HESS CORP
Form 4
February 22, 2011

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
HESS JOHN B

(Last) (First) (Middle)

HESS CORPORATION, 1185 AVENUE OF THE AMERICAS

(Street)

NEW YORK, NY 10036

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HESS CORP [HES]

3. Date of Earliest Transaction (Month/Day/Year)
02/18/2011

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board and CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, $1.00 par value	02/18/2011		S[(1)]		24,200	D	$ 84.02	10,569,807	I	See Note 2
Common Stock, $1.00 par value	02/18/2011		S[(1)]		20,800	D	$ 84.45	10,549,007 [(2)]	I	See Note 2
Common Stock, $1.00 par value	02/18/2011		M[(3)]		45,000	A	$ 29.96	522,890	D	

Common Stock, $1.00 par value	02/18/2011		S[(4)]	24,212	D	$ 84.02	498,678	D
Common Stock, $1.00 par value	02/18/2011		S[(4)]	20,788	D	$ 84.45	477,890 [(5)]	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to purchase Common Stock	$ 29.96	02/18/2011		M			2,400	02/02/2007	02/02/2015	Common Stock, $1.00 par value	2,400
Option to purchase Common Stock	$ 29.96	02/18/2011		M			42,600	02/02/2008	02/02/2015	Common Stock, $1.00 par value	42,600

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HESS JOHN B HESS CORPORATION 1185 AVENUE OF THE AMERICAS NEW YORK, NY 10036	X	X	Chairman of the Board and CEO	

Signatures

George C. Barry for John B. Hess	02/22/2011
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	The sales of shares set forth herein are made in connection with a selling plan by the charitable lead annuity trust referred to below dated February 3, 2011 that is intended to comply with Rule 10b5-1(c).
(2)	Held by a previously reported charitable lead annuity trust established under the will of Leon Hess. The reporting person is one of five trustees of the trust.
(3)	Common Stock acquired upon exercise of options granted under the Corporation's Second Amended and Restated 1995 Long-Term Incentive Plan.
(4)	The sales of shares set forth herein are made in connection with a selling plan dated February 3, 2011 that is intended to comply with Rule 10b5-1(c).
(5)	This amount includes 268,780 shares held in escrow pursuant to the Corporation's 2008 Long Term Incentive Plan and Second Amended and Restated 1995 Long-Term Incentive Plan. The reporting person has only voting power of these shares until the lapsing of the period set by the Committee administering the Plan at which time the shares plus accrued dividends will be delivered to the reporting person if he is still an employee of the Corporation.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. as of October 12, 2015), Denali, Dell and Merger Sub.

The Company and its directors moved to dismiss the amended complaint in the IBEW matter pursuant to provisions of the Massachusetts Business Corporation Act, M.G.L. c. 156D, § 7.40 et seq., and Rules 12(b)(6) and 23.1 of the Massachusetts Rules of Civil Procedure, on the basis that the complaint asserts a derivative action on behalf of the Company and should be dismissed for failure to make the requisite pre-suit demand on the Company. On December 7, 2015 the Court granted this motion and on December 24, 2015 the court entered judgment dismissing each of the consolidated actions. On January 21, 2016, three of the plaintiffs served notice that they will appeal this judgment. On April 29, 2016, the appeal was docketed in the Massachusetts Appeals Court as case number 2016-P-0595. On May 2, 2016, the appellants filed an application for direct appellate review in the Massachusetts Supreme Judicial Court as Direct Appellate Review No. DAR-24347.

On January 11, 2016, following the state court judgment and a motion by the Company and its directors to stay or dismiss the two lawsuits then pending in the United States District Court for the District of Massachusetts, the plaintiffs in those cases amended their complaints to eliminate the initial claims based on Massachusetts state law and substitute allegations that the preliminary proxy statement/prospectus dated December 14, 2015 omits and/or misrepresents material information and that such omissions and misrepresentations constitute violations of Section 14(a) of, and Rule 14a-9 under, the Securities Exchange Act of 1934. Two additional lawsuits have since been filed in the same court advancing substantially the same proxy-disclosure-based allegations.

Of the two lawsuits filed purportedly on behalf of VMware shareholders, one was filed in Middlesex County Superior Court in Massachusetts, and the other in Delaware Chancery Court. Both generally allege that the Company, in its capacity as the majority shareholder of VMware, and individual defendants who are directors of the Company, VMware, or both, breached their fiduciary duties to minority shareholders of VMware in connection with the Merger. Both further allege that various combinations of defendants aided and abetted these alleged breaches of fiduciary duties. The Company, VMware, Denali, Dell, Merger Sub, and other defendants have served or filed motions to dismiss the operative complaints in both actions.

The outcome of these lawsuits is uncertain, and additional lawsuits may be brought or additional claims advanced concerning the Merger. An adverse judgment for monetary damages could have an adverse effect on the Company's operations. A preliminary injunction could delay or jeopardize the completion of the Merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the Merger.

13. Segment Information

We manage the Company as a federation of businesses: EMC Information Infrastructure, VMware Virtual Infrastructure, Pivotal and Virtustream. EMC Information Infrastructure operates in three segments: Information Storage, Enterprise Content Division and RSA Information Security, while VMware Virtual Infrastructure and Pivotal each operate as single segments. The results of Virtustream are currently reported within our Information Storage segment.

Our management measures are designed to assess performance of these reporting segments excluding certain items. As a result, the corporate reconciling items are used to capture the items excluded from the segment operating performance measures, including stock-based compensation expense, intangible asset amortization expense, restructuring charges and acquisition and other related charges. Additionally, in certain instances, infrequently occurring items are also excluded or included from the measures used by management in assessing segment performance. Research and development expenses, selling, general and administrative expenses and restructuring and acquisition-related charges associated with the EMC Information Infrastructure business are not allocated to the segments within the EMC Information Infrastructure business, as they are managed centrally at the EMC Information Infrastructure business level. EMC Information Infrastructure and Pivotal have not been allocated non-operating income (expense), net and income tax provision as these costs are managed centrally at the EMC corporate level. Accordingly, for the three segments within the EMC Information Infrastructure business, gross profit is the segment operating performance measure, while for Pivotal, operating income is the operating performance measure. The VMware Virtual Infrastructure within EMC amounts represent the revenues and expenses of VMware as reflected within EMC's consolidated financial statements.

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our segment information for the three months ended March 31, 2016 and 2015 is as follows (tables in millions, except percentages):

	EMC Information Infrastructure					
	Information Storage	Enterprise Content Division	RSA Information Security	EMC Information Infrastructure	Pivotal	EMC Information Infrastructure plus Pivotal
Three Months Ended March 31, 2016						
Revenues:						
Product revenues	$1,960	$ 29	$ 95	$ 2,084	$27	$ 2,111
Services revenues	1,487	105	133	1,725	56	1,781
Total consolidated revenues	3,447	134	228	3,809	83	3,892
Gross profit	$1,711	$ 91	$ 151	$ 1,953	$34	$ 1,987
Gross profit percentage	49.6 %	68.0 %	66.4 %	51.3 %	41.2 %	51.1 %
Research and development				378	34	412
Selling, general and administrative				1,084	58	1,142
Restructuring and acquisition-related charges				—	—	—
Total operating expenses				1,462	92	1,554
Operating income (expense)				$ 491	$(58)	$ 433

	EMC Information Infrastructure plus Pivotal	VMware Virtual Infrastructure	Corp Reconciling Items	Consolidated
Three Months Ended March 31, 2016				
Revenues:				
Product revenues	$ 2,111	$ 571	$ —	$ 2,682
Services revenues	1,781	1,012	—	2,793
Total consolidated revenues	3,892	1,583	—	5,475
Gross profit	$ 1,987	$ 1,373	$ (100)	$ 3,260
Gross profit percentage	51.1 %	86.7 %	— %	59.5 %
Research and development	412	283	119	814
Selling, general and administrative	1,142	644	201	1,987
Restructuring and acquisition-related charges	—	—	49	49
Total operating expenses	1,554	927	369	2,850
Operating income (expense)	433	446	(469)	410
Non-operating income (expense), net	(15)	9	(18)	(24)
Income tax provision (benefit)	75	128	(114)	89
Net income	343	327	(373)	297

Net income attributable to the non-controlling interests	1	(68)	38	(29)
Net income attributable to EMC Corporation	$ 344	$ 259	$ (335)	$ 268

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	EMC Information Infrastructure					
	Information Storage	Enterprise Content Division	RSA Information Security	EMC Information Infrastructure	Pivotal	EMC Information Infrastructure plus Pivotal
Three Months Ended March 31, 2015						
Revenues:						
Product revenues	$2,179	$ 27	$ 100	$ 2,306	$16	$ 2,322
Services revenues	1,484	111	148	1,743	38	1,781
Total consolidated revenues	3,663	138	248	4,049	54	4,103
Gross profit	$1,850	$ 90	$ 165	$ 2,105	$22	$ 2,127
Gross profit percentage	50.5 %	65.2 %	66.6 %	52.0 %	40.3 %	51.9 %
Research and development				424	27	451
Selling, general and administrative				1,169	49	1,218
Restructuring and acquisition-related charges				—	—	—
Total operating expenses				1,593	76	1,669
Operating income (expense)				$ 512	$(54)	$ 458

	EMC Information Infrastructure plus Pivotal	VMware Virtual Infrastructure	Corp Reconciling Items	Consolidated
Three Months Ended March 31, 2015				
Revenues:				
Product revenues	$ 2,322	$ 583	$ —	$ 2,905
Services revenues	1,781	927	—	2,708
Total consolidated revenues	4,103	1,510	—	5,613
Gross profit	$ 2,127	$ 1,311	$ (99)	$ 3,339
Gross profit percentage	51.9 %	86.8 %	— %	59.5 %
Research and development	451	247	90	788
Selling, general and administrative	1,218	604	215	2,037
Restructuring and acquisition-related charges	—	—	135	135
Total operating expenses	1,669	851	440	2,960
Operating income (expense)	458	460	(539)	379
Non-operating income (expense), net	(14)	8	—	(6)
Income tax provision (benefit)	126	89	(133)	82
Net income	318	379	(406)	291
Net income attributable to the non-controlling interests	—	(74)	35	(39)
Net income attributable to EMC Corporation	$ 318	$ 305	$ (371)	$ 252

Explanation of Responses:

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Explanation of Responses:

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our revenues are attributed to the geographic areas according to the location of the customers. Revenues by geographic area are included in the following table (table in millions):

	For the Three Months Ended	
	March 31, 2016	March 31, 2015
United States	$2,897	$ 3,013
Europe, Middle East and Africa	1,537	1,559
Asia Pacific and Japan	740	729
Latin America, Mexico and Canada	301	312
Total	$5,475	$ 5,613

No country other than the United States accounted for 10% or more of revenues during the three months ended March 31, 2016 or 2015.

Long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, in the United States were $4,566 million at March 31, 2016 and $4,584 million at December 31, 2015. Internationally, long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, were $1,037 million at March 31, 2016 and $1,053 million at December 31, 2015. No country other than the United States accounted for 10% or more of total long-lived assets, excluding financial instruments and deferred tax assets, at March 31, 2016 or December 31, 2015.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements and should also be read in conjunction with the risk factors set forth in Item 1A of Part II. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof.

Certain tables may not add or recalculate due to rounding.

INTRODUCTION

We manage our company as a federation of businesses to capitalize on the emerging and rapidly growing trends of cloud computing, Big Data, mobile, social networking and security. Our federated businesses include EMC Information Infrastructure, Pivotal, VMware Virtual Infrastructure and Virtustream.

To capitalize on these trends and align our businesses effectively, we have developed a market growth strategy that has four main pillars: our best-in class products and solutions, our continued focus on cloud services for both on and off premise implementations, a coordinated go-to-market approach led by a federation go-to-market organization and our leadership team and global talent. We believe these pillars enable us to become a more trusted partner to our customers as they embark on their digital transformation and transition to the hybrid cloud, and to drive the overall revenue and growth opportunity of EMC Information Infrastructure and the faster growth opportunities of VMware Virtual Infrastructure, Pivotal and Virtustream.

