

HSBC HOLDINGS PLC
Form 6-K
December 18, 2009

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

**Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934**

For the month of December

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.....).

18 December 2009

HSBC SELLS INSURANCE BROKING BUSINESS AS PART OF AGREEMENT WITH MARSH FOR INSURANCE BROKING SERVICES INTERNATIONALLY

HSBC has entered into an agreement with Marsh, one of the world's leading insurance brokers and risk advisers, for the provision of insurance broking services to HSBC's corporate and private banking clients internationally and to HSBC Group companies.

Under the terms of the agreement, HSBC Insurance Brokers Holdings Limited will sell its wholly owned subsidiary HSBC Insurance Brokers Limited ("HIBL"), and related businesses and companies within the HSBC Group, to MMC UK Group Limited, a wholly owned subsidiary of Marsh & McLennan Companies Inc. The total consideration will be £135 million comprising a mixture of Marsh & McLennan Companies, Inc. shares and cash.

At the same time, HSBC will enter into a Preferred Strategic Partnership ("PSP") with Marsh, which will include the appointment of Marsh as its preferred insurance broker for HSBC Group company risks.

Clive Bannister, Group Managing Director, Insurance, HSBC Holdings plc, said: "The beauty of this agreement is that on the one hand we are improving the breadth and sophistication of insurance broking services for our customers, while at the same time sharpening our strategic focus on the bancassurance model with emphasis on life, pensions and investments."

Dan Glaser, Chairman and CEO of Marsh Inc., added: "Acquiring HIBL is a great opportunity for Marsh, our clients, our colleagues and for the HIBL team. We are particularly excited by the opportunities available to us through the PSP with HSBC."

The transaction, which is subject to all relevant regulatory approvals, is expected to close in the first quarter of 2010.

Media enquiries to Paul Harris on +44 (0) 20 7992 2045 or at paul1.harris@hsbc.com

Notes to editors:

1. HSBC Insurance Brokers Limited

HSBC Insurance Brokers is one of the largest international insurance broking and risk management organisations in the world. Founded in 1808 in London as Antony Gibbs & Sons, today the company employs approximately 1,400 people and has offices in 18 countries and territories in Europe, the Asia-Pacific Region, the Middle East and the Americas, and operates on all international markets and at Lloyd's. HSBC Insurance Brokers placed £1 billion of premiums in 2008. Find out more at www.insurancebrokers.hsbc.com

2. HSBC Holdings plc

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,422 billion at 30 June 2009, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

3. About Marsh

Marsh has over 23,000 employees and provides advice and transactional capabilities to clients in over 100 countries. Marsh is a unit of Marsh & McLennan Companies (MMC), a global professional services firm with approximately 52,000 employees and annual revenue of \$11 billion. MMC also is the parent company of Guy Carpenter, the risk and reinsurance specialist; Kroll, the risk consulting firm; Mercer, the provider of HR and related financial advice and services; and Oliver Wyman, the management consultancy. MMC's stock (ticker symbol: MMC) is listed on the New York, Chicago and London stock exchanges. MMC's Web Site is www.mmc.com.

SIGNATURE

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.

HSBC Holdings plc

By:

Name: P A Stafford

Title: Assistant Group

Secretary

Date: 18 December 2009

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Changes in unrealized gains (losses), net of taxes (benefits) of \$(9), \$36 and \$(13)
(16

)
57

(22
)
Reclassification adjustment for net gains realized in net income, net of taxes of \$27, \$23 and \$6
(43
)

(39
)

(11
)
Net change in market value of investments
(59
)
18

(33
)
Changes in market value of derivatives:

Changes in unrealized gains, net of taxes of \$3, \$2 and \$3
21

24

13

Reclassification adjustment for net gains included in net income, net of benefits (taxes) of \$5, \$0 and \$(2)
(11
)

(18
)

(10
)
Net change in the market value of derivatives
10

6

3

Change in actuarial net gain (loss) from pension and other postretirement plans:

Recognition of actuarial net gain (loss) from pension and other postretirement plans, net of taxes (benefits) of \$(6), \$(12) and \$20

(7
)

(22
)

34

Reclassification adjustments for net losses from pension and other postretirement plans, net of benefits \$5, \$3 and \$6
8

6

9

Net change in actuarial gain (loss) from pension and other postretirement plans

1

(16
)

43

Other comprehensive loss

(217
)

(127
)

(31
)

Comprehensive income

1,955

2,767

3,062

Less: Net income attributable to the non-controlling interests

(182
)

(180
)

(204
)

Less: Other comprehensive loss attributable to the non-controlling interests

4

—

—

Comprehensive income attributable to EMC Corporation

\$
1,777

\$
2,587

\$
2,858

The accompanying notes are an integral part of the consolidated financial statements.

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EMC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	For the Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Cash received from customers	\$25,737	\$25,360	\$24,319
Cash paid to suppliers and employees	(19,312)	(17,893)	(16,708)
Dividends and interest received	100	143	169
Interest paid	(138)	(134)	(96)
Income taxes paid	(1,001)	(953)	(761)
Net cash provided by operating activities	5,386	6,523	6,923
Cash flows from investing activities:			
Additions to property, plant and equipment	(902)	(979)	(943)
Capitalized software development costs	(567)	(509)	(465)
Purchases of short- and long-term available-for-sale securities	(7,252)	(9,982)	(11,250)
Sales of short- and long-term available-for-sale securities	5,205	8,722	5,292
Maturities of short- and long-term available-for-sale securities	1,970	2,651	2,845
Business acquisitions, net of cash acquired	(1,336)	(1,973)	(770)
Purchases of strategic and other related investments	(182)	(144)	(131)
Sales of strategic and other related investments	235	101	35
Joint venture funding	—	(360)	(411)
Proceeds from divestiture of business	—	—	38
Decrease (increase) in restricted cash	75	(78)	—
Net cash used in investing activities	(2,754)	(2,551)	(5,760)
Cash flows from financing activities:			
Proceeds from the issuance of EMC's common stock	322	503	342
Proceeds from the issuance of VMware's common stock	126	164	197
EMC repurchase of EMC's common stock	(2,063)	(2,969)	(3,015)
EMC purchase of VMware's common stock	—	—	(160)
VMware repurchase of VMware's common stock	(1,125)	(700)	(508)
Excess tax benefits from stock-based compensation	55	102	116
Payment of long-term and short-term obligations	—	(1,665)	(46)
Net proceeds from the issuance of long-term and short-term obligations	1,295	—	5,460
Contributions from non-controlling interests	5	7	105
Dividend payment	(907)	(879)	(415)
Net cash (used in) provided by financing activities	(2,292)	(5,437)	2,076
Effect of exchange rate changes on cash and cash equivalents	(134)	(83)	(62)
Net increase (decrease) in cash and cash equivalents	206	(1,548)	3,177
Cash and cash equivalents at beginning of period	6,343	7,891	4,714
Cash and cash equivalents at end of period	\$6,549	\$6,343	\$7,891
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$2,172	\$2,894	\$3,093
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	1,907	1,864	1,665
Non-cash interest expense on debt	—	1	62
Non-cash restructuring and other special charges	40	19	8
Stock-based compensation expense	1,091	1,031	935

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Provision for (recovery of) doubtful accounts	55	10	(1)
Deferred income taxes, net	(235) (396) (202)
Excess tax benefits from stock-based compensation	(55	) (102	) (116)
Gain on previously held interests in strategic investments and joint venture	—	(101) —	
Impairment of strategic investment	—	33	—	
Other, net	6	20	40	
Changes in assets and liabilities, net of acquisitions:				
Accounts and notes receivable	385	(309	) (377)
Inventories	(196	) (149	) (408)
Other assets	47	345	269	
Accounts payable	(75) 167	380	
Accrued expenses	(333) (286) (162)
Income taxes payable	(53) 314	222	

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EMC CORPORATION
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in millions)

	For the Year Ended December 31,		
	2015	2014	2013
Deferred revenue	596	1,126	1,475
Other liabilities	34	42	40
Net cash provided by operating activities	\$5,386	\$6,523	\$6,923
Non-cash investing and financing activity:			
Issuance of common stock and stock options exchanged in business acquisitions	\$—	\$35	\$1
Dividends declared	\$230	\$242	\$213
Interest rate swap losses	\$22	\$11	\$—

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)

	Common Stock		Additional	Retained	Accumulated	Non-controlling	Shareholders'
	Shares	Par Value	Paid-in Capital	Earnings	Other Comprehensive Loss	Interests	Equity
Balance, January 1, 2013	2,107	\$21	\$3,691	\$18,853	\$(208)	) \$ 1,167	\$23,524
Stock issued through stock option and stock purchase plans	24	—	342	—	—	—	342
Tax benefit from stock options exercised	—	—	90	—	—	—	90
Restricted stock grants, cancellations and withholdings, net	11	—	(126)	) —	—	—	(126)
Repurchase of common stock	(122)	) (1)	(2,999)	) —	—	—	(3,000)
EMC purchase of VMware stock	—	—	(124)	) —	—	(26)	) (150)
Stock options issued in business acquisitions	—	—	1	—	—	—	1
Stock-based compensation	—	—	946	—	—	—	946
Cash dividends declared	—	—	—	(628)	) —	—	(628)
Impact from equity transactions of non-controlling interests	—	—	(473)	) —	—	140	(333)
Actuarial loss on pension plan	—	—	—	—	43	—	43
Change in market value of investments	—	—	—	—	(33)	) —	(33)
Change in market value of derivatives	—	—	—	—	3	—	3
Translation adjustment	—	—	—	—	(44)	) —	(44)
Reclassification of convertible debt from mezzanine	—	—	58	—	—	—	58
Net income	—	—	—	2,889	—	204	3,093
Balance, December 31, 2013	2,020	20	1,406	21,114	(239)	) 1,485	23,786
Stock issued through stock option and stock purchase plans	33	—	503	—	—	—	503
Tax benefit from stock options exercised	—	—	98	—	—	—	98
Restricted stock grants, cancellations and withholdings, net	10	—	(110)	) —	—	—	(110)
Repurchase of common stock	(107)	) —	(2,333)	) (667)	) —	—	(3,000)
Stock options issued in business acquisitions	—	—	35	—	—	—	35
Stock-based compensation	—	—	1,055	—	—	—	1,055

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Cash dividends declared	—	—	—	(919)	—	—	(919)	
Impact from equity transactions of non-controlling interests	—	—	(654)	—	—	(36)	(690)
Actuarial gain on pension plan	—	—	—	—	(16	)	—	(16)	
Change in market value of investments	—	—	—	—	18	—	—	18		
Change in market value of derivatives	—	—	—	—	6	—	—	6		
Translation adjustment	—	—	—	—	(135	)	—	(135)	
Convertible debt conversions and warrant settlement	29	—	—	—	—	—	—	—		
Net income	—	—	—	2,714	—	180	—	2,894		
Balance, December 31, 2014	1,985	20	—	22,242	(366	)	1,629	23,525	
Stock issued through stock option and stock purchase plans	21	—	322	—	—	—	—	322		
Tax benefit from stock options exercised	—	—	32	—	—	—	—	32		
Restricted stock grants, cancellations and withholdings, net	13	—	(150	)	—	—	—	(150)	
Repurchase of common stock	(76)	(1)	(409)	(1,623)	(2,033)

	Common Stock		Additional	Retained	Accumulated	Non-controlling	Shareholders'
	Shares	Par Value	Paid-in Capital	Earnings	Other Comprehensive Loss	Interests	Equity
Stock-based compensation	—	—	1,145	—	—	—	1,145
Cash dividends declared	—	—	—	(909)	—	—	(909)
Impact from equity transactions of non-controlling interests	—	—	(940)	—	—	(228)	(1,168)
Actuarial loss on pension plan	—	—	—	—	1	—	1
Change in market value of investments	—	—	—	—	(55)	(4)	(59)
Change in market value of derivatives	—	—	—	—	10	—	10
Translation adjustment	—	—	—	—	(169)	—	(169)
Net income	—	—	—	1,990	—	182	2,172
Balance, December 31, 2015	1,943	\$19	\$—	\$21,700	\$(579)	\$ 1,579	\$22,719

The accompanying notes are an integral part of the consolidated financial statements.

EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. Summary of Significant Accounting Policies

Company

EMC Corporation (“EMC” or “the Company”) and its subsidiaries develop, deliver and support the information technology (“IT”) industry’s broadest range of information infrastructure and virtual infrastructure technologies, solutions and services. EMC manages the Company as part of a federation of businesses: EMC Information Infrastructure, VMware Virtual Infrastructure, Pivotal and Virtustream.

EMC’s Information Infrastructure business provides a foundation for organizations to store, manage, protect, analyze and secure ever-increasing quantities of information, while at the same time improving business agility, lowering cost, and enhancing competitive advantage. EMC’s Information Infrastructure business comprises three segments – Information Storage, Enterprise Content Division and RSA Information Security. The results of Virtustream are currently reported within our Information Storage segment.

EMC’s VMware Virtual Infrastructure business, which is represented by EMC’s majority equity stake in VMware, Inc. (“VMware”), is a leader in virtualization and cloud infrastructure solutions that enable businesses to help transform the way they build, deliver and consume IT resources in a manner that is based on their specific needs. VMware’s virtualization infrastructure solutions, which include a suite of products and services designed to deliver a software-defined data center, run on industry-standard desktop computers, servers and mobile devices and support a wide range of operating system and application environments, as well as networking and storage infrastructures.

EMC’s Pivotal business (“Pivotal”) unites strategic technology, people and programs from EMC and VMware and has built a new platform comprised of next-generation data, agile development practices and a cloud independent platform-as-a-service (“PaaS”). These capabilities are made available through Pivotal’s three primary offerings: Pivotal Cloud Foundry, the Pivotal Big Data Suite and Pivotal Labs.

Proposed Transaction with Dell

On October 12, 2015, EMC entered into an Agreement and Plan of Merger (the “Merger Agreement”) among EMC, Denali Holding Inc., a Delaware corporation (“Denali”), Dell Inc., a Delaware corporation (“Dell”), and Universal Acquisition Co., a Delaware corporation and direct wholly owned subsidiary of Denali (“Merger Sub”), pursuant to which, among other things and subject to the conditions set forth therein, Merger Sub will merge with and into EMC (the “Merger”), with EMC continuing as the surviving corporation and a wholly owned subsidiary of Denali.

At the effective time of the Merger (“Effective Time”), each share of EMC common stock issued and outstanding will be canceled and converted into the right to receive (i) \$24.05 in cash and (ii) a number of shares of common stock of Denali designated as Class V Common Stock, par value \$0.01 per share (the “Class V Common Stock”), equal to the quotient obtained by dividing (A) 222,966,450 by (B) the aggregate number of shares of EMC common stock issued and outstanding immediately prior to the Effective Time. The aggregate number of shares of Class V Common Stock issued as Merger Consideration in the transaction is intended to represent 65% of EMC’s economic interest in the approximately 81% of the outstanding shares of VMware currently owned by the EMC, reflecting approximately 53% of the total economic interest in the outstanding shares of VMware. Upon completion of the transaction, Denali will retain the remaining 28% of the total economic interest in the outstanding shares of VMware. Based on the estimated number of shares of EMC common stock at the closing of the transaction, EMC shareholders are expected to receive approximately 0.111 shares of Class V Common Stock for each share of EMC common stock.

The Merger Agreement contains specified termination rights for both Denali and EMC, including that, in general, either party may terminate if the Merger is not consummated on or before December 16, 2016. If EMC terminates the Merger Agreement, EMC is required to pay Denali a termination fee of \$2.5 billion. If Denali terminates the Merger Agreement, they are required to pay a termination fee of \$4 billion under specified circumstances, and in certain instances, an alternative termination fee of \$6 billion.

The transaction is expected to close in mid-2016. The completion of the Merger is subject to certain conditions including EMC shareholder approval, the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, the receipt of certain other regulatory approvals in various

jurisdictions and the effectiveness of the registration statement on Form S-4 to be filed by Denali in connection with the registration of shares of Class V Common Stock issuable in connection with the Merger.

The Merger Agreement contains representations and warranties customary for transactions of this nature. EMC has agreed to various customary covenants and agreements, including, among others, agreements to conduct its business in the ordinary course

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

during the period between the execution of the Merger Agreement and the effective time of the Merger. In addition, without the consent of Denali, EMC 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.

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. To date, we have asserted our overseas cash as indefinitely reinvested; however 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 to repatriate these funds. Other than transaction expenses associated with the proposed Merger, the terms of the Merger Agreement did not impact EMC's consolidated financial statements as of and for the year ended December 31, 2015.

Accounting Principles

The financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

These consolidated financial statements include the accounts of EMC, its wholly-owned subsidiaries, and Pivotal and VMware, companies which are majority-owned by EMC. All intercompany transactions have been eliminated. EMC's interest in VMware was approximately 81% and 80% at December 31, 2015 and 2014, respectively. VMware's financial results have been consolidated with that of EMC for all periods presented as EMC is VMware's controlling stockholder. The portion of the results of operations of VMware allocable to its other owners is shown as net income attributable to the non-controlling interests on EMC's consolidated income statements. Additionally, the cumulative portion of the results of operations of VMware allocable to its other owners, along with the interest in the net assets of VMware attributable to those other owners, is shown as a component of non-controlling interests on EMC's consolidated balance sheets and as a reduction of net income attributable to EMC shareholders.

EMC's economic interest in Pivotal was approximately 83% and 84% at December 31, 2015 and 2014, respectively. Pivotal's financial results have been consolidated with that of EMC for all periods presented as EMC is Pivotal's controlling stockholder. Because the GE non-controlling interest in Pivotal is in the form of a preferred equity instrument, there is no net income attributable to GE's non-controlling interest on EMC's consolidated income statements. The portion of the results of operations of Pivotal allocable to its other owners, along with the interest in the net assets of Pivotal attributable to those other owners are shown as a component of non-controlling interests on EMC's consolidated balance sheets and as a reduction of net income attributable to EMC shareholders.

Use of Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Revenue Recognition

We derive revenue from sales of systems, software licenses and services. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. This policy is applicable to all sales, including sales to resellers and end-users. Delivery is achieved when our product has been physically shipped or made available for use by electronic delivery and the risk of loss has been transferred which, for most of our product sales, occurs upon shipment. The following summarizes the major terms of our contractual relationships with our customers and the manner in which we account for sales transactions.

Product revenue

Product revenue consists of systems and software licenses sales that are delivered, sold as a subscription or sold on a consumption basis. System sales include storage hardware, required system software and other hardware-related devices. Software license sales include optional, stand-alone software applications. Our software applications provide customers with resource

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

management, backup and archiving, information security, information management and intelligence, data analytics and server virtualization capabilities. Depending on the nature of the arrangement, revenue for system and software license sales is generally recognized upon shipment or electronic delivery. For certain arrangements, revenue is recognized based on usage or ratably over the term of the arrangement. License revenue from royalty arrangements is recognized upon either receipt of royalty reports or payments from third parties.

Services revenue

Services revenue consists of installation services, professional services, software maintenance, hardware maintenance, training and software sold as a service.

We recognize revenue from fixed-price support or maintenance contracts sold for both hardware and software, including extended warranty contracts, ratably over the contract period and recognize the costs associated with these contracts as incurred. Generally, installation and professional services are not considered essential to the functionality of our products as these services do not alter the product capabilities and may be performed by our customers or other vendors. Installation services revenues are recognized as the services are being performed. Professional services revenues on engagements for which reasonably dependable estimates of progress toward completion are capable of being made are recognized using the proportional performance method, which recognizes revenue based on labor costs incurred in proportion to total expected labor costs to perform the service. Where services are considered essential to the functionality of our products, revenue for the products and services is recorded over the service period. Professional services engagements that are sold on a time and materials basis are recognized based upon the labor costs incurred. Revenues from software sold as a service is recognized based on usage or ratably over the term of the service period depending upon the nature of the arrangement. Revenues on all other professional services engagements are recognized upon completion.

Multiple element arrangements

When more than one element, such as hardware, software and services are contained in a single arrangement, we first allocate revenue based upon the relative selling price into two categories: (1) non-software components, such as hardware and any hardware-related items, such as required system software that functions with the hardware to deliver the essential functionality of the hardware and related post-contract customer support, software as a service subscriptions and other services and (2) software components, such as optional software applications and related items, such as post-contract customer support and other services. We then allocate revenue within the non-software category to each element based upon their relative selling price using a hierarchy of vendor-specific objective evidence (“VSOE”), third-party evidence of selling price (“TPE”) or estimated selling prices (“ESP”), if VSOE or TPE does not exist. We allocate revenue within the software category to the undelivered elements based upon their fair value using VSOE with the residual revenue allocated to the delivered elements. If we cannot objectively determine the VSOE of the fair value of any undelivered software element, we defer revenue for all software components until all elements are delivered and services have been performed, until fair value can objectively be determined for any remaining undelivered elements, or until software maintenance is the only undelivered element in which case revenue is recognized over the maintenance term for all software elements.

We allocate the amount of revenue recognized for delivered elements to the amount that is not subject to forfeiture or refund or contingent on the future delivery of products or services.

Customers under software maintenance agreements are entitled to receive updates and upgrades on a when-and-if-available basis, and various types of technical support based on the level of support purchased. In the

event specific features, functionality, entitlements, or the release version of an upgrade or new product have been announced but not delivered, and customers will receive that upgrade or new product as part of a current software maintenance contract, a specified upgrade is deemed created and product revenues are deferred on purchases made after the announcement date until delivery of the upgrade or new product. The amount and elements to be deferred are dependent on whether we have established VSOE of fair value for the upgrade or new product.

Indirect channel sales

We market and sell our products through our direct sales force and indirect channels such as independent distributors and value-added resellers. For substantially all of our indirect sales, we recognize revenues on products sold to resellers and distributors on a sell through basis. These product sales are evidenced by a master distribution agreement, together with evidence of an end-user arrangement, on a transaction-by-transaction basis.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

We offer rebates to certain channel partners. We generally recognize the amount of the rebates as a reduction of revenues when the underlying revenue is recognized. We also offer marketing development funds to certain channel partners. We generally record the amount of the marketing development funds, based on the maximum potential liability, as a marketing expense as the funds are earned by the channel partners.

