduciary duties complaint concerning a controlling shareholder acquisition.

APPENDIX B
Materials Relied Upon

Case Document

- Respondents' Responses and Objections to Petitioners' First Interrogatories

SEC Filings

- Aruba Networks, Inc. Form 8-K, March 2, 2015
- Aruba Networks, Inc. Form 8-K, May 18, 2015
- Aruba Networks, Inc. Schedule 14A, April 3, 2015
- Aruba Networks, Inc. Form 10-K, July 31, 2008
- Aruba Networks, Inc. Form 10-K, July 31, 2009
- Aruba Networks, Inc. Form 10-K, July 31, 2010
- Aruba Networks, Inc. Form 10-K, July 31, 2011
- Aruba Networks, Inc. Form 10-K, July 31, 2012
- Aruba Networks, Inc. Form 10-K, July 31, 2013
- Aruba Networks, Inc. Form 10-K, July 31, 2014
- Aruba Networks, Inc. Form 10-Q, January 31, 2014
- Aruba Networks, Inc. Form 10-Q, January 31, 2015
- HP Inc. Form 10-K, October 31, 2015
- Meru Networks, Inc. Form 8-K, May 27, 2015
- Motorola Solutions, Inc. Form 8-K, April 14, 2014
- Ruckus Wireless Inc. Form 8-K, April 3, 2016

Depositions

- Deposition of George Boutros
- Deposition of Michael Galvin
- Deposition of Joakim Johansson
- Deposition of Dominic Orr
- Deposition Transcript of Dominic Orr in *In re Aruba Networks, Inc. Stockholder Litig*., C.A. No. 10765-VCL
- Deposition of Jeff Reisenberg
- Deposition of Dan Warmenhoven

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- Aruba Networks, Inc., "ARUN: Intermediate To Long-Term Drivers Outweigh Near-Term Concerns", Cowen & Company, January 20, 2015
- Aruba Networks, Inc., "Stock Comp Risk Overblown", SunTrust Robinson Humphrey, January 29, 2015
- Aruba Networks, Inc., "Aruba Networks, Inc", Imperial Capital, February 9, 2015
- Aruba Networks, Inc., "Why Aruba is Still a Buy?", UBS, February 20, 2015

- "Aruba Networks, Inc", Dougherty & Company LLC, February 23, 2015
- Aruba Networks, Inc., "Potential Acquisition by HP Elevates Interest in WLAN", BRG, February 26, 2015
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- Aruba Networks, Inc., "F2Q15: Solid Quarter; Raise PT to $28", SunTrust Humphrey Robinson, February 27, 2015
- Aruba Networks, Inc., "Better-than-Expected Results; E-Rate Timing influences Prudent Outlook", Dougherty & Company, LLC
- Aruba Networks, Inc., "2Q15 Review—Executing in a Tough Environment; Maintaining Our Outperform Rating and Increasing Our Price Target to $27 from $19", Imperial Capital, February 27, 2015
- Aruba Networks, Inc., "ARUN – Strong Execution and Possible Acquisition by HPQ – Raising PT to $25", FBN Securities, February 27, 2015
- Aruba Networks, Inc., "Solid Results and Some M&A Uncertainty; Raising Estimates and Target", BMO Capital Markets, February 27, 2015
- Aruba Networks, Inc., "Solid 2Q15; E-Rate Causes 3Q Uncertainty as Expected", Stephens, February 27, 2015
- Aruba Networks, Inc., "Fed. Eases The K-12 Sting", Oppenheimer, February 27, 2015
- Aruba Networks, Inc., "Solid results; E-Rate overhang ahead", RBC Capital Markets, February 27, 2015
- Aruba Networks, Inc., "FY2Q15: Growth Outlook As Expected; Ongoing Margin Improvement; Not Too Late", Cowen and Company, February 27, 2015
- Aruba Networks, Inc., "FQ2 Sees Continued Execution, Strong Fed And Improving Margins; Reiterate OW", Piper Jaffray, February 27, 2015
- Aruba Networks, Inc., "FQ2'15 Wrap: A Beat and Raise though Guidance Range Was Wide Due to E-rate Uncertainty. Reit. N.", J.P. Morgan, February 27, 2015
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- *Andaloro et al. v. PFPC Worldwide Inc.*, 2005 WL 2045640, (Del. Ch., 2005)
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- *Huff Fund Inv. P'ship v. CKx, Inc*., 2013 WL 5878807, at *9 (Del. Ch. Nov. 1, 2013)
- *Merion Capital LP and Merion Capital II LP v. BMC Software, Inc.*, at *2, 42-43 (Del. Ch. Oct. 21, 2015).
- *In Re Appraisal of DFC Global Corp.* C.A. No. 10107-CB
- *Global GT et al v. Golden Telecom, Inc*. C.A. No. 3698–VCS 993 A.2d 497
- *Highfields Capital LTD, et al. v. AXA Financial, Inc.*, 939 A.2d 34, (Del. Ch. August 17, 2007)
- *Global GT LP and Global GT Ltd, Petitioners, v. Golden Telecom*, C.A. No. 3698-VCS. 2010 WL 1663987, (Del. Ch. April 23, 2010)

APPENDIX B
Materials Relied Upon

- *In Re: Appraisal of the Orchard Enterprises, Inc.*, C.A. No. 5713-CS, 2012 WL 2923305, (Del. Ch. July 18, 2012)
- *In Re Appraisal of Ancestry.com, Inc*., Memorandum Opinion, January 30, 2015
- *In Re: Appraisal of Dell Inc*., Memorandum Opinion, May 31, 2016
- *LongPath Capital, LLC v. Ramtron Int'l Corp.*, Slip. Op. June 30, 2015, C.A. No. 8094-VCP (Del. Ch. June 30, 2015

Document Production

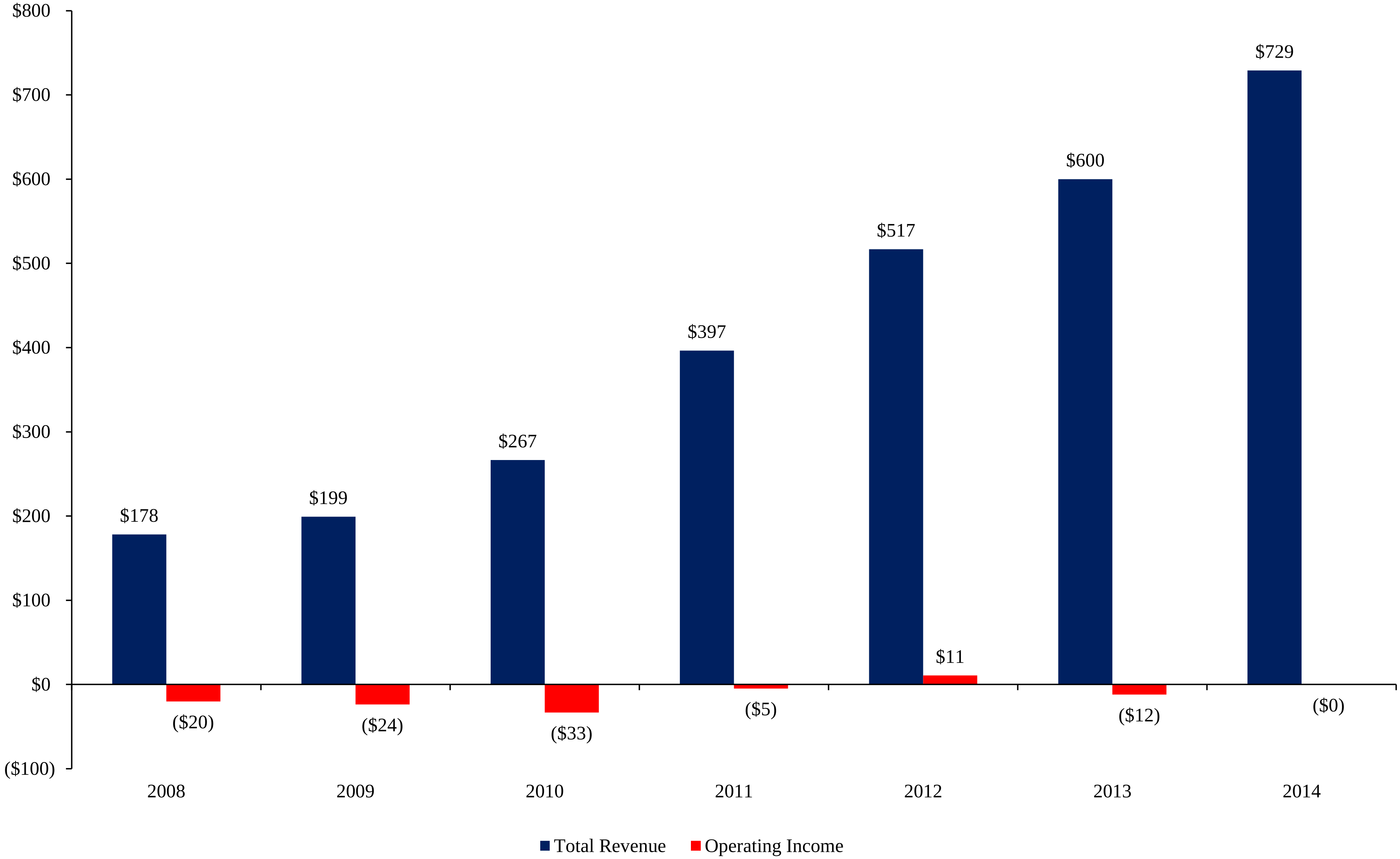
Document Date	Bates Range	Document Description
3/11/2014	ArubaAA0533817-65	Aruba Board Book
3/13/2014	ArubaAA0549208-15	"Owning the Air, Looking for Consistency." RBC Capital Markets
5/23/2014	ArubaAA0552027-34	"Competition in 802.11ac Remains Fierce." Janney Capital Markets
6/29/2014	ArubaAA0449205-16	"The WLAN Market, Food Fight!" Deutsche Bank
8/22/2014	ArubaAA0447167-212	Aruba Board Book
8/26/2014	ArubaAA0341667-83	Aruba FQ4 2014 Earnings Call Transcript
8/27/2014	ArubaAA0453223-34	"Top Line Momentum Continues; Focusing More on Leverage." Barclays
8/27/2014	ArubaAA0533219-35	"Clean Beat, Restructuring a Positive as Share Gains Continue." Buckingham Research Group
8/27/2014	ArubaAA0453282-9	"FY Q4 Results." Deutsche Bank
11/21/2014	ArubaAA0439851-68	"Aruba: Quarter and Next Well Below Normal Seasonality; 11ac Over 50% of Revenues. Is Wi-Fi Now Slowing?" Bernstein Research
12/1/2014	ArubaAA0337815-44	Project Aspen Discussion Document
12/23/2014	ArubaAA0108732-9	"VP of North America Sales Resigns." JMP Securities

01/2015	ArubaAA0196131-59	Wireless LAN Report, Five Year Forecast 2015-2019, Dell'Oro Group
2/4/2015	ArubaAA0053461	Athens Cash Flow Template
2/27/2015	ArubaAA0515193-205	"Coping Well with K-12 Purchase Delays; HP Matters Most." Morgan Stanley
2/27/2015	ArubaAA0519962	Project Aspen Board Materials, Barclays
2/28/2015	ArubaAA0519872-917	Project Aspen, IRB Approval to Sign
3/1/2015	ARUN000093-130	Qatalyst Partners, Project Athens, Materials for Discussion
3/1/2015	EVERCORE00011411-32	Project Athens Supporting Valuation Anlysis
3/12/2015	ArubaAA0535042-117	Aruba Board Book
5/28/2015	VERITION-00001497	Letter from Marc Sonnenfeld to Josh Goldstein
7/6/2015	ArubaAA0334968-91	WLAN Infrastructure Vendor Scorecard, Infonetics Research
8/28/2015	VERITION-00001508-13	Petition for Appraisal of Stock
	ArubaAA0466129-49	Aspen – Discussion Exhibits (3).xlsx,
	BARC-ARU_00033967	
		IDC WW WLAN Tracker_FinalHistoricalPivot_2014Q4_Aruba.xlsx.
		March 9, 2015 e-mail from Martha Rose to Michael Galvin.

