

Investors Bet Fight Over 3PAR Ensues

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NEW YORK—Droves of options traders bet the bidding war for 3PAR isn't finished yet. As 3PAR's stock soared to a fresh all-time high following Hewlett-Packard's sweetened offer of \$30 a share, 3PAR options changed hands furiously. Investors busily pursued September \$32.50 and \$35 calls, the latter of which make money if 3PAR's stock gains more than 9% in the coming weeks. That is unlikely to happen unless H-P and Dell keep up the bidding. The data-storage company's stock soared as much as \$6.55, or 25%, to \$32.58.

"It's purely a lotto ticket. It's an all-or-nothing play," OptionSizzle.com Founder Joshua Belanger said.

Sure enough, not all traders were so confident that the story will continue. Smaller numbers appeared to sell \$32.50 call options, a bet much like selling a stock short. The move is premised on 3PAR shares remaining roughly flat or declining, something that happens if Dell decides not to upstage H-P's latest bid.

Other traders appeared satisfied with the gains they had already reaped. A number who made successful wagers with \$30 3PAR call options during the past few sessions took money off the table. Those traders could have kept their 3PAR \$30 calls on the hopes that the contracts would prove even more profitable next week. They instead chose to lock in profits.

The "lotto ticket" analogy was in keeping with much of the day's analyst commentary. "We believe that Dell and HP have better alternatives than continuing with the bidding war," Wedbush Securities' Kaushik Roy and Hemant Hebbar wrote to clients. Other cautious analysts said the offers are princely compared to 3PAR's 2011 earnings projections.

Overall, 3PAR options trading Friday hit its highest level since the takeover battle began, reaching more than 25 times the usual volume, according to Trade Alert.

3PAR shares closed up \$6.43, nearly 25%, to \$32.46.

With the 3PAR bidding at a fever pitch, traders acted upon takeover rumors, a trend that has picked up the past few weeks. Trading has been notable in the wake of a dozen or more

rumored takeovers, often with little or no substantiation, in the wake of BHP Billiton's bid for Potash Corp. of Saskatchewan and the closely watched 3PAR bidding.

The chatter drove notable options activity Friday in insurer Lincoln National and ArcSight, while the 3PAR fever also appeared to drive notable trading in data-storage company Compellent Technologies.

Lincoln National shares rose as much as 9.2% to \$23.51 in the absence of major news. The rumor mill buzzed with chatter of a potential takeover. A Lincoln National spokeswoman said the company doesn't comment on market speculation.

Trading was heavy in September \$24 and \$26 call options. At a price of 64 cents, the \$26 calls make money if Lincoln National's shares gain more than 12% by mid-September. Lincoln National's shares rose \$2.21, or 10%, to \$23.73 on the day.

Shares in security-software firm ArcSight hit a new 52-week high after The Wall Street Journal said potential buyers were circling the company. An ArcSight representative declined to comment. The shares jumped as much as \$3.11, or 8.5%, to \$39.74. Options traders took particular interest in September \$35 and \$40 contracts. The latter make money if ArcSight's stock can add more than 6.1% by the middle of next month.

ArcSight's stock rose \$3.03, or 8.3%, to \$39.66.

Shares in Compellent Technologies rose in sympathy with 3PAR's, gaining as much as \$2.53, nearly 17%, to \$17.44. Options traders busily traded \$17.50 September call contracts. At a price of \$1.20, the calls make money if Compellent shares add 8.9% or more by mid-September. Compellent's stock rose \$2.26, or 15%, to \$17.17.