Under our federation model, each of the businesses operate independently to build its own ecosystem and culture, operate with greater speed and agility and offer customers technology solutions that are free from vendor lock-in. At the same time, our businesses are strategically aligned in the mission to lead customers and partners through unprecedented transformational shifts occurring in IT. We believe this ability to draw on resources from across the federation to offer tightly integrated solutions that can be rapidly deployed while retaining choice for customers seeking flexibility is a distinct competitive advantage.

In the second quarter of 2015, we initiated a cost reduction and business transformation program to better align our expenses and improve the operations of our federation of businesses. This program is primarily in response to increased pressure on our traditional storage businesses and accordingly, the vast majority of this program is focused on our EMC Information Infrastructure segment. The goal of this cost reduction and business transformation program is to reduce our current annual cost base by $850 million. We expect the $850 million reduction in our annual cost base to be achieved in 2017. As part of this cost reduction plan, in the fourth quarter of 2015, we approved a restructuring plan which consisted of a reduction in force which was substantially completed by the end of the first quarter of 2016 and will be fully completed by the end of 2016.

Proposed Transaction with Dell

On October 12, 2015, EMC and Denali Holding Inc. (“Denali”), the parent company of Dell Inc. (“Dell”), signed a definitive agreement (“Merger Agreement”) under which Denali will acquire EMC Corporation, with VMware remaining a publicly-traded company. The combined company will be a leader in numerous high-growth areas of the $2 trillion information technology market, with a complementary portfolio, sales team and research and development (“R&D”) organization across four globally recognized technology franchises – servers, storage, virtualization and PCs – and brings together strong capabilities in the fast growing areas of the industry, including converged infrastructure, digital transformation, software-defined data center, hybrid cloud, mobile and security.

For additional information related to the Merger Agreement, please refer to the Preliminary Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission (“SEC”) on April 11, 2016, which includes the full text of the Merger Agreement as Annex A.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

EMC Information Infrastructure

Our EMC Information Infrastructure business consists of three segments: Information Storage, Enterprise Content Division, formerly known as Information Intelligence Group, and RSA Information Security. The objective for our EMC Information Infrastructure business is to simultaneously increase our market share through our strong portfolio of offerings while investing in the business. During the first quarter of 2016, we continued to invest in expanding our total addressable market through increased internal R&D and through business acquisitions, with a focus on flash, Big Data storage, software-defined storage and converged infrastructure to facilitate the enablement of hybrid cloud infrastructures. We have developed a product portfolio to address customer needs that enables the adoption of hybrid cloud approaches as most enterprises and organizations embark on IT transformation initiatives incorporating both new and traditional storage architectures including converged infrastructure, cloud services, Flash, storage sharing, and software-defined and software-managed architectures. Our go-to market model, where we continue to leverage our direct sales force and services organization, as well as our channel and services partners and service providers, positions us well to help enable customers to transition to cloud computing and benefit from Big Data in the most advantageous manner for their businesses.

Pivotal

Pivotal is focused on building a platform comprising the next generation of data fabrics, application fabrics and a cloud independent platform-as-a-service (“PaaS”) to support cloud computing and Big and Fast Data Applications. The foundation of our technology platform, Pivotal Cloud Foundry (“Pivotal CF”), continues to gain momentum as an open platform for developing and operating new cloud applications that can be run on multiple leading private and public clouds, in addition to our own, and not lock a customer into any one cloud in particular. It continues to enable developers to produce next generation applications and user experiences as well as transform existing applications to operate with greater speed at lower costs. On top of this platform, Pivotal will continue to offer its own suite of big and fast data capabilities, the Big Data Suite (“BDS”), featuring game changing innovations that use Hadoop Distributed File System (“HDFS”) and scalar processing technologies. Additionally, its agile development services business, Pivotal Labs, continues to help existing customers and digital era startups build industrial-strength applications with more agility, more speed, and better quality. Pivotal is becoming an increasingly important factor in our cross-federation solutions, which offer a combination of products, converged infrastructure and services that provide a unique value proposition to customers, positioning the business for rapid growth in the future.

VMware Virtual Infrastructure

VMware is a leader in virtualization and cloud infrastructure solutions utilized by organizations to help transform the way they build, deliver and consume IT resources. VMware develops and markets its product and service offerings within three main product groups and allows organizations to leverage synergies and manage IT resources across complex multi-cloud, multi-device environments. These three product and service areas include: SDDC or Software-Defined Data Center, Hybrid Cloud Computing and End-User Computing.

VMware generally sells its solutions using enterprise agreements (“EAs”) or as part of its non-EA, transactional, business. EAs are comprehensive volume license offerings, offered both directly by VMware and through certain channel partners that also provide for multi-year maintenance and support.

Historically, the majority of VMware license sales have been from VMware vSphere which is included in its compute product category within its SDDC product group. However, the market for VMware’s compute products is reaching maturity and VMware vSphere license sales have been declining. As the transformation of the IT industry continues, VMware expects that its growth of license sales within the SDDC product group will be increasingly derived from sales of its newer products, suites and services solutions across its SDDC portfolio. Hybrid cloud computing continued to grow during the three months ended March 31, 2016. VMware’s cloud strategy has three components: (i) continue to expand beyond compute virtualization in the private cloud, (ii) extend the private cloud into the public cloud, and (iii) connect and secure endpoints across a range of public clouds. VMware’s end-user computing product

group continues to experience strong growth. VMware's AirWatch business model includes an on-premise solution that it offers through the sale of perpetual licenses and an off-premise solution that it offers as software-as-a-service. AirWatch and Horizon products and services continued to contribute to the growth of its end-user computing product group during the three months ended March 31, 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

RESULTS OF OPERATIONS

Revenues

The following table presents total revenue by our segments (in millions):

	For the Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Information Storage	$ 3,447	$ 3,663	$(216)	(6)%
Enterprise Content Division	134	138	(4)	(3)%
RSA Information Security	228	248	(20)	(8)%
Pivotal	83	54	29	56 %
VMware Virtual Infrastructure	1,583	1,510	73	5 %
Total consolidated revenues	$ 5,475	$ 5,613	$(138)	(2)%

Consolidated product revenues decreased 8% to $2,682 million for the three months ended March 31, 2016. The decrease was primarily driven by the decrease in product revenue in the Information Storage segment. Our Information Storage business continues to be negatively impacted by the rapidly changing IT macro environment where our customers are changing their buying patterns and needs. Additionally, during the first part of 2016, our business results were again negatively impacted by currency fluctuations.

The Information Storage segment’s product revenues decreased 10% to $1,960 million for the three months ended March 31, 2016. This decrease was primarily driven by declines in our traditional high-end and mid-tier storage product sales as customers continue to purchase these product categories primarily to cover short-term needs as they begin to drive digital transformation of their IT infrastructures. Additionally, product revenues for the three months ended March 31, 2016 were negatively impacted by foreign currency fluctuations and higher than expected unshipped orders at March 31, 2016 as customers remained cautious about their transactional spend and placed their orders very late in the quarter. The decrease in our traditional product revenues for the three months ended March 31, 2016 was partially offset by growth in product revenues from our newer storage technologies, which include our all-flash XIO and VMAX, Isilon scale-out file, Data Domain purpose built backup appliance, Converged Infrastructure, and Software-Defined Storage products.

The Pivotal segment’s product revenues increased 72% to $27 million for the three months ended March 31, 2016 primarily due to a significant increase in subscription orders in the current and prior year for Pivotal CF and BDS which earn out over time. Pivotal is benefiting from the transition to next-gen applications by the enterprise and continues to expand the number of customers adopting Pivotal CF.

The VMware Virtual Infrastructure segment’s product revenues decreased 2% to $571 million for the three months ended March 31, 2016. The decrease in product revenues was driven by lower license sales of its core compute products and growth derived from its hybrid cloud and SaaS offerings, partially offset by increased sales in VMware’s emerging products, including NSX and vSAN, as well as VMware’s vCAN offering. Perpetual license revenues that are part of a multi-year arrangement are generally recognized upon delivery of the underlying license using the residual method, whereas revenues derived from VMware’s hybrid cloud and SaaS offerings are recognized over a period of time. Growth from VMware’s hybrid cloud and SaaS offerings have resulted in less revenue being recognized up-front which has had an adverse impact on its growth rate during the first quarter of 2016.

The RSA Information Security segment’s product revenues decreased 5% to $95 million for the three months ended March 31, 2016 resulting from declines in non-strategic products which more than offset growth in the rest of the RSA portfolio. Security remains a high customer priority and RSA is increasingly focused on the rapidly growing

security analytics and next generation identity management solution as well as extending its market leadership in governance, risk and compliance (“GRC”) which enables them to help customers secure their cloud-based IT environments.

The Enterprise Content Division segment’s product revenues increased 7% to $29 million for the three months ended March 31, 2016 due to growth in license sales. This business continues to innovate to meet customers’ demand for technologies that work seamlessly in mobile cloud environments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Consolidated services revenues increased 3% to $2,793 million for the three months ended March 31, 2016. The consolidated services revenues increase was primarily driven by the Information Storage and VMware Virtual Infrastructure segments' services revenues resulting from increased revenue associated with maintenance services.

The Information Storage segment's services revenues were flat at $1,487 million for the three months ended March 31, 2016. Higher revenue associated with maintenance services due to a larger installed base as well as an increase in renewals associated with aforementioned customer caution on transactional spend was offset by decreased demand for professional services associated with lower product sales.

The Pivotal segment's services revenues increased 49% to $56 million for the three months ended March 31, 2016. Services revenues increased primarily due to increases in professional services revenues resulting from continued strong demand for our Pivotal Labs services.

The VMware Virtual Infrastructure segment's services revenues increased 9% to $1,012 million for the three months ended March 31, 2016. The increase in services revenues was primarily attributable to growth in VMware's software maintenance revenues which benefited from renewals of software maintenance contracts sold in previous periods and additional maintenance contracts sold in conjunction with new software license sales.

The RSA Information Security segment's services revenues decreased 10% to $133 million for the three months ended March 31, 2016. Services revenues decreased primarily due to a decrease in professional services.

The Enterprise Content Division segment's services revenues decreased 6% to $105 million for the three months ended March 31, 2016. Services revenues decreased primarily due to a decrease in software-as-a-service and professional services.

Consolidated revenues by geography were as follows (in millions):

	For the Three Months Ended March 31, 2016	March 31, 2015	% Change
United States	$2,897	$ 3,013	(4)%
Europe, Middle East and Africa	1,537	1,559	(1)%
Asia Pacific and Japan	740	729	2 %
Latin America, Mexico and Canada	301	312	(4)%
Total revenues	$5,475	$ 5,613	(2)%

Revenues decreased in the three months ended March 31, 2016 compared to the same period in 2015 in the United States, Europe, Middle East and Africa and in Latin America, Mexico and Canada. Revenues increased in the three months ended March 31, 2016 compared to the same period in 2015 in Asia Pacific and Japan.

Changes in exchange rates negatively impacted consolidated revenue growth by 2% for the three months ended March 31, 2016. Exchange rates in Europe, Middle East and Africa had the most significant impact on EMC's consolidated growth rate. The negative impact of the changes in rates was the most significant for the Euro, British pound, Australia dollar and Brazilian real.

