

DELL INC
Form DFAN14A
July 02, 2013

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934 (Amendment No. __)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to § 240.14a-12

Dell Inc.
(Name of Registrant as Specified In Its Charter)

CARL C. ICAHN
ICAHN PARTNERS LP
ICAHN PARTNERS MASTER FUND LP
ICAHN PARTNERS MASTER FUND II LP
ICAHN PARTNERS MASTER FUND III LP
ICAHN ENTERPRISES G.P. INC.
ICAHN ENTERPRISES HOLDINGS L.P.
IPH GP LLC
ICAHN CAPITAL L.P.
ICAHN ONSHORE LP
ICAHN OFFSHORE LP
BECKTON CORP.
HIGH RIVER LIMITED PARTNERSHIP
HOPPER INVESTMENTS LLC
BARBERRY CORP.

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

Payment of Filing Fee (check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rule 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

On July 2, 2013, Carl C. Icahn and affiliates filed an amendment to the Schedule 13D filed by Mr. Icahn and affiliates on May 13, 2013. A copy of the amendment to the Schedule 13D is attached as Exhibit 1 hereto.

SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT, DATED JUNE 26, 2013, AND OTHER DOUCMENTS RELATED TO THE SOLICITATION OF PROXIES BY CARL C. ICAHN, SOUTHEASTERN ASSET MANAGEMENT, INC. AND THEIR RESPECTIVE AFFILIATES FROM THE STOCKHOLDERS OF DELL INC. FOR USE AT DELL INC.'S SPECIAL MEETING OF STOCKHOLDERS SCHEDULED TO BE HELD ON JULY 18, 2013 BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION. A DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY HAVE BEEN MAILED TO STOCKHOLDERS OF DELL INC. AND ARE ALSO AVAILABLE AT NO CHARGE AT THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION IS CONTAINED IN THE DEFINITIVE PROXY STATEMENT, DATED JUNE 26, 2013. EXCEPT AS OTHERWISE DISCLOSED IN THE DEFINITIVE PROXY STATEMENT, THE PARTICIPANTS HAVE NO INTEREST IN DELL INC. OTHER THAN THROUGH THE BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK OF DELL INC. AS DISCLOSED IN THE DEFINITIVE PROXY STATEMENT. WE HAVE NOT SOUGHT, NOR HAVE WE RECEIVED, PERMISSION FROM ANY THIRD PARTY TO INCLUDE THEIR INFORMATION IN THIS SCHEDULE 14A.

EXHIBIT 1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934
(Amendment No. 3)*

Dell Inc.
(Name of Issuer)

Common Stock, par value \$0.01 per share
(Title of Class of Securities)

24702R101
(CUSIP Number)

Keith Schaitkin, Esq.
Icahn Capital LP
767 Fifth Avenue, 47th Floor
New York, New York 10153
(212) 702-4300
(Name, Address and Telephone Number of Person Authorized to
Receive Notices and Communications)

July 1, 2013
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Section 240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box //.

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

Item 1. Security and Issuer

This statement constitutes Amendment No. 3 to the Schedule 13D, relating to the shares of common stock, par value \$0.01 per share (the “Shares”), issued by Dell Inc. (the “Issuer”), and hereby amends the Schedule 13D filed with the Securities and Exchange Commission (the “SEC”) on May 10, 2013, as amended by Amendment No. 1, filed with the SEC on May 13, 2013 and by Amendment No. 2, filed with the SEC on June 18, 2013, to furnish the additional information set forth herein. All capitalized terms contained herein but not otherwise defined shall have the meanings ascribed to such terms in the Schedule 13D.

Item 4. Purpose of Transaction

Item 4 of the Schedule 13D is hereby amended by adding the following:

On July 1, 2013, the Reporting Persons issued an open letter to stockholders and the Special Committee of the Board of Directors of the Issuer (the “July 1 Letter”). A copy of the July 1 Letter is attached hereto as Exhibit 1 and incorporated herein by reference.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Item 6 of the Schedule 13D is hereby amended by adding the following:

On July 1, 2013, Icahn Partners, Icahn Master, Icahn Master II, Icahn Master III and High River entered into the Icahn Funds Fee Letter, with Jefferies Finance LLC (“Jefferies”) and the other parties thereto (the “Icahn Funds Fee Letter”). A copy of the Icahn Funds Fee Letter is attached hereto as Exhibit 2, and is incorporated herein by reference.

On July 1, 2013, High River entered into the High River Fee Letter, with Jefferies and the other parties thereto (the “High River Fee Letter”, and together with the Icahn Funds Fee Letter, the “Icahn Fee Letters”). A copy of the High River Fee Letter is attached hereto as Exhibit 2, and is incorporated herein by reference.

On July 1, 2013, Icahn Partners, Icahn Master, Icahn Master II, Icahn Master III and High River entered into the SAM Fee Letter, with Southeastern Asset Management and the other parties thereto (the “SAM Fee Letter”). A copy of the SAM Fee Letter is attached hereto as Exhibit 3, and is incorporated herein by reference.

In connection with the Icahn Fee Letters, on July 1, 2013, each of Icahn Partners, Icahn Master, Icahn Master II, Icahn Master III and High River executed the Commitment Letter, dated July 1, 2013, along with Jefferies, FS Investment Corporation, FS Investment Corporation II and Manulife Asset Management (the “Commitment Letter”). A copy of the Commitment Letter is attached hereto as Exhibit 4, and is incorporated herein by reference.

In connection with the Commitment Letter, each of Icahn Partners, Icahn Master, Icahn Master II, Icahn Master III and High River entered into Term Loan Back-to-Back Commitment Letters with each of the following entities: Canyon Capital Advisors LLC, Canyon Value Realization Fund, L.P.; Highland Capital Management, Nexpoint Credit Strategies Fund; Highland Capital Management Highland Floating Rate Opportunities Fund; Highland Capital Management, Children's Hospital of Atlanta Inc.; Highland Capital Management, Longhorn Credit Funding LLC; HRS Investment Holdings, LLC; Continental Casualty Company; NexBank SSB; Pentwater Capital Management LP, PWCM Master Fund Ltd.; Pentwater Capital Management LP, Pentwater Equity Opportunities Master Fund Ltd.; Pentwater Capital Management LP, Oceana Master Fund Ltd.; Pentwater Capital Management LP, LMA SPC for and

on behalf of the MAP98 Segregated Portfolio, Pentwater Capital Management LP, AAI Pentwater Fund p.l.c., Pentwater Capital Management LP, Pentwater Event Driven Cayman Fund Ltd., Pentwater Capital Management LP, Pentwater Credit Opportunities Master Fund Ltd. , Pentwater Capital Management LP, Pentwater Merger Arbitrage Master Fund Ltd., Whitebox Advisors LLC, Whitebox Multi-Strategy Partners, LP, Whitebox Advisors LLC, Whitebox Credit Arbitrage Partners, LP and UBS O'Connor LLC, O'Connor Global Multi-Strategy Alpha Master Limited (collectively, the "Counter Parties"). A copy of the Term Loan Back-to-Back Commitment Letter with each of the Counter Parties is attached hereto as Exhibit 5, and is incorporated herein by reference.

Item 7. Material to be Filed as Exhibits

Exhibit 1 July 1 Letter

Exhibit 2 Icahn Fee Letters

Exhibit 3 SAM Fee Letter

Exhibit 4 Commitment Letter

Exhibit 5 Term Loan Back-to-Back Commitment Letters

SIGNATURE

After reasonable inquiry and to the best of each of the undersigned knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: July 2, 2013

ICAHN PARTNERS MASTER FUND LP
ICAHN PARTNERS MASTER FUND II LP
ICAHN PARTNERS MASTER FUND III LP
ICAHN OFFSHORE LP
ICAHN PARTNERS LP
ICAHN ONSHORE LP
BECKTON CORP.
HOPPER INVESTMENTS LLC
BARBERRY CORP.
HIGH RIVER LIMITED PARTNERSHIP
By: Hopper Investments LLC, general partner
By: Barberry Corp.

By: /s/ Edward E. Mattner
Name: Edward E. Mattner
Title: Authorized Signatory

ICAHN CAPITAL LP
By: IPH GP LLC, its general partner
By: Icahn Enterprises Holdings L.P., its sole member
By: Icahn Enterprises G.P. Inc., its general partner
IPH GP LLC
By: Icahn Enterprises Holdings L.P., its sole member
By: Icahn Enterprises G.P. Inc., its general partner
ICAHN ENTERPRISES HOLDINGS L.P.
By: Icahn Enterprises G.P. Inc., its general partner
ICAHN ENTERPRISES G.P. INC.

By: /s/ SungHwan Cho
Name: SungHwan Cho
Title: Chief Financial Officer

/s/ Carl C. Icahn _____
CARL C. ICAHN

[Signature Page of Schedule 13D, Amendment No. 3 – Dell Inc.]

FOR IMMEDIATE RELEASE

OPEN LETTER TO DELL STOCKHOLDERS
AND DELL SPECIAL COMMITTEE

New York, New York July 1, 2013: Carl Icahn and his affiliates today issued the following letter to stockholders of Dell Inc. and members of the Dell Special Committee.

Dear Fellow Dell Stockholders AND Members of the Dell Special Committee:

\$5.2 BILLION COMMITTED

We are pleased to inform you that we have obtained lender commitments for the \$5.2 billion in debt financing that we said we would obtain (including \$1.6 billion from Jefferies Finance LLC). Jefferies has advised us that they are completing the paperwork and the commitment letters will be publicly filed after the market close today. With that we put an end to the unwarranted speculation by Dell that our money would not be available.

OUR \$14 DOLLAR DELL SELF TENDER PROPOSAL

With the \$5.2 billion in committed debt financing, \$7.5 billion from cash on the Dell balance sheet and \$ 2.9 billion to be derived from the sale of receivables, Dell will have the aggregate \$15.6 billion necessary to conduct our proposed self tender by Dell for approximately 1. 1 billion Dell shares at \$14 per share (the “\$14 Tender Offer”). Following completion of the \$14 Tender Offer Dell will have approximately \$4.9 billion of cash remaining. Also, our lender commitments permit an additional \$1.5 billion revolver for Dell should that become necessary.

Icahn and Southeastern Asset Management have agreed not to tender into the \$14 Tender Offer. Therefore, even if the \$14 Tender Offer is fully subscribed, stockholders will receive \$14 per share for at least approximately 72% of their Dell stock -- and an even higher percentage if other stockholders believe, like us, that Dell’s best days are ahead of it and decide to hold onto their Dell shares.

If the \$14 Tender Offer is fully subscribed, 670 million shares would remain outstanding. Based on the fiscal year 2015 BCG Base Case as set forth in Dell’s Proxy Statement* (and even without taking into account the cost reduction opportunities identified by BCG), we believe the earnings per share for those remaining shares would be \$3.72 per share. Assuming 75% of BCG’s productivity cost reductions set forth in Dell’s Proxy Statement are attained, earnings per share for those remaining shares would be as high as \$5.51 per share. In other words, in our proposal tendering stockholders would receive \$14 per share for at least 72% of their shares and, based on this BCG analysis, their remaining shares would be earning between \$3.72 and as high as \$5.51 per share. We therefore believe that it is self-evident our proposal is far superior to the \$13.65 offered by Michael Dell/ Silver Lake.**

Dell stockholders should note that, despite Dell's recent drumbeat of rapid deterioration, the recently reported performance in 1QFY14 and management's operational decisions particularly regarding PC pricing, Dell has not retracted its Final Fiscal Year 2014 Board Case EBITDA of \$3.6 billion (as disclosed in the Dell Proxy Statement), nor any of the projected BCG cases for fiscal years 2014 to 2017. Further, based on statements by Dell's management, we believe that Dell's recent aggressive PC pricing discounts are designed to buy meaningful market share while sacrificing near-term margins – a strategy that we believe will benefit future owners. Senior management, including Brian Gladden, CFO, and Tom Sweet, VP Corporate Finance, both highlighted this fact on the Q1'14 earnings call:

“In many cases, these are accounts that we feel very good about [with respect to] the long-term profitability and the impact on our cash flow over time. So while we may not see that showing up as a positive in the P&L in the short term, we think for the long term it's the right thing to do to get ourselves back in price position to scale the business,” as per Brian Gladden.

“We are investing and acquiring new customer accounts that will benefit our long-term profitability and cash flow,” as per Tom Sweet.

(emphasis added)

We therefore can only ask, based on these statements by management and the BCG analysis mentioned above, why is the Board recommending a "freeze-out" transaction that denies stockholders the right, if they so choose, to participate in the "long term" potential upside that Dell management themselves see for Dell.