Data Sources

- Bloomberg
- Capital IQ
- CRSP
- FactSet
- FRED

Aruba Networks, Inc.
Revenue and Operating Income
FY 2008 - FY 2014



Note: USD in millions.
Source: Exhibit 1B

Aruba Networks, Inc.
Historical GAAP Results

		Fiscal Year Ended July 31,						
		2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
[1]	Revenue							
[2]	Product	148.6	161.9	221.5	334.9	434.7	496.3	595.4
[3]	Support and Professional Services	29.7	37.3	45.1	61.7	82.0	103.7	133.6
[4]	Total Revenue	178.3	199.3	266.5	396.5	516.8	600.0	728.9
[5]	*% Growth*		*12%*	*34%*	*49%*	*30%*	*16%*	*21%*
[5]	Cost of Revenue							
[6]	Product	(48.1)	(59.9)	(77.1)	(107.8)	(130.4)	(149.1)	(187.0)
[7]	Support and Professional Services	(9.0)	(7.9)	(9.0)	(14.9)	(21.0)	(27.4)	(37.8)
[8]	Total Cost of Revenue	(57.1)	(67.8)	(86.1)	(122.7)	(151.4)	(176.5)	(224.8)
[9]	Gross Profit	121.1	131.4	180.5	273.8	365.3	423.6	504.2
[10]	*% Growth*		*8%*	*37%*	*52%*	*33%*	*16%*	*19%*
[11]	*% Margin*	*68%*	*66%*	*68%*	*69%*	*71%*	*71%*	*69%*
[12]	Operating Expenses							
[13]	Research and Development	(37.4)	(40.3)	(51.6)	(84.9)	(109.4)	(139.7)	(169.3)
[14]	Sales and Marketing	(86.0)	(90.2)	(109.4)	(154.2)	(198.4)	(230.8)	(274.8)
[15]	General and Administrative	(17.7)	(23.2)	(33.1)	(39.4)	(46.8)	(51.0)	(60.0)
[16]	Legal Settlements			(19.8)			(14.0)	(0.3)
[17]	Restructuring Expense		(1.4)					
[18]	Acquisition Related Severance Exp.	(0.2)						
[19]	Total Operating Expenses	(141.3)	(155.2)	(213.9)	(278.6)	(354.6)	(435.6)	(504.4)
[20]	Operating Income	(20.2)	(23.8)	(33.4)	(4.7)	10.7	(12.0)	(0.3)
[21]	*% Growth*		*-18%*	*-41%*	*86%*	*326%*	*-212%*	*98%*
[22]	*% Margin*	*-11%*	*-12%*	*-13%*	*-1%*	*2%*	*-2%*	*0%*

Aruba Networks, Inc.
Historical GAAP Results

		Fiscal Year Ended July 31,						
		2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
[23]	Other Income							
[24]	Interest Income				1.0	1.2	1.1	0.8
[25]	Other Income				2.8	1.6	0.7	(0.2)
[26]	Total Other Income	4.0	1.1	0.1	3.8	2.8	1.8	0.7
[27]	Income Before Income Taxes	(16.2)	(22.6)	(33.3)	(0.9)	13.6	(10.2)	0.4
[28]	Income Tax	(1.0)	(0.8)	(0.7)	71.6	(22.4)	(21.4)	(29.4)
[29]	Net Income	(17.1)	(23.4)	(34.0)	70.7	(8.9)	(31.6)	(29.0)
[30]	Stock Based Compensation							
[31]	Cost of Revenue	0.7	1.0	1.4	3.5	5.3	6.6	8.6
[32]	Research and Development	6.2	7.6	10.7	23.0	31.2	36.4	44.0
[33]	Sales and Marketing	9.0	10.5	14.2	24.4	34.7	37.8	42.1
[34]	General and Administrative	3.4	5.5	9.8	12.9	12.7	15.5	16.5
[35]	Total Stock Based Compensation	19.3	24.6	36.1	63.8	83.9	96.2	111.2
[36]	*% of Revenue*	*11%*	*12%*	*14%*	*16%*	*16%*	*16%*	*15%*
[37]	Depreciation and Amortization	5.6	9.7	10.1	15.0	19.1	23.7	29.5
[38]	GAAP EBITDA	(14.6)	(14.1)	(23.3)	10.3	29.9	11.7	29.2
	% of Revenue	*-8%*	*-7%*	*-9%*	*3%*	*6%*	*2%*	*4%*

Sources: Aruba Networks Form 10-K, July 31, 2014, pp. 40, 41, 68, 71. Aruba Networks Form 10-K, July 31, 2013, pp. 38, 39, 64, 66. Aruba Networks Form 10-K, July 31, 2012, p. 33 and 60. Aruba Networks Form 10-K, July 31, 2011, p. 60. Aruba Networks Form 10-K, July 31, 2010, p. 55.

Aruba Networks, Inc.
Quarterly Book-to-Bill Ratio Analysis

		Jan13	Apr13	Jul13	Oct13	Jan14	Apr14	Jul14	Oct14	Jan15
[1]	Bookings (11/24/14)	$151,729	$150,567	$188,342	$179,416	$183,693	$189,072	$229,617	$200,603	$204,016
[2]	*QoQ % growth*		*(0.8%)*	*25.1%*	*(4.7%)*	*2.4%*	*2.9%*	*21.4%*	*(12.6%)*	*1.7%*
[3]	*YoY % growth*					*21.1%*	*25.6%*	*21.9%*	*11.8%*	*11.1%*
[4]	Revenue	$155,362	$147,136	$153,064	$160,927	$176,356	$188,788	$202,862	$207,821	$212,931
[5]	Backlog Generated in Quarter	($3,633)	$3,431	$35,278	$18,489	$7,337	$284	$26,755	($7,218)	($8,915)
[6]	**Book-to-Bill Ratio**	**0.98**	**1.02**	**1.23**	**1.11**	**1.04**	**1.00**	**1.13**	**0.97**	**0.96**

Note: USD in thousands.
Source: Aspen - Discussion Exhibits (3).xlsx, (ArubaAA0466129-49), p. 4.

Aruba Networks, Inc.
Aruba's Target and Actual Bookings
Quarterly from April 2014 to January 2015

	Fiscal Quarter [A]	Quarter Ending [B]	Planned Bookings [C]	Actual Bookings [D]	Variance [E] = [D] - [C]
[1]	Q3 2014	04/30/14	191,000	189,050	(1,950)
[2]	Q4 2014	07/31/14	244,300	229,613	(14,687)
[3]	Q1 2015	10/31/14	205,000	200,603	(4,397)
[4]	Q2 2015	01/31/15	231,000	204,016	(26,984)
[5]	**Total**				**(48,018)**

Notes: USD in thousands

[C] Q3 2014 and Q4 2014 figures from Aruba Board Book, March 11, 2014, (ArubaAA0533817-65), p. 25

Q1 2015 and Q2 2015 figures from Aruba Board Book, August 22, 2014, (ArubaAA0447167-212), p. 13.

[D] Q3 2014 and Q4 2014 figures from Aruba Board Book, August 22, 2014, (ArubaAA0447167-212), p. 10.

Q1 2015 and Q2 2015 figures from Aruba Board Book, March 12, 2015, (ArubaAA0535042-117), p. 15.

Aruba Networks, Inc.
Discounted Cash Flow - Replication of Barclays Forecast Prepared by HP (with Synergies)

		Fiscal Year Ended October 31, 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
[1]	Revenue (Pre Synergies)	314.5	1,047.9	1,188.6	1,305.5	1,425.9	1,547.9	1,668.7	1,785.6	1,895.6	1,999.1
[2]	Synergies / Costs	(7.8)	70.4	237.2	461.3	684.1	878.7	1,055.2	1,191.4	1,282.3	1,361.4
[3]	Total Revenues	306.7	1,118.3	1,425.7	1,766.8	2,110.0	2,426.5	2,723.9	2,976.9	3,177.9	3,360.4
[4]	EBITA (Pre Synergies)	35.8	142.9	178.0	198.5	225.6	253.1	281.6	310.7	339.9	369.1
[5]	Synergies / Costs	(42.3)	(61.3)	54.9	157.0	203.4	244.1	281.3	310.0	329.0	345.1
[6]	EBITA	(6.5)	81.6	232.9	355.5	429.0	497.2	562.9	620.7	668.9	714.3
[7]	Taxes	(2.9)	(35.8)	(81.4)	(118.8)	(148.3)	(174.0)	(197.0)	(217.2)	(234.1)	(250.0)
[8]	Tax Rate	-44.7%	43.8%	35.0%	33.4%	34.6%	35.0%	35.0%	35.0%	35.0%	35.0%
[9]	After Tax EBIT	(9.4)	45.8	151.5	236.7	280.7	323.2	365.9	403.5	434.8	464.3
[10]	Plus: Depreciation	6.2	20.3	22.6	25.5	27.8	30.2	32.6	34.9	37.0	39.0
[11]	Less: Capital Expenditure	(7.5)	(22.3)	(22.9)	(25.5)	(27.8)	(30.2)	(32.6)	(34.9)	(37.0)	(39.0)
[12]	Less: Increase in Working Capital	(3.6)	20.3	37.5	35.4	28.6	29.0	28.6	27.5	25.8	24.1
[13]	Unlevered Free Cash Flow	(14.3)	64.1	188.7	272.1	309.4	352.1	394.5	431.0	460.6	488.4
[14]	Valuation Date	06/30/15									
[15]	Period End Date	10/31/15	10/31/16	10/31/17	10/31/18	10/31/19	10/31/20	10/31/21	10/31/22	10/31/23	10/31/24
[16]	Discount Period	0.17	0.83	1.83	2.83	3.83	4.83	5.83	6.83	7.83	8.83
[17]	Discount Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
[18]	Discount Factor	0.98	0.91	0.81	0.73	0.65	0.58	0.52	0.46	0.41	0.37
[19]	Percent of Cash Flow Available	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
[20]	Discounted Cash Flow	(14.0)	58.3	153.3	197.4	200.4	203.6	203.7	198.7	189.6	179.5

Enterprise Value Calculation

[21]	Terminal Free Cash Flow	$488.4
[22]	Perpetuity Growth Rate	3.00%
[23]	Future Value of Terminal Value	$5,589.5
[24]	Present Value of Terminal Value	$2,054.5
[25]	Present Value of Free Cash Flows	$1,570.7
[26]	Enterprise Value	$3,625.2

Equity Value Per Share Calculation

[27]	Enterprise Value	$3,625.2
[28]	Plus: Cash	$291.0
[29]	Less: Debt	$0.0
[30]	Equity Value	$3,916.2
[31]	Shares Outstanding	121.3
[32]	**Equity Value Per Share**	**$32.30**
[33]	% of Value in Terminal Value	57%
[34]	Implied Terminal EBITDA Mult.	7.8x

Discount Rate	Enterprise Value – Perpetuity Growth Rate 2.0%	3.0%	4.0%	Equity Value Per Share – Perpetuity Growth Rate 2.0%	3.0%	4.0%
11.00%	$3,849.1	$4,148.7	$4,533.8	$34.12	$36.57	$39.71
12.00%	$3,401.8	$3,625.2	$3,904.4	$30.47	$32.30	$34.57
13.00%	$3,038.3	$3,208.8	$3,417.2	$27.51	$28.90	$30.60

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow - Replication of Barclays Forecast Prepared by HP (with Synergies)

Fiscal Year Ended October 31,									
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024

[1]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[2]: BARC-ARU_00033967. Tab: Synergies from H.
[3] = [1] + [2].
[4]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[5]: BARC-ARU_00033967. Tab: Synergies from H.
[6] = [4] + [5].
[7]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11. BARC-ARU_00033967. Tab: Synergies from H.
[8]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11.
[9] = [6] + [7].
[10]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[11]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[12]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[13] = [9] + [10] + [11] + [12].
[14]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11.
[15]: HP fiscal year ends 10/31.
[16]: Assume mid period discounting and valuation date of June 30, 2015.
[17]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11.
[18] = 1 / (1 + [17]) ^ [16].
[19]: Assume 100% of Cash Flow Available.
[20] = [13] * [18] * [19].
[21] = 2024 [13].
[22]: PGR of 3.0%.
[23] = [21] * (1 + [22]) / ([17] - [22])
[24] = [23] * 2024 [18]
[25] = SUM([20])
[26] = [24] + [25].
[27] = [26]
[28]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[29]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[30] = [27] + [28] + [29]
[31]: Employ the treasury method for options dilution calculation. Barclays assumed shares outstanding of 107.72 million. Schedule of options from BARC-ARU_00033967.xls at tab: “Assumptions.”
[32] = [30] / [31].
[33] = [24] / [26].
[34] = [23] / 2024 [6].