Changes in exchange rates which impacted revenue growth rates in our geographic regions include negative impacts to growth in Europe, Middle East and Africa of 3%, Asia Pacific and Japan of 2% and Latin America of 10% for the three months ended March 31, 2016.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Costs and Expenses

The following table presents our costs and expenses, operating income and net income attributable to EMC Corporation (in millions):

	For the Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Cost of revenue:				
Information Storage	$ 1,736	$ 1,813	$(77)	(4)%
Enterprise Content Division	43	48	(5)	(11)%
RSA Information Security	77	83	(6)	(7)%
Pivotal	49	32	17	54 %
VMware Virtual Infrastructure	210	199	11	5 %
Corporate reconciling items	100	99	1	— %
Total cost of revenue	2,215	2,274	(59)	(3)%
Gross margins:				
Information Storage	1,711	1,850	(139)	(8)%
Enterprise Content Division	91	90	1	1 %
RSA Information Security	151	165	(14)	(8)%
Pivotal	34	22	12	59 %
VMware Virtual Infrastructure	1,373	1,311	62	5 %
Corporate reconciling items	(100)	(99)	(1)	— %
Total gross margin	3,260	3,339	(79)	(2)%
Operating expenses:				
Research and development[1]	814	788	26	3 %
Selling, general and administrative[2]	1,987	2,037	(50)	(2)%
Restructuring and acquisition-related charges	49	135	(86)	(64)%
Total operating expenses	2,850	2,960	(110)	(4)%
Operating income	410	379	31	8 %
Investment income, interest expense and other expenses, net	(24)	(6)	(18)	322 %
Income before provision for income taxes	386	373	13	3 %
Income tax provision	89	82	7	8 %
Net income	297	291	6	2 %
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(29)	(39)	10	(26)%
Net income attributable to EMC Corporation	$ 268	$ 252	$16	6 %

(1) Amount includes corporate reconciling items of $119 million and $90 million for the three months ended March 31, 2016 and 2015, respectively.

(2) Amount includes corporate reconciling items of $201 million and $215 million for the three months ended March 31, 2016 and 2015, respectively.

Gross Margins

Overall our gross margin percentages remained flat at 59.5% for the three months ended March 31, 2016 and 2015. During the three months ended March 31, 2016 compared to 2015, the Information Storage segment decreased overall gross margins by 21 basis points, the RSA Information Security segment decreased overall gross margins by 3 points, and the Pivotal segment decreased overall gross margin by 9 basis points. These decreases were offset by the VMware

Virtual Infrastructure segment, which increased overall gross margins by 34 basis points, and the Enterprise Content Division segment, which increased overall gross margins by 6 basis points.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The gross margin percentages for the Information Storage segment were 49.6% and 50.5% for the three months ended March 31, 2016 and 2015, respectively. The decrease in gross margin percentage for the three months ended March 31, 2016 compared to the same period in 2015 was primarily due to a decrease in product margins due to lower product volumes partially offset by an increase in services mix and services margins. Services margins increased as a result of the increase in the mix of maintenance services which have higher margins than professional services.

The gross margin percentages for the Pivotal segment were 41.2% and 40.3% for the three months ended March 31, 2016 and 2015, respectively. The increase in gross margin percentage for the three months ended March 31, 2016 compared to the same period in 2015 was primarily due to an increase in product margins and a shift in the mix of product revenue to products which have higher margins, somewhat offset by a decrease in services margins.

The gross margin percentages for the VMware Virtual Infrastructure segment were 86.7% and 86.8% for the three months ended March 31, 2016 and 2015, respectively. The slight decrease in gross margin percentage for the three months ended March 31, 2016 compared to the same period in 2015 was due to a higher mix of services revenues which have lower margins, partially offset by increases in both product and services margins year over year.

The gross margin percentages for the RSA Information Security segment were 66.4% and 66.6% for the three months ended March 31, 2016 and 2015, respectively. Gross margins decreased slightly for the three months ended March 31, 2016 compared to the same period in 2015 due to a slight decrease in services margins, somewhat offset by an increase in product margins.

The gross margin percentages for the Enterprise Content Division segment were 68.0% and 65.2% for the three months ended March 31, 2016 and 2015, respectively. The increase in gross margin percentage for the three months ended March 31, 2016 compared to the same period in 2015 was primarily driven by increases in both product and services margins.

Research and Development

Research and development expenses include payroll, stock-based compensation expense and other personnel-related costs associated with product development. Also included in R&D expenses are infrastructure costs, which consist of equipment and facilities costs, and depreciation expense, intangible asset amortization and capitalized software development costs.

The following table summarizes our consolidated R&D expenses for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Research and development	$814	$ 788	$ 26	3 %
Percentage of revenue	15 %	14 %		

The increase in R&D expenses for the three months ended March 31, 2016 when compared to the same period in 2015 was attributable to the Pivotal business, which increased overall R&D expenses by $7 million, and the VMware Virtual Infrastructure business, which increased overall R&D expenses by $36 million. In addition, corporate reconciling items increased consolidated R&D expenses by $29 million. These increases were partially offset by the EMC Information Infrastructure business, which decreased overall R&D expenses by $46 million.

The following table summarizes R&D expenses within EMC’s Information Infrastructure business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change

Research and development	$378	$ 424	$ (46)	(11)%
Percentage of revenue	10 %	10 %		

R&D expenses within EMC's Information Infrastructure business decreased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to decreases in personnel-related costs as well as increases in capitalized software development costs due to the timing of projects reaching technological feasibility, which decreased overall R&D expenses.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

Personnel-related costs decreased by $16 million for the three months ended March 31, 2016, primarily due to our cost reduction and business transformation program initiated in 2015. Capitalized software development costs increased by $30 million for the three months ended March 31, 2016.

The following table summarizes R&D expenses within the Pivotal business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Research and development	$34	$ 27	$ 7	26 %
Percentage of revenue	41 %	50 %		

R&D expenses within the Pivotal business increased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to an increase in personnel-related costs, which are expenses driven by incremental headcount from strategic hiring and business acquisitions.

The following table summarizes R&D expenses within the VMware Virtual Infrastructure business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Research and development	$283	$ 247	$ 36	15 %
Percentage of revenue	18 %	16 %		

R&D expenses within the VMware Virtual Infrastructure business increased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to growth in personnel-related expenses of $23 million driven by incremental growth in headcount. Additionally, depreciation and infrastructure related R&D expenses within the VMware Virtual Infrastructure business increased $7 million for the three months ended March 31, 2016.

The following table summarizes corporate reconciling items within R&D expenses for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Corporate reconciling items	$119	$ 90	$ 29	32 %

Corporate reconciling items within R&D, which consist of stock-based compensation expense and intangible asset amortization, increased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to stock-based compensation expense, which increased by $29 million.

Selling, General and Administrative

Selling expenses include payroll, sales commissions, stock-based compensation expense and other personnel-related costs associated with the marketing and sale of product offerings. Also included in selling expenses are product launch and business development costs, including travel expenses, as well as equipment and facilities costs, including the related depreciation expense and intangible asset amortization. General and administrative expenses include payroll, stock-based compensation expense and other personnel-related costs incurred to support the overall business. These expenses include costs associated with the finance, human resources, legal and other administrative functions and initiatives.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The following table summarizes our consolidated selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Selling, general and administrative	$1,987	$2,037	$ (50)	(2)%
Percentage of revenue	36%	36%		

The decrease in SG&A expenses for the three months ended March 31, 2016 when compared to the same period in 2015 was attributable to the EMC Information Infrastructure business, which decreased overall SG&A expenses by $85 million and corporate reconciling items which decreased consolidated SG&A expenses by $14 million. Partially offsetting the decreases were increases in the VMware Virtual Infrastructure business, which increased overall SG&A expenses by $40 million and the Pivotal business, which increased overall SG&A expenses by $9 million.

The following table summarizes SG&A expenses within EMC's Information Infrastructure business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Selling, general and administrative	$1,084	$1,169	$ (85)	(7)%
Percentage of revenue	29%	29%		

SG&A expenses within EMC's Information Infrastructure business decreased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to personnel-related costs which decreased by $68 million and business development costs which decreased by $10 million. These decreases were primarily due to our cost reduction and business transformation program which was initiated in 2015.

The following table summarizes SG&A expenses within the Pivotal business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Selling, general and administrative	$58	$ 49	$ 9	17%
Percentage of revenue	70%	92%		

SG&A expenses within the Pivotal business increased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to an increase of $9 million in personnel-related costs, which are expenses driven by incremental headcount from strategic hiring and business acquisitions. Pivotal continues to build out its go-to-market capabilities as it grows its business.

The following table summarizes SG&A expenses within the VMware Virtual Infrastructure business for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Selling, general and administrative	$644	$ 604	$ 40	7%
Percentage of revenue	41%	40%		

SG&A expenses within the VMware Virtual Infrastructure business increased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to growth in personnel-related costs of $26 million due to incremental

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growth in headcount. Additionally, infrastructure and depreciation costs increased by $13 million for the three months ended March 31, 2016.

The following table summarizes corporate reconciling items within SG&A expenses for the three months ended March 31, 2016 and 2015 (dollars in millions):

	Three Months Ended			
	March 31, 2016	March 31, 2015	$ Change	% Change
Corporate reconciling items	$201	$ 215	$ (14)	(7)%

Corporate reconciling items within SG&A, which consist of stock-based compensation, intangible asset amortization, acquisition and other related charges and merger-related costs, decreased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to a decrease in acquisition and other related charges of $29 million due to the decreases in installment payments to certain key employees of AirWatch. In addition, intangible asset amortization decreased by $8 million. Partially offsetting these decreases was an increase in stock-based compensation of $27 million and an increase in merger-related costs of $7 million.

Restructuring and Acquisition-Related Charges

For the three months ended March 31, 2016 and 2015, we incurred restructuring and acquisition-related charges of $49 million and $135 million, respectively. For the three months ended March 31, 2016, EMC incurred a $5 million credit related to our prior restructuring programs. For the three months ended March 31, 2016, VMware incurred $53 million of restructuring charges, primarily related to its current year restructuring program, and $1 million of charges in connection with acquisitions for financial, advisory, legal and accounting services.

For the three months ended March 31, 2015, EMC incurred $111 million of restructuring charges, primarily related to our 2015 restructuring programs, and $1 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. For the three months ended March 31, 2015, VMware incurred $22 million of restructuring charges, primarily related to its 2015 restructuring programs, and $1 million of charges in connection with acquisitions for financial, advisory, legal and accounting services.

In the first quarter of 2016, EMC did not commence any new restructuring programs. In the first quarter of 2016, VMware approved a plan to streamline its operations, with plans to reinvest the associated savings in field, technical and support resources associated with growth products. As a result, approximately 800 positions at VMware were eliminated during the three months ended March 31, 2016. All actions relating to VMware’s plan are expected to be completed within a year of the start of the program.

In the first quarter of 2015, EMC implemented restructuring programs to create further operational efficiencies which resulted in a workforce reduction of approximately 1,320 positions. The actions impacted positions around the globe covering our Information Storage, RSA Information Security and Enterprise Content Division segments. All of these actions were completed within a year of the start of the program. In the first quarter of 2015, VMware eliminated approximately 350 positions across all major functional groups and geographies to streamline its operations. All of these actions were completed within a year of the start of the program.

For the three months ended March 31, 2016 and 2015, we recognized $5 million and $6 million, respectively, of lease termination costs for facilities vacated in the period in accordance with our plan as part of all of our restructuring programs and for costs associated with terminating other contractual obligations. These accruals are expected to be utilized by the end of 2018.

Investment Income

Investment income was $13 million and $24 million for the three months ended March 31, 2016 and 2015, respectively. Investment income decreased for the three months ended March 31, 2016 when compared to the same period in 2015 primarily due to an increase in net realized losses.

For the three months ended March 31, 2016 and 2015, interest income was $28 million and $25 million, respectively, and net realized losses were $16 million and $2 million, respectively.

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Interest Expense

Interest expense was $41 million and $40 million for the three months ended March 31, 2016 and 2015, respectively. Interest expense during the three months ended March 31, 2016 and 2015 consists primarily of interest on the $5.5 billion aggregate principal amount of senior notes (collectively, the “Notes”), which we issued in June 2013.

Other Income

Other income was $4 million and $10 million for the three months ended March 31, 2016 and 2015, respectively. Other income primarily consists of net gains and losses on strategic investments and foreign exchange gains and losses.

During the three months ended March 31, 2016, we recognized net gains from strategic investments of $5 million and foreign currency exchange gains of $11 million. Offsetting these gains was an $18 million foreign currency exchange loss related to the re-measurement of assets and liabilities of our Venezuela subsidiary in connection with the Venezuela currency devaluation. During the three months ended March 31, 2015, we recognized net gains from strategic investments of $20 million which were partially offset by foreign currency exchange losses of $10 million.