Shipping terms

Our sales contracts generally provide for the customer to accept risk of loss when the product leaves our facilities. When shipping terms or local laws do not allow for passage of risk of loss at shipping point, we defer recognizing revenue until risk of loss transfers to the customer.

Leases

Revenue from sales-type leases is recognized at the net present value of future lease payments. Revenue from operating leases is recognized over the lease period.

Other

We accrue for the estimated costs of systems' warranty at the time of sale. We reduce revenue for estimated sales returns at the time of sale. Systems' warranty costs are estimated based upon our historical experience and specific identification of systems' requirements. Sales returns are estimated based upon our historical experience and specific identification of probable returns.

Deferred Revenue

Our deferred revenue consists primarily of deferred hardware and software maintenance and unearned license fees, which are recognized ratably over the contract term as either product or services revenue depending on the nature of the item, and deferred professional services, including education and training, which are recognized in services revenue as the services are provided.

Shipping and Handling

Shipping and handling reimbursements from our customers are included in product sales revenues with the associated costs included in cost of product sales.

Foreign Currency Translation

The local currency is the functional currency of the majority of our subsidiaries. Assets and liabilities are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at daily rates.

Gains and losses from foreign currency transactions are included in other income (expense), net, and consist of net gains of \$18 million in 2015 and net losses of \$30 million and \$2 million in 2014 and 2013, respectively. Foreign currency translation adjustments are included in other comprehensive income (loss).

Derivatives

We use derivatives to hedge foreign currency exposures related to foreign currency denominated assets and liabilities and forecasted revenue and expense transactions.

We hedge our exposure in foreign currency denominated monetary assets and liabilities with foreign currency forward and option contracts. Since these derivatives hedge existing exposures that are denominated in foreign currencies, the contracts do not qualify for hedge accounting. Accordingly, these outstanding non-designated derivatives are recognized on the consolidated balance sheet at fair value and the changes in fair value from these contracts are recorded in other income (expense), net, in the consolidated income statements. These derivative contracts mature in less than one year.

We also use foreign currency forward and option contracts to hedge our exposure on a portion of our forecasted revenue and expense transactions. These derivatives are designated as cash flow hedges. We did not have any derivatives designated as fair value hedges as of December 31, 2015. All outstanding cash flow hedges are recognized on the consolidated balance sheets at fair value with changes in their fair value recorded in accumulated other comprehensive income (loss) until the underlying forecasted transactions occur. To achieve hedge accounting, certain criteria must be met, which includes (i) ensuring at the inception of the

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

hedge that formal documentation exists for both the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, and (ii) at the inception of the hedge and on an ongoing basis, the hedging relationship is expected to be highly effective in achieving offsetting changes in fair value attributed to the hedged risk during the period that the hedge is designated. Further, an assessment of effectiveness is required at a minimum on a quarterly basis. Absent meeting these criteria, changes in fair value are recognized currently in other income (expense), net, in the consolidated income statements. Once the underlying forecasted transaction occurs, the gain or loss from the derivative designated as a hedge of the transaction is reclassified from accumulated other comprehensive income (loss) to the consolidated income statements, in the related revenue or expense caption, as appropriate. In the event the underlying forecasted transaction does not occur, the amount recorded in accumulated other comprehensive income (loss) will be reclassified to other income (expense), net, in the consolidated income statements in the then-current period. Any ineffective portion of the derivatives designated as cash flow hedges is recognized in current earnings. The ineffective portion of the derivatives includes gains or losses associated with differences between actual and forecasted amounts. Our cash flow hedges generally mature within six months or less. The notional amount of cash flow hedges outstanding as of December 31, 2015, 2014 and 2013 were \$473 million, \$245 million and \$384 million, respectively.

We do not engage in currency speculation. For purposes of presentation within the consolidated statement of cash flows, derivative gains and losses are presented within net cash provided by operating activities.

Our derivatives and their related activities are not material to our consolidated balance sheets or consolidated income statements.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of ninety days or less at the time of purchase. Cash equivalents consist primarily of money market securities, U.S. Treasury bills, U.S. Agency discount notes and commercial paper. Cash equivalents are stated at fair value. See Note F.

Allowance for Doubtful Accounts

We maintain an allowance for doubtful accounts for the estimated probable losses on uncollectible accounts and notes receivable. The allowance is based upon the creditworthiness of our customers, our historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account. The allowance for doubtful accounts is maintained against both our current and non-current accounts and notes receivable balances. The balances in the allowance accounts at December 31, 2015 and 2014 were as follows (table in millions):

	December 31,	
	2015	2014
Current	\$90	\$72
Non-current (included in other assets, net)	2	2
	\$92	\$74

Investments

Unrealized gains and temporary loss positions on investments classified as available-for-sale are included within accumulated other comprehensive income (loss), net of any related tax effect. Upon realization, those amounts are reclassified from accumulated other comprehensive income (loss) to investment income. Realized gains and losses

and other-than-temporary impairments are reflected in the consolidated income statement in investment income. For investments accounted for utilizing the fair value option, changes to fair value are recognized in the consolidated income statement in other income (expense), net.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market, not in excess of net realizable value.

EMC CORPORATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Buildings under development are included in building construction in progress. Depreciation commences upon placing the asset in service and is recognized on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	5-10 years
Equipment and software	2-10 years
Improvements	5-31 years
Buildings	15-51 years

Upon retirement or disposition, the asset cost and related accumulated depreciation are removed with any gain or loss recognized in the consolidated income statements. Repair and maintenance costs, including planned maintenance, are expensed as incurred.

Research and Development and Capitalized Software Development Costs

Research and development (“R&D”) costs are expensed as incurred. R&D costs include salaries and benefits, stock-based compensation and other personnel-related costs associated with product development. Also included in R&D expenses are infrastructure costs, which consist of equipment and material costs, facilities-related costs, depreciation expense and intangible asset amortization. Material software development costs incurred subsequent to establishing technological feasibility through the general release of the software products are capitalized. Technological feasibility is demonstrated by the completion of a detailed program design or working model, if no program design is completed. GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a products’ total current and anticipated revenues, or the straight-line method over the products’ remaining estimated economic life. Capitalized costs are amortized over periods ranging from eighteen months to two years which represents the products’ estimated economic life.

Unamortized software development costs were \$934 million and \$829 million at December 31, 2015 and 2014, respectively, and are included in other assets, net. Amortization expense was \$514 million, \$482 million and \$427 million in 2015, 2014 and 2013, respectively. Amounts capitalized were \$619 million, \$549 million and \$487 million in 2015, 2014 and 2013, respectively. The amounts capitalized include stock-based compensation which is not reflected in the consolidated statements of cash flows as it is a non-cash item.

Long-lived Assets

Purchased intangible assets, other than goodwill, are amortized over their estimated useful lives which range from one to twenty years. Intangible assets include purchased technology, trademarks and tradenames, customer relationships and customer lists, software licenses, patents, leasehold interest and other intangible assets, which include backlog, non-competition agreements and non-solicitation agreements. Most of our intangible assets are amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized; the remainder are amortized on a straight-line basis. Goodwill is not amortized; it is carried at its historical cost.

We periodically review our long-lived assets for impairment. We initiate reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test, other than goodwill, is based on a comparison of the un-discounted cash flows to the recorded value of the asset. If an impairment is indicated, the asset

is written down to its estimated fair value.

We test goodwill for impairment in the fourth quarter of each year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The test is based on a comparison of the reporting unit's book value to its estimated fair market value. We perform both qualitative and quantitative tests of our goodwill.

Investments in Joint Ventures

We make investments in joint ventures. For each joint venture investment, we consider the facts and circumstances in order to determine whether it qualifies for cost, equity or fair value method accounting or whether it should be consolidated.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In 2009, Cisco and EMC formed VCE Company LLC (“VCE”), with investments from VMware and Intel. In December 2014, EMC acquired the controlling interest in VCE and, since the date of acquisition, has consolidated VCE’s financial position and results of operations as part of EMC’s consolidated financial statements.

Prior to the acquisition of the controlling interest in VCE, we considered VCE a variable interest entity and accounted for the investment under the equity method with our portion of the gains and losses recognized in other income (expense), net in the consolidated income statements for the majority of 2014 and all of 2013. Our consolidated share of VCE’s losses, based upon our portion of the overall funding, was approximately 64% and 63% for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, we recorded \$357 million and \$298 million, respectively, in net losses from VCE and \$803 million and \$439 million, respectively, in revenue from sales of product and services to VCE.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$29 million, \$25 million and \$23 million in 2015, 2014 and 2013, respectively.

Legal Costs

Legal costs incurred in connection with loss contingencies are recognized when the costs are probable of occurrence and can be reasonably estimated.

Income Taxes

Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax liabilities and assets are determined based on the difference between the tax basis of assets and liabilities and their reported amounts using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax credits are generally recognized as reductions of income tax provisions in the year in which the credits arise. The measurement of deferred tax assets is reduced by a valuation allowance if, based upon available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

Accounting for uncertainty in income taxes recognized in the financial statements is in accordance with accounting authoritative guidance, which prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed “more-likely-than-not” to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement.

We do not provide for a U.S. income tax liability on undistributed earnings of our foreign subsidiaries. The earnings of non-U.S. subsidiaries, which reflect full provision for non-U.S. income taxes, are currently indefinitely reinvested in non-U.S. operations or are expected to be remitted substantially free of additional tax. 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 to

repatriate these funds.

Sales Taxes

Sales and other taxes collected from customers and subsequently remitted to government authorities are recorded as cash or accounts receivable with a corresponding offset recorded to sales taxes payable. These balances are removed from the consolidated balance sheet as cash is collected from the customers and remitted to the tax authority.

Earnings Per Share

Basic net income per share is computed using the weighted-average number of shares of our common stock outstanding during the period. Diluted net income per share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of stock options, unvested restricted stock and restricted stock units, the shares issuable under our \$1.725 billion 1.75% convertible senior notes due 2013 (the "2013 Notes")

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

and the associated warrants. See Note E for further information regarding the 2013 Notes and the associated warrants and Note N for further information regarding the calculation of diluted net income per weighted-average share. Additionally, for purposes of calculating diluted net income per common share, net income is adjusted for the difference between VMware's reported diluted and basic earnings per share, if any, multiplied by the number of shares of VMware held by EMC.

Retirement Benefits

Pension cost for our domestic defined benefit pension plan is funded to the extent that the current pension cost is deductible for U.S. Federal tax purposes and to comply with the Employee Retirement Income Security Act and the General Agreement on Tariff and Trade Bureau additional minimum funding requirements. Net pension cost for our international defined benefit pension plans are generally funded as accrued.

Concentrations of Risks

Financial instruments that potentially subject us to concentration of credit risk consist principally of bank deposits, money market investments, short- and long-term investments, accounts and notes receivable, and foreign currency exchange contracts. Deposits held with banks in the United States may exceed the amount of FDIC insurance provided on such deposits. Deposits held with banks outside the United States generally do not benefit from FDIC insurance. The majority of our day-to-day banking operations globally are maintained with Citibank. We believe that Citibank's position as a primary clearing bank, coupled with the substantial monitoring of their daily liquidity, both by their internal processes and by the Federal Reserve and the FDIC, mitigate some of our risk.