Aruba Networks, Inc.
Discounted Cash Flow - Replication of Barclays Forecast Prepared by HP (without Synergies)

		Fiscal Year Ended October 31, 2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
[1]	Revenue (Pre Synergies)	314.5	1,047.9	1,188.6	1,305.5	1,425.9	1,547.9	1,668.7	1,785.6	1,895.6	1,999.1
[2]	Synergies / Costs										
[3]	Total Revenues	314.5	1,047.9	1,188.6	1,305.5	1,425.9	1,547.9	1,668.7	1,785.6	1,895.6	1,999.1
[4]	EBITA (Pre Synergies)	35.8	142.9	178.0	198.5	225.6	253.1	281.6	310.7	339.9	369.1
[5]	Synergies / Costs										
[6]	EBITA	35.8	142.9	178.0	198.5	225.6	253.1	281.6	310.7	339.9	369.1
[7]	Taxes	(12.5)	(50.0)	(62.3)	(69.5)	(79.0)	(88.6)	(98.6)	(108.7)	(119.0)	(129.2)
[8]	Tax Rate	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
[9]	After Tax EBIT	23.3	92.9	115.7	129.0	146.6	164.5	183.0	202.0	220.9	239.9
[10]	Plus: Depreciation	6.2	20.3	22.6	25.5	27.8	30.2	32.6	34.9	37.0	39.0
[11]	Less: Capital Expenditure	(7.5)	(22.3)	(22.9)	(25.5)	(27.8)	(30.2)	(32.6)	(34.9)	(37.0)	(39.0)
[12]	Less: Increase in Working Capital	(3.6)	20.3	37.5	35.4	28.6	29.0	28.6	27.5	25.8	24.1
[13]	Unlevered Free Cash Flow	18.4	111.1	152.9	164.4	175.3	193.5	211.6	229.5	246.8	264.1
[14]	Valuation Date	06/30/15									
[15]	Period End Date	10/31/15	10/31/16	10/31/17	10/31/18	10/31/19	10/31/20	10/31/21	10/31/22	10/31/23	10/31/24
[16]	Discount Period	0.17	0.83	1.83	2.83	3.83	4.83	5.83	6.83	7.83	8.83
[17]	Discount Rate	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
[18]	Discount Factor	0.98	0.91	0.81	0.73	0.65	0.58	0.52	0.46	0.41	0.37
[19]	Percent of Cash Flow Available	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
[20]	Discounted Cash Flow	18.0	101.1	124.2	119.3	113.6	111.9	109.3	105.8	101.6	97.1

	Enterprise Value Calculation	
[21]	Terminal Free Cash Flow	$264.1
[22]	Perpetuity Growth Rate	3.00%
[23]	Future Value of Terminal Value	$3,022.1
[24]	Present Value of Terminal Value	$1,110.8
[25]	Present Value of Free Cash Flows	$1,001.9
[26]	Enterprise Value	$2,112.7
	Equity Value Per Share Calculation	
[27]	Enterprise Value	$2,112.7
[28]	Plus: Cash	$291.0
[29]	Less: Debt	$0.0
[30]	Equity Value	$2,403.7
[31]	Shares Outstanding	120.6
[32]	**Equity Value Per Share**	**$19.93**
[33]	% of Value in Terminal Value	53%
[34]	Implied Terminal EBITDA Mult.	8.2x

Discount Rate	**Enterprise Value** Perpetuity Growth Rate 2.0%	3.0%	4.0%	**Equity Value Per Share** Perpetuity Growth Rate 2.0%	3.0%	4.0%
11.00%	$2,235.3	$2,397.3	$2,605.5	$20.94	$22.27	$23.97
12.00%	$1,991.9	$2,112.7	$2,263.6	$18.94	$19.93	$21.17
13.00%	$1,793.8	$1,885.9	$1,998.6	$17.31	$18.06	$18.99

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow - Replication of Barclays Forecast Prepared by HP (without Synergies)

	Fiscal Year Ended October 31,									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024

[1]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[2]: Intentionally left blank since analysis is a standalone valuation.
[3] = [1] + [2].
[4]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[5]: Intentionally left blank since analysis is a standalone valuation.
[6] = [4] + [5].
[7] = [6] * [8].
[8]: Assume constant rate of 35.0%. *See* BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H.
[9] = [6] + [7].
[10]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[11]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[12]: BARC-ARU_00033967. 2015 Stub from Tab: Aspen P&L from H. 2016 - 2024 from Tab: ARUN P&L.
[13] = [9] + [10] + [11] + [12].
[14]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11.
[15]: HP fiscal year ends 10/31.
[16]: Assume mid period discounting and valuation date of June 30, 2015.
[17]: Barclays, Project Aspen, Board Materials, February 27, 2015, ArubaAA0519976, p. 11.
[18] = 1 / (1 + [17]) ^ [16].
[19]: Assume 100% of Cash Flow Available.
[20] = [13] * [18] * [19].
[21] = 2024 [13].
[22]: PGR of 3.0%.
[23] = [21] * (1 + [22]) / ([17] - [22])
[24] = [23] * 2024 [18]
[25] = SUM([20])
[26] = [24] + [25].
[27] = [26]
[28]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[29]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[30] = [27] + [28] + [29]
[31]: Employ the treasury method for options dilution calculation. Barclays assumed shares outstanding of 107.72 million. Schedule of options from BARC-ARU_00033967.xls at tab: "Assumptions."
[32] = [30] / [31].
[33] = [24] / [26].
[34] = [23] / 2024 [6].

Aruba Networks, Inc.
Analyst Price Targets Before and After February 27, 2015

	Broker Name	Prior Target Price	New Target Price
[1]	Barclays	$22.00	$28.00
[2]	BRG	$20.00	$23.00
[3]	Deutsche Bank	$19.00	$20.00
[4]	SunTrust Robinson Humphrey	$25.00	$28.00
[5]	Dougherty & Company	$27.00	$29.00
[6]	Imperial Capital	$19.00	$27.00
[7]	FBN Securities	$21.00	$25.00
[8]	BMO Capital Markets	$22.00	$26.00
[9]	Stephens	$25.00	$26.00
[10]	Morgan Stanley	$22.00	$22.00
[11]	Oppenheimer	$20.00	$25.00
[12]	RBC Capital Markets	$21.00	$23.00
[13]	Cowen & Company	$28.00	$34.00
[14]	PiperJaffray	$26.00	$27.00
[15]	J.P.Morgan	$20.00	$24.00
[16]	UBS	$25.00	$27.00
[17]	**Minimum**	**$19.00**	**$20.00**
[18]	**Median**	**$22.00**	**$26.00**
[19]	**Mean**	**$22.63**	**$25.88**
[20]	**Maximum**	**$28.00**	**$34.00**

Sources: See sources on following page.

Aruba Networks, Inc.
Analyst Price Targets Before and After February 27, 2015

[1]: Aruba Networks, Inc., "Managing the E-Rate Pause Well, Raising Target", Barclays, February 27, 2015, p. 1
[2]: Aruba Networks, Inc., "ARUN: Results Beat, Operating Leverage Improves but Education Pause Impacts Guide", BRG, February 27, 2015, p. 2
[3]: Aruba Networks, Inc., "Q4 Results", Deutsche Bank, February 27, 2015, p. 1
[4]: Aruba Networks, Inc., "F2Q15: Solid Quarter; Raise PT to $28", SunTrust Humphrey Robinson, February 27, 2015, p. 1
[5]: Aruba Networks, Inc., "Better-than-Expected Results; E-Rate Timing influences Prudent Outlook", Dougherty & Company, LLC, p. 1
[6]: Aruba Networks, Inc., "2Q15 Review—Executing in a Tough Environment; Maintaining Our Outperform Rating and Increasing Our Price Target to $27 from $19", Imperial Capital, February 27, 2015, p.1
[7]: Aruba Networks, Inc., "ARUN – Strong Execution and Possible Acquisition by HPQ – Raising PT to $25", FBN Securities, February 27, 2015, p. 1
[8]: Aruba Networks, Inc., "Solid Results and Some M&A Uncertainty; Raising Estimates and Target", BMO Capital Markets, February 27, 2015, p. 1
[9]: Aruba Networks, Inc., "Solid 2Q15; E-Rate Causes 3Q Uncertainty as Expected", Stephens, February 27, 2015, p. 1
[10]: Aruba Networks, Inc., "Coping Well with K-12 Purchase Delays; HP Matters Most", Morgan Stanley, February 27, 2015, p. 1
[11]: Aruba Networks, Inc., "Fed. Eases The K-12 Sting", Oppenheimer, February 27, 2015, p. 1
[12]: Aruba Networks, Inc., "Solid results; E-Rate overhang ahead", RBC Capital Markets, February 27, 2015, p. 1
[13]: Aruba Networks, Inc., "FY2Q15: Growth Outlook As Expected; Ongoing Margin Improvement; Not Too Late", Cowen and Company, February 27, 2015, p. 1
[14]: Aruba Networks, Inc., "FQ2 Sees Continued Execution, Strong Fed And Improving Margins; Reiterate OW", Piper Jaffray, February 27, 2015, p.1
[15]: Aruba Networks, Inc., "FQ2'15 Wrap: A Beat and Raise though Guidance Range Was Wide Due to E-rate Uncertainty. Reit. N.", J.P. Morgan, February 27, 2015, p. 1
[16]: Aruba Networks, Inc., "Solid execution in a relatively tough environment", UBS, February 27, 2015, p. 1

Aruba Networks, Inc.
Comparable Companies X Chart

#	Company Name	Analyst Reports						Investment Banks			Total
		JMP Securities 1/12/2015 [1]	Cowen and Company 1/20/2015 [2]	SunTrust Robinson Humphrey 1/29/2015 [3]	Imperial Capital 2/9/2015 [4]	UBS 2/20/2015 [5]	Dougherty & Company 2/23/2015 [6]	Evercore 2/4/2015 [7]	Barclays 2/27/2015 [8]	Qatalyst Partners 03/2015 [9]	
[1]	Ruckus Wireless Inc	X	X	X	X	X	X	X	X	X	9
[2]	Cisco Systems Inc	X	X	X	X	X	X	X	X		8
[3]	Aerohive Networks Inc		X	X	X	X	X	X	X		7
[4]	Ubiquiti Networks Inc	X	X		X		X	X	X	X	7
[5]	Juniper Networks Inc.	X			X			X	X	X	5
[6]	Brocade	X			X			X	X	X	5
[7]	F5 Networks Inc	X						X	X	X	4
[8]	Meru Networks Inc			X	X		X				3
[9]	Arista Networks, Inc.	X						X	X		3
[10]	Motorola Solutions Inc.		X		X		X				3
[11]	Extreme Networks Inc				X		X	X			3
[12]	Radware Limited							X	X		2
[13]	Netgear Inc.				X			X			2
[14]	D-Link Corporation				X			X			2
[15]	Riverbed Technology Inc.	X						X			2
[16]	HP Inc.		X		X						2
[17]	A10 Networks Inc							X			1
[18]	Citrix							X			1
[19]	Adtran Inc						X				1
[20]	Ericsson						X				1
[21]	Gigamon Inc							X			1
[22]	Infoblox Inc							X			1
[23]	Polycom, Inc.								X		1
[24]	Alcatel Lucent				X						1
[25]	BroadSoft, Inc.								X		1
[26]	CommScope						X				1
[27]	NetScout Systems, Inc.							X			1
[28]	Xirrus				X						1
[29]	TP-Link				X						1
[30]	Huawei				X						1

Aruba Networks, Inc.
Comparable Companies X Chart

#	Company Name	Analyst Reports: JMP Securities 1/12/2015 [1]	Cowen and Company 1/20/2015 [2]	SunTrust Robinson Humphrey 1/29/2015 [3]	Imperial Capital 2/9/2015 [4]	UBS 2/20/2015 [5]	Dougherty & Company 2/23/2015 [6]	Investment Banks: Evercore 2/4/2015 [7]	Barclays 2/27/2015 [8]	Qatalyst Partners 03/2015 [9]	Total

Notes and Sources:
[1]: Aruba Networks, Inc., "Communications Equipment & Internet Security - Estimate Changes", JMP Securities, January 12, 2015, p. 3.
[2]: Aruba Networks, Inc., "ARUN: Intermediate To Long-Term Drivers Outweigh Near-Term Concerns", Cowen & Company, January 20, 2015, p. 11.
[3]: Aruba Networks, Inc., "Stock Comp Risk Overblown", SunTrust Robinson Humphrey, January 29, 2015, p. 2.
[4]: Aruba Networks, Inc., "Aruba Networks, Inc", Imperial Capital, February 9, 2015, p. 2.
[5]: Aruba Networks, Inc., "Why Aruba is Still a Buy?", UBS, February 20, 2015, p. 4.
[6]: Aruba Networks, Inc.,"Aruba Networks, Inc", Dougherty & Company LLC, February 23, 2015, p. 2.
[7]: Project Athens, Evercore, February 4, 2015, EVERCORE00011432, p. 19.
[8]: Project Aspen Board Materials, Barclays, February 27, 2015, ArubaAA0519986, p. 19.
[9]: Project Athens, Materials For Discussion, DRAFT, March 2015, ARUN000123, p. 31.