Provision for Income Taxes

Our effective income tax rates were 23.1% and 22.0% for the three months ended March 31, 2016 and 2015, respectively. Our effective income tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. For the three months ended March 31, 2016, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions and federal tax credit for increasing research activities. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States; substantially all of our income before provision for income taxes from foreign operations has been earned by our Irish subsidiaries. For the three months ended March 31, 2015, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions. On December 18, 2015, the Consolidated Appropriations Act, 2016 was signed into law. Some of the provisions were retroactive to January 1, 2015 including a permanent extension of the U.S. federal tax credit for increasing research activities.

Our effective income tax rate increased in the three months ended March 31, 2016 from the three months ended March 31, 2015 due primarily to higher state taxes. There were also differences in the mix of income attributable to foreign versus domestic jurisdictions, change in tax contingency reserves and discrete items, the net impact of which is immaterial.

We are routinely under audit by the Internal Revenue Service (the “IRS”). We have concluded all U.S. federal income tax matters for years through 2008. In the third quarter of 2012, the IRS commenced a federal income tax audit for the tax years 2009 and 2010. The IRS completed their field audit for the tax years 2009 and 2010 and issued Revenue Agent Reports (“RARs”) in the first quarter of 2016. We disagree with certain proposed adjustments and have filed a formal protest to the IRS Appeals Division. In the first quarter of 2015, the IRS commenced a federal income tax audit for the tax year 2011, which is still ongoing. We also have income tax audits in process in numerous state, local and international jurisdictions. In our international jurisdictions that comprise a significant portion of our operations, the years that may be examined vary, with the earliest year being 2004. Based on the timing and outcome of examinations of EMC, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our consolidated balance sheets. We anticipate that several of these audits may be finalized within the next twelve months. While we expect the amount of unrecognized tax benefits to change in the next twelve months, we do not expect the change to have a significant impact on our consolidated results of operations or financial

position.

Our effective income tax rate for the remainder of 2016 may be affected by such factors as changes in tax laws, regulations or income tax rates, changing interpretation of existing laws or regulations, the impact of accounting for stock-based compensation, the impact of accounting for business combinations, changes in our international organization, and changes in overall levels of income before provision for income taxes. Our effective income tax rate may also be adversely affected by earnings being lower than anticipated in countries where we have lower statutory income tax rates and higher than anticipated in countries where we have higher statutory income tax rates.

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Non-controlling Interests

The net income attributable to the non-controlling interests was $29 million and $39 million for the three months ended March 31, 2016 and 2015, respectively. The net income attributable to the non-controlling interest in VMware was $30 million and $39 million for the three months ended March 31, 2016 and 2015, respectively. The decrease in the three months ended March 31, 2016 compared to the same period in 2015 was due to decreases in VMware's reported net income. VMware's reported net income was $161 million and $196 million for the three months ended March 31, 2016 and 2015, respectively. The weighted average non-controlling interest in VMware was approximately 19% and 20% for the three months ended March 31, 2016 and 2015, respectively. EMC did not purchase any shares of VMware common stock during the three months ended March 31, 2016.

Financial Condition

Proposed Transaction with Dell

On October 12, 2015, EMC and Denali signed a definitive Merger Agreement. EMC has agreed to various customary covenants and agreements, including, among others, agreements to conduct its business in the ordinary course during the period between the execution of the Merger Agreement and the effective time of the Merger. In addition, without the consent of Denali, we may not take, authorize, agree or commit to do certain actions outside of the ordinary course of business, including acquiring businesses or incurring capital expenditures above specified thresholds, issuing additional debt facilities, and repurchasing outstanding EMC common stock. We do not believe these restrictions will prevent us from meeting our debt service obligations, ongoing costs of operations, working capital needs, or capital expenditure requirements for the next twelve months.

The Merger Agreement contains specified termination rights for each of Denali and EMC, including that, in general, either party may terminate the agreement if the Merger is not consummated on or before December 16, 2016. If EMC terminates the Merger Agreement, we are required to pay Denali a termination fee of $2.5 billion.

Cash, Cash Equivalents and Investments

At March 31, 2016, our total cash, cash equivalents, and short-term and long-term investments were $15.0 billion. This balance includes approximately $8.2 billion held by VMware, of which $6.3 billion is held outside the U.S. and $1.9 billion is held in the U.S., and $6.8 billion held by EMC, of which $5.8 billion is held outside the U.S. and $1.0 billion is held in the U.S. If the funds that are held outside the U.S. are needed for our operations in the U.S., we would be required to accrue and pay U.S. taxes to repatriate these funds. However, our intent is to permanently reinvest these funds outside of the U.S. and our current plans do not demonstrate a need to repatriate them to fund our U.S. operations.

Under the terms of the Merger Agreement, EMC is required to provide Denali with access to EMC's cash to help fund the Merger consideration. At this time, EMC has not finalized its plan to access such cash and has not determined if there would be a need to repatriate cash to meet the requirements of the Merger. If these overseas funds are required to be repatriated to the U.S. in accordance with the Merger Agreement, we may be required to accrue and pay U.S. taxes.

We expect that existing U.S. cash and cash equivalents, together with any cash generated from operations, will be sufficient to meet normal operating requirements for the next twelve months. We expect to continue to generate positive cash flows from operations and to use cash generated by operations as a primary source of liquidity. Should we require more capital than is generated by our operations to fund discretionary activities, such as business acquisitions, we have the ability to raise capital through the issuance of commercial paper or by drawing on our credit facility at reasonable interest rates.

Explanation of Responses:

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Cash Flow

The following table summarizes our cash flow activity for the three months ended March 31, 2016 and 2015 (in millions):

	For the Three Months Ended		
	March 31, 2016	March 31, 2015	$ Change
Cash provided by operating activities	$ 932	$ 1,080	$(148)
Cash provided by (used in) investing activities	156	(1,111)	1,267
Cash used in financing activities	(444)	(1,821)	1,377
Effect of exchange rates on cash and cash equivalents	31	(103)	134
Net increase (decrease) in cash and cash equivalents	$ 675	$ (1,955)	$2,630

Cash provided by operating activities consists primarily of cash collections from our customers somewhat offset by cash used for employee related expenditures, cash paid to suppliers for material and manufacturing costs and income tax payments.

The following table summarizes the primary drivers of the decrease in cash provided by operating activities for the three months ended March 31, 2016 and 2015 (in millions):

	For the Three Months Ended		
	March 31, 2016	March 31, 2015	$ Change
Cash received from customers	$ 6,878	$ 7,495	$(617)
Cash paid to suppliers and employees	(5,373)	(5,584)	211
Income taxes paid	(591)	(855)	264

Net cash provided by operating activities decreased by $148 million to $932 million for the three months ended March 31, 2016 compared to the same period in 2015 primarily due to a decrease in cash received from customers, attributable to lower sales volume as well as entering the first quarter of 2016 with a significantly lower accounts receivable balance than at the start of the first quarter of 2015. This was partially offset by a decrease in cash paid to suppliers and employees resulting from our cost reduction and business transformation program which was initiated in 2015. Additionally, income tax payments, which are comprised of estimated taxes for the current year, extension payments for the prior year and refunds or payments associated with income tax filings and tax audits, decreased primarily due to lower pre-tax income in 2015 compared to 2014.

Cash used in investing activities consists primarily of the timing of purchases, sales and maturities of our investments in available-for-sale securities, business acquisitions and the purchase of capital and other assets.

The following table summarizes the primary driver of the increase in cash used in investing activities for the three months ended March 31, 2016 and 2015 (in millions):

	For the Three Months Ended		
	March 31, 2016	March 31, 2015	$ Change
Net sales, maturities and (purchases) of available-for-sale securities	$ 491	$ (688)	$1,179

Net cash provided by investing activities increased by $1,267 million to $156 million for the three months ended March 31, 2016 compared to the same period in 2015 primarily due to a decrease in cash provided by/(used in) the net

sales, maturities and purchases of available-for-sale securities. The net sales, maturities and purchases of available-for-sale securities varies from period to period based upon our cash collections, cash requirements and maturity dates of our investments as well as cash available after the issuance and payment of debt.

Cash used in financing activities consists primarily of net proceeds or payments from the issuance or repayment of short-term and long-term debt as well as proceeds from the issuance of common stock, stock repurchases and dividend payments.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The following table summarizes the primary drivers of the decrease in cash used in financing activities for the three months ended March 31, 2016 and 2015 (in millions):

	For the Three Months Ended		
	March 31, 2016	March 31, 2015	$ Change
Repurchase of EMC and VMware common stock	$ —	$ (1,784)	$ 1,784
Net payments on short-term obligations	(376)	—	(376)

Net cash used in financing activities decreased by $1,377 million to $444 million for the three months ended March 31, 2016 compared to the same period in 2015 primarily due to a decrease in cash spent on EMC and VMware stock repurchases during 2016, partially offset by the cash outflows related to the repayment of short-term obligations in 2016.

Share Repurchase

During April 2016, VMware’s Board of Directors authorized the repurchase of up to an aggregate of $1.2 billion of VMware’s common stock through the end of 2016. For the three months ended March 31, 2016, VMware did not repurchase any shares as it is currently subject to a number of legal and regulatory constraints resulting from the Merger Agreement, which impacts the timing and ability to execute repurchases of VMware’s shares. VMware expects to repurchase the authorized $1,200 million of its Class A common stock during the remainder of 2016, following the EMC shareholder vote on the proposed merger of EMC and Dell.

During the three months ended March 31, 2015, we spent $1,346 million to repurchase 54 million shares of our common stock, and VMware spent $438 million to repurchase 5 million shares of their common stock.

Dividends

Our Board of Directors declared the following dividends during 2016 and 2015:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
2016:				
February 11, 2016	$ 0.115	April 1, 2016	$ 229	April 22, 2016
2015:				
February 27, 2015	$ 0.115	April 1, 2015	$ 229	April 23, 2015
May 20, 2015	$ 0.115	July 1, 2015	$ 226	July 23, 2015
July 30, 2015	$ 0.115	October 1, 2015	$ 229	October 23, 2015
December 17, 2015	$ 0.115	January 4, 2016	$ 230	January 22, 2016

Short-Term Debt

On February 27, 2015, we entered into a credit agreement with the lenders named therein, Citibank, N.A., as Administrative Agent, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Syndication Agents, and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Bookrunners (the “Credit Agreement”). The Credit Agreement provides for a $2.5 billion unsecured revolving credit facility to be used for general corporate purposes that is scheduled to mature on

February 27, 2020. At our option, subject to certain conditions, any loan under the Credit Agreement will bear interest at a rate equal to, either (i) the LIBOR Rate or (ii) the Base Rate (defined as the highest of (a) the Federal Funds rate plus 0.50%, (b) Citibank, N.A.’s “prime rate” as announced from time to time, or (c) one-month LIBOR plus 1.00%), plus, in each case the Applicable Margin, as defined in the Credit Agreement. The Credit Agreement contains customary representations and warranties, covenants and events of default. We may also, upon the agreement of the existing lenders and/or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $1.0 billion. In addition, we may request to extend the maturity date of the credit facility, subject to certain conditions, for additional one-year periods. As of March 31, 2016, we were in compliance with customary required covenants and had no funds borrowed under the credit facility. At December 31, 2015, we had $600 million outstanding under the credit facility.

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On March 23, 2015, we established a short-term debt financing program whereby we may issue short-term unsecured commercial paper notes ("Commercial Paper"). Amounts available under the program may be borrowed, repaid and re-borrowed from time to time, with the aggregate face or principal amount of the notes outstanding at any time not to exceed $2.5 billion. The Commercial Paper will have maturities of up to 397 days from the date of issue. The net proceeds from the issuance of the Commercial Paper are expected to be used for general corporate purposes. As of March 31, 2016, we were in compliance with customary required covenants. At March 31, 2016, we had $925 million of Commercial Paper outstanding. At December 31, 2015, we had $699 million of Commercial Paper outstanding. At May 5, 2016, we had $1,285 million of Commercial Paper outstanding.