A MESSAGE TO THE DELL SPECIAL COMMITTEE

Now that our financing is committed and in place, we call upon the Dell Special Committee to engage in a direct, face to face sit down meeting with us (not through its highly paid advisors as has occurred in the past). As always, it is our desire that our proposal be treated as a Superior Proposal made by an Excluded Person under the Merger Agreement, and thereby save stockholders \$270 million in additional break-up fees that may otherwise be claimed by Silver Lake.

It is mystifying to us how any independent Board which is charged with duties as fiduciaries can recommend to shareholders a \$13.65 per share "freeze-out" merger with Michael Dell/Silver Lake as superior to a proposal that provides stockholder the choice to receive \$14 per share for at least 72% of their shares and, based on their own projections and on the BCG analysis mentioned above, to own their remaining shares earning between \$3.72 and as high as \$5.51 per share. We believe that it would be a sad outcome for stockholders and would, to say the least, reflect terribly on all who are involved in this process if, after purchasing shares at what we perceive to be a substantially undervalued price of \$13.65 per share, Michael Dell and Silver Lake earned substantial returns on their investment while other stockholders are forced to sell. It would be even worse if Dell were sold (or broken up) by Michael Dell and Silver Lake in a transaction or transactions with one or more strategic acquirers for a very large profit.

We therefore ask the Board to find our proposal to be a "Superior Proposal" or at the very least to change its recommendation regarding the Michael Dell/Silver Lake transaction

We look forward to hearing your answer in the very near future.

Sincerely,

Carl C. Icahn
Chairman
Icahn Enterprises, L.P.

If you have any questions concerning the Proxy Statement or would like additional copies, please contact D.F. King & Co., Inc. at 1-800-347-4750 or dell@dfking.com.

*For detailed information relating to the BCG cases, please see Dell's Definitive Proxy Statement, filed with the Securities and Exchange Commission on May 30, 2013.

**The \$14 Tender Offer is subject to a number of contingencies. First, the \$14 Tender Offer would require that Dell stockholders defeat the Michael Dell/Silver Lake merger at the special meeting scheduled to be held on July 18, 2013 (the "Special Meeting"). Second, Dell stockholders would need to elect a Board that is willing to pursue the \$14 Tender Offer transaction. As discussed in the Icahn/Southeastern Definitive Proxy Statement, filed with the Securities and Exchange Commission on June 26, 2013, Icahn and Longleaf Partners Fund have notified Dell that they intend to nominate six Icahn nominees and six Longleaf Partners Fund nominees, respectively, for election to the Dell Board at the 2013 Annual Meeting of Stockholders. Finally, the Dell Board would then need to approve

the \$14 Tender Offer transaction after reviewing it consistent with their fiduciary duties as directors, as well as cause Dell to have the financing for the \$14 Tender Offer. While we believe these director nominees (or a majority thereof), if elected, will approve the \$14 Tender Offer, there can be no assurance that the \$14 Tender Offer transaction will occur, even if Dell stockholders defeat the Michael Dell/Silver Lake merger at the Special Meeting and even if some or all of the Icahn nominees and the Longleaf Partners Fund nominees are elected to the Board.

NOTICE TO INVESTORS

SECURITY HOLDERS ARE ADVISED TO READ THE PROXY STATEMENT, DATED JUNE 26, 2013, AND OTHER DOUCMENTS RELATED TO THE SOLICITATION OF PROXIES BY ICAHN ENTERPRISES, LP, SOUTHEASTERN ASSET MANAGEMENT, INC. AND THEIR RESPECTIVE AFFILIATES FROM THE STOCKHOLDERS OF DELL INC. FOR USE AT DELL INC.'S SPECIAL MEETING OF STOCKHOLDERS SCHEDULED TO BE HELD ON JULY 18, 2013 BECAUSE THEY CONTAIN IMPORTANT INFORMATION, INCLUDING INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION. A DEFINITIVE PROXY STATEMENT AND A FORM OF PROXY HAVE BEEN MAILED TO STOCKHOLDERS OF DELL INC. AND ARE ALSO AVAILABLE AT NO CHARGE AT THE SECURITIES AND EXCHANGE COMMISSION'S WEBSITE AT [HTTP://WWW.SEC.GOV](http://www.sec.gov). INFORMATION RELATING TO THE PARTICIPANTS IN SUCH PROXY SOLICITATION IS CONTAINED IN THE DEFINITIVE PROXY STATEMENT, DATED JUNE 26, 2013. EXCEPT AS OTHERWISE DISCLOSED IN THE DEFINITIVE PROXY STATEMENT, THE PARTICIPANTS HAVE NO INTEREST IN DELL INC. OTHER THAN THROUGH THE BENEFICIAL OWNERSHIP OF SHARES OF COMMON STOCK OF DELL INC. AS DISCLOSED IN THE DEFINITIVE PROXY STATEMENT. WE HAVE NOT SOUGHT, NOR HAVE WE RECEIVED, PERMISSION FROM ANY THIRD PARTY TO INCLUDE THEIR INFORMATION IN THIS LETTER.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this letter, and the documents referred to in this letter, are forward-looking statements including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties. Forward-looking statements are not guarantees of future performance or activities and are subject to many risks and uncertainties. Due to such risks and uncertainties, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Forward-looking statements can be identified by the use of the future tense or other forward-looking words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," "should," "may," "will," "objective," "projection," "forecast," "believes," "continue," "strategy," "position" or the negative of those terms or other variations of them or by comparable terminology.

Important factors that could cause actual results to differ materially from the expectations set forth in this letter include, among other things, the factors identified under the section entitled "Risk Factors" in Dell's Annual Report on Form 10-K for the year ended February 1, 2013 and under the section entitled "Cautionary Statement Concerning Forward-Looking Information" in Dell's Definitive Proxy Statement filed with the SEC on May 31, 2013. Such forward-looking statements should therefore be construed in light of such factors, and Icahn and Southeastern are under no obligation, and expressly disclaim any intention or obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Contact:

Susan Gordon
(212) 702-4309

[EXECUTION VERSION]

JEFFERIES FINANCE LLC 520 Madison Avenue New York, New York 10022	FS INVESTMENT CORPORATION FS INVESTMENT CORPORATION II 345 Park Avenue, 31st Floor New York, NY 10154	ICAHN PARTNERS LP ICAHN PARTNERS MASTER FUND LP ICAHN PARTNERS MASTER FUND II LP ICAHN PARTNERS MASTER FUND III LP HIGH RIVER LIMITED PARTNERSHIP 767 Fifth Avenue 47th Floor New York, NY 10153	MANULIFE FLOATING RATE INCOME FUND PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO JHF II – STRATEGIC INCOME OPPORTUNITIES FUND JOHN HANCOCK INCOME FUND (F/K/A JOHN HANCOCK STRATEGIC INCOME FUND) JOHN HANCOCK VARIABLE INSURANCE TRUST STRATEGIC INCOME OPPORTUNITIES TRUST MANULIFE STRATEGIC BALANCED YIELD FUND MANULIFE STRATEGIC INCOME FUND MANULIFE ASSET MANAGEMENT STRATEGIC INCOME POOLED FUND MANULIFE INVESTMENTS TRUST - STRATEGIC INCOME FUND MANULIFE GLOBAL FIXED INCOME PRIVATE TRUST TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS KENTUCKY RETIREMENT SYSTEMS INSURANCE KENTUCKY RETIREMENT SYSTEM PENSION SYMMETRY GLOBAL BOND FUND 101 Huntington Avenue, 6th Floor Boston, MA 02199
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CONFIDENTIAL

July 1, 2013

ICAHN FUNDS FEE LETTER

Icahn Partners LP
Icahn Partners Master Fund LP
Icahn Partners Master Fund II LP
Icahn Partners Master Fund III LP
IEP Energy Holdings LLC
767 Fifth Avenue
47th Floor
New York, NY 10153

Attention: Keith Cozza

Re: Project Denali

Ladies and Gentlemen:

We refer to the commitment letter dated the date hereof (a copy executed by us and attached hereto as Exhibit A and including the exhibits, schedules and annexes thereto, the "Commitment Letter") among Jefferies Finance LLC ("Jefferies Finance"), FS Investment Corporation ("FS"), FS Investment Corporation II ("FS II"), Manulife Floating Rate Income Fund, Public Employees Retirement Association of New Mexico, JHF II – Strategic Income Opportunities Fund, John Hancock Income Fund (F/K/A/ John Hancock Strategic Income Fund), John Hancock Variable Insurance Trust Strategic Income Opportunities Trust, Manulife Strategic Balanced Yield Fund, Manulife Strategic Income Fund, Manulife Asset Management Strategic Income Pooled Fund, Manulife Investments Trust – Strategic Income Fund, Manulife Global Fixed Income Private Trust, Teachers' Retirement System of the State of Illinois, Kentucky Retirement Systems Insurance, Kentucky Retirement System Pension and Symmetry Global Bond Fund (collectively, "MAM"), Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP and High River Limited Partnership (collectively, the "Icahn Funds" and, together with Jefferies Finance, GSO and MAM, "we", "us" or the "Commitment Letter Parties"), and Dell Inc. (the "Company"). Terms used but not defined in this letter agreement (this "Fee Letter") shall have the meanings assigned thereto in the Commitment Letter.

1. Compensation.

a. Successful Superior Proposal Fee. As consideration for our commitments and agreements under the Commitment Letter executed by us, in the event that either (x) the Merger Agreement is terminated and in connection with such termination, the Company (or an affiliate thereof) enters into an agreement for a "Superior Proposal" (as defined in the Merger Agreement (as in effect on the date hereof)) that is consummated and which results in the aggregate consideration being paid in connection therewith at a price per share in excess of \$13.65 or (y) the merger consideration paid pursuant to the Merger Agreement exceeds \$13.65 per share (in either case, a "Successful Superior Proposal"), then you jointly and severally shall pay an aggregate fee (the "Successful Superior Proposal Fee") to us (and allocated based on each Initial Lender's Commitment under the Commitment Letter (as of the date hereof) as a proportion of the aggregate Commitments of the Initial Lenders under the Commitment Letter (as of the date hereof)) in an amount equal to (A) 80% of (B) (i) 0.075 multiplied by (ii) the product of (I) the aggregate amount of Shares (as defined in the Merger Agreement) held by you and your respective affiliates as of the date hereof (which the parties acknowledge and agree is 152,478,650 shares) multiplied by (II) the difference of (a) the price per share at which the Successful Superior Proposal is consummated minus (b) \$13.65 (the "Share Price Differential"); provided that in no case shall the Share Price Differential be less than zero. The \$13.65 and number of shares shall be equitably adjusted in the event of any stock split, stock dividend or similar event after the date hereof. The Successful Superior Proposal Fee shall be earned and payable in full on the date on which a Successful Superior Proposal is consummated and the applicable consideration is paid. Notwithstanding the foregoing, for the purposes of this Fee Letter, a Successful Superior Proposal shall not include the Tender Offer (to the extent that it would otherwise constitute a "Superior Proposal") or another "Superior Proposal" that is sponsored and controlled by Icahn and/or SAM.

b. Alternative Transaction Fee. If, (x) following the date on which the Designated Shareholders or any of their respective affiliates shall have appointed, or shall have succeeded in having any of their or any of their respective affiliates' nominees appointed as, a majority of the directors of the Company's board of directors, and (y) on or before November 30, 2013 (the "Final Date"):

the Company or Icahn or any of Icahn's affiliates (or any person acting in concert with Icahn or any of its affiliates) or the Company's subsidiaries, consummates one or more debt financing transactions (including any institutional term loan financing), in which any Initial Lender or Arranger did not act in the capacities contemplated for them in the

Commitment Letter (to the extent such titles are applicable to such type of transaction) (collectively, the “Titled Capacities”), any portion of the proceeds of which financing are applied prior to the Final Date either to pay any portion of the money under the Tender Offer in connection with the Transactions or to pay any portion of another transaction which delivers or provides cash consideration to the Company’s shareholders (whether in the form of a tender offer for shares of the Company’s capital stock or a dividend or other distribution),

then you jointly and severally shall pay an aggregate amount (the “Alternative Transaction Fee”) to the Initial Lenders and the Arrangers (but excluding any Initial Lender or Arranger not entitled to the Alternative Transaction Fee as a result of the actions or failures described in clauses (A) (i) or (ii) of the proviso below) (allocated as set forth in the following paragraph, but not to exceed an aggregate of \$72,800,000) equal to (x) 80% of (y) 50% of the Underwriting Fee and the Arrangement Fee (each as defined in the General Fee Letter) that they would have earned under the General Fee Letter, if they had acted in the Titled Capacities in connection with such transactions and based on each such Initial Lender’s Commitment under the Commitment Letter (as of the date hereof) as a proportion of the aggregate Commitments of the Initial Lenders under the Commitment Letter (as of the date hereof)²; provided, however, that (A) no Initial Lender or Arranger shall be entitled to its allocable portion of the Alternative Transaction Fee if it has (i) terminated its Commitment (unless such termination is permitted (or otherwise occurs) in accordance with the terms of the Commitment Letter) or (ii) declined or failed to reaffirm its willingness following a request by you, or breached its obligations to provide, on the terms and conditions contemplated by the Commitment Letter, the portion of the Facilities committed to by it under the Commitment Letter, (B) no Alternative Transaction Fee shall be payable to any Initial Lender or Arranger pursuant to this clause (b) to the extent that the Company shall have executed and delivered to Jefferies Finance prior to the Deadline, the Commitment Letter and the Fee Letters referred to therein and (C) no Alternative Transaction Fee shall be payable to any Initial Lender or Arranger pursuant to this clause (b) if such Initial Lender or Arranger is entitled to the Successful Superior Proposal Fee.