Aruba Networks, Inc.
Comparable Company Multiples

	Company Name	Price Per Share	Market Capitalization	Total Debt	Minority Interest	Cash & ST Inv.	Enterprise Value	GAAP EBITDA			EV / GAAP EBITDA		
								LTM	CY 2015E	CY2016E	LTM	CY 2015E	CY 2016E
[1]	Ruckus Wireless, Inc.	$11.17	$966.9	$0.0	$0.0	$193.8	$773.1	$22.5	$17.9	$26.3	34.41x	43.19x	29.40x
[2]	Cisco Systems, Inc.	$29.76	$151,917.0	$20,522.0	$15.0	$53,022.0	$119,432.0	$13,086.0	$13,398.4	$13,973.8	9.13x	8.91x	8.55x
[3]	Ubiquiti Networks, Inc.	$30.00	$2,640.0	$100.0	$0.0	$451.2	$2,288.9	$201.9	$195.1	$212.4	11.34x	11.73x	10.78x
[4]	Aerohive Networks, Inc.	$6.73	$314.0	$20.0	$0.0	$92.7	$241.3	($32.9)	N/A	N/A			
[5]	Brocade Communications System	$12.25	$5,175.5	$1,084.4	$0.0	$1,359.4	$4,900.5	$568.9	$521.4	N/A	8.61x	9.40x	
[6]	F5 Networks, Inc.	$127.35	$9,160.6	$0.0	$0.0	$666.5	$8,494.1	$588.7	$628.3	N/A	14.43x	13.52x	
[7]	Juniper Networks, Inc.	$27.62	$10,905.4	$1,948.6	$0.0	$2,209.0	$10,645.0	$856.7	$954.7	$1,007.4	12.43x	11.15x	10.57x
[8]	Mean										15.06x	16.32x	14.82x
[9]	Median										11.88x	11.44x	10.67x

Notes: USD in millions.
Sources: Selection of peers from Exhibit 6. GAAP EBITDA from FactSet. All other figures from Capital IQ.

Aruba Networks, Inc.
Comparable Company Valuation

	Type of Multiple	Peer Median EBITDA Multiple	Aruba Networks GAAP EBITDA	Implied Enterprise Value	Net Debt	Implied Equity Value	Shares Outstanding	Implied Equity Value Per Share
[1]	LTM	11.88x	$80.8	$959.8	$291.0	$1,250.8	108.32	$11.55
[2]	CY 2015E	11.44x	$132.5	$1,515.9	$291.0	$1,806.9	108.32	$16.68
[3]	CY 2016E	10.67x	$193.5	$2,065.0	$291.0	$2,356.0	108.32	$21.75

Note: USD in millions. Fiscal year figures adjusted to calendar year so as to conform to multiples
Sources: Multiples from Exhibit 7. LTM EBITDA from Capital IQ. Estimated EBITDA from Exhibit 15. Net Debt and Shares Outstanding from Exhibit 19A.

Aruba Networks, Inc.
Summary of Comparable Transactions in certain Equipment and Systems Design SIC Groups
May 18, 2005 - May 18, 2015

#	Announce Date	Close Date	Target Company	Acquirer Company	Target's Primary SIC Code	Transaction Value	Target LTM EBITDA	Transaction Value / LTM EBITDA
[1]	**01/22/2015**	**04/08/2015**	**Aruba Networks, Inc.**	**HP Inc. (NYSE:HPQ)**	**3576**	$2,651	$81	**32.8x**
[2]	03/02/2015	04/29/2015	Fundtech Ltd.	DH Corporation	7373	$1,250	$21	59.8x
[3]	09/23/2013	11/04/2013	Riverbed Technology, Inc.	Ontario Teachers' Pension Plan; Thoma Bravo, LLC	3576	$3,866	$185	20.9x
[4]	06/26/2012	11/02/2012	Sapient Corp.	Publicis Groupe SA	7373	$3,684	$176	20.9x
[5]	03/19/2012	05/01/2012	MICROS Systems, Inc.	Oracle Corporation	7373	$5,262	$262	20.1x
[6]	06/13/2011	08/19/2011	OpenTable, Inc.	The Priceline Group Inc.	7373	$2,613	$60	43.4x
[7]	04/25/2011	06/14/2011	Fieldglass, Inc.	SAP SE	7373	$1,000	$0	-
[8]	04/06/2011	05/03/2011	Motorola Mobility Holdings, Inc.	Lenovo (United States) Inc.	3663	$2,859	$190	15.0x
[9]	12/20/2010	01/28/2011	Sourcefire, Inc.	Cisco Systems, Inc.	7373	$2,395	$18	129.7x
[10]	12/09/2010	02/22/2011	Acme Packet, Inc.	Oracle Corporation	3576	$2,045	$9	225.5x
[11]	08/30/2010	12/01/2010	General Instrument Corporation	ARRIS International plc	3663	$2,510	$393	6.4x
[12]	06/02/2010	07/23/2010	Sunquest Information Systems, Inc.	Roper Technologies, Inc.	7373	$1,415	$21	67.0x
[13]	06/04/2009	07/15/2009	Paradigm Ltd.	Apax Partners LLP; JMI Equity	7373	$1,000	($1)	-
[14]	12/10/2006	02/16/2007	Motorola Mobility Holdings, Inc.	Alphabet Inc.	3663	$12,033	$305	39.5x
[15]	01/18/2006	03/23/2006	SunGard Higher Education, Inc.	Ellucian, Inc.	7373	$1,775	$0	-
[16]	01/11/2006	08/29/2006	Radiant Systems, Inc.	NCR Corporation	7373	$1,242	$55	22.5x
[17]	06/13/2014	07/24/2014	Syniverse Holdings, Inc.	The Carlyle Group LP	7373	$2,722	$198	13.7x
[18]	03/26/2014	05/02/2014	CommScope Holding Company, Inc.	The Carlyle Group LP	3663	$4,460	$488	9.1x
[19]	01/29/2014	10/30/2014	MorphoTrust USA, LLC.	Safran SA	7373	$1,588	$68	23.3x
[20]	02/04/2013	03/28/2013	Eclipsys Corporation	Allscripts Healthcare Solutions, Inc.	7373	$1,288	$54	23.8x
[21]	07/30/2012	08/22/2012	Stanley, Inc.	CGI Federal Inc.	7373	$1,064	$91	11.7x
[22]	08/15/2011	05/22/2012	3Com Corporation	HP Inc.	3576	$3,401	$142	23.9x
[23]	08/05/2011	01/20/2012	Starent Networks LLC	Cisco Systems, Inc.	3663	$2,828	$104	27.2x
[24]	07/11/2011	08/22/2011	Avocent Corporation	Emerson Electric Co,	3576	$1,302	$81	16.1x
[25]	10/28/2010	01/13/2011	Perot Systems Corporation	Denali Holding Inc.	7373	$4,101	$276	14.9x
[26]	05/07/2010	08/16/2010	Foundry Networks, LLC	Brocade Communications Systems	3576	$2,391	$110	21.8x
[27]	10/13/2009	12/18/2009	Pelco, Inc.	Schneider Electric Buildings AB	3663	$1,679	$0	-
[28]	10/06/2009	12/11/2009	Avaya Inc.	Silver Lake; TPG Capital, L.P.	3663	$8,251	$637	13.0x
[29]	09/21/2009	11/03/2009	Redback Networks Inc.	Telefonaktiebolaget LM Ericsson	7373	$2,068	$13	155.9x
[30]	07/21/2008	12/18/2008	Sabre Holdings Corporation	Silver Lake; TPG Capital, L.P.	7373	$5,607	$419	13.4x
[31]	06/05/2007	10/26/2007	Capgemini Financial Services International	Cap Gemini S.A.	7373	$1,372	$60	22.7x
[32]	12/20/2006	01/23/2007	The Reynolds and Reynolds Company	The Reynolds and Reynolds Company	7373	$2,858	$161	17.8x
[33]	12/12/2006	03/30/2007	Alcatel-Lucent USA Inc.	Alcatel-Lucent	7373	$18,855	$1,415	13.3x

Aruba Networks, Inc.
Summary of Comparable Transactions in certain Equipment and Systems Design SIC Groups
May 18, 2005 - May 18, 2015

#	Announce Date	Close Date	Target Company	Acquirer Company	Target's Primary SIC Code	Transaction Value	Target LTM EBITDA	Transaction Value / LTM EBITDA
[34]	04/02/2006	11/30/2006	Anteon International Corporation	General Dynamics Corporation	7373	$2,230	$138	16.2x
[35]	12/13/2005	06/08/2006	Scientific-Atlanta, LLC	Cisco Systems, Inc.	3663	$6,878	$430	16.0x
[36]	09/28/2005	01/04/2006	IDX Systems Corporation	GE Healthcare Limited	7373	$1,382	$73	19.0x
[37]	06/03/2005	07/29/2005	Engility LLC	L-3 Communications Holdings Inc.	7373	$2,672	$174	15.3x
	Mean							**36.2x**
	Median							**20.5x**

Note: Capital IQ. USD in millions.
Screening Criteria:
1) All Transactions Announced Date: [5/18/2005-5/18/2015]
2) Target SIC Codes: 3576 Computer communications equipment, 3663 Radio and Television communications equipment, 7373 Computer integrated systems design.
3) Transaction closed
4) M&A Transaction only.
5) Target Geographic Region in US and Canada
6) Transaction value over $1 billion.

Aruba Networks, Inc.
Comparable Transaction Valuation

	Type of Multiple	Median EBITDA Multiple	Aruba Networks					
			GAAP EBITDA	Implied Enterprise Value	Net Debt	Implied Equity Value	Shares Outstanding	Implied Equity Value Per Share
[1]	LTM (GAAP)	20.45x	$80.8	$1,652.2	$291.0	$1,943.2	108.32	$17.94

Note: USD in millions.
Sources: Multiples from Exhibit 9. LTM EBITDA from Capital IQ. Net Debt and Shares Outstanding from Exhibit 19A.

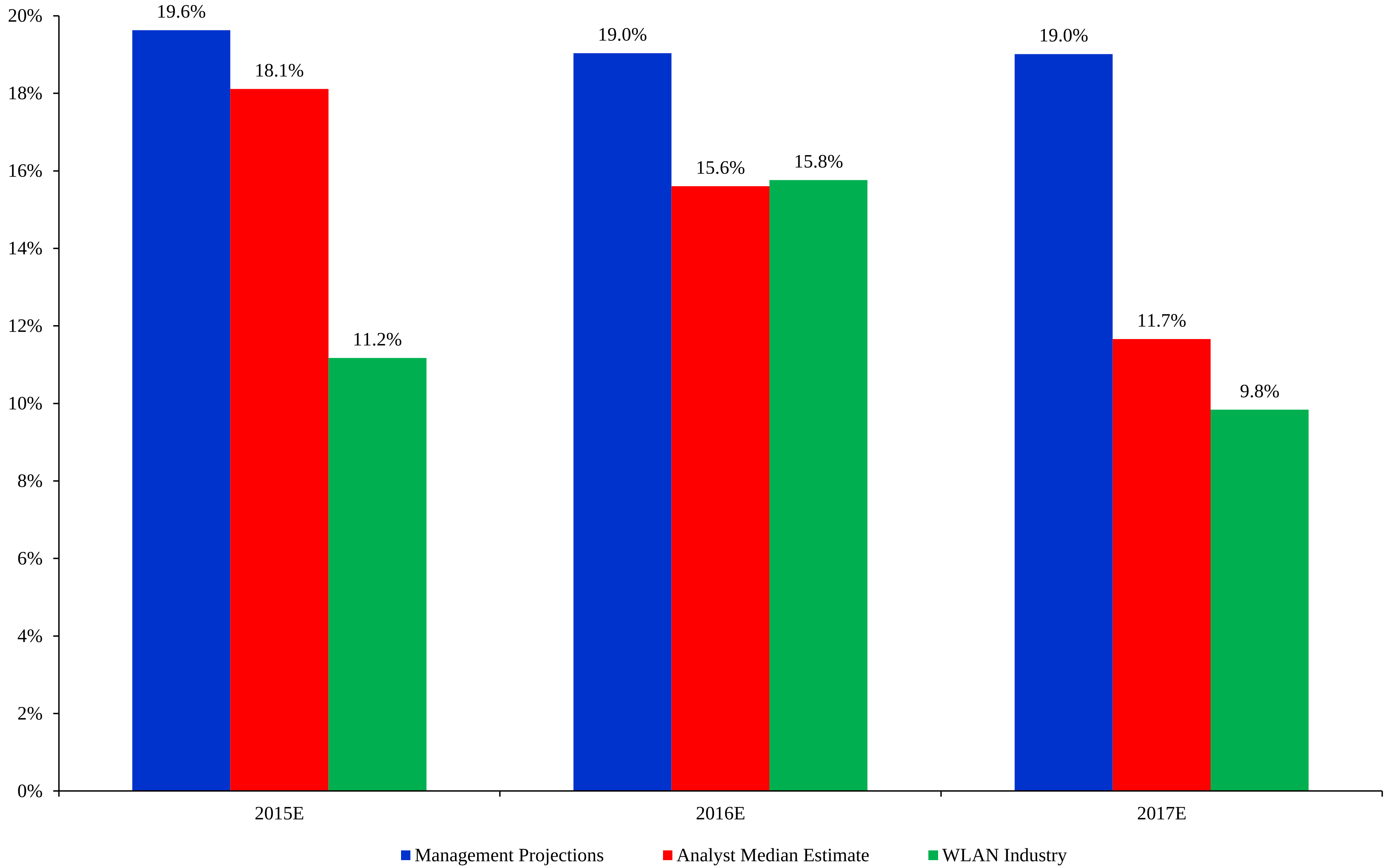
Aruba Networks, Inc.
Comparison of October 2014 and February 2015 Projections