Long-Term Debt

During 2013, we issued $5.5 billion of Notes which pay a fixed rate of interest semi-annually in arrears. The proceeds from the Notes were used to satisfy the cash payment obligation of the $1,725 billion 1.75% convertible senior notes due 2013 as well as for general corporate purposes including stock repurchases, dividend payments, business acquisitions, working capital needs and other business opportunities. The Notes of each series are senior, unsecured obligations of EMC and are not convertible or exchangeable. Unless previously purchased and canceled, we will repay the Notes of each series at 100% of the principal amount, together with accrued and unpaid interest thereon, at maturity. However, EMC has the right to redeem any or all of the Notes at specified redemption prices. As of March 31, 2016, we were in compliance with all debt covenants, which are customary in nature.
Use of Non-GAAP Financial Measures and Reconciliations to GAAP Results

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). EMC uses certain non-GAAP financial measures, which exclude stock-based compensation, intangible asset amortization, restructuring charges, acquisition and other related charges, infrequently occurring gains, losses, benefits and charges, and special tax items to measure its revenues, gross margin, operating margin, net income and diluted earnings per share for purposes of managing our business. EMC also assesses its financial performance by measuring its free cash flow which is also a non-GAAP financial measure. Free cash flow is defined as net cash provided by operating activities, less additions to property, plant and equipment and capitalized software development costs. These non-GAAP financial measures should be considered in addition to, not as a substitute for, measures of EMC's financial performance or liquidity prepared in accordance with GAAP. EMC's non-GAAP financial measures may be defined differently from time to time and may be defined differently than similar terms used by other companies, and accordingly, care should be exercised in understanding how EMC defines its non-GAAP financial measures.

EMC's management uses the non-GAAP financial measures to gain an understanding of EMC's comparative operating performance (when comparing such results with previous periods or forecasts) and future prospects and excludes these items from its internal financial statements for purposes of its internal budgets and each reporting segment's financial goals. These non-GAAP financial measures are used by EMC's management in their financial and operating decision-making because management believes they reflect EMC's ongoing business in a manner that allows meaningful period-to-period comparisons. EMC's management believes that these non-GAAP financial measures provide useful information to investors and others (a) in understanding and evaluating EMC's current operating performance and future prospects in the same manner as management does, if they so choose, and (b) in comparing in a consistent manner EMC's current financial results with EMC's past financial results.

Our non-GAAP operating results for the three months ended March 31, 2016 and 2015 were as follows (in millions):
For the Three Months Ended

	March 31, 2016		March 31, 2015	
Gross margin	$ 3,360		$ 3,438	
Gross margin percentage	61.4	%	61.3	%
Operating income	879		918	
Operating margin percentage	16.0	%	16.4	%
Income tax provision	203		215	
Net income attributable to EMC	603		623	
Diluted earnings per share attributable to EMC	$ 0.31		$ 0.31	

The decrease in non-GAAP gross margin for the period was attributable to lower sales volume and higher costs of revenue in Information Storage, partially offset by higher sales volume in VMware Virtual Infrastructure. Non-GAAP gross margin

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

percentage increased slightly for the three months ended March 31, 2016 primarily due to a decrease in Information Storage gross margins, offset by an increase in the mix of VMware revenue which has higher overall margins. Information Storage gross margins decreased year over year primarily due to a decrease in product margins due to lower product volumes partially offset by an increase in services margins.

The decrease in the non-GAAP operating income for the three months ended March 31, 2016 was primarily attributable to the overall decrease in gross margin, somewhat offset by lower operating expenses resulting from our cost reduction program. Non-GAAP operating margin percentage decreased for the three months ended March 31, 2016 primarily due to operating expenses declining at a slower rate than revenue.

The reconciliation of the above financial measures from GAAP to non-GAAP is as follows (in millions):

	For the Three Months Ended March 31, 2016					
	Gross margin	Operating income	Non-operating (income) expense	Income tax provision (benefit)	Net income attributable to EMC	Diluted Earnings per share attributable to EMC
GAAP	$3,260	$ 410	$ (24)	$ 89	$ 268	$ 0.14
Stock-based compensation expense	41	304	—	69	212	0.11
Intangible asset amortization	59	90	—	25	60	0.03
Restructuring charges	—	48	—	14	26	0.01
Acquisition and other related charges	—	20	—	5	13	0.01
Merger-related costs	—	7	—	1	6	—
Venezuela currency devaluation	—	—	18	—	18	0.01
Non-GAAP	$3,360	$ 879	$ (6)	$ 203	$ 603	$ 0.31

	For the Three Months Ended March 31, 2015					
	Gross margin	Operating income	Non-operating (income) expense	Income tax provision (benefit)	Net income attributable to EMC	Diluted Earnings per share attributable to EMC
GAAP	$3,339	$ 379	$ (6)	$ 82	$ 252	$ 0.13
Stock-based compensation expense	37	244	—	55	170	0.09
Intangible asset amortization	62	101	—	30	66	0.03
Restructuring charges	—	133	—	33	96	0.04
Acquisition and other related charges	—	50	—	16	28	0.02
R&D tax credit	—	—	—	(5)	5	—
VMware litigation and other contingencies	—	11	—	4	6	—
Non-GAAP	$3,438	$ 918	$ (6)	$ 215	$ 623	$ 0.31

We also monitor our ability to generate free cash flow. For the three months ended March 31, 2016, our free cash flow was $588 million, a decrease of 22% compared to the free cash flow generated for the three months ended March 31, 2015. EMC uses free cash flow, among other measures, to evaluate the ability of its operations to generate cash that is available for purposes other than capital expenditures and capitalized software development costs. Management believes that information regarding free cash flow provides investors with an important perspective on the cash available to make strategic acquisitions and investments, repurchase shares, service and issue debt, pay dividends and fund ongoing operations. As free cash flow is not a measure of liquidity calculated in accordance with GAAP, free

cash flow should be considered in addition to, but not as a substitute for, the analysis provided in the statements of cash flows.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (Continued)

The reconciliation of the above free cash flow from GAAP to non-GAAP is as follows (in millions):

	For the Three Months Ended March 31,	
	2016	2015
Cash Flow from Operations	$932	$ 1,080
Capital expenditures	(188)	(197)
Capitalized software development costs	(156)	(128)
Free Cash Flow	$588	$ 755

Free cash flow represents a non-GAAP measure related to operating cash flows. In contrast, our GAAP measure of cash flow consists of three components. These are cash flows provided by operating activities of $932 million and $1,080 million for the three months ended March 31, 2016 and 2015, respectively, cash provided by investing activities of $156 million and used in investing activities of $1,111 million for the three months ended March 31, 2016 and 2015, respectively, and cash used in financing activities of $444 million and $1,821 million for the three months ended March 31, 2016 and 2015, respectively.

All of the foregoing non-GAAP financial measures have limitations. Specifically, the non-GAAP financial measures that exclude the items noted above do not include all items of income and expense that affect EMC’s operations or cash flows. Further, these non-GAAP financial measures are not prepared in accordance with GAAP, may not be comparable to non-GAAP financial measures used by other companies and do not reflect any benefit that such items may confer on EMC. Management compensates for these limitations by also considering EMC’s financial results as determined in accordance with GAAP.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K filed with the SEC on February 25, 2016. Our exposure to market risks has not changed materially from that set forth in our Annual Report.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II
OTHER INFORMATION
Item 1. LEGAL PROCEEDINGS

We are involved in a variety of claims, demands, suits, investigations and proceedings that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, product liability, employment, benefits and securities matters. As required by authoritative guidance, we have estimated the amount of probable losses that may result from all currently pending matters, and such amounts are reflected in our consolidated financial statements. These recorded amounts are not material to our consolidated financial position or results of operations and no additional material losses related to these pending matters are reasonably possible. While it is not possible to predict the outcome of these matters with certainty, we do not expect the results of any of these actions to have a material adverse effect on our business, results of operations or financial condition. Because litigation is inherently unpredictable, however, the actual amounts of loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

Merger-Related Litigation

As of May 5, 2016, fifteen putative shareholder class action lawsuits challenging the Merger have been filed, of which thirteen were filed purportedly on behalf of Company shareholders and two purportedly on behalf of VMware shareholders. The lawsuits name various combinations of the Company, its current and former directors, VMware, certain of VMware's directors, Denali, Dell and Merger Sub, among others, as defendants. The fifteen lawsuits seek, among other things, injunctive relief enjoining the Merger, rescission of the Merger if consummated, an award of fees and costs and/or an award of monetary damages. The suits are captioned as follows:

	Case	Court	Filing Date
1.	IBEW Local No. 129 Benefit Fund v. Tucci, Civ. No. 1584-3130-BLS1	Mass. Superior Court, Suffolk County	10/15/2015
2.	Barrett v. Tucci, Civ. No. 15-6023-A	Mass. Superior Court, Middlesex County	10/16/2015
3.	Graulich v. Tucci, Civ. No. 1584-3169-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
4.	Vassallo v. EMC Corp., Civ. No. 1584-3173-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
5.	City of Miami Police Relief & Pension Fund v. Tucci, Civ. No. 1584-3174-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
6.	Lasker v. EMC Corp., Civ. No. 1584-3214-BLS1	Mass. Superior Court, Suffolk County	10/23/2015
7.	Walsh v. EMC Corp., Civ. No. 15-13654	U.S. District Court, District of Massachusetts	10/27/2015
8.	Local Union No. 373 U.A. Pension Plan v. EMC Corp., Civ. No. 1584-3253-BLS1	Mass. Superior Court, Suffolk County	10/28/2015
9.	City of Lakeland Emps.' Pension & Ret. Fund v. Tucci, Civ. No. 1584-3269-BLS1	Mass. Superior Court, Suffolk County	10/28/2015
10.	Ma v. Tucci, Civ. No. 1584-3281-BLS1	Mass. Superior Court, Suffolk County	10/29/2015
11.	Stull v. EMC Corp., Civ. No. 15-13692	U.S. District Court, District of Massachusetts	10/30/2015
12.	Jacobs v. EMC Corp.,	Mass. Superior Court, Middlesex County	11/12/2015

	Civ. No. 15-6318-H		
13.	Ford v. VMware, Inc., C.A. No. 11714-VCL	Delaware Chancery Court	11/17/2015
14.	Pancake v. EMC Corp., Civ. No. 16-10040	U.S. District Court, District of Massachusetts	1/11/2016
15.	Booth Family Trust v. EMC Corp., Civ. No. 16-10114	U.S. District Court, District of Massachusetts	1/26/2016

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Of the thirteen lawsuits filed purportedly on behalf of Company shareholders, nine were filed in Massachusetts state court, and four in the United States District Court for the District of Massachusetts. Eleven of the lawsuits initially advanced substantially the same allegations that the Merger Agreement was adopted in violation of the fiduciary duties of the Company's directors. Certain of those lawsuits also alleged that the Company, Denali, Dell, Merger Sub, Silver Lake Partners, LLC, and/or MSD Partners, LLC aided and abetted the alleged breaches of fiduciary duty by the directors.

On November 5, 2015, pursuant to a motion made by the Company and its directors, the nine lawsuits then pending in state court in Massachusetts were consolidated with and into the first-filed of those actions, IBEW Local No. 129 Benefit Fund v. Joseph M. Tucci, et al. That action, brought in the Business Litigation Session of the Suffolk County Superior Court, named as defendants the Company and each member of its Board of Directors (as constituted as of October 12, 2015), Denali, Dell and Merger Sub.

The Company and its directors moved to dismiss the amended complaint in the IBEW matter pursuant to provisions of the Massachusetts Business Corporation Act, M.G.L. c. 156D, § 7.40 et seq., and Rules 12(b)(6) and 23.1 of the Massachusetts Rules of Civil Procedure, on the basis that the complaint asserts a derivative action on behalf of the Company and should be dismissed for failure to make the requisite pre-suit demand on the Company. On December 7, 2015 the Court granted this motion and on December 24, 2015 the court entered judgment dismissing each of the consolidated actions. On January 21, 2016, three of the plaintiffs served notice that they will appeal this judgment. On April 29, 2016, the appeal was docketed in the Massachusetts Appeals Court as case number 2016-P-0595. On May 2, 2016, the appellants filed an application for direct appellate review in the Massachusetts Supreme Judicial Court as Direct Appellate Review No. DAR-24347.