1 For the avoidance of doubt, the amount of any Initial Lender’s or Arranger’s Successful Superior Proposal Fee shall be solely based on the amount of such Initial Lender’s or Arranger’s Commitment under the Commitment Letter (as of the date hereof) in proportion to the aggregate Commitments of the Initial Lenders or Arrangers under the Commitment Letter (as of the date hereof), and if any Initial Lender or Arranger is not entitled to its portion of the Successful Superior Proposal Fee as provided herein, the amount of the Successful Superior Proposal Fee payable to those Initial Lenders and Arrangers entitled to the Successful Superior Proposal Fee shall not increase. For example, if you and your respective affiliates beneficially own 1 million shares and a Successful Superior Proposal is consummated with consideration of \$16.00 per share, then the Share Price Differential would be \$2.35, which multiplied by 1 million, equals \$2,350,000. 0.075 multiplied by \$2,350,000 equals \$176,250 and 80% of \$176,250 equals \$141,000. If each of Initial Lenders A, B, C, D and E have Commitments equal to 20% of the aggregate Commitments, then each such Initial Lender would be entitled to \$28,200. However, if Initial Lenders A and B are not entitled to the Successful Superior Proposal Fee, then Initial Lenders C, D and E would still be entitled to \$28,200 each, and such amounts payable to Initial Lenders C, D and E would not be increased as a result of Initial Lenders A and B not receiving any of the potential aggregate \$141,000 Successful Superior Proposal Fee. In this example, the aggregate Successful Superior Proposal Fee payable by you would be \$84,600.

2 For the avoidance of doubt, the amount of any Initial Lender’s or Arranger’s portion of the Alternative Transaction Fee shall be solely based on the amount of such Initial Lender’s or Arranger’s Commitment under the Commitment Letter (as of the date hereof) in proportion to the aggregate Commitments of the Initial Lenders or Arrangers under the Commitment Letter (as of the date hereof), and if any Initial Lender or Arranger is not entitled to its portion of the Alternative Transaction Fee as provided herein, the amount of the Alternative Transaction Fee payable to those Initial Lenders and Arrangers entitled to the Alternative Transaction Fee shall not increase. For example, if the possible aggregate Alternative Transaction Fee under this Fee Letter is \$1,000 and each of Initial Lenders A, B, C, D and E have Commitments equal to 20% of the aggregate Commitments, each such Initial Lender would be entitled to \$200. However, if Initial Lenders A and B are not entitled to the Alternative Transaction Fee, then Initial Lenders C, D and E would still be entitled to \$200 each, and such amounts payable to Initial Lenders C, D and E would not be increased

as a result of Initial Lenders A and B not receiving any of the potential aggregate \$1,000 Alternative Transaction Fee. In this example, the aggregate Alternative Transaction Fee payable by you would be \$600.

c. To the extent payable pursuant to clauses (a) and (b) of this Section 1, the aggregate Successful Superior Proposal Fee and Alternative Transaction Fee referred to above shall be paid (i) 30.7692% to Jefferies Finance, (ii) 1.1538% to FS, (iii) 0.7692% to FS II, (iv) 1.5192% to MAM (collectively) and (v) 65.7885% to the Icahn Funds (collectively).

d. Fee Nonrefundable. All fees hereunder, once paid, are nonrefundable and not creditable against any other fee payable in connection with any Debt Financing Letter or otherwise. All fees payable hereunder shall be payable in immediately available funds in U.S. dollars free and clear of and without deduction for any and all present or future applicable taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (with appropriate gross-up for withholding taxes). Without limiting the foregoing, your obligation to pay fees hereunder, or to cause such fees to be paid, shall be absolute and unconditional and shall not be subject to reduction by way of setoff or counterclaim or otherwise.

2. Confidentiality. This Fee Letter is delivered to you with the understanding that, prior to your acceptance hereof, neither this Fee Letter nor any of the terms or substance hereof may be disclosed to any third party without our prior written consent except (a) as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof and to cooperate with us in securing a protective order in respect thereof) and (b) to your officers, directors, employees, attorneys, accountants and advisors on a confidential and need-to-know basis and only in connection with the Transactions. After your acceptance hereof, this Fee Letter, including Exhibit A, may be disclosed by you.

3. Agreement Relating to Commitment Letter. On the date hereof, each of the Commitment Letter Parties has executed a copy of the Commitment Letter as attached as Exhibit A hereto. Each of the Commitment Letter Parties hereby agrees with you that between the date hereof and the Deadline, none of the Commitment Letter Parties will take any action to revoke, rescind or otherwise withdraw its agreements under the Commitment Letter, including that the Company has, and each Commitment Letter Party agrees that the Company shall have, until the Deadline to execute and deliver the Commitment Letter to the Commitment Letter Parties. We hereby agree that the Commitment Letter Parties' agreements set forth in this Section 3 are material and in addition to all other rights and remedies, upon any breach of this Section 3 by any Commitment Letter Party, such breaching Commitment Letter Party's right to the fees contemplated by Section 1 of this Fee Letter shall immediately terminate.

4. Execution of the Commitment Letter. Each of the Commitment Letter Parties hereby acknowledges that only the Company can agree to the Commitment Letter and that you shall have no obligations thereunder.

5. Beneficial Ownership. Except as set forth on Schedule A hereto, each of the Commitment Letter Parties hereby represents and warrants that, as of the date hereof, such Commitment Letter Party does not have any beneficial ownership (as determined pursuant to Rule 13d-3 of the Exchange Act) of shares of common stock of the Company.

6. Notices. Notice given pursuant to any of the provisions of this Fee Letter shall be in writing and shall be mailed or delivered (a) if to you, at the address set forth above and (b) (i) if to Jefferies Finance, at its offices, at 520 Madison Avenue, New York, New York 10022, Attention: General Counsel, (ii) if to FS or FS II, at their offices, at 345 Park Avenue, 31st Floor, New York, New York 10154, Attention: Brad Marshall and Angelia Perkovic, (iii) if to MAM, at its offices, at 101 Huntington Avenue, 6th Floor Boston, MA 02199, Attention: Jim Roth and Joseph Rizzo and (iv) if to the Icahn Funds, at their offices, at 767 Fifth Avenue, 47th Floor New York, New York 10153, Attention: Keith Cozza.

7. Counterparts. This Fee Letter may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. Delivery of an executed signature page of this Fee Letter by facsimile or other electronic transmission shall be as effective as delivery of an originally-executed counterpart thereof.

8. Assignment. You may not assign any of your respective rights, or be relieved of any of your respective obligations, under this Fee Letter without our prior written consent, which may be given or withheld in our sole discretion (and any purported assignment without consent, at our sole option, shall be null and void). Any and all obligations of, and services to be provided by, us hereunder may be performed and any and all of our rights hereunder may be exercised by or through any of our affiliates or branches.

9. Third Party Beneficiaries. This Fee Letter has been and is made solely for the benefit of you, us and our affiliates, and your, our and their respective successors and assigns, and nothing in this Fee Letter, express or implied, is intended to confer or does confer on any other person or entity any rights or reason under or by reason of this Fee Letter or your or our agreements contained herein.

10. Survival. This Fee Letter shall survive the expiration or termination of the Commitment Letter.

11. Choice of Law; Jurisdiction; Waivers. This Fee Letter, and any claim, controversy or dispute arising under or related to this Fee Letter (whether based upon contract, tort or otherwise), shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of interest principles (other than sections 5-1401 and 5-1402 of the New York General Obligations Law). To the fullest extent permitted by applicable law, you and we hereby irrevocably submit to the exclusive jurisdiction of any New York State court or Federal court sitting in the County of New York of the Borough of Manhattan in respect of any claim, suit, action or proceeding arising out of or relating to the provisions hereof and irrevocably agree that all claims in respect of any such claim, suit, action or proceeding may be heard and determined in any such court and that service of process therein may be made by certified mail, postage prepaid, to your address set forth above. You and we hereby waive, to the fullest extent permitted by applicable law, any objection that you or we may now or hereafter have to the laying of venue of any such claim, suit, action or proceeding brought in any such court, and any claim that any such claim, suit, action or proceeding brought in any such court has been brought in an inconvenient forum. You and we hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury with respect to any claim, suit, action or proceeding (whether based upon contract, tort or otherwise) arising out of or relating to this Fee Letter or any of the other transactions contemplated hereby. The provisions of this Section 11 are intended to be effective upon the execution of this Fee Letter without any further action by you, and the introduction of a true copy of this Fee Letter into evidence shall be conclusive and final evidence as to such matters.

12. Headings. The section headings in this Fee Letter have been inserted as a matter of convenience of reference, are not part of this Fee Letter and shall not affect the interpretation of this Fee Letter.

13. Amendment; Waiver. This Fee Letter may not be modified or amended except in a writing duly executed by you and us. No waiver by any party of any breach of, or any provision of, this Fee Letter shall be deemed a waiver of any similar or any other breach or provision of this Fee Letter at the same or any prior or subsequent time. To be effective, a waiver must be set forth in writing signed by the waiving party and must specifically refer to this Fee Letter and the breach or provision being waived.

[Remainder of page intentionally blank]

Very truly yours,

JEFFERIES FINANCE LLC

By:

Name:
Title:

FS INVESTMENT CORPORATION

By: GSO/Blackstone Debt Funds Management LLC as Sub-Adviser

By: _____

Name:
Title:

FS INVESTMENT CORPORATION II

By: GSO/Blackstone Debt Funds Management LLC as Sub-Adviser

By:

Name:
Title:

MANULIFE ASSET MANAGEMENT,

on behalf of:

Manulife Floating Rate Income Fund

Public Employees Retirement Association of New Mexico

JHF II – Strategic Income Opportunities Fund

John Hancock Income Fund (F/K/A John Hancock Strategic Income Fund)

John Hancock Variable Insurance Trust Strategic Income Opportunities Trust

Manulife Strategic Balanced Yield Fund

Manulife Strategic Income Fund

Manulife Asset Management Strategic Income Pooled Fund

Manulife Investments Trust – Strategic Income Fund

Manulife Global Fixed Income Private Trust

Teacher’s Retirement System of the State of Illinois

Kentucky Retirement Systems Insurance

Kentucky Retirement System Pension

Symmetry Global Bond Fund

By:

Name:

Title:

ICAHN PARTNERS LP
as Initial Lender

By: _____

Name:

Title:

ICAHN PARTNERS MASTER FUND LP
as Initial Lender

By:

Name:

Title:

ICAHN PARTNERS MASTER FUND II LP
as Initial Lender

By:

Name:

Title:

ICAHN PARTNERS MASTER FUND III LP
as Initial Lender

By:

Name:

Title:

HIGH RIVER LIMITED PARTNERSHIP

By: Hopper Investments LLC, its general partner

By: Barberry Corp., its sole member

as Initial Lender

By:

Name:

Title:

Accepted and agreed to as of the date first above written:

ICAHN PARTNERS LP

By: _____

Name:
Title:

ICAHN PARTNERS MASTER FUND LP

By: _____
Name:
Title:

ICAHN PARTNERS MASTER FUND II LP

By: _____
Name:
Title:

ICAHN PARTNERS MASTER FUND III LP

By: _____
Name:
Title:

IEP ENERGY HOLDINGS LLC

By: _____
Name:
Title:

[EXECUTION VERSION]

JEFFERIES FINANCE LLC 520 Madison Avenue New York, New York 10022	FS INVESTMENT CORPORATION FS INVESTMENT CORPORATION II 345 Park Avenue, 31st Floor New York, NY 10154	ICAHN PARTNERS LP ICAHN PARTNERS MASTER FUND LP ICAHN PARTNERS MASTER FUND II LP ICAHN PARTNERS MASTER FUND III LP HIGH RIVER LIMITED PARTNERSHIP 767 Fifth Avenue 47th Floor New York, NY 10153	MANULIFE FLOATING RATE INCOME FUND PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO JHF II – STRATEGIC INCOME OPPORTUNITIES FUND JOHN HANCOCK INCOME FUND (F/K/A JOHN HANCOCK STRATEGIC INCOME FUND) JOHN HANCOCK VARIABLE INSURANCE TRUST STRATEGIC INCOME OPPORTUNITIES TRUST MANULIFE STRATEGIC BALANCED YIELD FUND MANULIFE STRATEGIC INCOME FUND MANULIFE ASSET MANAGEMENT STRATEGIC INCOME POOLED FUND MANULIFE INVESTMENTS TRUST - STRATEGIC INCOME FUND MANULIFE GLOBAL FIXED INCOME PRIVATE TRUST TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS KENTUCKY RETIREMENT SYSTEMS INSURANCE KENTUCKY RETIREMENT SYSTEM PENSION SYMMETRY GLOBAL BOND FUND 101 Huntington Avenue, 6th Floor Boston, MA 02199
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CONFIDENTIAL

July 1, 2013

HIGH RIVER FEE LETTER

High River Limited Partnership
767 Fifth Avenue
47th Floor
New York, NY 10153

Attention: Keith Cozza

Re: Project Denali

Ladies and Gentlemen:

We refer to the commitment letter dated the date hereof (a copy executed by us and attached hereto as Exhibit A and including the exhibits, schedules and annexes thereto, the “Commitment Letter”) among Jefferies Finance LLC (“Jefferies Finance”), FS Investment Corporation (“FS”), FS Investment Corporation II (“FS II”), Manulife Floating Rate Income Fund, Public Employees Retirement Association of New Mexico, JHF II – Strategic Income Opportunities Fund, John Hancock Income Fund (F/K/A/ John Hancock Strategic Income Fund), John Hancock Variable Insurance Trust Strategic Income Opportunities Trust, Manulife Strategic Balanced Yield Fund, Manulife Strategic Income Fund, Manulife Asset Management Strategic Income Pooled Fund, Manulife Investments Trust – Strategic Income Fund, Manulife Global Fixed Income Private Trust, Teachers’ Retirement System of the State of Illinois, Kentucky Retirement Systems Insurance, Kentucky Retirement System Pension and Symmetry Global Bond Fund (collectively, “MAM”), Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP and High River Limited Partnership (collectively, the “Icahn Funds” and, together with Jefferies Finance, FS, FS II and MAM, “we”, “us” or the “Commitment Letter Parties”), and Dell Inc. (the “Company”). Terms used but not defined in this letter agreement (this “Fee Letter”) shall have the meanings assigned thereto in the Commitment Letter.

1. Compensation.

a. Successful Superior Proposal Fee. As consideration for our commitments and agreements under the Commitment Letter executed by us, in the event that either (x) the Merger Agreement is terminated and in connection with such termination, the Company (or an affiliate thereof) enters into an agreement for a “Superior Proposal” (as defined in the Merger Agreement (as in effect on the date hereof)) that is consummated and which results in the aggregate consideration being paid in connection therewith at a price per share in excess of \$13.65 or (y) the merger consideration paid pursuant to the Merger Agreement exceeds \$13.65 per share (in either case, a “Successful Superior Proposal”), then you shall pay an aggregate fee (the “Successful Superior Proposal Fee”) to us (and allocated based on each Initial Lender’s Commitment under the Commitment Letter (as of the date hereof) as a proportion of the aggregate Commitments of the Initial Lenders under the Commitment Letter (as of the date hereof))1 in an amount equal to (A) 20% of (B) (i) 0.075 multiplied by (ii) the product of (I) the aggregate amount of Shares (as defined in the Merger Agreement) held by you and your affiliates as of the date hereof (which the parties acknowledge and agree is 152,478,650 shares) multiplied by (II) the difference of (a) the price per share at which the Successful Superior Proposal is consummated minus (b) \$13.65 (the “Share Price Differential”); provided that in no case shall the Share Price Differential be less than zero. The \$13.65 and number of shares shall be equitably adjusted in the event of any stock split, stock dividend or similar event after the date hereof. The Successful Superior Proposal Fee shall be earned and payable in full on the date on which a Successful Superior Proposal is consummated and the applicable consideration is paid. Notwithstanding the foregoing, for the purposes of this Fee Letter, a Successful Superior Proposal shall not include the Tender Offer (to the extent that it would otherwise constitute a “Superior Proposal”) or another “Superior Proposal” that is sponsored and controlled by Icahn and/or SAM.

b. Alternative Transaction Fee. If, (x) following the date on which the Designated Shareholders or any of their respective affiliates shall have appointed, or shall have succeeded in having any of their or any of their respective affiliates’ nominees appointed as, a majority of the directors of the Company’s board of directors, and (y) on or before November 30, 2013 (the “Final Date”):

the Company or Icahn or any of Icahn’s affiliates (or any person acting in concert with Icahn or any of its affiliates) or the Company’s subsidiaries, consummates one or more debt financing transactions (including any institutional term loan financing), in which any Initial Lender or Arranger did not act in the capacities contemplated for them in the Commitment Letter (to the extent such titles are applicable to such type of transaction) (collectively, the “Titled

Capacities”), any portion of the proceeds of which financing are applied prior to the Final Date either to pay any portion of the money under the Tender Offer in connection with the Transactions or to pay any portion of another transaction which delivers or provides cash consideration to the Company’s shareholders (whether in the form of a tender offer for shares of the Company’s capital stock or a dividend or other distribution), then you shall pay an aggregate amount (the “Alternative Transaction Fee”) to the Initial Lenders and the Arrangers (but excluding any Initial Lender or Arranger not entitled to the Alternative Transaction Fee as a result of the actions or failures described in clauses (A) (i) or (ii) of the proviso below) (allocated as set forth in the following paragraph, but not to exceed an aggregate of \$18,200,000) equal to (x) 20% of (y) 50% of the Underwriting Fee and the Arrangement Fee (each as defined in the General Fee Letter) that they would have earned under the General Fee Letter if they had acted in the Titled Capacities in connection with such transactions and based on each such Initial Lender’s Commitment under the Commitment Letter (as of the date hereof) as a proportion of the aggregate Commitments of the Initial Lenders under the Commitment Letter (as of the date hereof); provided, however, that (A) no Initial Lender or Arranger shall be entitled to its allocable portion of the Alternative Transaction Fee if it has (i) terminated its Commitment (unless such termination is permitted (or otherwise occurs) in accordance with the terms of the Commitment Letter) or (ii) declined or failed to reaffirm its willingness following a request by you, or breached its obligations to provide, on the terms and conditions contemplated by the Commitment Letter, the portion of the Facilities committed to by it under the Commitment Letter, (B) no Alternative Transaction Fee shall be payable to any Initial Lender or Arranger pursuant to this clause (b) to the extent that the Company shall have executed and delivered to Jefferies Finance prior to the Deadline, the Commitment Letter and the Fee Letters referred to therein and (C) no Alternative Transaction Fee shall be payable to any Initial Lender or Arranger pursuant to this clause (b) if such Initial Lender or Arranger is entitled to the Successful Superior Proposal Fee.

1 For the avoidance of doubt, the amount of any Initial Lender’s or Arranger’s Successful Superior Proposal Fee shall be solely based on the amount of such Initial Lender’s or Arranger’s Commitment under the Commitment Letter (as of the date hereof) in proportion to the aggregate Commitments of the Initial Lenders or Arrangers under the Commitment Letter (as of the date hereof), and if any Initial Lender or Arranger is not entitled to its portion of the Successful Superior Proposal Fee as provided herein, the amount of the Successful Superior Proposal Fee payable to those Initial Lenders and Arrangers entitled to the Successful Superior Proposal Fee shall not increase. For example, if you and your affiliates beneficially own 1 million shares and a Successful Superior Proposal is consummated with consideration of \$16.00 per share, then the Share Price Differential would be \$2.35, which multiplied by 1 million, equals \$2,350,000. 0.075 multiplied by \$2,350,000 equals \$176,250 and 20% of \$176,250 equals \$35,250. If each of Initial Lenders A, B, C, D and E have Commitments equal to 20% of the aggregate Commitments, then each such Initial Lender would be entitled to \$7,050. However, if Initial Lenders A and B are not entitled to the Successful Superior Proposal Fee, then Initial Lenders C, D and E would still be entitled to \$7,050 each, and such amounts payable to Initial Lenders C, D and E would not be increased as a result of Initial Lenders A and B not receiving any of the potential aggregate \$35,250 Successful Superior Proposal Fee. In this example, the aggregate Successful Superior Proposal Fee payable by you would be \$21,150.

2 For the avoidance of doubt, the amount of any Initial Lender’s or Arranger’s portion of the Alternative Transaction Fee shall be solely based on the amount of such Initial Lender’s or Arranger’s Commitment under the Commitment Letter (as of the date hereof) in proportion to the aggregate Commitments of the Initial Lenders or Arrangers under the Commitment Letter (as of the date hereof), and if any Initial Lender or Arranger is not entitled to its portion of the Alternative Transaction Fee as provided herein, the amount of the Alternative Transaction Fee payable to those Initial Lenders and Arrangers entitled to the Alternative Transaction Fee shall not increase. For example, if the possible aggregate Alternative Transaction Fee under this Fee Letter is \$1,000 and each of Initial Lenders A, B, C, D and E have Commitments equal to 20% of the aggregate Commitments, each such Initial Lender would be entitled to \$200. However, if Initial Lenders A and B are not entitled to the Alternative Transaction Fee, then Initial Lenders C, D and E would still be entitled to \$200 each, and such amounts payable to Initial Lenders C, D and E would not be increased as a result of Initial Lenders A and B not receiving any of the potential aggregate \$1,000 Alternative Transaction Fee. In this example, the aggregate Alternative Transaction Fee payable by you would be \$600.

c. To the extent payable pursuant to clauses (a) and (b) of this Section 1, the aggregate Successful Superior Proposal Fee and Alternative Transaction Fee referred to above shall be paid (i) 30.7692% to Jefferies Finance, (ii) 1.1538% to FS, (iii) 0.7692% to FS II, (iv) 1.5192% to MAM (collectively) and (v) 65.7885% to the Icahn Funds (collectively).

d. Fee Nonrefundable. All fees hereunder, once paid, are nonrefundable and not creditable against any other fee payable in connection with any Debt Financing Letter or otherwise. All fees payable hereunder shall be payable in immediately available funds in U.S. dollars free and clear of and without deduction for any and all present or future applicable taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (with appropriate gross-up for withholding taxes). Without limiting the foregoing, your obligation to pay fees hereunder, or to cause such fees to be paid, shall be absolute and unconditional and shall not be subject to reduction by way of setoff or counterclaim or otherwise.

2. Confidentiality. This Fee Letter is delivered to you with the understanding that, prior to your acceptance hereof, neither this Fee Letter nor any of the terms or substance hereof may be disclosed to any third party without our prior written consent except (a) as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof and to cooperate with us in securing a protective order in respect thereof) and (b) to your officers, directors, employees, attorneys, accountants and advisors on a confidential and need-to-know basis and only in connection with the Transactions. After your acceptance hereof, this Fee Letter, including Exhibit A, may be disclosed by you.

3. Agreement Relating to Commitment Letter. On the date hereof, each of the Commitment Letter Parties has executed a copy of the Commitment Letter as attached as Exhibit A hereto. Each of the Commitment Letter Parties hereby agrees with you that between the date hereof and the Deadline, none of the Commitment Letter Parties will take any action to revoke, rescind or otherwise withdraw its agreements under the Commitment Letter, including that the Company has, and each Commitment Letter Party agrees that the Company shall have, until the Deadline to execute and deliver the Commitment Letter to the Commitment Letter Parties. We hereby agree that the Commitment Letter Parties' agreements set forth in this Section 3 are material and in addition to all other rights and remedies, upon any breach of this Section 3 by any Commitment Letter Party, such breaching Commitment Letter Party's right to the fees contemplated by Section 1 of this Fee Letter shall immediately terminate.