		Fiscal Year Ended July 31,						
		2014A	2015E	2016E	2017E	2018E	2019E	2020E
	Revenue:							
[1]	October 2014 Projections	$729.0	$884.0	$1,096.0	$1,367.0			
[2]	February 2015 Projections	$729.0	$872.0	$1,038.0	$1,235.0	$1,421.0	$1,598.0	$1,758.0
	Revenue Growth Rate:							
[3]	October 2014 Projections		21.3%	24.0%	24.7%			
[4]	February 2015 Projections		19.6%	19.0%	19.0%	15.1%	12.5%	10.0%
	Non-GAAP Gross Profit:							
[4]	October 2014 Projections	$522.0	$630.0	$794.0	$995.0			
[5]	February 2015 Projections	$522.0	$634.0	$762.0	$911.0	$1,051.0	$1,183.0	$1,301.0
	Non-GAAP Gross Profit Margin:							
[5]	October 2014 Projections	71.6%	71.3%	72.4%	72.8%			
[6]	February 2015 Projections	71.6%	72.7%	73.4%	73.8%	74.0%	74.0%	74.0%
	Non-GAAP Operating Income:							
[7]	October 2014 Projections	$128.0	$190.0	$251.0	$350.0			
[8]	February 2015 Projections	$128.0	$199.0	$245.0	$307.0	$355.0	$400.0	$440.0
	Non-GAAP Operating Margin:							
[9]	October 2014 Projections	17.6%	21.5%	22.9%	25.6%			
[10]	February 2015 Projections	17.6%	22.8%	23.6%	24.9%	25.0%	25.0%	25.0%

Note: USD in millions.

[1] - [10]: Aruba Networks, Inc. Schedule 14A, April 3, 2015, p. 56.

Aruba Networks, Inc.
Revenue Growth Rate Estimates: Management vs. Analysts vs. Industry



Source: Exhibit 12B.

Aruba Networks, Inc.
Analyst Revenue Estimates

	Date	Analyst	2015E	2016E	2017E
[1]	02/27/15	Barclays	$862	$996	$1,120
[2]	02/27/15	BMO Capital Markets	$869	$1,022	
[3]	02/27/15	BRG	$862	$980	
[4]	02/27/15	Cowen & Company	$860	$1,028	$1,184
[5]	02/27/15	Deutsche Bank Research	$870	$993	
[6]	02/27/15	Dougherty & Company LLC	$869	$1,000	
[7]	02/27/15	FBN Securities	$871	$995	
[8]	02/27/15	Imperial Capital	$862	$1,014	
[9]	02/27/15	JMP Securities	$857	$970	
[10]	02/27/15	JP Morgan	$861	$996	
[11]	02/27/15	Juda Group	$860	$990	
[12]	02/27/15	Morgan Stanley	$859	$967	
[13]	02/27/15	Oppenheimer	$852	$928	
[14]	02/27/15	Piper Jaffray	$860	$1,000	
[15]	02/27/15	RBC	$868	$1,009	
[16]	02/27/15	Stephens	$855	$975	
[17]	02/27/15	SunTrust Robinson Humphrey	$861	$1,011	
[18]	02/27/15	UBS	$853	$962	$1,087
[19]	02/27/15	Wells Fargo	$866	$1,006	
[20]	02/26/15	William Blair	$865	$1,013	
[21]	02/26/15	Jefferies	$851	$984	
[22]	02/26/15	Macquarie Research	$860	$988	$1,103
[23]	Mean		$862	$992	$1,123
[24]	Median		$861	$995	$1,111

Notes & Sources: See sources on following page.

Aruba Networks, Inc.
Analyst Revenue Estimates

[1]: Aruba Networks, Inc., "Managing the E-Rate Pause Well, Raising Target," Barclays, February 27, 2015, p. 2.

[2]: Aruba Networks, Inc., " Solid Results and Some M&A Uncertainty; Raising Estimates and Target," BMO Capital Markets, February 27, 2015, p. 1.

[3]: Aruba Networks, Inc., "Results Beat, Operating Leverage Improves but Education Pause Impacts Guide, BRG, February 27, 2015, p. 1.

[4]: Aruba Networks, Inc.," FY2Q15: Growth Outlook As Expected; Ongoing Margin Improvement; Not Too Late," Cowen & Company, February 27, 2015, p. 1.

[5]: Aruba Networks, Inc., "Q4 Results," Deutsche Bank, February 27, 2015, p. 2.

[6]: Aruba Networks, Inc., "Better-Than-Expected Results; E-Rate Timing influences Prudent Outlook," Dougherty & Company, February 27, 2015, p. 1.

[7]: Aruba Networks, Inc., "ARUN - Strong Execution and Possible Acquisition by HPQ - Raising PT to $24," FBN Securities, February 27, 2015, p. 1.

[8]: Aruba Networks, Inc., "2Q15 Review—Executing in a Tough Environment; Maintaining Our Outperform Rating and Increasing Our Price Target to $27 from $19," Imperial Capital, February 27, 2015, p.1.

[9]: Aruba Networks, Inc., "Comunications Infrastructure & Internet Security - Estimate Changes," JMP Securities, February 27, 2015, p.1.

[10]: Aruba Networks, Inc., "FQ2'15 Wrap: A Beat and Raise though Guidance Range Was Wide Due to E-rate Uncertainty. Reit. N.," JP Morgan, February 27, 2015, p. 3.

[11]: Aruba Networks, Inc., "Moderating Growth Though Fundamentals Solid," The Juda Group, February 27, 2015, p. 1.

[12]: Aruba Networks, Inc., "Coping Well with K-12 Purchase Delays; HP Matters Most," Morgan Stanley, p. 4.

[13]: Aruba Networks, Inc., "Fed. Eases The K - 12 Sting," Oppenheimer, February 27, 2015, p. 1.

[14]: Aruba Networks, Inc., "FQ2 Sees Continued Execution, Strong Fed And Improving Margins; Reiterate OW," Piper Jaffray, February 27, 2015, p. 1.

[15]: Aruba Networks, Inc., "Solid Results; E-Rate overhang ahead," RBC Capital Markets, February 27, 2015, p. 1.

[16]: Aruba Networks, Inc., "Solid 2Q15; E-Rate Causes 3Q Uncertainty as Expected, " Stephens, February 27, 2015, p.1.

[17]: Aruba Networks, Inc., "F2Q15: Solid Quarter; Raise PT to $28," SunTrust Robinson Humphrey, p. 1.

[18]: Aruba Networks, Inc., "Solid Exececution in a relatively tough environment," UBS, February 27, 2015, p. 1.

[19]: Aruba Networks, Inc., "ARUN Fundamentals Appear Solid -- Attention Shifts To E-rate & HP," Wells Fargo, February 27, 2015, p. 1.

[20]: Aruba Networks, Inc., "Better-Than-Expected Print and Prudent Guidance; fundamentals Strong With or Without M&A," William Blair, February 26, 2015, p. 1.

[21]: Aruba Networks, Inc., "No Comment on HP Speculation… Maintain Hold Rating," Jefferies, February 26, 2015, p. 1.

[22]: Aruba Networks, Inc., "US Federal drives strong quarter," Macquarie Research, February 26, 2015, p. 1.

Aruba Networks, Inc.
Discounted Cash Flow - Qatalyst Model

		Fiscal Year Ended July 31,					Terminal
		2015	2016	2017	2018	2019	2020
[1]	Revenue	$451.0	$1,038.0	$1,235.4	$1,420.7	$1,598.3	$1,758.1
[2]	Operating Income	105.0	244.9	307.5	355.2	399.6	439.5
[3]	Cash Taxes	(4.2)	(9.8)	(76.9)	(88.8)	(99.9)	(109.9)
[4]	Tax Rate	4.0%	4.0%	25.0%	25.0%	25.0%	25.0%
[4]	NOPAT	109.2	235.1	230.6	266.4	299.7	329.7
[5]	Plus: Depreciation	8.0	20.3	61.1	28.5	32.8	35.3
[6]	Less: Capital Expenditure	(8.8)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[7]	Less: Increase in Working Capital	(15.0)	9.1	37.0	18.6	17.8	16.5
[9]	Unlevered Free Cash Flow	93.4	240.6	260.8	283.4	317.5	346.1
[10]	Valuation Date	01/31/15					
[11]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[12]	Discount Period	0.25	1.00	2.00	3.00	4.00	5.00
[13]	Discount Rate	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%
[14]	Discount Factor	0.97	0.89	0.79	0.71	0.63	0.56
[15]	Percent of Cash Flow Available	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
[16]	Discounted Cash Flow	90.8	214.5	207.1	200.5	200.1	

Enterprise Value Calculation

[17]	Terminal NOPAT	$329.7
[18]	NOPAT Multiple	13.50x
[19]	Future Value of Terminal Value	$4,450.3
[20]	Present Value of Terminal Value	$2,645.8
[21]	Present Value of Free Cash Flows	$912.8
[22]	Enterprise Value	$3,559

Equity Value Per Share Calculation

[23]	Enterprise Value	$3,558.6
[24]	Plus: Cash	$291.0
[25]	Less: Debt	$0.0
[26]	Equity Value	$3,849.6
[27]	Shares Outstanding	153.0
[28]	Equity Value Per Share	**$25.16**

Note: Minor differences due to rounding.

Sources: QP00014163.xlsx and Qatalyst Partners, Project Athens, Materials For Discussion, DRAFT, March 2015 (ARUN000093-130) at 110 and 111.

Aruba Networks, Inc.
Discounted Cash Flow - Qatalyst Model Without Dilution Factor But With SBC Expense

		Fiscal Year Ended July 31,					Terminal
		2015	2016	2017	2018	2019	2020
[1]	Revenue	$451.0	$1,038.0	$1,235.4	$1,420.7	$1,598.3	$1,758.1
[2]	Operating Income	105.0	244.9	307.5	355.2	399.6	439.5
[3]	SBC Expense	(24.3)	(55.9)	(66.6)	(76.6)	(86.1)	(94.8)
[4]	% of Revenue	*5.4%*	*5.4%*	*5.4%*	*5.4%*	*5.4%*	*5.4%*
[5]	Adjusted Operating Income	80.7	189.0	240.9	278.6	313.4	344.8
[6]	Cash Taxes	(3.2)	(7.6)	(60.2)	(69.7)	(78.4)	(86.2)
[7]	Tax Rate	4.0%	4.0%	25.0%	25.0%	25.0%	25.0%
[7]	NOPAT	77.5	181.4	180.7	209.0	235.1	258.6
[8]	Plus: Depreciation	8.0	20.3	61.1	28.5	32.8	35.3
[9]	Less: Capital Expenditure	(8.8)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[10]	Less: Increase in Working Capital	(15.0)	9.1	37.0	18.6	17.8	16.5
[12]	Unlevered Free Cash Flow	61.7	186.9	210.8	226.0	252.9	275.0
[13]	Valuation Date	01/31/15					
[14]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[15]	Discount Period	0.25	1.00	2.00	3.00	4.00	5.00
[16]	Discount Rate	12.25%	12.25%	12.25%	12.25%	12.25%	12.25%
[17]	Discount Factor	0.97	0.89	0.79	0.71	0.63	0.56
[18]	Percent of Cash Flow Available	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
[19]	Discounted Cash Flow	59.9	166.6	167.4	159.9	159.4	

Enterprise Value Calculation

[20]	Terminal NOPAT	$258.6
[21]	NOPAT Multiple	13.50x
[22]	Future Value of Terminal Value	$3,490.8
[23]	Present Value of Terminal Value	$2,075.3
[24]	Present Value of Free Cash Flows	$713.1
[25]	Enterprise Value	$2,788

Equity Value Per Share Calculation

[26]	Enterprise Value	$2,788.5
[27]	Plus: Cash	$291.0
[28]	Less: Debt	$0.0
[29]	Equity Value	$3,079.5
[30]	Shares Outstanding	122.4
[31]	**Equity Value Per Share**	**$25.16**

Note: Minor differences due to rounding.