On January 11, 2016, following the state court judgment and a motion by the Company and its directors to stay or dismiss the two lawsuits then pending in the United States District Court for the District of Massachusetts, the plaintiffs in those cases amended their complaints to eliminate the initial claims based on Massachusetts state law and substitute allegations that the preliminary proxy statement/prospectus dated December 14, 2015 omits and/or misrepresents material information and that such omissions and misrepresentations constitute violations of Section 14(a) of, and Rule 14a-9 under, the Securities Exchange Act of 1934. Two additional lawsuits have since been filed in the same court advancing substantially the same proxy-disclosure-based allegations.

Of the two lawsuits filed purportedly on behalf of VMware shareholders, one was filed in Middlesex County Superior Court in Massachusetts, and the other in Delaware Chancery Court. Both generally allege that the Company, in its capacity as the majority shareholder of VMware, and individual defendants who are directors of the Company, VMware, or both, breached their fiduciary duties to minority shareholders of VMware in connection with the Merger. Both further allege that various combinations of defendants aided and abetted these alleged breaches of fiduciary duties. The Company, VMware, Denali, Dell, Merger Sub, and other defendants have served or filed motions to dismiss the operative complaints in both actions.

The outcome of these lawsuits is uncertain, and additional lawsuits may be brought or additional claims advanced concerning the Merger. An adverse judgment for monetary damages could have an adverse effect on the Company's operations. A preliminary injunction could delay or jeopardize the completion of the Merger, and an adverse judgment granting permanent injunctive relief could indefinitely enjoin completion of the Merger.
Item 1A. RISK FACTORS

The risk factors that appear below could materially affect our business, financial condition and results of operations. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31,

2015. The risks and uncertainties described below are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies.

The announcement and pendency of the Dell transaction may materially adversely affect our business.

Uncertainty about the effect of the proposed merger on our employees, customers and other parties may have a material adverse effect on our business. Our employees may experience uncertainty about their roles following the merger. There can be no assurance that our employees, including key personnel, can be retained to the same extent that we have previously been able to attract and retain employees. Any loss of such employees could have a material adverse effect on our business, operations and financial position.

Parties with which we do business may experience uncertainty associated with the merger and related transactions, including with respect to current or future business relationships with us. Such uncertainty could cause customers, suppliers and others to

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seek to change existing business relationships or delay or defer certain business decisions with us and could have a material adverse effect on our business, operations and financial position.

Pursuant to the terms of the Merger Agreement, we are subject to certain restrictions on the conduct of our business, including the ability in certain cases to enter into contracts, acquire or dispose of assets, incur indebtedness or incur capital expenditures, until the proposed merger closes or the Merger Agreement terminates. The restrictions may prevent us from pursuing otherwise attractive business opportunities and taking other actions with respect to our business that we may consider advantageous and result in our inability to respond effectively to competitive pressures and industry developments, and may otherwise harm our business and operations.

In addition, we have diverted, and will continue to divert, significant management resources towards the completion of the transaction, which could materially adversely affect our business and operations.

Failure to consummate the Dell transaction could have a material adverse impact on our business and financial results.

There can be no assurance that the proposed merger with Denali will occur. If the merger is not completed for any reason, including as a result of a failure of our shareholders to approve the Merger Agreement, the ongoing business of EMC may be adversely affected and, without realizing any of the benefits of having completed the merger, we may experience negative reactions from the financial markets, including negative impacts on the price of our common stock, and litigation related to any failure to complete the merger or related to any enforcement proceeding commenced against us to perform our obligations under the Merger Agreement. A failed transaction may result in negative publicity and a negative impression of us in the investment community. Further, any disruptions to our business resulting from the announcement and pendency of the merger, including any adverse changes in our relationships with our customers, partners and employees, could continue or accelerate in the event of a failed transaction.

Consummation of the merger is subject to certain conditions, including, among others, (i) approval by our shareholders; (ii) the absence of an order or law prohibiting consummation of the merger; (iii) the receipt of consents under specified foreign antitrust laws; (iv) the absence of a material adverse effect on us; (v) the accuracy of the parties' respective representations and warranties; and (vi) the parties' respective compliance with agreements and covenants contained in the Merger Agreement. Many of the conditions to closing of the merger are not within our control and there can be no assurance that these and other conditions to closing will be satisfied. In addition, the closing may not occur if the required financing for the transaction is unavailable or delayed.

The Merger Agreement also contains certain termination rights for both us and Denali, and in certain specified circumstances upon termination of the Merger Agreement, including a termination by us to enter into an agreement for a superior proposal, we will be required to pay Denali a cash termination fee. This payment could affect the structure, pricing and terms proposed by a third party seeking to acquire or merge with us and could deter such third party from making a competing acquisition proposal.

The Merger Agreement provides for limited remedies for us in the event of a breach by Denali or its affiliates that results in termination of the Merger Agreement, including the right to a reverse termination fee payable under certain specified circumstances. There can be no assurance that a remedy will be available to us in the event of such a breach or that any damages incurred by us in connection with the merger will not exceed the amount of the reverse termination fee.

In addition, we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the proposed merger. We will be required to pay such costs relating to

the transaction whether or not the merger is completed.

Lawsuits have been filed, and other lawsuits may be filed, challenging the merger. An adverse ruling in any such lawsuit may delay the merger or prevent the merger from being completed.

Lawsuits have been filed against various combinations of EMC, its current and former directors, VMware, certain of VMware's directors, Denali and Dell, among other defendants. Certain of the lawsuits have generally alleged, among other things, that the directors of EMC breached their fiduciary duties to EMC shareholders in connection with the merger; that various combinations of defendants aided and abetted the EMC directors in the alleged breach of their fiduciary duties; that the proxy statement filed by EMC with the SEC in connection with the merger contains material misstatements and omissions; that EMC, in its capacity as the majority shareholder of VMware, and individual defendants who are directors of EMC, VMware or both, breached their fiduciary duties to minority shareholders of VMware in connection with the merger; and that certain defendants aided and abetted

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those alleged breaches of fiduciary duties. The lawsuits have sought, among other things, injunctive relief enjoining the merger, rescission of the merger if consummated, an award of fees and costs and/or an award of damages. Additional lawsuits arising out of or relating to the Merger Agreement or the merger may be filed in the future. Lawsuits challenging the merger could prevent the merger from being completed, or could result in a material delay in, or the abandonment of, the merger.

We may be unable to keep pace with rapid industry, technological and market changes.

The markets in which we compete are characterized by rapid technological change, frequent new product introductions, evolving industry standards and changing needs of customers. In addition, our industry is experiencing one of the most disruptive periods of transition in its history as we move from IT solutions built for the client-server second platform into the next phase of IT growth and innovation, or the third platform. There can be no assurance that our existing products will be properly positioned in the third platform or that we will be able to introduce new or enhanced products into the market on a timely basis, or at all. We spend a considerable amount of money on research and development and introduce new products from time to time. There can be no assurance that enhancements to existing products and solutions or new products and solutions will receive customer acceptance. As competition in the IT industry increases, it may become increasingly difficult for us to maintain a technological advantage and to leverage that advantage toward increased revenues and profits. In addition, there can be no assurance that our vision of enabling hybrid cloud computing, Big Data and trust through infrastructure and application transformation will be accepted or validated in the marketplace.

Risks associated with the development and introduction of new products include delays in development and changes in data storage, networking virtualization, infrastructure management, information security and operating system technologies which could require us to modify existing products. Risks inherent in the transition to new products include:

- the difficulty in forecasting customer preferences or demand accurately;
- the inability to expand production capacity to meet demand for new products;
- the inability to successfully manage the interoperability and transition from older products;
- the impact of customers' demand for new products on the products being replaced, thereby causing a decline in sales of existing products and an excessive, obsolete supply of inventory;
- delays in initial shipments of new products; and
- delays in sales caused by the desire of customers to evaluate new products for extended periods of time.

Further risks inherent in new product introductions include the uncertainty of price-performance relative to products of competitors and competitors' responses to such new product introductions. Our failure to introduce new or enhanced products on a timely basis, keep pace with rapid industry, technological or market changes or effectively manage the transition to new products or new technologies could have a material adverse effect on our business, results of operations or financial condition.

The markets we serve are highly competitive, and we may be unable to compete effectively.

We compete with many companies in the markets we serve. Some of our competitors offer a broad spectrum of IT products and services, and others offer specific information storage, protection, security, management, virtualization and intelligence products or services. Some of our competitors (whether independently or by establishing alliances) may have substantially greater financial, marketing or technological resources, larger distribution capabilities, earlier access to customers or greater opportunity to address customers' various IT requirements than us. In addition, through further consolidation in the IT industry, companies may improve their competitive position and ability to compete against us. We compete on the basis of our products' features, performance and price as well as our services. Our

failure to compete on any of these bases could affect demand for our products or services, which could have a material adverse effect on our business, results of operations or financial condition.

Companies may develop new technologies or products in advance of us or establish business models or technologies disruptive to us. Our business may be materially adversely affected by the announcement or introduction of new products, including hardware and software products, and new services offered by our competitors, and the implementation of effective marketing or sales strategies by our competitors. The material adverse effect to our business could include a decrease in demand for our products and services and an increase in the length of our sales cycle due to customers taking longer to compare products and services and to complete their purchases.

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We may have difficulty managing operations.

Our future operating results will depend on our overall ability to manage operations, which includes, among other things:

- successfully communicating and executing on our unique federation strategy;
- retaining and hiring the appropriate number of qualified employees;
- managing, protecting and enhancing, as appropriate, our infrastructure, including but not limited to, our information systems (and our ability to protect confidential information residing on such systems) and internal controls;
- accurately forecasting revenues;
- training our sales force to sell effectively, given the breadth of our offerings;
- successfully integrating new acquisitions;
- managing inventory levels, including minimizing excess and obsolete inventory, while maintaining sufficient inventory to meet customer demands;
- controlling expenses;
- managing our manufacturing capacity, real estate facilities and other assets;
- meeting our sustainability goals; and
- executing on our plans.

An unexpected decline in revenues without a corresponding and timely reduction in expenses or a failure to manage other aspects of our operations could have a material adverse effect on our business, results of operations or financial condition.

Our business could be materially adversely affected as a result of a lessening demand in the information technology market.

Our revenue and profitability depend on the overall demand for our products and services. Delays or reductions in IT spending could materially adversely affect demand for our products and services which could result in decreased revenues or earnings.

Our customers operate in a variety of sectors and across many geographies. Any adverse effects to such markets could materially adversely affect demand for our products and services which could result in decreased revenues or earnings.

Pricing pressures, increases in component and product design costs, decreases in sales volume, or changes to the relative mixture of our revenues could materially adversely affect our revenues, gross margins or earnings.

Our gross margins are impacted by a variety of factors, including competitive pricing, component and product design costs, sales volume and the relative mixture of product and services revenue. Increased component costs, increased pricing pressures, the relative and varying rates of increases or decreases in component costs and product price, changes in our product and services revenue mixture, including the mixture of subscription based product revenue, or decreased sales volume could have a material adverse effect on our revenues, gross margins or earnings.

The costs of third-party components comprise a significant portion of our product costs. We may have difficulty managing our component and product design costs if supplies of certain components become limited or component prices increase. Any such limitation could result in an increase in our component costs. An increase in component or design costs relative to our product prices could have a material adverse effect on our gross margins and earnings. Moreover, certain competitors may have advantages with respect to component costs due to vertical integration of their supply chain, which may include disk drives, microprocessors, memory components and servers.

The markets in which we do business are highly competitive, and we may encounter aggressive price competition for all of our products and services from numerous companies globally. There also has been, and may continue to be, a willingness on the part of certain competitors to reduce prices or provide information infrastructure and virtual infrastructure products or services, together with other IT products or services, at minimal or no additional cost in order to preserve or gain market share. Such price competition may result in pressure on our product and service prices, and reductions in product and service prices may have a material adverse effect on our revenues, gross margins or earnings.

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Our financial performance is impacted by the financial performance of VMware.