4. Execution of the Commitment Letter. Each of the Commitment Letter Parties hereby acknowledges that only the Company can agree to the Commitment Letter and that you shall have no obligations thereunder.

5. Beneficial Ownership. Except as set forth on Schedule A hereto, each of the Commitment Letter Parties hereby represents and warrants that, as of the date hereof, such Commitment Letter Party does not have any beneficial ownership (as determined pursuant to Rule 13d-3 of the Exchange Act) of shares of common stock of the Company.

6. Notices. Notice given pursuant to any of the provisions of this Fee Letter shall be in writing and shall be mailed or delivered (a) if to you, at the address set forth above and (b) (i) if to Jefferies Finance, at its offices, at 520 Madison Avenue, New York, New York 10022, Attention: General Counsel, (ii) if to FS or FS II, at their offices, at 345 Park Avenue, 31st Floor, New York, New York 10154, Attention: Brad Marshall and Angelia Perkovic, (iii) if to MAM, at its offices, at 101 Huntington Avenue, 6th Floor Boston, MA 02199, Attention: Jim Roth and Joseph Rizzo and (iv) if to the Icahn Funds at their offices, at 767 Fifth Avenue, 47th Floor New York, New York 10153, Attention: Keith Cozza.

7. Counterparts. This Fee Letter may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. Delivery of an executed signature page of this Fee Letter by facsimile or other electronic transmission shall be as effective as delivery of an originally-executed counterpart thereof.

8. Assignment. You may not assign any of your rights, or be relieved of any of your obligations, under this Fee Letter without our prior written consent, which may be given or withheld in our sole discretion (and any purported assignment without consent, at our sole option, shall be null and void). Any and all obligations of, and services to be provided by, us hereunder may be performed and any and all of our rights hereunder may be exercised by or through any of our affiliates or branches.

9. Third Party Beneficiaries. This Fee Letter has been and is made solely for the benefit of you, us and our affiliates, and your, our and their respective successors and assigns, and nothing in this Fee Letter, express or implied, is intended to confer or does confer on any other person or entity any rights or reason under or by reason of this Fee Letter or your or our agreements contained herein.

10. Survival. This Fee Letter shall survive the expiration or termination of the Commitment Letter.

11. Choice of Law; Jurisdiction; Waivers. This Fee Letter, and any claim, controversy or dispute arising under or related to this Fee Letter (whether based upon contract, tort or otherwise), shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of interest principles (other than sections 5-1401 and 5-1402 of the New York General Obligations Law). To the fullest extent permitted by applicable law, you and we hereby irrevocably submit to the exclusive jurisdiction of any New York State court or Federal court sitting in the County of New York of the Borough of Manhattan in respect of any claim, suit, action or proceeding arising out of or relating to the provisions hereof and irrevocably agree that all claims in respect of any such claim, suit, action or proceeding may be heard and determined in any such court and that service of process therein may be made by certified mail, postage prepaid, to your address set forth above. You and we hereby waive, to the fullest extent permitted by applicable law, any objection that you or we may now or hereafter have to the laying of venue of any such claim, suit, action or proceeding brought in any such court, and any claim that any such claim, suit, action or proceeding brought in any such court has been brought in an inconvenient forum. You and we hereby waive, to the fullest extent permitted by applicable law, any right to trial by jury with respect to any claim, suit, action or proceeding (whether based upon contract, tort or otherwise) arising out of or relating to this Fee Letter or any of the other transactions contemplated hereby. The provisions of this Section 11 are intended to be effective upon the execution of this Fee Letter without any further action by you, and the introduction of a true copy of this Fee Letter into evidence shall be conclusive and final evidence as to such matters.

12. Headings. The section headings in this Fee Letter have been inserted as a matter of convenience of reference, are not part of this Fee Letter and shall not affect the interpretation of this Fee Letter.

13. Amendment; Waiver. This Fee Letter may not be modified or amended except in a writing duly executed by you and us. No waiver by any party of any breach of, or any provision of, this Fee Letter shall be deemed a waiver of any similar or any other breach or provision of this Fee Letter at the same or any prior or subsequent time. To be effective, a waiver must be set forth in writing signed by the waiving party and must specifically refer to this Fee Letter and the breach or provision being waived.

[Remainder of page intentionally blank]

Very truly yours,
JEFFERIES FINANCE LLC

By: _____
Name:
Title:

FS INVESTMENT CORPORATION
By: GSO/Blackstone Debt Funds Management LLC as Sub-Adviser

By: _____
Name:
Title:

FS INVESTMENT CORPORATION II
By: GSO/Blackstone Debt Funds Management LLC as Sub-Adviser

By: _____
Name:
Title:

MANULIFE ASSET MANAGEMENT,
on behalf of:
Manulife Floating Rate Income Fund
Public Employees Retirement Association of New Mexico
JHF II – Strategic Income Opportunities Fund
John Hancock Income Fund (F/K/A John Hancock Strategic Income Fund)
John Hancock Variable Insurance Trust Strategic Income Opportunities Trust
Manulife Strategic Balanced Yield Fund
Manulife Strategic Income Fund
Manulife Asset Management Strategic Income Pooled Fund
Manulife Investments Trust – Strategic Income Fund
Manulife Global Fixed Income Private Trust
Teacher’s Retirement System of the State of Illinois
Kentucky Retirement Systems Insurance
Kentucky Retirement System Pension
Symmetry Global Bond Fund

By: _____
Name:
Title:

ICAHN PARTNERS LP
as Initial Lender

By: _____
Name:
Title:

ICAHN PARTNERS MASTER FUND LP
as Initial Lender

By: _____
Name:
Title:

ICAHN PARTNERS MASTER FUND II LP
as Initial Lender

By: _____
Name:
Title:

ICAHN PARTNERS MASTER FUND III LP
as Initial Lender

By: _____
Name:
Title:

HIGH RIVER LIMITED PARTNERSHIP
By: Hopper Investments LLC, its general partner
By: Barberry Corp., its sole member
as Initial Lender

By: _____
Name:
Title:

Accepted and agreed to as of the date first above written:

HIGH RIVER LIMITED PARTNERSHIP
By: Hopper Investments LLC, its general partner
By: Barberry Corp., its sole member

By: _____
Name:
Title:

[EXECUTION VERSION]

JEFFERIES FINANCE LLC 520 Madison Avenue New York, New York 10022	FS INVESTMENT CORPORATION FS INVESTMENT CORPORATION II 345 Park Avenue, 31st Floor New York, NY 10154	ICAHN PARTNERS LP ICAHN PARTNERS MASTER FUND LP ICAHN PARTNERS MASTER FUND II LP ICAHN PARTNERS MASTER FUND III LP HIGH RIVER LIMITED PARTNERSHIP 767 Fifth Avenue 47th Floor New York, NY 10153	MANULIFE FLOATING RATE INCOME FUND PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF NEW MEXICO JHF II – STRATEGIC INCOME OPPORTUNITIES FUND JOHN HANCOCK INCOME FUND (F/K/A JOHN HANCOCK STRATEGIC INCOME FUND) JOHN HANCOCK VARIABLE INSURANCE TRUST STRATEGIC INCOME OPPORTUNITIES TRUST MANULIFE STRATEGIC BALANCED YIELD FUND MANULIFE STRATEGIC INCOME FUND MANULIFE ASSET MANAGEMENT STRATEGIC INCOME POOLED FUND MANULIFE INVESTMENTS TRUST - STRATEGIC INCOME FUND MANULIFE GLOBAL FIXED INCOME PRIVATE TRUST TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS KENTUCKY RETIREMENT SYSTEMS INSURANCE KENTUCKY RETIREMENT SYSTEM PENSION SYMMETRY GLOBAL BOND FUND 101 Huntington Avenue, 6th Floor Boston, MA 02199
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CONFIDENTIAL

July 1, 2013

SAM FEE LETTER

Southeastern Asset Management, Inc.
6410 Poplar Ave., Suite 900
Memphis, TN 38119

Attention: Andrew R. McCarroll, General Counsel

Re: Project Denali

Ladies and Gentlemen:

We refer to the commitment letter dated the date hereof (a copy executed by us and attached hereto as Exhibit A and including the exhibits, schedules and annexes thereto, the “Commitment Letter”) among Jefferies Finance LLC

(“Jefferies Finance”), FS Investment Corporation (“FS”), FS Investment Corporation II (“FS II”), Manulife Floating Rate Income Fund, Public Employees Retirement Association of New Mexico, JHF II – Strategic Income Opportunities Fund, John Hancock Income Fund (F/K/A/ John Hancock Strategic Income Fund), John Hancock Variable Insurance Trust Strategic Income Opportunities Trust, Manulife Strategic Balanced Yield Fund, Manulife Strategic Income Fund, Manulife Asset Management Strategic Income Pooled Fund, Manulife Investments Trust – Strategic Income Fund, Manulife Global Fixed Income Private Trust, Teachers’ Retirement System of the State of Illinois, Kentucky Retirement Systems Insurance, Kentucky Retirement System Pension and Symmetry Global Bond Fund (collectively, “MAM”), Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP and High River Limited Partnership (collectively, the “Icahn Funds” and, together with Jefferies Finance, FS, FS II and MAM, “we”, “us” or the “Commitment Letter Parties”), and Dell Inc. (the “Company”). Terms used but not defined in this letter agreement (this “Fee Letter”) shall have the meanings assigned thereto in the Commitment Letter.

1. Compensation.

a. Successful Superior Proposal Fee. As consideration for our commitments and agreements under the Commitment Letter executed by us, in the event that either (x) the Merger Agreement is terminated and in connection with such termination, the Company (or an affiliate thereof) enters into an agreement for a “Superior Proposal” (as defined in the Merger Agreement (as in effect on the date hereof)) that is consummated and which results in the aggregate consideration being paid in connection therewith at a price per share in excess of \$13.65 or (y) the merger consideration paid pursuant to the Merger Agreement exceeds \$13.65 per share (in either case, a “Successful Superior Proposal”), then you shall pay an aggregate fee (the “Successful Superior Proposal Fee”) to us in an amount equal to (i) 0.075 multiplied by (ii) the product of (I) the aggregate amount of Shares (as defined in the Merger Agreement) beneficially held by you as of the date hereof¹ (which the parties acknowledge and agree is 70,151,528 shares) multiplied by (II) the difference of (a) the price per share at which the Successful Superior Proposal is consummated minus (b) \$13.65 (the “Share Price Differential”); provided that in no case shall the Share Price Differential be less than zero. The \$13.65 and number of shares shall be equitably adjusted in the event of any stock split, stock dividend or similar event after the date hereof. The Successful Superior Proposal Fee shall be earned and payable in full on the date on which a Successful Superior Proposal is consummated and the applicable consideration is paid. Notwithstanding the foregoing, for the purposes of this Fee Letter, a Successful Superior Proposal shall not include the Tender Offer (to the extent that it would otherwise constitute a “Superior Proposal”) or another “Superior Proposal” that is sponsored and controlled by Icahn and/or SAM.

¹ For the avoidance of doubt, the amount of any Initial Lender’s or Arranger’s Successful Superior Proposal Fee shall be solely based on the amount of such Initial Lender’s or Arranger’s Commitment under the Commitment Letter (as of the date hereof) in proportion to the aggregate Commitments of the Initial Lenders or Arrangers under the Commitment Letter (as of the date hereof), and if any Initial Lender or Arranger is not entitled to its portion of the Successful Superior Proposal Fee as provided herein, the amount of the Successful Superior Proposal Fee payable to those Initial Lenders and Arrangers entitled to the Successful Superior Proposal Fee shall not increase. For example, if you and your respective affiliates beneficially own 1 million shares and a Successful Superior Proposal is consummated with consideration of \$16.00 per share, then the Share Price Differential would be \$2.35, which multiplied by 1 million, equals \$2,350,000. 0.075 multiplied by \$2,350,000 equals \$176,250. If each of Initial Lenders A, B, C, D and E have Commitments equal to 20% of the aggregate Commitments, then each such Initial Lender would be entitled to \$35,250. However, if Initial Lenders A and B are not entitled to the Successful Superior Proposal Fee, then Initial Lenders C, D and E would still be entitled to \$35,250 each, and such amounts payable to Initial Lenders C, D and E would not be increased as a result of Initial Lenders A and B not receiving any of the potential aggregate \$176,250 Successful Superior Proposal Fee. In this example, the aggregate Successful Superior Proposal Fee payable by you would be \$105,750.