Our money market investments are placed with money market funds that are 2a-7 qualified. Rule 2a-7, adopted by the United States Securities and Exchange Commission (the "SEC") under the Investment Company Act of 1940, establishes strict standards for quality, diversity and maturity, the objective of which is to maintain a constant net asset value of a dollar. We limit our investments in money market funds to those that are primarily associated with large, money center financial institutions and limit our exposure to Prime funds. Our short- and long-term investments are invested primarily in investment grade securities, and we limit the amount of our investment in any single issuer.

We provide credit to customers in the normal course of business. Credit is extended to new customers based on checks of credit references, credit scores and industry reputation. Credit is extended to existing customers based on prior payment history and demonstrated financial stability. The credit risk associated with accounts and notes receivables is generally limited due to the large number of customers and their broad dispersion over many different industries and geographic areas. We establish an allowance for the estimated uncollectible portion of our accounts and notes receivable. We customarily sell the notes receivable we derive from our leasing activity. Generally, we do not retain any recourse on the sale of these notes. Our sales are generally dispersed among a large number of customers, minimizing the reliance on any particular customer or group of customers.

The counterparties to our foreign currency exchange contracts consist of a number of major financial institutions. In addition to limiting the amount of contracts we enter into with any one party, we monitor the credit quality of the counterparties on an ongoing basis.

We purchase or license many sophisticated components and products from one or a limited number of qualified suppliers. 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 customer orders. We attempt to minimize this risk by finding alternative suppliers or maintaining adequate inventory levels to

meet our forecasted needs.

Accounting for Stock-Based Compensation

We have selected the Black-Scholes option-pricing model to determine the fair value of our stock option awards. For stock options, restricted stock and restricted stock units, we recognize compensation cost on a straight-line basis over the awards' vesting periods for those awards which contain only a service vesting feature. For awards with a performance condition vesting feature, when achievement of the performance condition is deemed probable, we recognize compensation cost on a graded-vesting basis over the awards' expected vesting periods.

Reclassifications

Certain prior year amounts have been reclassified to conform with the current year's presentation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In November 2015, the Financial Accounting Standards Board (“FASB”) issued new accounting guidance on the balance sheet classification of deferred taxes which requires that all deferred taxes be presented as non-current. We elected to early adopt this new accounting guidance for the year ended December 31, 2015 and applied it retrospectively to all years presented in these financial statements. As a result of adopting this guidance, we reclassified current deferred income tax assets and liabilities to non-current deferred income tax assets and liabilities. This resulted in \$1,070 million being reclassified from deferred income taxes (current asset), \$156 million being reclassified from other assets, net and \$274 million being reclassified from deferred income taxes (non-current liability) to deferred income taxes (non-current asset) on the consolidated balance sheets for the year ended December 31, 2014. There was no impact to our consolidated income statements or statements of cash flows for any of the periods presented.

In April 2015, the FASB issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the related debt liability rather than as an asset. We adopted the guidance during the second quarter of 2015, and accordingly, reclassified the debt issuance costs on our consolidated balance sheets. There was no impact to our consolidated income statements or statements of cash flows for any of the periods presented.

Recent Accounting Pronouncements

In September 2015, the FASB issued updated guidance related to simplifying the accounting for measurement period adjustments related to business combinations. The amended guidance eliminates the requirement to retrospectively account for adjustments made during the measurement period. The standard is effective beginning January 1, 2016, with early adoption permitted. We do not expect it to have a material impact on our consolidated financial position, results of operations or cash flows.

In April 2015, the FASB issued guidance to customers about whether a cloud computing arrangement includes software and how to account for that software license. The new guidance does not change the accounting for a customer’s accounting for service contracts. The standard is effective beginning January 1, 2016, with early adoption permitted, and may be applied prospectively or retrospectively. We do not expect it to have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2014, the FASB issued a standard on revenue recognition providing a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard, as amended, is effective beginning January 1, 2018, with early adoption permitted but not earlier than the original effective date of January 1, 2017. The principles may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We are currently evaluating the adoption method options and the impact of the new guidance on our consolidated financial statements.

B. Non-controlling Interests

The non-controlling interests’ share of equity in VMware is reflected as a component of the non-controlling interests in the accompanying consolidated balance sheets and was \$1,481 million and \$1,524 million as of December 31, 2015 and 2014, respectively. At December 31, 2015, EMC held approximately 97% of the combined voting power of VMware’s outstanding common stock and approximately 81% of the economic interest in VMware.

The non-controlling interests’ share of equity in Pivotal is reflected as a component of the non-controlling interests in the accompanying consolidated balance sheets as \$98 million at December 31, 2015 and \$105 million at December 31, 2014. At December 31, 2015 and 2014, EMC consolidated held approximately 83% and 84%,

respectively, of the economic interest in Pivotal.

GE's interest in Pivotal is in the form of a preferred equity instrument. Consequently, there is no net income attributable to the GE non-controlling interest related to Pivotal on the consolidated income statements. Additionally, due to the terms of the preferred instrument, GE's non-controlling interest on the consolidated balance sheets is generally not impacted by Pivotal's equity related activity. The preferred equity instrument is convertible into common shares at GE's election at any time.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The effect of changes in our ownership interest in VMware and Pivotal on our equity was as follows (table in millions):

	For the Year Ended	
	December 31, 2015	December 31, 2014
Net income attributable to EMC Corporation	\$ 1,990	\$ 2,714
Transfers (to) from the non-controlling interests:		
Increase in EMC Corporation's additional paid-in-capital for VMware and Pivotal equity issuances	60	87
Decrease in EMC Corporation's additional paid-in-capital for VMware's and Pivotal's other equity activity	(1,000)	(741)
Net transfers (to) from non-controlling interests	(940)	(654)
Change from net income attributable to EMC Corporation and transfers from the non-controlling interests	\$ 1,050	\$ 2,060

C. Acquisitions

2015 Acquisitions

Acquisition of Virtustream

On July 9, 2015, EMC acquired all of the outstanding capital stock of Virtustream Group Holdings, Inc. ("Virtustream"), a cloud software and services company that delivers mission-critical enterprise applications in the cloud. This acquisition represents a key element of EMC's strategy to help customers move applications to cloud-based IT environments. The consideration paid for Virtustream was \$1,220 million, net of cash acquired.

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and net liabilities assumed, net of cash acquired (table in millions):

Current assets	\$ 20	
Property, plant and equipment, net	14	
Intangible assets:		
Purchased technology (weighted-average useful life of 8.6 years)	302	
Customer relationships and customer lists (weighted-average useful life of 12.3 years)	50	
Trademarks and tradenames (weighted-average useful life of 7.6 years)	27	
Total intangible assets, net, excluding goodwill	379	
Goodwill	873	
Other assets, net	12	
Total assets acquired	1,298	
Current liabilities	(28))
Deferred income taxes	(41))
Other liabilities	(9))
Total liabilities assumed	(78))
Fair value of assets acquired and net liabilities assumed	\$ 1,220	

The total weighted-average amortization period for the intangible assets is 9.0 years. The intangible assets are being amortized over the pattern in which the economic benefits of the intangible assets are being utilized, which in general reflects the cash flows generated from such assets. Goodwill is calculated as the excess of the consideration over the

fair value of the net assets, including intangible assets, recognized and is primarily related to expected synergies from the transaction, including complementary products that will enhance our overall product portfolio, which we believe will result in incremental revenue and profitability. The goodwill associated with this acquisition is currently reported within our Information Storage segment. None of the goodwill is deductible for tax purposes. The results of this acquisition have been included in the consolidated financial statements from the date of purchase. Pro forma results of operations have not been presented as the results of the acquired company were not material to our consolidated results of operations for the years ended 2015 or 2014.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Other 2015 Acquisitions

During the year ended December 31, 2015, EMC acquired seven businesses, excluding Virtustream, which were not material either individually or in the aggregate to our December 31, 2015 results. Complementing the Information Storage segment, we acquired all of the outstanding capital stock of Renasar Technologies, Inc., a provider of extensible physical middleware, CloudLink, a provider of cloud data security software and Graphite Systems, a developer of server-side flash storage. Complementing our Pivotal segment, we acquired all of the outstanding capital stock of Quickstep Technologies, LLC, a query execution technology developer and CloudCredo, a provider of CloudFoundry. VMware acquired all of the outstanding capital stock of Immidio B.V. and Boxer, Inc.

The aggregate consideration for these seven acquisitions, excluding Virtustream, was \$120 million which represents cash consideration, net of cash acquired during 2015. The consideration was allocated to the fair value of the assets acquired and liabilities assumed based on estimated fair values as of the respective acquisition dates. The aggregate allocation to goodwill, intangibles, and net liabilities was approximately \$89 million, \$39 million and \$8 million, respectively. EMC did not issue common stock for any of its acquisitions during 2015.

The following represents the aggregate allocation of the purchase price for all of the aforementioned acquisitions, excluding Virtustream, to intangible assets (table in millions):

Purchased technology (weighted-average useful life of 3.7 years)	\$37
Non-compete agreement (weighted-average useful life of 2.1 years)	2
Total intangible assets	\$39

The total weighted-average amortization period for the intangible assets is 3.7 years. Most of our intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized; the remainder is amortized on a straight-line basis. Goodwill is calculated as the excess of the consideration over the fair value of the net assets, including intangible assets, and is primarily related to expected synergies from the transaction. The goodwill is not deductible for U.S. federal income tax purposes. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase. Pro forma results of operations have not been presented as the results of the acquired companies were not material to our consolidated results of operations for the years ended 2015 or 2014.

2014 Acquisitions

Acquisition of AirWatch

During the year ended December 31, 2014, VMware acquired all of the outstanding capital stock of A.W.S. Holding, LLC (“AirWatch Holding”), the sole member and equity holder of AirWatch LLC (“AirWatch”). AirWatch is a leader in enterprise mobile management and security solutions. VMware acquired AirWatch to expand its solutions within the enterprise mobile and security space. The aggregate consideration paid for AirWatch was \$1,128 million, net of cash acquired, including cash of \$1,104 million and the fair value of assumed unvested equity attributed to pre-combination services totaling \$24 million.

Merger consideration totaling \$300 million is payable to certain employees of AirWatch subject to specified future employment conditions and will be recognized as expense over the requisite service period. Compensation expense totaling \$145 million and \$141 million was recognized during the years ended December 31, 2015 and 2014, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table summarizes the allocation of the consideration to the fair value of the assets acquired and net liabilities assumed, net of cash acquired (table in millions):

Other current assets	\$61	
Intangible assets:		
Purchased technology (weighted-average useful life of 6 years)	118	
Customer relationships and customer lists (weighted-average useful life of 8 years)	78	
Trademarks and tradenames (weighted-average useful life of 8 years)	40	
Other (weighted-average useful life of 3 years)	14	
Total intangible assets, net, excluding goodwill	250	
Goodwill	868	
Other assets	30	
Total assets acquired	1,209	
Unearned revenue	(45))
Other assumed liabilities, net of acquired assets	(72))
Total net liabilities assumed	(117))
Fair value of assets acquired and net liabilities assumed	\$1,092	

Other 2014 Acquisitions

During the year ended December 31, 2014, EMC acquired seven businesses which were not material either individually or in the aggregate to our 2014 results. Complementing the Information Storage segment, we acquired the controlling interest in VCE, a joint venture with Cisco, which delivers through Vblock infrastructure platforms an integrated IT offering that combines network, computing, storage, management, security and virtualization technologies for converged infrastructures and cloud based computing models; all of the outstanding capital stock of DSSD, Inc., a developer of an innovative new rack-scale flash storage architecture for I/O-intensive in-memory databases and Big Data workloads; and TwinStrata, Inc., a provider of advanced tiering cloud technology. We also acquired all of the outstanding capital stock of the Cloudscaling Group, Inc., a leading provider of OpenStack Powered Infrastructure-as-a-Service (“IaaS”) for private and hybrid cloud solutions; Maginatics, Inc., a cloud technology provider offering a highly consistent global namespace accessible from any device or location; and Spanning Cloud Apps, Inc., a leading provider of subscription-based backup and recovery for cloud based applications and data.