Because we consolidate VMware's financial results in our results of operations, our financial performance is impacted by the financial performance of VMware. VMware's financial performance may be affected by a number of factors, including, but not limited to:

- fluctuations in demand, adoption rates, sales cycles (which have been increasing in length) and pricing levels for VMware's products and services;
- changes in customers' budgets for information technology purchases and in the timing of its purchasing decisions;
- the timing of recognizing revenues in any given quarter, which can be affected by a number of factors, including product announcements, beta programs and product promotions that can cause revenue recognition of certain orders to be deferred until future products to which customers are entitled become available;
- the timing of announcements or releases of new or upgraded products and services by VMware or by its competitors;
- the timing and size of business realignment plans and restructuring charges;
- VMware's ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- VMware's ability to control costs, including its operating expenses;
- credit risks of VMware's distributors, who account for a significant portion of product revenues and accounts receivable;
- VMware's ability to process sales at the end of the quarter;
- seasonal factors such as the end of fiscal period budget expenditures by VMware's customers and the timing of holiday and vacation periods;
- renewal rates and the amounts of the renewals for enterprise agreements, or EA's, as original EA terms expire;
- the timing and amount of internally developed software development costs that may be capitalized;
- unplanned events that could affect market perception of the quality or cost-effectiveness of VMware's products and solutions; and
- VMware's ability to accurately predict the degree to which customers will elect to purchase its subscription-based offerings in place of licenses to its on-premises offerings.

We may become involved in litigation that may materially adversely affect us.

We are involved in various legal proceedings in connection with our proposed merger. From time to time, we may also become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

Cybersecurity breaches could expose us to liability, damage our reputation, compromise our ability to conduct business, require us to incur significant costs or otherwise adversely affect our financial results.

We retain sensitive data, including intellectual property, proprietary business information and personally identifiable information, in our secure data centers and on our networks. We face a number of threats to our data centers and networks of unauthorized access, including security breaches and other system disruptions. It is critical to our business strategy that our infrastructure remains secure and is perceived by our customers and business partners to be secure. Despite our security measures, our infrastructure may be vulnerable to attacks by hackers or other disruptive problems, such as the sophisticated cyber attack on our RSA division that we disclosed in March 2011. Any such security breach may compromise information stored on our networks and may result in significant data losses or theft

of our, our customers', our business partners' or our employees' intellectual property, proprietary business information or personally identifiable information. In addition, we have outsourced a number of our business functions to third party contractors, and any breach of their security systems could adversely affect us.

A cybersecurity breach could negatively affect our reputation as a trusted provider of information infrastructure by adversely affecting the market's perception of the security or reliability of our products or services. In addition, a cyber attack could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs, lost revenues or litigation.

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Our quarterly revenues or earnings could be materially adversely affected by uneven sales patterns or changing purchasing behaviors.

Our quarterly sales have historically reflected an uneven pattern in which a disproportionate percentage of a quarter's total sales occur in the last month and weeks and days of each quarter. This uneven sales pattern makes it difficult for us to accurately predict revenues, earnings and working capital for each financial period and increases the risk of unanticipated variations in our quarterly results and financial condition. We believe this uneven sales pattern is a result of many factors, including:

- the relative dollar amount of our product and services offerings in relation to many of our customers' budgets, resulting in long lead times for customers' budgetary approval, which tends to be given late in a quarter;
- the tendency of customers to wait until late in a quarter to commit to purchase in the hope of obtaining more favorable pricing from one or more competitors seeking their business;
- the fourth-quarter influence of customers spending their remaining capital budget authorization prior to new budget constraints in the first nine months of the following year; and
- seasonal influences.

Our uneven sales pattern makes it extremely difficult to predict near-term demand and adjust manufacturing capacity or our supply chain accordingly. Our backlog at any particular time is also not necessarily indicative of future sales levels. This is because:

- we assemble our products on the basis of our forecast of near-term demand and maintain inventory in advance of receipt of firm orders from customers;
- we generally ship products shortly after receipt of the order; and
- customers may generally reschedule or cancel orders with little or no penalty.

If predicted demand is substantially greater than orders, we will have excess inventory. Alternatively, if orders substantially exceed predicted demand, our ability to assemble, test and ship orders received in the last weeks and days of each quarter may be limited. This could materially adversely affect quarterly revenues or earnings as our revenues in any quarter are substantially dependent on orders booked and shipped in that quarter.

Loss of infrastructure, due to factors such as an information systems failure, loss of public utilities, natural disasters or extreme weather conditions, could also impact our ability to book orders or ship products in a timely manner. Delays in product shipping or an unexpected decline in revenues without a corresponding and timely slowdown in expenses, could intensify the impact of these factors on our business, results of operations or financial condition.

In addition, unanticipated changes in our customers' purchasing behaviors, such as customers taking longer to negotiate and complete their purchases or making smaller, incremental purchases based on their current needs, can also make it difficult for us to accurately predict revenues, earnings and working capital for each financial period and increase the risk of unanticipated variations in our quarterly results and financial condition.

Our business could be materially adversely affected as a result of general global economic and market conditions.

We are subject to the effects of general global economic and market conditions that are beyond our control. If these conditions remain challenging or worsen, our business, results of operations or financial condition could be materially adversely affected. Possible consequences of macroeconomic global challenges that could have a material adverse effect on our results of operations or financial condition include insolvency of key suppliers resulting in product delays, inability of customers to obtain credit to finance purchases of our products, customer insolvencies, increased risk that customers may delay payments, fail to pay or default on credit extended to them, and counterparty failures that negatively impact our treasury operations.

Our business may suffer if we are unable to retain or attract key personnel.

Our business depends to a significant extent on the continued service of senior management and other key employees, the development of additional management personnel and the hiring of new qualified employees. There can be no assurance that we will be successful in retaining and developing existing personnel or recruiting new personnel. The loss of one or more key employees, our inability to attract or develop additional qualified employees or any delay in hiring key personnel could have a material adverse effect on our business, results of operations or financial condition.

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Undetected problems in our products could directly impair our financial results.

If flaws in design, production, assembly or testing of our products (by us or our suppliers) were to occur, we could experience a rate of failure in our products that would result in substantial delays in shipment, significant repair, replacement or service costs or potential damage to our reputation. Any of these results could have a material adverse effect on our business, results of operations or financial condition. Continued improvement in manufacturing capabilities, control of material and manufacturing quality and costs and product testing are critical factors in our future growth. However, there can be no assurance that our efforts to monitor, develop, modify and implement appropriate testing and manufacturing processes for our products will be sufficient to avoid a rate of failure in our products that could otherwise have a material adverse effect on our business, results of operations or financial condition.

Our stock price is volatile and may be affected by factors related to VMware.

Our stock price, like that of other technology companies, is subject to significant volatility because of factors such as:
- the announcement of acquisitions, new products, services or technological innovations by us or our competitors;
- quarterly variations in our operating results;
- changes in revenue or earnings estimates by the investment community; and
- speculation in the press or investment community.

The trading price of our common stock has been and likely will continue to be affected by various factors related to VMware, including:
- the trading price for VMware Class A common stock;
- actions taken or statements made by us, VMware, or others concerning our relationship with VMware; and
- factors impacting the performance of VMware, including those discussed in the risk factor above regarding the impact of VMware's financial performance on our financial performance.

In addition, although we own a majority of VMware and consolidate its financial results in our results of operations, our stock price may not accurately reflect our pro rata ownership interest of VMware.

Due to the global nature of our business, political, economic or regulatory changes or other factors in a specific country or region could impair our international operations, future revenue or financial condition.

A substantial portion of our revenues is derived from sales outside the United States including, increasingly, in rapid growth markets such as Brazil, Russia, India and China. In addition, a substantial portion of our products is manufactured outside of the United States. Accordingly, our future results could be materially adversely affected by a variety of factors relating to our operations outside the United States, including, among others, the following:
- changes in foreign currency exchange rates;
- changes in a specific country's or region's economic conditions;
- political or social unrest;
- trade restrictions;
- import or export licensing requirements;
- the overlap of different tax structures or changes in international tax laws;
- changes in regulatory requirements;
- difficulties in staffing and managing international operations;
- stringent privacy policies in some foreign countries;
- compliance with a variety of foreign laws and regulations; and

• longer payment cycles in certain countries.

Our foreign operations, particularly in those countries with developing economies, are also subject to laws prohibiting improper payments and bribery, including the U.S. Foreign Corrupt Practices Act and similar regulations in foreign jurisdictions. Our employees, contractors and agents may take actions in violation of our policies that are designed to ensure compliance with these laws. Any such violations could subject us to civil or criminal penalties or otherwise have an adverse effect on our business and reputation.

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In addition, we hold a significant portion of our cash and investments in our international subsidiaries. Potential regulations could impact our ability to transfer this cash and these investments to the United States. Although the international cash is permanently reinvested, should we be required to repatriate cash, we may incur a significant tax obligation.

We operate a Venezuelan sales subsidiary with a U.S. dollar functional currency. As a result, Bolivar-denominated transactions are subject to exchange gains and losses that may impact our earnings. During the first quarter of 2016, the Venezuelan government devalued its official exchange rate to a fixed rate of 10 bolivars per U.S. dollar. This rate was formerly called the CENCOEX and is now called the DIPRO and is available for essential imports and transactions. The Venezuelan government also changed its SIMADI exchange rate to the DICOM rate which is available for all other transactions and which fluctuates based on supply and demand.

During the first quarter of 2016, we re-measured all balances based upon the DIPRO rate which we believe is most appropriate for these items to be settled. We are closely monitoring information concerning these rates in the event it becomes appropriate to adopt a rate other than DIPRO. Changing the rate used to re-measure our Bolivar-denominated transactions rates could have an adverse effect on our financial position, results of operations or cash flows.

If our suppliers are not able to meet our requirements, we could have decreased revenues and earnings.

We purchase or license many sophisticated components and products from one or a limited number of qualified suppliers, including some of our competitors. These components and products include flash drives, disk drives, high density memory components, power supplies and software developed and maintained by third parties. We have experienced delivery delays from time to time because of high industry demand or the inability of some vendors to consistently meet our quality or delivery requirements. Natural disasters have also in the past impacted, and may continue to impact, our ability to procure certain components in a timely fashion, and an economic crisis could also negatively affect the solvency of our suppliers, resulting in product delays. Current or future social and environmental regulations or issues, such as those relating to the sourcing of conflict minerals from the Democratic Republic of the Congo or the elimination of environmentally sensitive materials from our products, could restrict the supply of resources used in production or increase our costs. If any of our suppliers were to cancel or materially change contracts or commitments with us or fail to meet the quality or delivery requirements needed to satisfy customer orders for our products, we could lose time-sensitive customer orders, be unable to develop or sell certain products cost-effectively or on a timely basis, if at all, and have significantly decreased quarterly revenues and earnings, which would have a material adverse effect on our business, results of operations or financial condition. Additionally, we periodically transition our product line to incorporate new technologies. The importance of transitioning our customers smoothly to such new technologies, along with our historically uneven pattern of quarterly sales (as discussed in a prior risk factor), intensifies the risk that the failure of a supplier to meet our quality or delivery requirements will have a material adverse impact on our revenues and earnings.

Our investment portfolio could experience a decline in market value which could adversely affect our financial results.

We held $7.7 billion in short- and long-term investments as of March 31, 2016. These investments consist primarily of investment grade debt securities, and we limit the amount of investment with any one issuer. A further deterioration in the economy, including a tightening of credit markets, increased defaults by issuers, or significant volatility in interest rates, could cause these investments to decline in value or could otherwise impact the liquidity of our portfolio. If market conditions deteriorate significantly, our results of operations or financial condition could be materially adversely affected.

Risks associated with our distribution channels may materially adversely affect our financial results.

In addition to our direct sales force, we have agreements in place with many distributors, systems integrators, resellers and original equipment manufacturers to market and sell our products and services. We derive a significant percentage of our revenues from such distribution channels. Our financial results could be materially adversely affected if our contracts with channel partners were terminated, if our relationship with channel partners were to deteriorate, if the financial condition of our channel partners were to weaken, if our channel partners were not able to timely and effectively implement their planned actions or if the level of demand for our channel partners' products and services were to decrease. In addition, as our market opportunities change, we may have an increased reliance on channel partners, which may negatively impact our gross margins. There can be no assurance that we will be successful in maintaining or expanding these channels. If we are not successful in maintaining or expanding these channels, we may lose sales opportunities, customers and market share. Furthermore, our partial reliance on channel partners may materially reduce our management's visibility of potential customers and demand for products and services, thereby making it more difficult to accurately forecast such demand. In addition, there can be no assurance that our channel partners will not develop,

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market or sell products or services or acquire other companies that develop, market or sell products or services in competition with us in the future.