The aggregate Successful Superior Proposal Fee referred to above shall be paid (i) 30.7692% to Jefferies Finance, (ii) 1.1538% to FS, (iii) 0.7692% to FS II, (iv) 1.5192% to MAM (collectively) and (v) 65.7885% to the Icahn Funds (collectively).

b. Fee Nonrefundable. All fees hereunder, once paid, are nonrefundable and not creditable against any other fee payable in connection with any Debt Financing Letter or otherwise. All fees payable hereunder shall be payable in immediately available funds in U.S. dollars free and clear of and without deduction for any and all present or future applicable taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (with appropriate gross-up for withholding taxes). Without limiting the foregoing, your obligation to pay fees hereunder, or to cause such fees to be paid, shall be absolute and unconditional and shall not be subject to reduction by way of setoff or counterclaim or otherwise.

2. Confidentiality. This Fee Letter is delivered to you with the understanding that, prior to your acceptance hereof, neither this Fee Letter nor any of the terms or substance hereof may be disclosed to any third party without our prior written consent except (a) as required by applicable law or compulsory legal process (in which case you agree to inform us promptly thereof and to cooperate with us in securing a protective order in respect thereof) and (b) to your officers, directors, employees, attorneys, accountants and advisors on a confidential and need-to-know basis and only in connection with the Transactions. After your acceptance hereof, this Fee Letter may be disclosed by you.

3. Agreement Relating to Commitment Letter. On the date hereof, each of the Commitment Letter Parties has executed a copy of the Commitment Letter as attached as Exhibit A hereto. Each of the Commitment Letter Parties hereby agrees with you that between the date hereof and the Deadline, none of the Commitment Letter Parties will take any action to revoke, rescind or otherwise withdraw its agreements under the Commitment Letter, including that the Company has until the Deadline to execute and deliver the Commitment Letter to the Commitment Letter Parties. We hereby agree that the Commitment Letter Parties' agreements set forth in this Section 3 are material and in addition to all other rights and remedies, upon any breach of this Section 3 by any Commitment Letter Party, such breaching Commitment Letter Party's right to the fees contemplated by Section 1 of this Fee Letter shall immediately terminate.

4. Execution of the Commitment Letter. Each of the Commitment Letter Parties hereby acknowledges that only the Company can agree to the Commitment Letter and that you shall have no obligations thereunder.

5. Beneficial Ownership. Except as set forth on Schedule A hereto, each of the Commitment Letter Parties hereby represents and warrants that, as of the date hereof, such Commitment Letter Party does not have any beneficial ownership (as determined pursuant to Rule 13d-3 of the Exchange Act) of shares of common stock of the Company.

6. Notices. Notice given pursuant to any of the provisions of this Fee Letter shall be in writing and shall be mailed or delivered (a) if to you, at the address set forth above and (b) (i) if to Jefferies Finance, at its offices, at 520 Madison Avenue, New York, New York 10022, Attention: General Counsel, (ii) if to FS or FS II, at their offices, at 345 Park Avenue, 31st Floor, New York, New York 10154, Attention: Brad Marshall and Angelia Perkovic, (iii) if to MAM, at its offices, at 101 Huntington Avenue, 6th Floor Boston, MA 02199, Attention: Jim Roth and Joseph Rizzo and (iv) if to the Icahn Funds, at their offices, at 767 Fifth Avenue, 47th Floor New York, New York 10153, Attention: Keith Cozza.

7. Counterparts. This Fee Letter may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same instrument. Delivery of an executed signature page of this Fee Letter by facsimile or other electronic transmission shall be as effective as delivery of an originally-executed counterpart thereof.

8. Assignment. You may not assign any of your rights, or be relieved of any of your obligations, under this Fee Letter without our prior written consent, which may be given or withheld in our sole discretion (and any purported assignment without consent, at our sole option, shall be null and void). Any and all obligations of, and services to be provided by, us hereunder may be performed and any and all of our rights hereunder may be exercised by or through any of our affiliates or branches.

9. Third Party Beneficiaries. This Fee Letter has been and is made solely for the benefit of you, us and our affiliates, and your, our and their respective successors and assigns, and nothing in this Fee Letter, express or implied, is intended to confer or does confer on any other person or entity any rights or reason under or by reason of this Fee Letter or your or our agreements contained herein.

10. Survival. This Fee Letter shall survive the expiration or termination of the Commitment Letter.

11. Choice of Law; Jurisdiction; Waivers. This Fee Letter, and any claim, controversy or dispute arising under or related to this Fee Letter (whether based upon contract, tort or otherwise), shall be governed by, and construed in accordance with, the laws of the State of New York without regard to conflict of interest principles (other than sections 5-1401 and 5-1402 of the New York General Obligations Law). To the fullest extent permitted by applicable law, you and we hereby irrevocably submit to the exclusive jurisdiction of any New York State court or Federal court sitting in the County of New York of the Borough of Manhattan in respect of any claim, suit, action or proceeding arising out of or relating to the provisions hereof and irrevocably agree that all claims in respect of any such claim, suit, action or proceeding may be heard and determined in any such court and that service of process therein may be made by certified mail, postage prepaid, to your address set forth above. YoCE="Times New Roman" SIZE="2">Clifford D. Nastas May 17, 2007(7) \$125,550 \$167,400 (5) TBD \$167,400

Clifford D. Nastas

March 1, 2007(8) (8) \$101,400 (8) \$101,400

James. M. Froisland

May 17, 2007(6) \$61,581 \$82,108 (5) \$20,527 \$27,369 (5) \$7.38 \$27,369

James. M. Froisland

May 17, 2007(7) \$55,451 \$73,935 (5) TBD \$73,935

Mark J. Gresser

May 17, 2007(6) \$42,665 \$56,886 (5) \$14,222 \$18,962 (5) \$7.38 \$18,962

Mark J. Gresser

May 17, 2007(7) \$41,432 \$55,242 (5) TBD \$55,242

Robert R Rogowski

May 17, 2007(6) \$32,756 \$43,675 (5) \$10,919 \$14,558 (5) \$7.38 \$14,558

Robert R Rogowski

May 17, 2007(7) \$16,740 \$22,320 (5) TBD \$22,320

John M. Klepper

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May 17, 2007(6) \$29,792 \$39,722 (5) \$9,931 \$13,241 (5) \$7.38 \$13,241

John M. Klepper

May 17, 2007(7) \$23,018 \$30,690 (5) TBD \$30,690

-
- (1) Represents the range of payouts for fiscal year 2008 performance under the MIP based on performance targets established by the Committee. The amounts shown in the threshold column represent the amount of cash award payable if the minimum level of Company performance is attained. The amounts shown in the target column represents the amount of cash awards granted if the target of the Company performance is attained. Please see the *Compensation Discussion and Analysis Annual Incentive Awards* for more information regarding these awards and performance measures. See note 5 for maximum award. The Company failed to meet its MIP performance threshold minimums for fiscal 2008. So no payments were made under the MIP for fiscal 2008.
- (2) Represents the range of payouts for fiscal year 2008 performance under the MIP or LTI based on performance targets established by the Committee. The amounts shown in the threshold column represent the dollar value of the stock options that were payable if the minimum level of Company performance was attained. The amounts shown in the target column represents the dollar value of the stock options that were payable if the target level of the Company performance was attained. Please see the *Compensation Discussion and Analysis Annual Incentive Awards* for more information regarding these awards and performance measures. See note 5 for maximum award. The Company failed to meet its MIP performance threshold minimums for fiscal 2008. So no payments were made under the MIP for fiscal 2008.

- (3) The exercise price of the options granted is determined based on the closing price of our common stock on the New York Stock Exchange on the last day of the award term. For the MIP, this was February 29, 2008; for the LTI, this will be February 28, 2010.
- (4) Represents the grant date fair value of the awards computed in accordance with FAS 123R.
- (5) The plan award opportunities are based upon achievement of specific performance measures and goals. There are no maximum award levels specified for any award. However, under the 2007 Incentive Plan, the aggregate maximum payout under the MIP and LTI to any participant in any award period may not exceed \$5 million.
- (6) Represents possible payout under the MIP plan if various company profitability performance targets had been met for fiscal 2008. Part of the annual award would also have been contingent on performance of individual goals. The potential payout would have been made as of February 29, 2008; the award would have been made 75% in cash and 25% in stock options. The number of stock options to be issued would be based upon the closing sales price of the Company's common stock on the New York Stock Exchange on the last trading day of the award term, February 29, 2008. No fractional shares shall be issued pursuant to the Plan. The stock options to be granted on February 29, 2008 would not vest for those employees unless they would be continuously employed through February 28, 2010.
- (7) Represents possible payout under the LTI plan if various company profitability performance targets had been met for fiscal 2008, 2009 and 2010. The possible payout would have been made as of February 28, 2010; the award would have been made sixty percent (60%) in shares of restricted stock and forty (40%) in non-qualified stock options. The number of shares of restricted stock and options to be issued pursuant to the long-term incentive award payout would have been based upon the closing sales price of the Company's common stock on the New York Stock Exchange on the last trading day of the award term, February 28, 2010. No fractional shares of restricted stock shall be issued pursuant to the plan. The restricted stock and options to be granted on February 28, 2010 would both vest as follows: 50% for those employees continuously employed through February 28, 2010, and the remaining 50% for those employees continuously employed through February 28, 2011.
- (8) Represents the dollar value of 10,000 shares of restricted stock to be issued to Mr. Nastas at the end of fiscal 2008 under an award with a measurement date of March 1, 2007 if the Company achieved an income performance target for fiscal 2008. Under the award, only one payout was possible. If granted, the restricted stock would have vested three years after the end of fiscal 2008.

Further information regarding the terms of each named executive officer's employment and the terms of the awards reported in the Grants of Plan Based Awards Table is set forth above in the Compensation Discussion and Analysis and in the footnotes to such table.

The following table sets forth the outstanding equity awards held by each of our named executive officers as of February 29, 2008:

Outstanding Equity Awards At Fiscal Year-End

Name	Option Awards					Stock Awards				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (1) (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock Held That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Vested (2) (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (3) (\$)	
Clifford D. Nastas	0	60,000	0	\$ 12.75	June 21, 2011	0	0	7,600	\$ 56,088	
James M. Froisland	0	24,000	0	\$ 12.75	June 21, 2011	0	0	3,200	\$ 23,616	

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Mark J. Gresser	0	24,000	0	\$ 12.75	June 21, 2011	0	0	3,200	\$ 23,616
Robert R. Rogowski	0	0	0			0	0	0	\$ 0
John M. Klepper	1,800			\$ 10.00	March 1, 2012				
		11,250	0	\$ 12.75	June 21, 2011	0	0	2,000	\$ 14,760

- (1) The vesting date for each of the options set forth in this column is June 21, 2009.
- (2) The restricted stock vests on an all or nothing basis on February 28, 2009 provided that (a) the employee remains in continuous employment until that date, and (b) the sum of the after-tax net income per diluted share for the Company's fiscal years ended February 28, 2007, February 29, 2008, and February 28, 2009 is at least equal to the cumulative target set by the Committee. While interim targets for these awards were not achieved, the potential awards are still outstanding until the three year cumulative outcome is known at February 28, 2009.
- (3) Based on the closing price of our common stock of \$7.38 on February 29, 2008, as reported on the New York Stock Exchange.

Option Exercises and Vesting and Pension Benefits

None of our named executive officers exercised stock options or held restricted stock that vested in fiscal 2008. The named executive officers do not participate in any of the Company's defined benefit plans nor in any of the Company's non-qualified deferred compensation plans.

Potential Payments Upon Termination or Change-In-Control

The Company entered into severance and change in control agreements (the "Severance Agreements") with Messrs. Nastas, Froisland, Gresser, Rogowski and Klepper which became effective on July 1, 2007. The Severance Agreements have a term of one year, and are automatically renewable for successive one-year terms unless either party gives written notice at least 60 days prior to the expiration of the then current term that such party seeks to terminate the agreement as of June 30 of the then current year. In the event that the Company terminates the executive's employment for any reason other than for cause, death or disability, or if the executive terminates his employment in the event of a constructive discharge, the executive will be entitled to receive severance in the amount of 1.0 times the sum of such executive's base salary and the amount awarded to the executive under the management incentive plan for the most recently completed fiscal year (the "Compensation Amount").