Complementing our RSA Information Security segment, we acquired Symplified, Inc., a provider of a comprehensive cloud identity solution that helps service-oriented IT organizations simplify user access, regain visibility and control over application usage and meet security and compliance requirements.

In addition to the acquisition of AirWatch, during the year ended December 31, 2014, VMware completed three business combinations which were not material either individually or in the aggregate. VMware acquired all of the outstanding common stock of CloudVolumes, Inc., a provider of real-time application delivery technology that enables enterprises to deliver native applications to virtualized environments on-demand, and two other immaterial business combinations.

The aggregate consideration for these ten acquisitions, excluding AirWatch, was \$1,515 million, which consisted of \$1,404 million of cash consideration, net of cash acquired and \$10 million for the fair value of assumed unvested equity attributed to pre-combination services. In connection with these acquisitions, we recognized a \$101 million gain on previously held interests in strategic investments and joint ventures which was recognized in other income (expense), net in the consolidated income statements in 2014. The consideration was allocated to the fair value of the

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assets acquired and liabilities assumed based on estimated fair values as of the respective acquisition dates. The aggregate allocation to goodwill, intangibles, and net liabilities was approximately \$847 million, \$484 million and \$184 million, respectively.

The fair value of our stock options for all of the aforementioned acquisitions, excluding AirWatch, in 2014 was estimated using the following weighted-average assumptions:

Expected term (in years)	2.6	
Expected volatility	27.3	%
Risk-free interest rate	0.7	%
Dividend yield	1.7	%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following represents the aggregate allocation of the purchase price for all of the aforementioned acquisitions, excluding AirWatch, to intangible assets (table in millions):

Purchased technology (weighted-average useful life of 6 years)	\$460
Customer relationships (weighted-average useful life of 5 years)	10
Trademarks and tradenames (weighted-average useful life of 4 years)	14
Total intangible assets	\$484

The total weighted-average amortization period for the intangible assets is 6 years. Most of our intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized; the remainder are amortized on a straight-line basis.

2013 Acquisitions

During the year ended December 31, 2013, EMC acquired eight businesses. Complementing the Information Storage segment, we acquired substantially all of the assets of Adaptivity, Inc., a provider of software solutions that automate and accelerate enterprise IT migration to the cloud and all of the outstanding capital stock of ScaleIO, a provider of server-side storage software. A member of our board of directors is an investor in a limited partnership which held an equity interest in ScaleIO. The director did not participate in any votes of the board of directors or any committee thereof approving the acquisition, and the terms of the acquisition were negotiated at arms' length.

Complementing the Enterprise Content Division segment, we also acquired all of the outstanding capital stock of Sitrof Technologies, a document management consultancy provider. Complementing the RSA Information Security segment, we acquired all of the outstanding common stock of Aveksa, Inc., a provider of cloud-based identity and access management solutions and PassBan Corporation, a developer of mobile and cloud-based multi-factor authentication technology. Complementing the Pivotal segment, Pivotal acquired all of the outstanding common stock of Xtreme Labs, a provider of mobile strategy and product development.

Additionally, during the year ended December 31, 2013, VMware acquired all of the outstanding common stock of two companies, which were not material either individually or in the aggregate, including Virsto Software, a provider of software that optimizes storage performance and utilization in virtual environments and Deskstone, Inc., a provider of desktop-as-a-service for delivering Windows desktops and applications as a cloud service.

The aggregate consideration for these eight acquisitions was \$771 million, which consisted of \$770 million of cash consideration, net of cash acquired. The consideration paid was allocated to the fair value of the assets acquired and liabilities assumed based on estimated fair values as of the respective acquisition dates. The aggregate allocation to goodwill, intangibles and net liabilities was approximately \$596 million, \$182 million and \$8 million, respectively. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase.

The fair value of our stock options for all of the aforementioned acquisitions in 2013 was estimated using the following weighted-average assumptions:

Expected term (in years)	1.8	
Expected volatility	26.4	%
Risk-free interest rate	0.3	%
Dividend yield	1.5	%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following represents the aggregate allocation of the purchase price for all of the aforementioned acquisitions to intangible assets (table in millions):

Developed technology (weighted-average useful life of 5 years)	\$ 138
Customer relationships (weighted-average useful life of 4 years)	34
In-process research and development	10
Total intangible assets	\$ 182

The total weighted-average amortization period for the intangible assets is 4 years. Most of our intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are estimated to be utilized and the remainder are amortized on a straight-line basis.

D. Intangibles and Goodwill

Intangible Assets

Intangible assets, excluding goodwill, as of December 31, 2015 and 2014 consist of (tables in millions):

	December 31, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$3,272	\$(1,903)	) \$ 1,369
Patents	225	(132)	) 93
Software licenses	112	(94)	) 18
Trademarks and tradenames	254	(157)	) 97
Customer relationships and customer lists	1,523	(1,087)	) 436
Leasehold interest	152	(20)	) 132
Other	46	(42)	) 4
Total intangible assets, excluding goodwill	\$5,584	\$(3,435)	) \$ 2,149
	December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	\$2,935	\$(1,668)	) \$ 1,267
Patents	225	(117)	) 108
Software licenses	108	(93)	) 15
Trademarks and tradenames	226	(136)	) 90
Customer relationships and customer lists	1,473	(974)	) 499
Leasehold interest	152	(16)	) 136
Other	44	(34)	) 10
Total intangible assets, excluding goodwill	\$5,163	\$(3,038)	) \$ 2,125

Amortization expense on intangibles was \$395 million, \$402 million and \$389 million in 2015, 2014 and 2013, respectively. As of December 31, 2015, amortization expense on intangible assets for the next five years is expected to be as follows (table in millions):

2016	\$ 350
2017	329
2018	317
2019	274
2020	193
Total	\$ 1,463

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Goodwill

Changes in the carrying amount of goodwill, net, on a consolidated basis and by segment, for the years ended December 31, 2015 and 2014 consists of the following (table in millions):

	Information Storage	Enterprise Content Division	RSA Information Security	Pivotal	VMware Virtual Infrastructure	Total
Balance, January 1, 2014	\$7,486	\$1,487	\$2,203	\$177	\$3,071	\$14,424
Goodwill resulting from acquisitions	774	—	—	—	941	1,715
Finalization of purchase price allocations and other, net	—	(1)	—	—	(4)	(5)
Goodwill transferred in formation of Pivotal	6	—	—	(6)	—	—
Balance, December 31, 2014	\$8,266	\$1,486	\$2,203	\$171	\$4,008	\$16,134
Goodwill resulting from acquisitions	917	—	—	16	29	962
Finalization of purchase price allocations and other, net	2	(8)	—	—	—	(6)
Balance, December 31, 2015	\$9,185	\$1,478	\$2,203	\$187	\$4,037	\$17,090

The transfer of goodwill pursuant to the Information Storage segment acquisition of the Data Computing Appliance and implementation services businesses from the Pivotal segment is shown above for the year ended December 31, 2014. The amount of transferred goodwill was determined using the relative fair value method.

Valuation of Goodwill and Intangibles

We perform an assessment of the recoverability of goodwill, at least annually, in the fourth quarter of each year. Our assessment is performed at the reporting unit level which, for certain of our operating segments, is one step below our reporting segment level. We employ both qualitative and quantitative tests of our goodwill. For some of our reporting units, we performed a qualitative assessment on goodwill to determine whether a quantitative assessment was necessary and determined there were no indicators of potential impairment. For other reporting units we evaluated goodwill using a quantitative model. For all of our goodwill assessments, we concluded that there was sufficient market value above the carrying value of those reporting units so that we would not expect any near term changes in the operating results that would trigger an impairment. Accordingly, there was no impairment in 2015, 2014 or 2013. The determination of relevant comparable industry companies impacts our assessment of fair value. Should the operating performance of our reporting units change in comparison to these companies or should the valuation of these companies change, this could impact our assessment of the fair value of the reporting units. Our discounted cash flow analyses factor in assumptions on revenue and expense growth rates. These estimates are based upon our historical experience and projections of future activity, factoring in customer demand, changes in technology and a cost structure necessary to achieve the related revenues. Additionally, these discounted cash flow analyses factor in expected amounts of working capital and weighted average cost of capital. Changes in judgments on any of these factors could materially impact the value of the reporting unit.

Other intangible assets are evaluated based upon the expected period the asset will be utilized, forecasted cash flows, changes in technology and customer demand. Changes in judgments on any of these factors could materially impact the value of the assets.

E. Debt

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

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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 December 31, 2015, we were in compliance with customary required covenants. At December 31, 2015, we had \$600 million outstanding under the credit facility, with a weighted-average interest rate of 1.08%. Amounts outstanding under the credit facility are presented in short-term debt in the consolidated balance sheets with the issuances and proceeds presented on a net basis in the consolidated statement of cash flows due to their short term nature. At February 24, 2016, we had no amounts borrowed under the credit facility.

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 December 31, 2015, we were in compliance with customary required covenants. At December 31, 2015, we had \$699 million of Commercial Paper outstanding, with a weighted-average interest rate of 0.73% and maturities ranging from 26 days to 97 days at the time of issuance. Commercial Paper outstanding is presented in short-term debt in the consolidated balance sheets, and the issuances and proceeds of the Commercial Paper are presented on a net basis in the consolidated statement of cash flows due to their short term nature. At February 24, 2016, we had \$967 million of Commercial Paper outstanding.

Long-Term Debt

During 2013, we issued \$5.5 billion aggregate principal amount of senior notes (collectively, the “Notes”) which pay a fixed rate of interest semi-annually in arrears. The first interest payment occurred on December 2, 2013. The proceeds from the Notes have been used to satisfy the cash payment obligation of the converted 2013 Notes 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 December 31, 2015, we were in compliance with all debt covenants, which are customary in nature.

Our long-term debt as of December 31, 2015 and December 31, 2014 was as follows (dollars in millions):

		Carrying Value	
	Issued at Discount to Par	December 31, 2015	December 31, 2014
Senior Notes			
\$2.5 billion 1.875% Notes due 2018	99.943	% \$2,499	\$2,499
\$2.0 billion 2.650% Notes due 2020	99.760	% 1,996	1,996
\$1.0 billion 3.375% Notes due 2023	99.925	% 1,000	1,000
		\$5,495	\$5,495
Debt issuance costs		(20	) (26
Net long-term debt		\$5,475	\$5,469

The unamortized discount on the Notes consists of \$4 million, which will be fully amortized by June 1, 2023. The effective interest rate on the Notes was 2.55% for the year ended December 31, 2015.