Sources: QP00014163.xlsx and Qatalyst Partners, Project Athens, Materials For Discussion, DRAFT, March 2015 (ARUN000093-130) at 110 and 111.

Aruba Networks, Inc.
Summary of Net Outflow from ESO Exercise

		2008A	2009A	2010A	2011A	2012A	2013A	2014A	Average	2015E	2016E	2017E	2018E
[1]	Total Amount Spent on Share Repurchases	($2.2)	($0.5)	$0.3	$0.0	($19.9)	($86.2)	($263.0)					
[2]	Total Number of Shares Repurchased	(0.5)	(0.2)	(0.0)	0.0	(1.4)	(5.3)	(14.7)					
[3]	Average Price of Share Repurchased	$4.63	$2.59	$11.33	$25.13	$14.11	$16.23	$17.86					
[4]	Number of Shares Underlying Exercised ESO & RSA	3.5	2.9	4.9	7.6	6.5	6.3	7.7					
[5]	Cash Outflow to Repurchase ESO Shares	$16.2	$7.6	$55.2	$190.4	$92.1	$102.0	$137.9					
[6]	Proceeds from ESO Exercise	$6.3	$1.9	$8.1	$29.8	$21.4	$19.2	$10.4					
[7]	Tax Benefit from ESO Exercise	$0.1	$0.1	$0.1	($0.2)	$19.8	$0.3	$15.7					
[8]	Cash Inflow from ESO Exercise	$6.4	$2.0	$8.2	$29.6	$41.2	$19.5	$26.0					
[9]	Net Cash Outflow from ESO Exercise	($9.8)	($5.6)	($47.0)	($160.9)	($50.9)	($82.5)	($111.9)					
[10]	Net Cash Outflow as % of Revenue	-5%	-3%	-18%	-41%	-10%	-14%	-15%	-15%				
[11]	SBC Expense	($19.3)	($24.6)	($36.1)	($63.8)	($83.9)	($96.2)	($111.2)		($102.5)	($106.6)	($126.8)	($145.9)
[12]	Revenue	$178.3	$199.3	$266.5	$396.5	$516.8	$600.0	$728.9		$872.0	$1,038.0	$1,235.4	$1,420.7
[13]	SBC Expense as % of Revenue	11%	12%	14%	16%	16%	16%	15%	14%	12%	10%	10%	10%
[14]	Restricted Stock Awards Granted	3.67	1.63	1.73	4.46	7.71	7.25	4.35					
[15]	Stock Options Granted	2.99	10.49	5.77	1.85	0.18	0.00	0.00					
[16]	Total SBC Grants	6.67	12.12	7.51	6.31	7.89	7.25	4.35					

Sources: Aruba Networks, Inc. SEC Forms 10-K; Aruba Networks, Inc. internal documents.
[1]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 54. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 59. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 70.
[2]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 54. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 59. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 70.
[3] = [1] / [2]. There were no scheduled stock repurchases in 2010 and 2011. The average closing price of the common stock for those years was used in place of the average repurchase price.
[4]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 53. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 58. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 68.
[5] = [3] * [4]
[6]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 54. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 59. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 70.
[7]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 54. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 59. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 70.
[8] = [6] + [7]
[9] = [8] - [5]
[10] = [9] / [12]
[11]: Exhibit 1B. Exhibit 15.
[12]: Exhibit 1B. Exhibit 15.
[13] = [11] / [12]
[14]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 74. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 83. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 91.
[15]: Aruba Networks, Inc. Form 10-K, July 31, 2010, p. 74. Aruba Networks, Inc. Form 10-K, July 31, 2011, p. 83. Aruba Networks, Inc. Form 10-K, July 31, 2014, p. 91.
[16] = [14] + [15]

Aruba Networks, Inc.
Forecast Prepared by Aruba

		Fiscal Year Ended July 31,					
		2015E	2016E	2017E	2018E	2019E	2020E
[1]	Revenue	872.0	1,038.0	1,235.4	1,420.7	1,598.3	1,758.1
[2]	COGS	(238.9)	(275.6)	(324.0)	(369.4)	(415.6)	(457.1)
[3]	Non-GAAP Gross Profit	633.1	762.5	911.4	1,051.3	1,182.7	1,301.0
[4]	Total Operating Expenses	(433.7)	(517.5)	(603.9)	(696.2)	(783.2)	(861.5)
[5]	Non-GAAP Operating Income	199.3	244.9	307.5	355.2	399.6	439.5
[6]	Depreciation	16.7	20.3	61.1	28.5	32.8	35.3
[7]	Non-GAAP EBITDA	216.1	265.3	368.6	383.7	432.4	474.8
[8]	Stock Based Compensation	102.5	106.6	126.8	145.9	164.1	180.5
[9]	GAAP EBITDA	113.6	158.7	241.8	237.8	268.3	294.3
[10]	Capital Expenditure	20.9	23.9	67.9	30.0	32.8	35.3
[11]	Working Capital	(1.7)	9.1	37.0	18.6	17.8	16.5
[11]	**Summary of Margins and Growth Rates**						
[12]	Revenue Growth Rate	*19.6%*	*19.0%*	*19.0%*	*15.0%*	*12.5%*	*10.0%*
[13]	Non-GAAP Gross Profit Margin	*72.6%*	*73.5%*	*73.8%*	*74.0%*	*74.0%*	*74.0%*
[14]	Non-GAAP Operating Income Margin	*22.9%*	*23.6%*	*24.9%*	*25.0%*	*25.0%*	*25.0%*
[15]	Non-GAAP EBITDA Margin	*24.8%*	*25.6%*	*29.8%*	*27.0%*	*27.1%*	*27.0%*
[16]	GAAP EBITDA Margin	*13.0%*	*15.3%*	*19.6%*	*16.7%*	*16.8%*	*16.7%*
[17]	SBC Margin	*11.7%*	*10.3%*	*10.3%*	*10.3%*	*10.3%*	*10.3%*
[18]	D&A Margin	*1.9%*	*2.0%*	*4.9%*	*2.0%*	*2.1%*	*2.0%*
[19]	Capital Expenditure Margin	*2.4%*	*2.3%*	*5.5%*	*2.1%*	*2.1%*	*2.0%*

Notes: USD in millions, except per share data.
Sources: All figures from ArubaAA0053461.xlsx except Stock Based Compensation. Stock Based Compensation for FY 2015 to 2017 from BARC-ARU_00033967 at tab: "ARUN P&L." FY 2018 to FY 2020 Stock Based Compensation assumes the same percentage of revenue as FY 2017.

Aruba Networks, Inc.
Long Term Estimates of Inflation Growth and GDP Growth
As of May 18, 2015

	Source	Time Period	Expected Real GDP Growth Rate	Expected Inflation Growth Rate		Expected Nominal GDP Growth Rate
				Amount	Type	
[1]	Congressional Budget Office	2020 – 2025	2.20%	2.00%	PCE Index	4.20%
[2]	Budget of US Government	2025	2.30%	2.30%	CPI Index	4.60%
[3]	Blue Chip Economic Indicators	2025	2.30%	2.30%	CPI Index	4.60%
[4]	Livingston Survey	2014 – 2024	2.50%	2.25%	CPI Index	4.75%
[5]	Energy Information Administration	2013 – 2040	2.40%	2.00%	CPI Index	4.40%
[6]	Mean			2.17%		4.51%
[7]	Median			2.25%		4.60%

[1]: Congressional Budget Office, The Budget and Economic Outlook: 2015 to 2025, January 2015, pp. 30 and 47. PCE Index is Personal Consumption Expenditures (published annually).

[2]: Fiscal Year 2015, Analytical Perspectives, Budget of the U.S. Government, February 2015, p. 14 (published annually).

[3]: *Id.*

[4]: The Livingston Survey, December 12, 2014, p. 4 (published biannually).

[5]: U.S. Energy Information Administration, Annual Energy Outlook 2015, April 16, 2015, p. A-38 (published annually).

Aruba Networks, Inc.
2 Year Weekly Adjusted Beta of Reference Companies

	Company	Capitalization as of May 18, 2015								
		Price Per Share [A]	Market Capitalization [B]	Total Debt [C]	Debt / Equity [D]	Debt / Capital [E]	Effective Tax Rate [F]	Adj. Equity Beta [G]	Beta Significance [H]	Unlevered Beta [I]
[1]	Ruckus Wireless, Inc.	$11.17	$966.9	$0.0	0.0%	0.0%	37.3%	1.41	0.00	1.41
[2]	Cisco Systems, Inc.	$29.76	$151,917.0	$20,522.0	13.5%	11.9%	18.8%	1.05	0.00	0.94
[3]	Ubiquiti Networks, Inc.									
[4]	Aerohive Networks, Inc.									
[5]	Brocade Communications Systems, Inc.	$12.25	$5,175.5	$1,084.4	21.0%	17.3%	31.4%	1.29	0.00	1.13
[6]	F5 Networks, Inc.	$127.35	$9,160.6	$0.0	0.0%	0.0%	36.5%	1.10	0.00	1.10
[7]	Juniper Networks, Inc.	$27.62	$10,905.4	$1,948.6	17.9%	15.2%	35.0%	1.11	0.00	0.99
[8]	Mean				10.5%		31.8%	1.19		1.11
[9]	Median				13.5%		35.0%	1.11		1.10
[10]	Aruba Networks, Inc.	$18.38	$2,017.5	$0.0	0.0%	0.0%	221.4%	0.87	0.03	0.87

Notes: All data as of May 18, 2015 except Aruba. Aruba data as of February 24, 2015.
[A]: Capital IQ.
[B]: Capital IQ.
[C]: Capital IQ.
[D] = [C] / [B]
[E] = [C] / ([B] + [C])
[F]: Capital IQ. As of May 18, 2015. Aruba data as of February 24, 2015.
[G]: Bloomberg. Two year weekly adjusted beta as of May 18, 2015 for peers and as of February 24, 2015 for Aruba.
[H]: Bloomberg. If statistical significance of beta is greater than .05, company beta is excluded from mean and median.
[I] = [G] / (1 + [D] * (1 - [F]))

Aruba Networks, Inc.
5 Year Weekly Adjusted Beta of Reference Companies

		Capitalization as of May 18, 2015								
	Company	**Price Per Share [A]**	**Market Capitalization [B]**	**Total Debt [C]**	**Debt / Equity [D]**	**Debt / Capital [E]**	**Effective Tax Rate [F]**	**Adj. Equity Beta [G]**	**Beta Significance [H]**	**Unlevered Beta [I]**
[1]	Ruckus Wireless, Inc.									
[2]	Cisco Systems, Inc.	$29.76	$151,917.0	$20,522.0	13.5%	11.9%	18.8%	1.06	0.00	0.95
[3]	Ubiquiti Networks, Inc.									
[4]	Aerohive Networks, Inc.									
[5]	Brocade Communications Systems, Inc.	$12.25	$5,175.5	$1,084.4	21.0%	17.3%	31.4%	1.21	0.00	1.06
[6]	F5 Networks, Inc.	$127.35	$9,160.6	$0.0	0.0%	0.0%	36.5%	1.40	0.00	1.40
[7]	Juniper Networks, Inc.	$27.62	$10,905.4	$1,948.6	17.9%	15.2%	35.0%	1.33	0.00	1.19
[8]	Mean				13.1%		30.4%	1.25		1.15
[9]	Median				15.7%		33.2%	1.27		1.12
[10]	Aruba Networks, Inc.	$18.38	$2,017.5	$0.0	0.0%	0.0%	221.4%	1.41	0.00	1.41