In addition, as we focus on new market opportunities and additional customers through our various distribution channels, including small-to-medium sized businesses, we may be required to provide different levels of service and support than we typically have provided in the past. We may have difficulty managing directly or indirectly through our channels these different service and support requirements and may be required to incur substantial costs to provide such services, which may adversely affect our business, results of operations or financial condition.

Our business could be materially adversely affected as a result of the risks associated with alliances.

We have strategic alliances with leading information technology companies, some of whom may be our competitors in other areas, and we plan to continue our strategy of developing key alliances in order to expand our reach into existing and new markets. There can be no assurance that we will be successful in our ongoing strategic alliances or that we will be able to find further suitable business relationships as we develop new products and strategies. Any failure to continue or expand such relationships could have a material adverse effect on our business, results of operations or financial condition.

There can be no assurance that companies with which we have strategic alliances, certain of which have substantially greater financial, marketing or technological resources than us, will not develop or market products in competition with us in the future, discontinue their alliances with us or form alliances with our competitors.

Our business may suffer if we cannot protect our intellectual property.

We generally rely upon patent, copyright, trademark and trade secret laws and contract rights in the United States and in other countries to establish and maintain our proprietary rights in our technology and products. However, there can be no assurance that any of our proprietary rights will not be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect our proprietary rights to the same extent as do the laws of the United States. Therefore, there can be no assurance that we will be able to adequately protect our proprietary technology against unauthorized third-party copying or use, which could adversely affect our competitive position. Further, there can be no assurance that we will be able to obtain licenses to any technology that we may require to conduct our business or that, if obtainable, such technology can be licensed at a reasonable cost.

From time to time, we receive notices from third parties claiming infringement by our products of third-party patent or other intellectual property rights. Responding to any such claim, regardless of its merit, could be time-consuming, result in costly litigation, divert management’s attention and resources and cause us to incur significant expenses. In the event there is a temporary or permanent injunction entered prohibiting us from marketing or selling certain of our products or a successful claim of infringement against us requiring us to pay royalties to a third party, and we fail to develop or license a substitute technology, our business, results of operations or financial condition could be materially adversely affected.

In addition, although we believe we have adequate security measures, if our intellectual property or other sensitive data is misappropriated, we could suffer monetary and other losses and reputational harm, which could materially adversely affect our business, results of operations or financial condition.

Issues arising during the upgrade of our enterprise resource planning system could affect our operating results and ability to manage our business effectively.

We are in the process of upgrading our enterprise resource planning, or ERP, computer system to enhance operating efficiencies and provide more effective management of our business operations. While one phase of our upgrade was implemented in the third quarter of 2012, we still have further planned phases to our upgrade. The upgrade could cause substantial business interruption that could adversely impact our operating results. We are investing significant financial and personnel resources into this project. However, there is no assurance that the system upgrade will meet our current or future business needs or that it will operate as designed. We are heavily dependent on such computer systems, and any significant failure or delay in the system upgrade could cause a substantial interruption to our business and additional expense, which could result in an adverse impact on our operating results, cash flows or financial condition.

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We may have exposure to additional income tax liabilities.

As a multinational corporation, we are subject to income taxes in both the United States and various foreign jurisdictions. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change, which might significantly impact our effective income tax rate in the future. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file and changes to tax laws. From time to time, we are subject to income tax audits. While we believe we have complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed with additional taxes, there could be a material adverse effect on our results of operations or financial condition.

As part of the current Administration's ongoing negotiations, President Obama, House of Representatives and Senate Committees have called for a comprehensive tax reform, which might change certain U.S. tax rules for U.S. corporations doing business outside the United States. While the scope of future changes differs among various tax proposals and remains unclear, proposed changes might include limiting the ability of U.S. corporations to deduct certain expenses attributable to offshore earnings, modifying the foreign tax credit rules and taxing currently certain transfers of intangibles offshore. The enactment of some or all of these proposals could increase the Company's effective tax rate and adversely affect our profitability.

Recent developments in 2014, including the Irish government's announced changes to the taxation of certain existing non-resident Irish companies beginning in January 2021, and the Organisation for Economic Co-operation and Development's project on Base Erosion and Profit Shifting, could ultimately impact our tax liabilities to foreign jurisdictions and treatment of our foreign earnings from a U.S. perspective, which may adversely impact our effective tax rate.

On December 28, 2015, the U.S. Tax Court issued a final decision in Altera Corp. v. Commissioner related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. At this time, the U.S. Department of the Treasury has not withdrawn the requirement from its regulations to include stock-based compensation. The I.R.S. has the right to appeal the U.S. Tax Court decision. We concluded that no adjustment to our consolidated financial statements is appropriate at this time due to the uncertainties with respect to the ultimate resolution of this case.

Changes in laws or regulations could materially adversely affect us.

Our business, results of operations or financial condition could be materially adversely affected if laws, regulations or standards relating to us or our products are newly implemented or changed. In addition, our compliance with existing regulations may have a material adverse impact on us. Under applicable federal securities laws, including the Sarbanes-Oxley Act of 2002, we are required to evaluate and determine the effectiveness of our internal control structure and procedures for financial reporting. Should we or our independent auditors determine that we have material weaknesses in our internal controls, our results of operations or financial condition may be materially adversely affected or our stock price may decline.

Changes in generally accepted accounting principles may materially adversely affect us.

From time to time, the Financial Accounting Standards Board ("FASB") promulgates new accounting principles that could have a material adverse impact on our results of operations or financial condition. The FASB is currently

contemplating a number of new accounting pronouncements which, if approved, could materially change our reported results. Such changes could have a material adverse impact on our results of operations and financial position.

Our business could be materially adversely affected as a result of the risks associated with acquisitions, investments and joint ventures.

As part of our business strategy, we seek to acquire businesses that offer complementary products, services or technologies. These acquisitions are accompanied by risks commonly encountered in an acquisition of a business, which may include, among other things:

- the effect of the acquisition on our financial and strategic position and reputation;
- the failure of an acquired business to further our strategic plans;
- the failure of the acquisition to result in expected benefits, which may include benefits relating to enhanced revenues, technology, human resources, cost savings, operating efficiencies and other synergies;

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- the difficulty and cost of integrating the acquired business, including costs and delays in implementing common systems and procedures and costs and delays caused by communication difficulties or geographic distances between the two companies' sites;
- the assumption of known or unknown liabilities of the acquired business, including litigation-related liability;
- the potential impairment of acquired assets;
- the lack of experience in new markets, products or technologies or the initial dependence on unfamiliar supply or distribution partners;
- the diversion of our management's attention from other business concerns;
- the impairment of relationships with customers or suppliers of the acquired business or our customers or suppliers;
- the recoverability of benefits from goodwill and intangible assets and the potential impairment of these assets;
- the potential loss of key employees of the acquired company; and
- the potential incompatibility of business cultures.

These factors could have a material adverse effect on our business, results of operations or financial condition. To the extent that we issue shares of our common stock or other rights to purchase our common stock in connection with any future acquisition, existing shareholders may experience dilution. Additionally, regardless of the form of consideration issued, acquisitions could negatively impact our net income and our earnings per share.

In addition to the risks commonly encountered in the acquisition of a business as described above, we may also experience risks relating to the challenges and costs of closing a transaction or failing to close an announced transaction. Further, the risks described above may be exacerbated as a result of managing multiple acquisitions at the same time.

We also seek to invest in businesses that offer complementary products, services or technologies and to, from time to time, create new joint ventures or alliances. These investments and ventures are accompanied by risks similar to those encountered in an acquisition of a business.

Our pension plan assets are subject to market volatility.

We have a noncontributory defined benefit pension plan assumed as part of our Data General acquisition. The plan's assets are invested in common stocks, bonds and cash. The expected long-term rate of return on the plan's assets was 6.50%. This rate represents the average of the expected long-term rates of return weighted by the plan's assets as of December 31, 2015. As market conditions permit, we expect to continue to shift the asset allocation to lower the percentage of investments in equities and increase the percentage of investments in long-duration fixed-income securities. The effect of such change could result in a reduction in the long-term rate of return on plan assets and an increase in future pension expense. As of December 31, 2015, the ten-year historical rate of return on plan assets was 6.45%, and the inception to date return on plan assets was 6.46%. In 2015, we experienced a 2.42% loss on plan assets. Should we not achieve the expected rate of return on the plan's assets or if the plan experiences a decline in the fair value of its assets, we may be required to contribute assets to the plan which could materially adversely affect our results of operations or financial condition.

Our business could be materially adversely affected by changes in regulations or standards regarding energy use of our products.

We continually seek ways to increase the energy efficiency of our products. Recent environmental analyses have focused on the estimated amount of global carbon emissions that are generated by information technology products. As a result, governmental and non-governmental organizations have turned their attention to the development of regulations and standards to drive technological improvements to reduce the amount of such carbon emissions. There

is a risk that any regulations or standards developed by these organizations will not fully address the complexity of the products and technology developed by the IT industry or will favor certain technological approaches to reducing such carbon emissions. Depending on the regulations or standards that are ultimately adopted, compliance with such regulations or standards could materially adversely affect our business, results of operations or financial condition.

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Our business could be materially adversely affected as a result of war, acts of terrorism, natural disasters or climate change.

Terrorist acts, acts of war, natural disasters, or the direct and indirect effects of climate change (such as a rise in sea level, increased storm severity, drought, flooding, wildfires, pandemics, and social unrest from resource depletion and rising food prices) may cause damage or disruption to our employees, facilities, customers, partners, suppliers, distributors and resellers, which could have a material adverse effect on our business, results of operations or financial condition. Such events may also cause damage or disruption to transportation and communication systems and to our ability to manage logistics in such an environment, including receipt of components and distribution of products.

Our failure to pay quarterly dividends to our shareholders could materially adversely affect our stock price.

Our ability to pay quarterly dividends will be subject to, among other things, our financial position and results of operations, available cash and cash flow, and capital requirements. Any reduction or discontinuation of quarterly dividends could cause our stock price to decline significantly.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES IN THE FIRST QUARTER OF 2016

During the first quarter of 2016, EMC did not repurchase any shares. At March 31, 2016, the maximum number of shares that may yet be purchased under the board authorization is 223 million.

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

(a) Exhibits

See index to Exhibits on page 58 of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 5, 2016 EMC CORPORATION

By: /s/ Denis G. Cashman
Denis G. Cashman
Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)

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EXHIBIT INDEX

3.1	Restated Articles of Organization of EMC Corporation. (1)
3.2	Amended and Restated Bylaws of EMC Corporation. (1)
4.1	Form of Stock Certificate. (2)
4.2	Underwriting Agreement, dated as of June 3, 2013, by and among the Company, Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representatives of the several underwriters named therein. (3)
4.3	Indenture, dated as of June 6, 2013, by and between the Company and Wells Fargo Bank, National Association, as Trustee. (3)
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (filed herewith)
101.INS*	XBRL Instance Document. (filed herewith)
101.SCH*	XBRL Taxonomy Extension Schema. (filed herewith)
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase. (filed herewith)
101.DEF*	XBRL Taxonomy Extension Definition Linkbase. (filed herewith)
101.LAB*	XBRL Taxonomy Extension Label Linkbase. (filed herewith)
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase. (filed herewith)

* Pursuant to Rule 406T of Regulation S-T, these interactive data files shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

(1) Incorporated by reference to EMC Corporation's Quarterly Report on Form 10-Q filed May 3, 2013 (No. 1-9853).

(2) Incorporated by reference to EMC Corporation's Annual Report on Form 10-K filed February 29, 2008 (No. 1-9853).

(3) Incorporated by reference to EMC Corporation's Current Report on Form 8-K filed June 6, 2013 (No. 1-9853).