Convertible Debt

During 2006, we issued the 2013 Notes. These 2013 Notes matured and a majority of the noteholders exercised their rights to convert the outstanding 2013 Notes as of December 31, 2013. Pursuant to the settlement terms, the majority of the converted 2013 Notes were settled on January 7, 2014. At that time, we paid the noteholders \$1.7 billion in cash for the outstanding principal and 35 million shares for the \$858 million excess of the conversion value over the principal amount, as prescribed in the terms of the 2013 Notes.

With respect to the conversion value in excess of the principal amount of the 2013 Notes converted, we elected to settle the excess with shares of our common stock based on a daily conversion value, determined in accordance with the indenture, calculated on a proportionate basis for each day of the relevant 20-day observation period. The actual conversion rate for the 2013 Notes was 62.6978 shares of our common stock per one thousand dollars of principal amount of 2013 Notes, which represents a 26.5%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

conversion premium from the date the 2013 Notes were issued and is equivalent to a conversion price of approximately \$15.95 per share of our common stock.

The 2013 Notes paid interest in cash at a rate of 1.75% semi-annually in arrears on December 1 and June 1 of each year. The effective interest rate on the 2013 Notes was 5.6% for the year ended December 31, 2013. The following table represents the key components of interest expense on the convertible debt (table in millions):

	For the year ended December 31, 2013
Contractual interest expense on the coupon	\$27
Amortization of the discount component recognized as interest expense	58
Total interest expense on the convertible debt	\$85

In connection with the issuance of the 2013 Notes, we entered into separate convertible note hedge transactions with respect to our common stock (the "Purchased Options"). The Purchased Options allowed us to receive shares of our common stock and/or cash related to the excess conversion value that we would pay to the holders of the 2013 Notes upon conversion. We exercised 108 million of the Purchased Options in conjunction with the planned settlements of the 2013 Notes and received 35 million shares of net settlement on January 7, 2014, representing the excess conversion value of the options.

We also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately \$19.55 per share of our common stock. We received aggregate proceeds of \$391 million from the sale of the associated warrants. Upon exercise, the value of the warrants was required to be settled in shares. The remaining 109 million associated warrants were exercised between February 18, 2014 and March 17, 2014 and were settled with 29 million shares of our common stock.

The Purchased Options and associated warrants had the effect of increasing the conversion price of the 2013 Notes to approximately \$19.31 per share of our common stock, representing an approximate 53% conversion premium based on the closing price of \$12.61 per share of our common stock on November 13, 2006, the issuance date of the 2013 Notes.

Interest Rate Swap Contracts

In 2010, EMC entered into interest rate swap contracts with an aggregate notional amount of approximately \$900 million. These swaps were designated as cash flow hedges of the semi-annual interest payments of the forecasted issuance of debt in 2011. In 2012, the interest rate swap contracts were settled and accumulated losses of \$176 million were deferred as they were expected to be realized over the life of the new debt issued under the related interest rate swap contracts. The accumulated realized losses related to the settled swaps included in accumulated other comprehensive income are being realized over the remaining life of the ten year Notes. During the year ended 2015 and 2014, \$22 million and \$11 million, respectively, in losses were reclassified from other comprehensive income and recognized as interest expense in the consolidated income statements.

F. Fair Value of Financial Assets and Liabilities

Our fixed income and equity investments are classified as available for sale and recorded at their fair market values. We determine fair value using the following hierarchy:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Most of our fixed income securities are classified as Level 2, with the exception of some of our U.S. government and agency obligations and our investments in publicly traded equity securities, which are classified as Level 1, and all of our auction rate securities, which are classified as Level 3. In addition, our strategic investments held at cost are classified as Level 3. At December 31, 2015 and 2014, the vast majority of our Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. In the event observable

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

inputs are not available, we assess other factors to determine the security's market value, including broker quotes or model valuations. Each month, we perform independent price verifications of all of our fixed income holdings. In the event a price fails a pre-established tolerance check, it is researched so that we can assess the cause of the variance to determine what we believe is the appropriate fair market value.

In general, investments with remaining effective maturities of 12 months or less from the balance sheet date are classified as short-term investments. Investments with remaining effective maturities of more than 12 months from the balance sheet date are classified as long-term investments. Our publicly traded equity securities are classified as long-term investments and our strategic investments held at cost are classified as other assets. As a result of the lack of liquidity for auction rate securities, we have classified these as long-term investments as of December 31, 2015 and 2014. At December 31, 2015 and 2014, all of our short- and long-term investments, excluding auction rate securities, were recognized at fair value, which was determined based upon observable inputs from our pricing vendors for identical or similar assets. At December 31, 2015 and 2014, auction rate securities were valued using a discounted cash flow model.

The following tables summarize the composition of our short- and long-term investments at December 31, 2015 and 2014 (tables in millions):

	December 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value
U.S. government and agency obligations	\$2,449	\$—	\$(8)	) \$2,441
U.S. corporate debt securities	2,257	1	(10)	) 2,248
High yield corporate debt securities	307	2	(22)	) 287
Asset-backed securities	20	—	—	) 20
Municipal obligations	731	1	—	) 732
Auction rate securities	27	—	(2)	) 25
Foreign debt securities	2,332	—	(9)	) 2,323
Total fixed income securities	8,123	4	(51)	) 8,076
Publicly traded equity securities	126	40	(8)	) 158
Total	\$8,249	\$44	\$(59)	) \$8,234
	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value
U.S. government and agency obligations	\$1,951	\$2	\$(2)	) \$1,951
U.S. corporate debt securities	1,998	1	(4)	) 1,995
High yield corporate debt securities	570	9	(16)	) 563
Asset-backed securities	53	—	—	) 53
Municipal obligations	948	2	—	) 950
Auction rate securities	29	—	(2)	) 27
Foreign debt securities	2,566	2	(4)	) 2,564
Total fixed income securities	8,115	16	(28)	) 8,103
Publicly traded equity securities	117	103	(11)	) 209
Total	\$8,232	\$119	\$(39)	) \$8,312

We held approximately \$2,323 million in foreign debt securities at December 31, 2015. These securities have an average credit rating of A+, and approximately 4% of these securities are deemed sovereign debt with an average credit rating of AA+. None of the securities deemed sovereign debt are from Argentina, Greece, Italy, Ireland, Portugal, Spain, Cyprus or Puerto Rico.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following tables represent our fair value hierarchy for our financial assets and liabilities measured at fair value as of December 31, 2015 and 2014 (tables in millions):

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Cash	\$2,095	\$—	\$—	\$2,095
Cash equivalents	3,861	593	—	4,454
U.S. government and agency obligations	1,495	946	—	2,441
U.S. corporate debt securities	—	2,248	—	2,248
High yield corporate debt securities	—	287	—	287
Asset-backed securities	—	20	—	20
Municipal obligations	—	732	—	732
Auction rate securities	—	—	25	25
Foreign debt securities	—	2,323	—	2,323
Publicly traded equity securities	158	—	—	158
Total cash and investments	\$7,609	\$7,149	\$25	\$14,783
Other items:				
Strategic investments carried at cost	\$—	\$—	\$384	\$384
Investment in joint venture	—	—	39	39
Long-term debt carried at discounted issuance cost	—	(4,999)	—	(4,999)
Foreign exchange derivative assets	—	39	—	39
Foreign exchange derivative liabilities	—	(78)	—	(78)
Commodity derivative liabilities	—	(4)	—	(4)
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash	\$2,022	\$—	\$—	\$2,022
Cash equivalents	3,710	611	—	4,321
U.S. government and agency obligations	1,141	810	—	1,951
U.S. corporate debt securities	—	1,995	—	1,995
High yield corporate debt securities	—	563	—	563
Asset-backed securities	—	53	—	53
Municipal obligations	—	950	—	950
Auction rate securities	—	—	27	27
Foreign debt securities	—	2,564	—	2,564
Publicly traded equity securities	209	—	—	209
Total cash and investments	\$7,082	\$7,546	\$27	\$14,655
Other items:				
Strategic investments carried at cost	\$—	\$—	\$333	\$333
Investment in joint venture	—	—	37	37
Long-term debt carried at discounted issuance cost	—	(5,544)	—	(5,544)
Foreign exchange derivative assets	—	44	—	44
Foreign exchange derivative liabilities	—	(71)	—	(71)
Commodity derivative assets	—	12	—	12

Our auction rate securities are predominantly rated investment grade and are primarily collateralized by student loans. The underlying loans of all but one of our auction rate securities, with a market value of \$6 million, have partial

guarantees by the U.S. government as part of the Federal Family Education Loan Program (“FFELP”) through the U.S. Department of Education. FFELP guarantees at least 95% of the loans which collateralize the auction rate securities. We believe the quality of the collateral underlying most of our auction rate securities will enable us to recover our principal balance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

To determine the estimated fair value of our investment in auction rate securities, we used a discounted cash flow model using a five year time horizon. As of December 31, 2015, the coupon rates used ranged from 1% to 3% and the discount rate was 1%, which rate represents the rate at which similar FFELP backed securities with a five year time horizon outside of the auction rate securities market were trading at December 31, 2015. The assumptions used in preparing the discounted cash flow model include an incremental discount rate for the lack of liquidity in the market (“liquidity discount margin”) for an estimated period of time. The discount rate we selected was based on AA- rated banks as the majority of our portfolio is invested in student loans where EMC acts as a financier to these lenders. The liquidity discount margin represents an estimate of the additional return an investor would require for the lack of liquidity of these securities over an estimated five-year holding period. The rate used for the discount margin was 1% at both December 31, 2015 and 2014, due to narrow credit spreads on AA- rated banks during the years ended December 31, 2015 and 2014.

Significant changes in the unobservable inputs discussed above could result in a significantly lower or higher fair value measurement. Generally, an increase in the discount rate, liquidity discount margin or coupon rate results in a decrease in our fair value measurement and a decrease in the discount rate, liquidity discount margin or coupon rate results in an increase in our fair value measurement.

During the year ended December 31, 2015, there were no material changes to the fair value of our auction rate securities. During the year ended December 31, 2014, we had \$34 million of our auction rate securities called.

EMC has a 49% ownership percentage of LenovoEMC Limited, a joint venture with Lenovo that was formed in 2012. We account for our LenovoEMC joint venture using the fair value method of accounting. To determine the estimated fair value at inception of our investment, we used a discounted cash flow model using a three year time horizon, and utilized a discount rate of 6%, which represented the incremental borrowing rate for a market participant. The assumptions used in preparing the discounted cash flow model include an analysis of estimated Lenovo NAS revenue against a prescribed target as well as consideration of the purchase price put and call features included in the joint venture agreement. The put and call features create a floor and a cap on the fair value of the investment. As such, there is a limit to the impact on the fair value that would result from significant changes in the unobservable inputs. We had no changes to the assumptions utilized in the fair value calculation in the fourth quarter of 2015. There was no material change to the fair value of this joint venture during the years ended December 31, 2015 and 2014.