Notes: All data as of May 18, 2015 except Aruba. Aruba data as of February 24, 2015. Aerohive is excluded due to insufficient data points.
[A]: Capital IQ.
[B]: Capital IQ.
[C]: Capital IQ.
[D] = [C] / [B]
[E] = [C] / ([B] + [C])
[F]: Capital IQ. As of May 18, 2015. Aruba data as of February 24, 2015.
[G]: Bloomberg. Five year weekly adjusted beta as of May 18, 2015 for peers and as of February 24, 2015 for Aruba.
[H]: Bloomberg. If statistical significance of beta is greater than .05, company beta is excluded from mean and median.
[I] = [G] / (1 + [D] * (1 - [F]))

Aruba Networks, Inc.
5 Year Monthly Adjusted Beta of Reference Companies

	Company	Capitalization as of May 18, 2015 Price Per Share [A]	Market Capitalization [B]	Total Debt [C]	Debt / Equity [D]	Debt / Capital [E]	Effective Tax Rate [F]	Adj. Equity Beta [G]	Beta Significance [H]	Unlevered Beta [I]
[1]	Ruckus Wireless, Inc.									
[2]	Cisco Systems, Inc.	$29.76	$151,917.0	$20,522.0	13.5%	11.9%	18.8%	1.22	0.00	1.10
[3]	Ubiquiti Networks, Inc.									
[4]	Aerohive Networks, Inc.									
[5]	Brocade Communications Systems, Inc.	$12.25	$5,175.5	$1,084.4	21.0%	17.3%	31.4%	1.07	0.00	0.94
[6]	F5 Networks, Inc.	$127.35	$9,160.6	$0.0	0.0%	0.0%	36.5%	1.59	0.00	1.59
[7]	Juniper Networks, Inc.	$27.62	$10,905.4	$1,948.6	17.9%	15.2%	35.0%	1.54	0.00	1.38
[8]	Mean				13.1%		30.4%	1.36		1.25
[9]	Median				15.7%		33.2%	1.38		1.24
[10]	Aruba Networks, Inc.	$18.38	$2,017.5	$0.0	0.0%	0.0%	221.4%	1.46	0.00	1.46

Notes: All data as of May 18, 2015 except Aruba. Aruba data as of February 24, 2015.
[A]: Capital IQ.
[B]: Capital IQ.
[C]: Capital IQ.
[D] = [C] / [B]
[E] = [C] / ([B] + [C])
[F]: Capital IQ. As of May 18, 2015. Aruba data as of February 24, 2015.
[G]: Bloomberg. Five year monthly adjusted beta as of May 18, 2015 for peers and as of February 24, 2015 for Aruba.
[H]: Bloomberg. If statistical significance of beta is greater than .05, company beta is excluded from mean and median.
[I] = [G] / (1 + [D] * (1 - [F]))

Aruba Networks, Inc.
Summary of WACCs

	Source	Date	Beta	WACC Point Estimate	WACC Range Low	WACC Range Mid	WACC Range High
	Dages Calculated WACCs						
[1]	Aruba 2 Yr. Weekly, Adj.		0.87	8.17%			
[2]	Aruba 5 Yr. Weekly, Adj.		1.41	11.52%			
[3]	Aruba 5 Yr. Monthly, Adj.		1.46	11.81%			
[4]	Mean			10.50%			
[5]	Median			11.52%			
[6]	Industry 2 Year Weekly Mean Beta	05/18/15	1.11	9.67%			
[7]	Industry 2 Year Weekly Median Beta	05/18/15	1.10	9.58%			
[8]	Industry 5 Year Weekly Mean Beta	05/18/15	1.15	9.89%			
[9]	Industry 5 Year Weekly Median Beta	05/18/15	1.12	9.73%			
[10]	Industry 5 Year Monthly Mean Beta	05/18/15	1.25	10.52%			
[11]	Industry 5 Year Monthly Median Beta	05/18/15	1.24	10.46%			
[12]	Mean			9.98%			
[13]	Median			9.81%			
	Investment Banks						
[14]	Barclays	02/27/15			11.00%	12.00%	13.00%
[15]	Evercore	02/04/15			11.00%	12.00%	13.00%
[16]	Qatalyst	03/2015			10.50%	12.25%	14.00%
[17]	Mean				10.83%	12.08%	13.33%
[18]	Median				11.00%	12.00%	13.00%
	Analysts						
[19]	Deutsche Bank	02/26/15		12.00%			
[20]	BRG	02/26/15		12.00%			
[21]	Mean			12.00%			
[22]	Median			12.00%			

Aruba Networks, Inc.
Summary of WACCs

Source	Date	Beta	WACC Point Estimate	WACC Range Low	WACC Range Mid	WACC Range High

Notes & Sources: Dages Calculated WACCs assume risk-free rate of 2.75% and equity risk premium of 6.21%. Yield of 20-year U.S. Treasury constant maturity as of May 18, 2015. Federal Reserve Economic Data (FRED). Supply Side Equity Risk Premium as of December 31, 2014. Duff & Phelps, 2015 Valuation Handbook, Guide to Cost of Capital.

[1]: Exhibit 17A.
[2]: Exhibit 17B.
[3]: Exhibit 17C.
[4] = AVERAGE([1] : [3])
[5] = MEDIAN([1] : [3])
[6]: Exhibit 17A.
[7]: Exhibit 17A.
[8]: Exhibit 17B.
[9]: Exhibit 17B.
[10]: Exhibit 17C.
[11]: Exhibit 17C.
[12] = AVERAGE([6] : [11])
[13] = MEDIAN([6] : [11])
[14]: Project Aspen Board Materials, Barclays, February 27, 2015, ArubaAA0519986, p. 19.
[15]: Project Athens, Evercore, February 4, 2015, EVERCORE00011432, p. 19.
[16]: Project Athens, Materials For Discussion, DRAFT, March 2015, ARUN000116, p. 24.
[17] = AVERAGE([14] : [16])
[18] = MEDIAN([14] : [16])
[19]: Aruba Networks, Inc., "Q4 Results", Deutsche Bank, February 27, 2015, p. 4.
[20]: Aruba Networks, Inc., "Potential Acquisition by HP Elevates Interest in WLAN", BRG, February 26, 2015, p. 6.
[21] = AVERAGE([19] : [20])
[22] = MEDIAN([19] : [20])

Aruba Networks, Inc.
Discounted Cash Flow

		Fiscal Year Ended July 31, 2015	2016	2017	2018	2019	2020
[1]	Revenue	$872.0	$1,038.0	$1,235.4	$1,420.7	$1,598.3	$1,758.1
[2]	EBITDA	113.6	158.7	241.8	237.8	268.3	294.3
[3]	Less: Depreciation	(16.7)	(20.3)	(61.1)	(28.5)	(32.8)	(35.3)
[4]	EBIT	96.9	138.3	180.6	209.3	235.5	259.0
[5]	Less: Taxes (@ 30.00%)	(29.1)	(41.5)	(54.2)	(62.8)	(70.6)	(77.7)
[6]	After Tax EBIT	67.8	96.8	126.5	146.5	164.8	181.3
[7]	Plus: Depreciation	16.7	20.3	61.1	28.5	32.8	35.3
[8]	Less: Capital Expenditure	(20.9)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[9]	Less: Increase in Working Capital	(1.7)	9.1	37.0	18.6	17.8	16.5
[10]	Unlevered Free Cash Flow	61.9	102.3	156.6	163.6	182.6	197.8
[11]	Valuation Date	05/18/15					
[12]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[13]	Discount Period	0.10	0.70	1.70	2.70	3.70	4.70
[14]	Discount Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
[15]	Discount Factor	0.99	0.93	0.84	0.75	0.68	0.61
[16]	Percent of Cash Flow Available	20.3%	100.0%	100.0%	100.0%	100.0%	100.0%
[17]	Discounted Cash Flow	12.4	95.1	131.1	123.4	124.1	121.1

Enterprise Value Calculation

[18]	Terminal Free Cash Flow	$197.8
[19]	Perpetuity Growth Rate	2.75%
[20]	Future Value of Terminal Value	$2,463.3
[21]	Present Value of Terminal Value	$1,507.9
[22]	Present Value of Free Cash Flows	$607.2
[23]	Enterprise Value	$2,115.1

Equity Value Per Share Calculation

[24]	Enterprise Value	$2,115.1
[25]	Plus: Cash & ST Inv.	$291.0
[26]	Less: Debt	$0.0
[27]	Equity Value	$2,406.1
[28]	Shares Outstanding	121.2
[29]	**Equity Value Per Share**	**$19.85**
[30]	% of Value in Terminal Value	71%
[31]	Implied Terminal EBITDA Mult.	8.4x

Discount Rate	Enterprise Value – Perpetuity Growth Rate 2.25%	2.75%	3.25%	Equity Value Per Share – Perpetuity Growth Rate 2.25%	2.75%	3.25%
10.50%	$2,147.5	$2,254.4	$2,376.0	$20.12	$20.99	$21.99
11.00%	$2,022.0	$2,115.1	$2,220.2	$19.09	$19.85	$20.71
11.50%	$1,910.2	$1,991.8	$2,083.4	$18.18	$18.84	$19.59

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow

[1]: Exhibit 15.
[2]: Exhibit 15.
[3]: Exhibit 15.
[4] = [2] + [3]
[5] = - [4] * 30.0%. Assume effective tax rate of 30.0% from ArubaAA0053461.xlsx
[6] = [4] + [5]
[7] = - [3]
[8]: Exhibit 15.
[9]: Exhibit 15.
[10] = [6]+ [7] + [8] + [9]
[11]: *See* Paragraph 6.
[12]: Aruba fiscal year ends 7/31.
[13]: Assume mid period discounting and valuation date of May 18, 2015.
[14]: Exhibit 18.
[15] = 1 / (1 + [14]) ^ [15]
[16]: 20.3% represents percent of a year between May 18, 2015 and July 31, 2015.
[17] = [10] * [15] * [16]
[18]: FY 2020 Line [10].
[19]: Assumed PGR of 2.75%
[20] = ([18] * (1 + [19])) / ([14] - [19])
[21] = [20] * FY 2020 Line [15]
[22] = Sum Line [17]
[23] = [21] + [22]
[24] = [23]
[25]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[26]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[27] = [24] + [25] + [26]
[28]: I use the treasury method for my options dilution calculation. Shares outstanding as of March 5, 2015 of 108,315,234 shares from Aruba Networks Form 10-Q, January 31, 2015. Schedule of options from BARC-ARU_00033967.xls at tab: “Assumptions.”
[29] = [27] / [28]
[30] = [21] / [23]
[31] = [20] / FY 2020 Line [2]

Aruba Networks, Inc.
Discounted Cash Flow with Adjusted Revenue Projections and SBC Expense Disclosed In Proxy

		Fiscal Year Ended July 31,					
		2015	**2016**	**2017**	**2018**	**2019**	**2020**
[1]	Revenue	$872.0	$983.3	$1,108.8	$1,241.9	$1,378.5	$1,516.3
[2]	EBITDA	120.1	166.3	244.8	239.4	264.9	284.5
[3]	Less: Depreciation	(16.7)	(20.3)	(61.1)	(28.5)	(32.8)	(35.3)
[4]	EBIT	103.3	145.9	183.7	210.9	232.1	249.2
[5]	Less: Taxes (@ 30.00%)	(31.0)	(43.8)	(55.1)	(63.3)	(69.6)	(74.8)
[6]	After Tax EBIT	72.3	102.2	128.6	147.6	162.5	174.5
[7]	Plus: Depreciation	16.7	20.3	61.1	28.5	32.8	35.3
[8]	Less: Capital Expenditure	(20.9)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[9]	Less: Increase in Working Capital	(1.7)	9.1	37.0	18.6	17.8	16.5
[10]	Unlevered Free Cash Flow	66.4	107.6	158.8	164.7	180.3	190.9
[11]	Valuation Date	05/18/15					
[12]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[13]	Discount Period	0.10	0.70	1.70	2.70	3.70	4.70
[14]	Discount Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
[15]	Discount Factor	0.99	0.93	0.84	0.75	0.68	0.61
[16]	Percent of Cash Flow Available	20.3%	100.0%	100.0%	100.0%	100.0%	100.0%
[17]	Discounted Cash Flow	13.3	100.0	132.9	124.2	122.5	116.9

Enterprise Value Calculation

[18]	Terminal Free Cash Flow	$190.9
[19]	Perpetuity Growth Rate	2.75%
[20]	Future Value of Terminal Value	$2,377.8
[21]	Present Value of Terminal Value	$1,455.6
[22]	Present Value of Free Cash Flows	$609.8
[23]	Enterprise Value	$2,065.4