In the event that the Company terminates the executive's employment for any reason other than for cause, death or disability, or if the executive terminates his employment in the event of a termination by constructive discharge within 15 months of a change in control (CIC), then under the Severance Agreement the executive will be entitled to receive severance in the amount of 1.5 times such executive's Compensation Amount. In addition, all stock options or shares of restricted stock which are unvested immediately prior to a termination following a change in control shall become fully vested and remain exercisable for at least ninety days after change in control. The executives are also entitled to outplacement and other benefits under the Severance Agreements, and are subject to non-competition and non-solicitation covenants following termination for a period of two years.

The definitions of "cause," "change in control," "constructive discharge" and "disability" under the Severance Agreements are as follows:

"Cause" means, with respect to the Executive, one or more of the following: (i) the Executive's commission of a felony or other crime involving moral turpitude or the commission of any other act or omission involving dishonesty, disloyalty or fraud with respect to the Company or any of its Affiliates or any of their customers or suppliers, (ii) the Executive's reporting to work under the influence of alcohol or illegal drugs, the use of illegal drugs (whether or not at the workplace) or other conduct causing the Company or any of its Affiliates public disgrace or disrepute or economic harm, (iii) failure by the Executive to perform duties as reasonably directed by the Company officer or other employee to whom the Executive primarily reports (or, with respect to the Chief Executive Officer, the Board), (iv) any act or omission aiding or abetting a competitor, supplier or customer of the Company or any of its subsidiaries to the disadvantage or detriment of the Company and its Affiliates, (v) breach of fiduciary duty, negligence or misconduct with respect to the Company or any of its Affiliates, (vi) if the Executive is covered by an employment agreement with the Company or an Affiliate, any breach of such agreement which is not cured to the Company's Chief Executive Officer (or, with respect to such Chief Executive Officer, the Board) reasonable satisfaction within fifteen (15) days after written notice thereof to the Executive.

Change in Control means: (i) the acquisition by any Person or Persons acting in concert, of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than fifty percent (50%) of the outstanding stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire stock); or (ii) the consummation of (a) any consolidation or merger of the Company, other than a consolidation or merger of the Company in which holders of its stock immediately prior to the consolidation or merger hold proportionately at least a majority of the outstanding common stock of the continuing or surviving corporation; or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company (*Transfer Transaction*), except where (1) the Company owns all of the outstanding stock of the transferee entity or (2) the holders of the Company's common stock immediately prior to the Transfer Transaction own proportionately at least a majority of the outstanding stock of the transferee entity, immediately after the Transfer Transaction; or (c) any consolidation or merger of the Company where, after the consolidation or merger, one Person owns one hundred percent (100%) of the shares of stock of the Company (except where the holders of the Company's common stock immediately prior to such merger or consolidation own proportionately at least a majority of the outstanding stock of such Person immediately after such consolidation or merger).

Constructive Discharge means the occurrence, without the express written consent of the Executive, of any one of the following events: (i) the assignment to the Executive of any duties significantly inconsistent with the Executive's position and status with the Company or a substantial adverse alteration in the nature or status of the Executive's employment responsibilities from those in existence on the date hereof; (ii) the relocation of the Executive's office or job location to a location not within seventy-five miles (75) of the Executive's present office or job location, except for required travel on the Company's business to an extent substantially consistent with the Executive's present business travel obligations; (iii) the liquidation, dissolution, consolidation or merger of the Company, or transfer of all or substantially all of its assets, other than a transaction or series of transactions in which the resulting or surviving transferee entity assumes this Agreement and all obligations and undertakings hereunder by operation of law or otherwise, or (iv) a substantial reduction in the Executive's Compensation, other than a reduction that is part of an overall reduction in the Compensation of all officers of the Company. [For purposes of this Agreement, a substantial reduction in the Executive's Compensation shall be deemed to have occurred if, at any time during the term hereof, the Executive's Compensation is reduced below eighty-five percent (85%) of his Compensation as of the Effective Date]

An event shall not be considered a Constructive Discharge unless the Executive provides written notice to the Company specifying the event relied upon for Constructive Discharge within sixty (60) days after the occurrence of such event. Within thirty (30) days of receiving such written notice from the Executive, the Company may cure or cause to be cured the event upon which the Executive claims a Constructive Discharge and no Constructive Discharge shall have been considered to have occurred with respect to such event. The Company and the Executive, upon mutual written agreement, may waive any of the foregoing provisions which would otherwise constitute a Constructive Discharge.

Disability means a mental or physical illness that entitles the Executive to receive benefits under the long-term disability plan of the Company, or, if there is no such plan or the Executive is not covered by such a plan or the Executive is not an employee of the Company, a mental or physical illness that renders the Executive totally and permanently incapable of performing the Executive's duties for the Company, as determined by the Committee. Notwithstanding the foregoing, a Disability shall not qualify under this Plan if it is the result of (i) a willfully self-inflicted injury or willfully self-induced sickness; or (ii) an injury or disease contracted, suffered or incurred while participating in a criminal offence. The determination of Disability for purposes of this Plan shall not be construed to be an admission of disability for any other purpose.

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The following tables show the potential payments to each of the named executive officers upon his termination of employment or a change in control under his Severance Agreement or under the terms of the award agreements related to his outstanding equity awards, assuming a termination or change in control occurred on February 29, 2008.

CLIFFORD D. NASTAS

	<u>Cash Severance Payment</u>	<u>Outplace- ment Services (1)</u>	<u>Continuation of Medical/ Welfare Benefits (present value)</u>	<u>Stock Options</u>	<u>Restricted Stock Awards</u>	<u>Total Termination or CIC Benefits</u>
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death, Disability, Retirement or Change in Control without Termination	\$ 0	\$ 0	\$ 0	\$ 0(2)	\$ 0(3)	\$ 0
Without Cause Termination or Constructive Discharge Termination	\$ 400,000(4)	\$ 20,000	\$ 11,783(5)	\$ 0(2)(6)	\$ 0(3)(6)	\$ 431,783
Without Cause Termination or Constructive Discharge Termination after Change in Control (7)	\$ 600,000(8)	\$ 20,000	\$ 17,586(9)	\$ 0(10)	\$ 56,088(10)	\$ 693,674
For Cause Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

JAMES M. FROISLAND

	<u>Cash Severance Payment</u>	<u>Outplace- ment Services (1)</u>	<u>Continuation of Medical/ Welfare Benefits (present value)</u>	<u>Stock Options</u>	<u>Restricted Stock Awards</u>	<u>Total Termination or CIC Benefits</u>
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death, Disability, Retirement or Change in Control without Termination	\$ 0	\$ 0	\$ 0	\$ 0(2)	\$ 0(3)	\$ 0
Without Cause Termination or Constructive Discharge Termination	\$ 300,800(4)	\$ 20,000	\$ 13,008(5)	\$ 0(2)(6)	\$ 0(3)(6)	\$ 333,808
Without Cause Termination or Constructive Discharge Termination after Change in Control (7)	\$ 451,200(8)	\$ 20,000	\$ 19,414(9)	\$ 0(10)	\$ 23,616(10)	\$ 514,230
For Cause Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

MARK J. GRESSER

<u>Cash Severance Payment</u>	<u>Outplace- ment Services (1)</u>	<u>Continuation of Medical/ Welfare Benefits (present value)</u>	<u>Stock Options</u>	<u>Restricted Stock Awards</u>	<u>Total Termination or CIC Benefits</u>
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Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death, Disability, Retirement or Change in Control without Termination	\$ 0	\$ 0	\$ 0	\$ 0(2)	\$ 0(3)	\$ 0
Without Cause Termination or Constructive Discharge Termination	\$ 260,500(4)	\$ 20,000	\$ 10,784(5)	\$ 0(2)(6)	\$ 0(3)(6)	\$ 291,285
Without Cause Termination or Constructive Discharge Termination after Change in Control (7)	\$ 390,750(8)	\$ 20,000	\$ 16,096(9)	\$ 0(10)	\$ 23,616(10)	\$ 450,462
For Cause Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

ROBERT R. ROGOWSKI

	<u>Cash Severance Payment</u>	<u>Outplace- ment Services (1)</u>	<u>Continuation of Medical/ Welfare Benefits (present value)</u>	<u>Stock Options</u>	<u>Restricted Stock Awards</u>	<u>Total Termination or CIC Benefits</u>
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death, Disability, Retirement or Change in Control without Termination	\$ 0	\$ 0	\$ 0	\$ 0(2)	\$ 0(3)	\$ 0
Without Cause Termination or Constructive Discharge Termination	\$ 200,000(4)	\$ 20,000	\$ 10,784(5)	\$ 0(2)(6)	\$ 0(3)(6)	\$ 230,784
Without Cause Termination or Constructive Discharge Termination after Change in Control (7)	\$ 300,000(8)	\$ 20,000	\$ 16,096(9)	\$ 0(10)	\$ 0(10)	\$ 336,096
For Cause Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

JOHN M. KLEPPER

	<u>Cash Severance Payment</u>	<u>Outplace- ment Services (1)</u>	<u>Continuation of Medical/ Welfare Benefits (present value)</u>	<u>Stock Options</u>	<u>Restricted Stock Awards</u>	<u>Total Termination or CIC Benefits</u>
Voluntary Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Death, Disability, Retirement or Change in Control without Termination	\$ 0	\$ 0	\$ 0	\$ 0(2)	\$ 0(3)	\$ 0
Without Cause Termination or Constructive Discharge Termination	\$ 181,900(4)	\$ 20,000	\$ 3,139(5)	\$ 0(2)(6)	\$ 0(3)(6)	\$ 205,039
Without Cause Termination or Constructive Discharge Termination after Change in Control (7)	\$ 272,850(8)	\$ 20,000	\$ 4,685(9)	\$ 0(10)	\$ 14,760(10)	\$ 312,295
For Cause Termination	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

- (1) Reflects the maximum amount payable under the severance agreement. Upon termination of an executive officer's employment by the Company for any reason other than for cause, disability or death and upon termination by the executive officer in the event of a constructive discharge, the executive officer has the option to receive either a \$10,000 cash payment or outplacement services at an aggregate cost of up to \$20,000.
- (2) Pursuant to the terms of the non-qualified stock option agreements between the Company and the named executive officers, the unvested stock options held by the executive officer partially vest as of the date of any of the following vesting events: the sale of the Company or termination of the executive officer's employment due to death, permanent disability, retirement or termination by the Company without cause. The partial vesting is calculated by multiplying the number of shares underlying the option by a fraction, (x) the numerator of which is the number of whole or partial calendar months from the grant date of the option, and (y) the denominator of which is 36. This fraction would equal 0.50 for a vesting event occurring on February 29, 2008. The exercise price for the options held by all of the executive officers is more than the closing price of \$7.38 on the New York Stock Exchange on February 29, 2008. The options' vesting acceleration does not provide an immediate termination benefit to these officers and no amount is credited in the table with respect to these options. The executive officer may exercise the accelerated options until the earlier to occur of the third anniversary of the vesting event or the fifth anniversary of the date of the stock option agreement.