The carrying value of the strategic investments held at cost were accounted for under the cost method. As part of our quarterly impairment review, we perform a fair value calculation of our strategic investments held at cost using the most currently available information. To determine the estimated fair value of private strategic investments held at cost, we use a combination of several valuation techniques including discounted cash flow models, acquisition and trading comparables. In addition, we evaluate the impact of pre- and post-money valuations of recent financing events and the impact of those on our fully diluted ownership percentages, and we consider any available information regarding the issuer’s historical and forecasted performance as well as market comparables and conditions. The fair value of these investments is considered in our review for impairment if any events and changes in circumstances occur that might have a significant adverse effect on their value.

Investment Losses

Unrealized losses on investments at December 31, 2015 and 2014 by investment category and length of time the investment has been in a continuous unrealized loss position are as follows (tables in millions):

December 31, 2015	Less Than 12 Months		12 Months or Greater		Total	
	Fair	Gross	Fair	Gross	Fair	Gross

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	Value	Unrealized Losses	Value	Unrealized Losses	Value	Unrealized Losses
U.S. government and agency obligations	\$1,921	\$(8)	\$—	\$—	\$1,921	\$(8)
U.S. corporate debt securities	1,818	(10)	—	—	1,818	(10)
High yield corporate debt securities	181	(14)	33	(8)	214	(22)
Asset-backed securities	—	—	—	—	—	—
Auction rate securities	—	—	25	(2)	25	(2)
Foreign debt securities	1,753	(8)	86	(1)	1,839	(9)
Publicly traded equity securities	3	—	2	(8)	5	(8)
Total	\$5,676	\$(40)	\$146	\$(19)	\$5,822	\$(59)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

December 31, 2014	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agency obligations	\$1,168	\$(2)	\$—	\$—	\$1,168	\$(2)
U.S. corporate debt securities	1,383	(4)	—	—	1,383	(4)
High yield corporate debt securities	244	(16)	—	—	244	(16)
Auction rate securities	—	—	27	(2)	27	(2)
Foreign debt securities	1,563	(4)	—	—	1,563	(4)
Publicly traded equity securities	17	(9)	3	(2)	20	(11)
Total	\$4,375	\$(35)	\$30	\$(4)	\$4,405	\$(39)

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 liquidate our investment portfolio based on the likelihood of the Merger closing. For all of our securities for which the amortized cost basis was greater than the fair value at December 31, 2015, we currently have the ability and intent to hold until maturity or anticipated recovery. In making the determination as to whether the unrealized losses are other-than-temporary, we considered the length of time and extent the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuers, the issuers' credit rating and the time to maturity.

During 2014, net realized gains of \$101 million were recorded in other income (expense), net on the consolidated income statements for gains related to previously held interests in strategic investments and joint venture.

Contractual Maturities

The contractual maturities of fixed income securities held at December 31, 2015 are as follows (table in millions):

	December 31, 2015	
	Amortized Cost Basis	Aggregate Fair Value
Due within one year	\$2,722	\$2,721
Due after 1 year through 5 years	4,726	4,704
Due after 5 years through 10 years	413	393
Due after 10 years	262	258
Total	\$8,123	\$8,076

Short-term investments on the consolidated balance sheet include \$5 million in variable rate notes which have contractual maturities in 2016, and are not classified within investments due within one year above.

G. Inventories

Inventories consist of (table in millions):

	December 31, 2015	December 31, 2014
Work-in-process	\$592	\$627
Finished goods	653	649
	\$1,245	\$1,276

H. Accounts and Notes Receivable and Allowance for Credit Losses

Accounts and notes receivable are recorded at cost. The portion of our notes receivable due in one year or less are included in accounts and notes receivable and the long-term portion is included in other assets, net on the consolidated balance sheets. Lease receivables arise from sales-type leases of products. We typically sell, without recourse, the contractual right to the lease payment stream and assets under lease to third parties. For certain customers, we retain the lease.

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 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The contractual amounts due under the leases we retained as of December 31, 2015 were as follows (table in millions):

Year	Contractual Amounts Due Under Leases
Due within one year	\$69
Due within two years	46
Due within three years	35
Thereafter	4
Total	154
Less amounts representing interest	(7)
Present value	147
Current portion (included in accounts and notes receivable)	64
Long-term portion (included in other assets, net)	\$83

Subsequent to December 31, 2015, we sold \$35 million of these notes to third parties without recourse.

We maintain an allowance for credit losses on our accounts and notes receivable. The allowance is based on the credit worthiness of our customers, including an assessment of the customer's financial position, operating performance and their ability to meet their contractual obligation. We assess the creditworthiness for our customers each quarter. In addition, we consider our historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account.

In the event we determine that a lease may not be paid, we include in our allowance an amount for the outstanding balance related to the lease receivable. As of December 31, 2015, amounts from lease receivables past due for more than 90 days were not significant.

During the years ended December 31, 2015 and 2014, there were no material changes to our allowance for credit losses related to lease receivables. Gross lease receivables totaled \$154 million and \$233 million in 2015 and 2014, respectively, before the allowance. The components of these balances were individually evaluated for impairment and included in our allowance determination as necessary.

I. Property, Plant and Equipment

Property, plant and equipment consist of (table in millions):

	December 31, 2015	December 31, 2014
Furniture and fixtures	\$283	\$255
Equipment and software	7,378	6,684
Buildings and improvements	2,373	2,308
Land	171	162
Building construction in progress	83	134
	10,288	9,543
Accumulated depreciation	(6,438)	(5,777)
	\$3,850	\$3,766

Depreciation expense was \$1,019 million, \$998 million and \$867 million in 2015, 2014 and 2013, respectively.

Building construction in progress at December 31, 2015 includes \$44 million for facilities not yet placed in service that we are holding for future use.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

J. Accrued Expenses

Accrued expenses consist of (table in millions):

	December 31, 2015	December 31, 2014
Salaries and benefits	\$1,189	\$1,260
Product warranties	172	207
Dividends payable (see Note N)	234	237
Partner rebates	221	235
Restructuring, current (See Note P)	333	115
Derivatives	82	75
Other	892	1,012
	\$3,123	\$3,141

Product Warranties

Systems sales include a standard product warranty. At the time of the sale, we accrue for systems' warranty costs. The initial systems' warranty accrual is based upon our historical experience, expected future costs and specific identification of systems' requirements. Upon sale or expiration of the initial warranty, we may sell additional maintenance contracts to our customers. Revenue from these additional maintenance contracts is included in deferred revenue and recognized ratably over the service period. The following represents the activity in our warranty accrual for the years ended December 31, 2015, 2014 and 2013 (table in millions):

	Year Ended December 31,		
	2015	2014	2013
Balance, beginning of the period	\$207	\$286	\$270
Provision	148	146	179
Amounts charged to the accrual	(183)	(225)	(163)
Balance, end of the period	\$172	\$207	\$286

The provision includes amounts accrued for systems at the time of shipment, adjustments for changes in estimated costs for warranties on systems shipped in the period and changes in estimated costs for warranties on systems shipped in prior periods. It is not practicable to determine the amounts applicable to each of the components.

K. Income Taxes

Our provision (benefit) for income taxes consists of (table in millions):

	2015	2014	2013
Federal:			
Current	\$673	\$955	\$698
Deferred	(152)	(308)	(163)
	521	647	535
State:			
Current	65	81	84
Deferred	(58)	(70)	(23)
	7	11	61
Foreign:			
Current	206	228	192
Deferred	(24)	(18)	(16)
	182	210	176
Total provision for income taxes	\$710	\$868	\$772

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

In 2015, 2014 and 2013, we were able to utilize net operating loss carryforwards and tax credit carryforwards to reduce the current portion of our tax provision by \$57 million, \$34 million and \$54 million, respectively.

The effective income tax rate is based upon income for the year, composition of the income in different countries and adjustments, if any, for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. A reconciliation of our income tax provision to the statutory federal tax rate is as follows:

	2015		2014		2013	
Statutory federal tax rate	35.0		% 35.0		% 35.0	%
State taxes, net of federal taxes	0.6		% 1.2		% 0.7	%
Accounting for historical uncertain tax positions	(0.1)	)%	1.1		% (0.4))%
Tax rate differential for international jurisdictions and other international related tax items	(12.8)	)%	(11.6)	)%	(15.3))%
U.S. tax credits	(2.7)	)%	(1.9)	)%	(3.8))%
Change in valuation allowance	0.6		% (2.3)		% 0.7	%
U.S. domestic production activities deduction	(1.4)	)%	(1.8)	)%	(1.5))%
International reorganization of acquired companies	—		% —		% 0.6	%
Permanent items	4.3		% 3.9		% 3.8	%
Other	1.1		% (0.5)		)% 0.2	%
	24.6		% 23.1		% 20.0	%

Substantially all the tax rate differential for international jurisdictions was driven by earnings of our Irish subsidiaries. Changes in valuation allowance are due to our assessment of the realizability of deferred tax assets related to certain state tax credit carryforwards and foreign net operating loss carryforwards. Based on our 2014 assessment, we released our partial valuation allowance against deferred tax assets for certain state tax credit carryforwards provided in prior years in 2014.

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 2015 effective income tax rate reflects our estimated 2015 federal tax credit for increasing research activities.

On December 19, 2014, the Tax Increase Prevention Act was signed into law. Some of the provisions were retroactive to January 1, 2014 including an extension of the U.S. federal tax credit for increasing research activities through December 31, 2014. Our 2014 effective income tax rate reflects our estimated 2014 federal tax credit for increasing research activities.

On January 2, 2013, the American Taxpayer Relief Act of 2012 was signed into law. Some of the provisions were retroactive to January 1, 2012 including an extension of the U.S. federal tax credit for increasing research activities through December 31, 2013. Because the extension was enacted after December 31, 2012, our 2013 income tax provision included the federal tax credit for increasing research activities for 2012 as well as for 2013, which reduced our 2013 effective income tax rate by 3.5%.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The components of the deferred tax assets and liabilities are as follows (table in millions):

	December 31, 2015		December 31, 2014	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Accounts and notes receivable	\$55	\$—	\$58	\$—
Inventory	70	—	73	—
Accrued expenses	295	—	275	—
Deferred revenue	987	—	833	—
Property, plant and equipment, net	—	(325)	—	(322)
Intangible and other assets, net	—	(569)	—	(597)
Equity	252	—	257	—
Other non-current liabilities	—	(8)	27	—
Credit carryforwards	281	—	256	—
Net operating losses	137	—	115	—
Other comprehensive loss	133	—	103	—
Gross deferred tax assets and liabilities	2,210	(902)	1,997	(919)
Valuation allowance	(144)	—	(126)	—
Total deferred tax assets and liabilities	\$2,066	\$(902)	\$1,871	\$(919)

In November 2015, the FASB issued new accounting guidance on the balance sheet classification of deferred taxes which requires that all deferred taxes be presented as non-current. We elected to early adopt this new accounting guidance for the year ended December 31, 2015 and applied it retrospectively to all years presented in this document. As a result of adopting this guidance, we reclassified current deferred income tax assets and liabilities to non-current deferred income tax assets and liabilities. This resulted in \$1,070 million being reclassified from deferred income taxes (current asset), \$156 million being reclassified from other assets, net and \$274 million being reclassified from deferred income taxes (non-current liability) to deferred income taxes (non-current asset) on the consolidated balance sheets for the year ended December 31, 2014.