Equity Value Per Share Calculation

[24]	Enterprise Value	$2,065.4
[25]	Plus: Cash & ST Inv.	$291.0
[26]	Less: Debt	$0.0
[27]	Equity Value	$2,356.4
[28]	Shares Outstanding	121.2
[29]	**Equity Value Per Share**	**$19.45**
[30]	% of Value in Terminal Value	70%
[31]	Implied Terminal EBITDA Mult.	8.4x

	Enterprise Value			Equity Value Per Share		
Discount	Perpetuity Growth Rate			Perpetuity Growth Rate		
Rate	2.25%	2.75%	3.25%	2.25%	2.75%	3.25%
10.50%	$2,096.9	$2,200.0	$2,317.4	$19.70	$20.55	$21.51
11.00%	$1,975.6	$2,065.4	$2,166.9	$18.71	$19.45	$20.28
11.50%	$1,867.4	$1,946.2	$2,034.6	$17.83	$18.47	$19.19

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow with Adjusted Revenue Projections and SBC Expense Disclosed In Proxy

[1]: FY 2015 from Exhibit 15. Assume 2016, 2017, 2018, 2019, and 2020 growth rates of: 12.76%, 12.76%, 12.00%, 11.00%, and 10.00%, respectively.
[2]: Exhibit 15. Assume same Non-GAAP EBITDA margin as Exhibit 15, but subtracts SBC disclosed in Proxy, p. 57.
[3]: Exhibit 15.
[4] = [2] + [3]
[5] = - [4] * 30.0%. Assume effective tax rate of 30.0% from ArubaAA0053461.xlsx.
[6] = [4] + [5]
[7] = - [3]
[8]: Exhibit 15.
[9]: Exhibit 15.
[10] = [6]+ [7] + [8] + [9]
[11]: *See* Paragraph 6.
[12]: Aruba fiscal year ends 7/31.
[13]: Assume mid period discounting and valuation date of May 18, 2015.
[14]: Exhibit 18.
[15] = 1 / (1 + [14]) ^ [15]
[16]: 20.3% represents percent of a year between May 18, 2015 and July 31, 2015.
[17] = [10] * [15] * [16]
[18]: FY 2020 Line [10].
[19]: Assumed PGR of 2.75%
[20] = ([18] * (1 + [19])) / ([14] - [19])
[21] = [20] * FY 2020 Line [15]
[22] = Sum Line [17]
[23] = [21] + [22]
[24] = [23]
[25]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[26]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[27] = [24] + [25] + [26]
[28]: I use the treasury method for my options dilution calculation. Shares outstanding as of March 5, 2015 of 108,315,234 shares from Aruba Networks Form 10-Q, January 31, 2015. Schedule of options from BARC-ARU_00033967.xls at tab: “Assumptions.”
[29] = [27] / [28]
[30] = [21] / [23]
[31] = [20] / FY 2020 Line [2]

Aruba Networks, Inc.
Discounted Cash Flow with Adjusted Revenue Projections

		Fiscal Year Ended July 31, 2015	2016	2017	2018	2019	2020
[1]	Revenue	$872.0	$983.3	$1,108.8	$1,241.9	$1,378.5	$1,516.3
[2]	EBITDA	113.6	150.3	217.0	207.9	231.4	253.8
[3]	Less: Depreciation	(16.7)	(20.3)	(61.1)	(28.5)	(32.8)	(35.3)
[4]	EBIT	96.9	130.0	155.9	179.4	198.6	218.5
[5]	Less: Taxes (@ 30.00%)	(29.1)	(39.0)	(46.8)	(53.8)	(59.6)	(65.6)
[6]	After Tax EBIT	67.8	91.0	109.1	125.6	139.0	153.0
[7]	Plus: Depreciation	16.7	20.3	61.1	28.5	32.8	35.3
[8]	Less: Capital Expenditure	(20.9)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[9]	Less: Increase in Working Capital	(1.7)	9.1	37.0	18.6	17.8	16.5
[10]	Unlevered Free Cash Flow	61.9	96.4	139.3	142.6	156.8	169.4
[11]	Valuation Date	05/18/15					
[12]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[13]	Discount Period	0.10	0.70	1.70	2.70	3.70	4.70
[14]	Discount Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
[15]	Discount Factor	0.99	0.93	0.84	0.75	0.68	0.61
[16]	Percent of Cash Flow Available	20.3%	100.0%	100.0%	100.0%	100.0%	100.0%
[17]	Discounted Cash Flow	12.4	89.6	116.6	107.6	106.5	103.7

Enterprise Value Calculation

[18]	Terminal Free Cash Flow	$169.4
[19]	Perpetuity Growth Rate	2.75%
[20]	Future Value of Terminal Value	$2,110.4
[21]	Present Value of Terminal Value	$1,291.9
[22]	Present Value of Free Cash Flows	$536.5
[23]	Enterprise Value	$1,828.4

Equity Value Per Share Calculation

[24]	Enterprise Value	$1,828.4
[25]	Plus: Cash & ST Inv.	$291.0
[26]	Less: Debt	$0.0
[27]	Equity Value	$2,119.4
[28]	Shares Outstanding	121.1
[29]	**Equity Value Per Share**	**$17.51**
[30]	% of Value in Terminal Value	71%
[31]	Implied Terminal EBITDA Mult.	8.3x

Discount Rate	Enterprise Value – Perpetuity Growth Rate 2.25%	2.75%	3.25%	Equity Value Per Share – Perpetuity Growth Rate 2.25%	2.75%	3.25%
10.50%	$1,856.2	$1,947.8	$2,052.0	$17.73	$18.48	$19.34
11.00%	$1,748.6	$1,828.4	$1,918.4	$16.85	$17.51	$18.24
11.50%	$1,652.7	$1,722.7	$1,801.1	$16.07	$16.64	$17.28

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow with Adjusted Revenue Projections

[1]: FY 2015 from Exhibit 15. Assume 2016, 2017, 2018, 2019, and 2020 growth rates of: 12.76%, 12.76%, 12.00%, 11.00%, and 10.00%, respectively.
[2]: Exhibit 15. Assume same EBITDA margin as Exhibit 15.
[3]: Exhibit 15.
[4] = [2] + [3]
[5] = - [4] * 30.0%. Assume effective tax rate of 30.0% from ArubaAA0053461.xlsx.
[6] = [4] + [5]
[7] = - [3]
[8]: Exhibit 15.
[9]: Exhibit 15.
[10] = [6]+ [7] + [8] + [9]
[11]: *See* Paragraph 6.
[12]: Aruba fiscal year ends 7/31.
[13]: Assume mid period discounting and valuation date of May 18, 2015.
[14]: Exhibit 18.
[15] = 1 / (1 + [14]) ^ [15]
[16]: 20.3% represents percent of a year between May 18, 2015 and July 31, 2015.
[17] = [10] * [15] * [16]
[18]: FY 2020 Line [10].
[19]: Assumed PGR of 2.75%
[20] = ([18] * (1 + [19])) / ([14] - [19])
[21] = [20] * FY 2020 Line [15]
[22] = Sum Line [17]
[23] = [21] + [22]
[24] = [23]
[25]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[26]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[27] = [24] + [25] + [26]
[28]: I use the treasury method for my options dilution calculation. Shares outstanding as of March 5, 2015 of 108,315,234 shares from Aruba Networks Form 10-Q, January 31, 2015. Schedule of options from BARC-ARU_00033967.xls at tab: “Assumptions.”
[29] = [27] / [28]
[30] = [21] / [23]
[31] = [20] / FY 2020 Line [2]

Aruba Networks, Inc.
Discounted Cash Flow with SBC Expense Disclosed In Proxy

		Fiscal Year Ended July 31, 2015	2016	2017	2018	2019	2020
[1]	Revenue	$872.0	$1,038.0	$1,235.4	$1,420.7	$1,598.3	$1,758.1
[2]	EBITDA	120.1	180.3	282.6	287.7	324.4	349.8
[3]	Less: Depreciation	(16.7)	(20.3)	(61.1)	(28.5)	(32.8)	(35.3)
[4]	EBIT	103.3	159.9	221.5	259.2	291.6	314.5
[5]	Less: Taxes (@ 30.00%)	(31.0)	(48.0)	(66.4)	(77.8)	(87.5)	(94.4)
[6]	After Tax EBIT	72.3	112.0	155.0	181.4	204.1	220.2
[7]	Plus: Depreciation	16.7	20.3	61.1	28.5	32.8	35.3
[8]	Less: Capital Expenditure	(20.9)	(23.9)	(67.9)	(30.0)	(32.8)	(35.3)
[9]	Less: Increase in Working Capital	(1.7)	9.1	37.0	18.6	17.8	16.5
[10]	Unlevered Free Cash Flow	66.4	117.4	185.2	198.5	221.9	236.6
[11]	Valuation Date	05/18/15					
[12]	Period End Date	07/31/15	07/31/16	07/31/17	07/31/18	07/31/19	07/31/20
[13]	Discount Period	0.10	0.70	1.70	2.70	3.70	4.70
[14]	Discount Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
[15]	Discount Factor	0.99	0.93	0.84	0.75	0.68	0.61
[16]	Percent of Cash Flow Available	20.3%	100.0%	100.0%	100.0%	100.0%	100.0%
[17]	Discounted Cash Flow	13.3	109.1	155.1	149.7	150.8	144.9

Enterprise Value Calculation

[18]	Terminal Free Cash Flow	$236.6
[19]	Perpetuity Growth Rate	2.75%
[20]	Future Value of Terminal Value	$2,947.2
[21]	Present Value of Terminal Value	$1,804.1
[22]	Present Value of Free Cash Flows	$722.9
[23]	Enterprise Value	$2,527.0

Equity Value Per Share Calculation

[24]	Enterprise Value	$2,527.0
[25]	Plus: Cash & ST Inv.	$291.0
[26]	Less: Debt	$0.0
[27]	Equity Value	$2,818.0
[28]	Shares Outstanding	121.4
[29]	**Equity Value Per Share**	**$23.22**
[30]	% of Value in Terminal Value	71%
[31]	Implied Terminal EBITDA Mult.	8.4x

	Enterprise Value			Equity Value Per Share		
	Perpetuity Growth Rate			Perpetuity Growth Rate		
Discount Rate	2.25%	2.75%	3.25%	2.25%	2.75%	3.25%
10.50%	$2,565.8	$2,693.6	$2,839.1	$23.53	$24.57	$25.76
11.00%	$2,415.6	$2,527.0	$2,652.7	$22.31	$23.22	$24.24
11.50%	$2,281.8	$2,379.5	$2,489.0	$21.22	$22.01	$22.91

Notes: USD in millions, except per share data. See detailed notes on following page.

Aruba Networks, Inc.
Discounted Cash Flow with SBC Expense Disclosed In Proxy

[1]: Exhibit 15.
[2]: Exhibit 15. Assume same Non-GAAP EBITDA margin as Exhibit 15, but subtracts SBC disclosed in Proxy, p. 57.
[3]: Exhibit 15.
[4] = [2] + [3]
[5] = - [4] * 30.0%. Assume effective tax rate of 30.0% from ArubaAA0053461.xlsx
[6] = [4] + [5]
[7] = - [3]
[8]: Exhibit 15.
[9]: Exhibit 15.
[10] = [6]+ [7] + [8] + [9]
[11]: *See* Paragraph 6.
[12]: Aruba fiscal year ends 7/31.
[13]: Assume mid period discounting and valuation date of May 18, 2015.
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[15] = 1 / (1 + [14]) ^ [15]
[16]: 20.3% represents percent of a year between May 18, 2015 and July 31, 2015.
[17] = [10] * [15] * [16]
[18]: FY 2020 Line [10].
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[20] = ([18] * (1 + [19])) / ([14] - [19])
[21] = [20] * FY 2020 Line [15]
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[25]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Sum of "Cash and Cash Equivalents" and "Short-Term Investments."
[26]: Aruba Networks Form 10-Q, January 31, 2015, p. 3. Aruba does not have debt.
[27] = [24] + [25] + [26]
[28]: I use the treasury method for my options dilution calculation. Shares outstanding as of March 5, 2015 of 108,315,234 shares from Aruba Networks Form 10-Q, January 31, 2015. Schedule of options from BARC-ARU_00033967.xls at tab: “Assumptions.”
[29] = [27] / [28]
[30] = [21] / [23]
[31] = [20] / FY 2020 Line [2]

General Information

Court	Delaware Court of Chancery
Docket Number	11448