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- (3) Pursuant to the terms of the restricted stock award agreements between the Company and the named executive officers, upon the occurrence of one of a specified group of vesting events the unvested restricted stock held by the executive officer as of the vesting event partially vests if the Company has met certain performance measures: the sale of the Company or termination of the executive officer's employment due to death, permanent disability, retirement or by the Company without cause. The vesting formula pursuant to which the partial vesting occurs provides that the Company must be on track to meet certain performance criteria as of the fiscal quarter most recently completed prior to or concurrent with the vesting event, and if it is on track, then the number of shares vesting is equal to the total number of shares multiplied by a fraction, (x) the numerator of which is the number of whole or partial calendar months which have elapsed from the grant date of the restricted shares, and (y) the denominator of which is 36. This fraction would equal 0.25 for a vesting event occurring on February 29, 2008. As of the year ended February 29, 2008, the Company was not on track to meet the performance criteria and therefore the executive officers would not have received a termination benefit.
- (4) Represents an amount equal to (a) the executive officer's annual salary as of the termination date, and (b) the non-equity cash incentive award under the Company's Management Incentive Plan received by the executive officer in the most recently completed fiscal year (for purposes of this table, the annual salary and bonus received by each executive officer for services provided in fiscal year 2008 under the Management Incentive Plan is used).
- (5) Represents the estimated present value as of February 29, 2008 of the cost of the continuation of medical, dental, prescription drug and vision benefits for the executive officer and family (if dependent coverage was provided) for 12 months following the executive officer's employment termination.
- (6) If a named executive officer terminates his employment after being constructively discharged by the Company, only vested stock options held by the executive officer as of the termination date are exercisable by the terminated executive officer for the amount of time stated in the respective plan pursuant to which the option was awarded or, if the plan was silent, for a period of 90 days following the executive officer's employment termination. Therefore, since no acceleration of unvested stock options or restricted stock awards occurs, the value in the Stock Options and Restricted Stock Awards columns is zero with respect to a constructive discharge termination.
- (7) A termination event is considered to be after a change in control of the Company pursuant to the named executive officer's executed Severance Agreements, if the employment termination occurs within 15 months following a change in control.
- (8) Represents an amount equal to 1.5 multiplied by the sum of (a) the executive officer's annual salary as of the termination date, and (b) the non-equity cash incentive award under the Management Incentive Plan received by the executive officer in the most recently completed fiscal year (for purposes of this table, the annual incentive award received by each executive officer for services provided in fiscal year 2008 under the Management Incentive Plan is used).
- (9) Represents the estimated present value as of February 29, 2008 of the cost of the continuation of medical, dental, prescription drug and vision benefits for the executive officer and family (if dependent coverage was provided) for 18 months following the executive officer's employment termination.
- (10) All unvested stock options and unvested restricted stock held by an executive officer immediately vest upon termination of employment following a change in control and, along with all then vested stock options, are exercisable by the terminated executive officer for the amount of time stated in the respective plan pursuant to which the option or restricted stock was awarded or, if the plan was silent, for a period of 90 days following the executive officer's employment termination. The valuation shown is based upon (a) multiplying the number of shares underlying such accelerated unvested stock options and restricted stock by the closing price of the Company's common stock on February 29, 2008, which was \$7.38 per share, minus, (b) only with respect to the accelerated unvested stock options, an amount equal to the number of shares underlying such stock options multiplied by the exercise price of each option. The exercise price for the options held by all of the executive officers is more than the closing price of \$7.38 on the New York Stock Exchange on February 29, 2008, so the options' vesting acceleration does not provide an immediate termination benefit to these officers and no amount is credited in the table with respect to these options.

Compensation Committee Interlocks and Insider Participation

None of Messrs. Hohmann, Gray, Mitsch, or Licavoli, the persons who served as members of the Compensation, Organization and Corporate Governance Committee during the last fiscal year, has ever been an officer or employee of ours or any of our subsidiaries or had any other relationship requiring disclosure herein.

Transactions with Related Persons

The Audit Committee is responsible for review of related person transactions between MSC and related persons and making a recommendation with respect to such related person transactions to the Board. A related person transaction is any transaction or series of transactions in which the Company or one of its subsidiaries is a participant, the amount involved exceeds \$120,000 and a related person has a direct or indirect material interest. Under Securities and Exchange Commission rules, a related person is a director, officer, nominee for director, or 5% stockholder of the company since the beginning of the last fiscal year and their immediate family members.

Our Code of Business Ethics, which contains certain provisions setting out conflicts of interest restrictive transactions between MSC and related parties, applies to each of our executive officers and directors.

Our Corporate Governance Guidelines provide that it is the responsibility of each of our executive officers and directors to advise the Chairperson of the Board of any affiliation with public or privately held businesses or enterprises that may create a potential conflict of interest, potential embarrassment to us or possible inconsistency with our policies or values. We annually solicit information from our directors and executive officers in order to monitor potential conflicts of interest. A nominee for director is also requested to provide us the forgoing information. It is the policy of the Board and of the Audit Committee to apply the standards set forth in our Code of Business Ethics and under applicable Securities and Exchange Commission and New York Stock Exchange rules in reviewing related person transactions and determining whether or not such transactions are reasonable and fair to us.

In addition, please see the descriptions of our severance and change in control agreements under *Potential Payments Upon Termination or Change-In-Control* above.

OTHER MATTERS

Shareowner Proposals and Director Nominations for 2009 Annual Meeting of Shareowners

Proposals of shareowners intended to be presented at the 2009 Annual Meeting of Shareowners must be received by us no later than January 23, 2009, to be considered for inclusion in our proxy statement and form of proxy relating to that meeting. Such proposals should be addressed to Secretary, Material Sciences Corporation, 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007.

Under our By-Laws, shareowners may nominate directors or bring other business before our 2009 Annual Meeting of Shareowners by delivering notice to us (containing certain information specified in the By-Laws) no earlier than March 28, 2009 nor later than April 27, 2009. Please note that these requirements are separate and apart from, and in addition to, the Securities and Exchange Commission's requirements that a shareowner must meet to have a shareowner proposal included in our proxy statement as discussed above. A copy of the full text of the provisions of the By-Laws discussed above may be obtained from our public filings with the Securities and Exchange Commission or by submitting a written request to the Secretary of MSC.

We reserve the right to reject, rule out of order, or take other appropriate action with respect to any proposal or nomination that does not comply with these or other applicable requirements.

Director Nominations to be Considered by the Board

Nominations for the election of directors may be made at times other than at the annual meeting by the Board of Directors or by a shareowner entitled to vote generally in the election of directors. The Compensation, Organization and Corporate Governance Committee has the authority to retain a third party search firm to assist it in identifying potential director nominees who meet the criteria and priorities established from time to time and to facilitate the screening and nomination process for such nominees. For a nomination to be properly made by any shareowner and to be considered for recommendation by the Board to the shareowners and included in our proxy statement for the 2009 annual meeting, written notice of such shareowner's nomination must be given, either by personal delivery or by registered or certified United States mail, postage prepaid, to the Secretary of MSC (and must be received by the Secretary) no later than January 23, 2009. Such notice shall set forth: (1) the name and address of the shareowner making the nomination and of the person to be nominated; (2) the number of shares of common stock beneficially owned by that shareowner; (3) the name, age, business address and residence of the nominee; (4) the principal occupation or employment of the nominee; (5) the number of shares of common stock of MSC beneficially owned by the nominee; and (6) the written consent of the nominee to having such nominee's name placed in nomination at the meeting and to serve as a director if elected. In order for a shareowner nomination to be included in the proxy statement, the nominee must meet the selection criteria as determined from time to time by the Compensation, Organization and Corporate Governance Committee.

MSC evaluates director nominees recommended by shareowners in the same manner in which it evaluates other director nominees. The Compensation, Organization and Corporate Governance Committee has established selection criteria that identify desirable skills and experience for prospective Board members, including those properly nominated by shareowners, and address the issues of experience and personal attributes. In identifying candidates for positions on the Board, the Compensation, Organization and Corporate Governance Committee generally relies on suggestions and recommendations from members of the Board, management and stockholders. In 2008, the Company did not use any search firm or pay any fees to other third parties in connection with seeking or evaluating Board nominee candidates. The Board, with the assistance of the Compensation, Organization and Corporate Governance Committee, selects potential new Board members using the criteria and priorities established from time to time. Desired personal attributes for potential director nominees include: unquestioned personal integrity, loyalty to MSC and concern for its success and welfare, courage to criticize, application of sound business ethics and independent judgment, awareness of a directors' vital part in MSC's good corporate citizenship and the corporate image, time available for meetings and consultation on

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MSC matters, independence and the absence of conflict of interests, wide contacts with business and political leaders, and willingness to assume responsibility on behalf of all shareowners to oversee the management of the enterprise.

Desired experience for potential director nominees include: high-level leadership experience in business or administrative activities with public companies, relevant ongoing business, governance or administrative activities, specialized expertise in relevant industries, breadth of knowledge about issues affecting MSC, and ability and willingness to contribute special competencies to Board activities.

The composition, skills and needs of the Board change over time and will be considered by the Board in establishing the desirable profile of candidates for any specific opening on the Board of Directors.

Solicitation of Proxies

We will bear the cost of this proxy solicitation. In addition to solicitation by mail, we will request banks, brokers, and other custodian nominees and fiduciaries to supply proxy material to the beneficial owners of our common stock of whom they have knowledge, and will reimburse them for their expenses in so doing. In addition, we expect to pay approximately \$1,125 to Georgeson Inc. for certain mailing services for the proxy statement. Some of our officers and other employees may solicit proxies personally, by telephone, by mail, facsimile transmission or other forms of electronic communication. Our officers and employees will not receive any additional compensation for such activities.

Additional Information

We will provide, without charge to each shareowner upon written request, a copy of our Annual Report on Form 10-K, including the financial statement schedules, for our most recent fiscal year and will provide copies of the exhibits to such Form 10-K upon payment of a reasonable fee which shall not exceed MSC's reasonable expenses in connection therewith. Individuals interested in receiving such Form 10-K should submit a written request to:

Shareowner Relations Department
Material Sciences Corporation
2200 East Pratt Boulevard
Elk Grove Village, IL 60007

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL STOCKHOLDER MEETING TO BE HELD JUNE 26, 2008

The Company's Proxy Statement for the 2008 Annual Meeting of Shareowners, Annual Report to Shareowners for the year ended February 29, 2008 and Annual Report on Form 10-K for the year ended February 29, 2008 are available at <http://www.matsci.com>.

By Order of the Board of Directors,

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James M. Froisland

Senior Vice President, Chief Financial Officer,

Chief Information Officer and Corporate Secretary

Elk Grove Village, Illinois

June 4, 2008

**Notice of Annual Meeting
of Shareowners
and Proxy Statement**

Meeting Date

June 26, 2008

YOUR VOTE IS IMPORTANT!

Please promptly vote your proxy.

..

Please

Mark Here
for Address
Change or
Comments
SEE REVERSE SIDE

FOR AGAINST ABSTAIN

<p>1. ELECT EIGHT DIRECTORS: (duly nominated and named on the reverse side of this proxy and listed to the right)</p>	<p>NOMINEES: 01 Avrum Gray, 02 Frank L. Hohmann III, 03 Samuel Licavoli, 04 Patrick J. McDonnell, 05 Dr. Ronald A. Mitsch, 06 Clifford D. Nastas, 07 John P. Reilly and 08 Dominick J. Schiano</p>	<p>2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending February 28, 2009.</p>	<p>.. </p>
<p>WITHHOLD AUTHORITY to vote for all FOR all nominees </p>			

Withhold votes from nominee(s) (write name(s) of nominee(s)) or give cumulative voting instructions (write name(s) of nominee(s) and number of votes allocated to such nominee(s)) as indicated on the line below:

Signature

Signature

Date

Please sign exactly as name appears. Joint owners should each sign. Executors, administrators, trustees, etc. should indicate their capacity when signing. If a corporation, please sign in full corporate name by president or other authorized officer and indicate title. If a partnership, please sign in partnership name by authorized person and indicate title. PLEASE MARK, DATE, SIGN AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

Ù FOLD AND DETACH HERE Ù

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE
ANNUAL STOCKHOLDER MEETING TO BE HELD ON JUNE 26, 2008**

The Company's Proxy Statement for the 2008 Annual Meeting of Shareowners, Annual Report to Shareowners for the fiscal year ended February 28, 2009 and Annual Report on Form 10-K for the fiscal year ended February 28, 2009 are available at:

<http://www.matsci.com>

MATERIAL SCIENCES CORPORATION

2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007

PROXY Solicited on Behalf of the Board of Directors PROXY

Annual Meeting of Shareowners to be Held on June 26, 2008

Please mark, date and sign on reverse side and return in the enclosed envelope

The undersigned hereby appoints Dr. Ronald A. Mitsch and Clifford D. Nastas, as proxies, each with full power of substitution to represent and to vote, as designated on the reverse side, all the shares of Common Stock of Material Sciences Corporation held of record by the undersigned, at the Annual Meeting of Shareowners of Material Sciences Corporation to be held on June 26, 2008, at 10:00 a.m., CDT at the Company's Headquarters, 2200 East Pratt Boulevard, Elk Grove Village, Illinois, or at any adjournment or postponement thereof.

Your vote for eight directors may be indicated on the reverse side. Avrum Gray, Frank L. Hohmann III, Samuel Licavoli, Clifford D. Nastas, Dr. Ronald A. Mitsch, John P. Reilly, Patrick J. McDonnell and Dominick J. Schiano, have been nominated for election of directors.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareowner. If no contrary direction is given, the shares represented by this proxy will be voted (1) FOR the election of all nominees for director; and (2) FOR ratification of the appointment of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending February 28, 2009. Unless a contrary direction is given, this proxy will grant the persons named as proxies herein discretionary authority to cumulate votes in connection with the election of directors. If you withhold your vote for a nominee, all of your cumulative votes will be allocated to the remaining nominees as determined by the proxies. The proxies are authorized to vote in their discretion upon such other business as may properly come before the meeting.

(Continued and to be marked, dated and signed on the reverse side)

Address Change/Comments (Mark the corresponding box on the reverse side)

Ù FOLD AND DETACH HERE Ù