We have gross federal, state and foreign net operating loss carryforwards of \$250 million, \$250 million and \$224 million, respectively, at December 31, 2015. Portions of these carryforwards are subject to annual limitations, including Section 382 of the Internal Revenue Code of 1986 (“Code”), as amended, for U.S. tax purposes and similar provisions under other countries’ tax laws. Certain of these net operating loss carryforwards will begin to expire in 2016 if not utilized, while others have an unlimited carryforward period. We have provided a valuation allowance of \$3 million and \$30 million for deferred tax assets related to state and foreign net operating loss carryforwards, respectively, that are not expected to be realized.

We have federal, state and foreign tax credit carryforwards of \$4 million, \$413 million and \$8 million, respectively, at December 31, 2015. Portions of these carryforwards are subject to annual limitations, including Section 382 of the Code, as amended, for U.S. tax purposes and similar provisions under other countries’ tax laws. Certain of these credit carryforwards will begin to expire in 2019 if not utilized, while others have an unlimited carryforward period. We have provided a full valuation allowance of \$111 million for deferred tax assets related to Massachusetts research and development tax credit carryforwards that are not expected to be realized.

Deferred income taxes have not been provided on basis differences related to investments in foreign subsidiaries. These basis differences were approximately \$11.8 billion at December 31, 2015 and consisted primarily of

undistributed earnings permanently invested in these entities. Determination of the amount of unrecognized deferred income tax liability related to these earnings is not practicable. Income before income taxes from foreign operations for 2015, 2014 and 2013 was \$1.6 billion, \$1.8 billion and \$2.3 billion, respectively. Income before income taxes from domestic operations for 2015, 2014 and 2013 was \$1.2 billion, \$2.0 billion and \$1.6 billion, respectively.

At December 31, 2015, our total cash, cash equivalents, and short-term and long-term investments were \$14.8 billion. This balance includes approximately \$7.5 billion held by VMware, of which \$5.8 billion is held outside of the U.S., and \$6.1 billion held by EMC in entities outside of the U.S. If these overseas funds 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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 to repatriate these funds.

The following is a rollforward of our gross consolidated liability for unrecognized income tax benefits for the three years ended December 31 (table in millions):

	2015	2014	2013
Unrecognized tax benefits, beginning of year	\$383	\$266	\$270
Tax positions related to current year:			
Additions	104	63	37
Reductions	—	—	—
Tax positions related to prior years:			
Additions	128	91	10
Reductions	(54	) (31	) (33
Settlements	(13	) (1	) (5
Lapses in statutes of limitations	(20	) (5	) (13
Unrecognized tax benefits, end of year	\$528	\$383	\$266

As a result of new information obtained during 2015, we have recorded additional unrecognized tax benefits for uncertain taxation of intercompany transactions on the consolidated balance sheet. These additional unrecognized tax benefits do not have a significant impact on the consolidated results of operations of the current accounting period and are not expected to have a significant impact on the consolidated results of operations of future accounting periods.

As of December 31, 2015, 2014 and 2013, \$350 million, \$316 million and \$261 million, respectively, of the unrecognized tax benefits, if recognized, would have been recorded as a reduction to income tax expense. The remainder would be an adjustment to shareholders' equity.

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. The IRS commenced a federal income tax audit for the tax years 2009 and 2010 in the third quarter of 2012, which is expected to be completed in early 2016. 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.

We recognize interest expense and penalties related to income tax matters in income tax expense. For 2015, 2014 and 2013, \$11 million, \$9 million and \$9 million, respectively, in interest expense was recognized. In addition to the unrecognized tax benefits noted above, the gross balance of the accrued interest and penalties were \$54 million, \$51 million and \$42 million as of December 31, 2015, 2014 and 2013, respectively.

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L. Retirement Plan Benefits

401(k) Plan

EMC's Information Infrastructure business has a defined contribution program for certain employees that is qualified under Section 401(k) of the Code. EMC matches pre-tax employee contributions up to 6% of eligible compensation during each pay period (subject to a \$750 maximum match each quarter). During 2015, EMC instituted a supplemental matching contribution up to an additional \$3,000 following the end of each calendar year payable in EMC common stock. During the year ended December 31, 2015, EMC recognized \$47 million in stock-based compensation related to this additional matching contribution. All participants vest in Company matching contributions based on the number of years of continuous service over a three year vesting period. VMware also has a defined contribution program for certain employees that is qualified under Section 401(k) of the Code. Our combined cash contributions amounted to \$107 million, \$105 million and \$91 million in 2015, 2014 and 2013, respectively. Employees may elect to invest their contributions in a variety of funds, including an EMC stock fund. The program limits an employee's maximum investment allocation in the EMC stock fund to 30% of their total contribution. EMC matching contribution mirrors the investment allocation of the employee's contribution.

Defined Benefit Pension Plan

We have a noncontributory defined benefit pension plan which was assumed as part of the Data General acquisition, which covers substantially all former Data General employees located in the U.S. In addition, certain of our foreign subsidiaries also have a defined benefit pension plan.

Benefits under these plans are generally based on either career average or final average salaries and creditable years of service as defined in the plans. The annual cost for these plans is determined using the projected unit credit actuarial cost method that includes actuarial assumptions and estimates which are subject to change. The measurement date for the plans is December 31.

The Data General U.S. pension plan's (the "Pension Plan") investment policy provides that no security, except issues of the U.S. Government, shall comprise more than 5% of total plan assets, measured at market.

The Pension Plan is summarized in the following tables. The other pension plans are not presented because they do not have a material impact on our consolidated financial statements.

The components of the change in benefit obligation of the Pension Plan is as follows (table in millions):

	December 31, 2015	December 31, 2014
Benefit obligation, at beginning of year	\$554	\$495
Interest cost	21	22
Benefits paid	(21	) (19
Actuarial loss (gain)	(29	) 56
Benefit obligation, at end of year	\$525	\$554

The reconciliation of the beginning and ending balances of the fair value of the assets of the Pension Plan is as follows (table in millions):

	December 31, 2015	December 31, 2014
Fair value of plan assets, at beginning of year	\$486	\$449
Actual return on plan assets	(12	) 56
Benefits paid	(21	) (19
Fair value of plan assets, at end of year	\$453	\$486

We did not make any significant contributions to the Pension Plan in 2015 or 2014 and we do not expect to make a contribution to the Pension Plan in 2016. The under-funded status of the Pension Plan at December 31, 2015 and 2014 was \$72 million and \$68 million, respectively. This amount is classified as a component of other long-term liabilities on the consolidated balance sheets.

During 2015, \$12 million of the accumulated actuarial loss and prior services cost associated with the Pension Plan was reclassified from accumulated comprehensive loss to a component of net periodic benefit cost. Additionally, the Pension Plan had net losses of \$14 million that are included in accumulated other comprehensive income (loss), which were primarily the result of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

a decrease in the discount rate at the end of 2015, changes to the mortality table and a lower rate of return on plan assets. We expect that \$13 million of the total balance included in accumulated other comprehensive income (loss) at December 31, 2015 will be recognized as a component of net periodic benefit costs in 2016.

The components of net periodic expense of the Pension Plan are as follows (table in millions):

	2015	2014
Interest cost	\$21	\$22
Expected return on plan assets	(31)	(29)
Recognized actuarial loss	12	9
Net periodic expense	\$2	\$2

The weighted-average assumptions used in the Pension Plan to determine benefit obligations at December 31 are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Discount rate	4.2 %	3.9 %	4.7 %
Rate of compensation increase	N/A	N/A	N/A

The weighted-average assumptions used in the Pension Plan to determine periodic benefit cost for the years ended December 31 are as follows:

	December 31, 2015	December 31, 2014	December 31, 2013
Discount rate	3.9 %	4.7 %	3.7 %
Expected long-term rate of return on plan assets	6.50 %	6.75 %	6.75 %
Rate of compensation increase	N/A	N/A	N/A

The benefit payments are expected to be paid in the following years (table in millions):

2016	\$22
2017	23
2018	25
2019	27
2020	29
2021-2025	165

Fair Value of Plan Assets

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2015:

Common Collective Trusts – valued at the net asset value calculated by the fund manager based on the underlying investments and are all classified within Level 2 of the valuation hierarchy. These include: EB Daily Valued Large Cap Growth Stock Index Fund, EB Daily Valued Large Cap Value Stock Index Fund, EB Daily Valued Stock Index Fund, EB Daily Valued Small Cap Stock Index Fund, EB Daily Valued International Stock Index Fund, EB Daily Valued Emerging Markets Stock Index Fund, Custom Long Duration Fixed Income, Collective Trust High Yield Fund, EB Long Term Credit Bond Index, EB Long Term Government Bond Index Fund and EB Temporary Investment Fund.

Corporate Debt Securities – valued daily at the closing price reported in active U.S. financial markets and are classified within Level 2 of the valuation hierarchy.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The following table sets forth, by level within the fair value hierarchy, the Pension Plan's assets at fair value as of December 31, 2015 and 2014 (table in millions):

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Common collective trusts	\$—	\$324	\$—	\$324
U.S. Treasury securities	5	—	—	5
Corporate debt securities	—	123	—	123
Total	\$5	\$447	\$—	452
Plan payables, net of accrued interest and dividends				1
Total				\$453
	December 31, 2014			Total
	Level 1	Level 2	Level 3	
Common collective trusts	\$—	\$350	\$—	\$350
U.S. Treasury securities	2	—	—	2
Corporate debt securities	—	132	—	132
Total	\$2	\$482	\$—	484
Plan payables, net of accrued interest and dividends				2
Total				\$486

Dividends, accrued interest and net plan payables are not material to the plan assets. Accordingly, we have not classified these into the fair value hierarchy above at December 31, 2015 and 2014.

Concentration of Risks

Pension Plan investments at fair value as of December 31, 2015 and 2014 which represented 5% or more of the Pension Plan's net assets were as follows (table in millions):

	2015	2014
EB Daily Valued Small Cap Stock Index Fund	\$26	\$30
EB Daily Valued Stock Index Fund	91	103
EB Daily Valued International Stock Index Fund	26	27
EB Long Term Government Bond Index	49	50
EB Long Term Credit Bond Index	71	74
Custom Long Duration Fixed Income	130	137
	\$393	\$421

Investment Strategy

The Pension Plan's assets are managed by outside investment managers. Our investment strategy with respect to pension assets is to achieve a long-term growth of capital, consistent with an appropriate level of risk.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The expected long-term rate of return on the Pension Plan assets considers the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was weighted based on the target asset allocation to develop the expected long-term rate of return on assets. As market conditions permit, we expect 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 changes could result in a reduction in the long-term rate of return on the Pension Plan assets and increase future pension expense. The long-term weighted average target asset allocations are as follows:

	December 31, 2015	
U.S. large capitalization equities	17	%
U.S. small capitalization equities	4	
International equities	4	
U.S. long-duration fixed income	75	
Total	100	%

The actual allocation of the assets in the Pension Plan at December 31, 2015 and 2014 were as follows:

	December 31,		December 31,	
	2015		2014	
U.S. large capitalization equities	29	%	30	%
U.S. small capitalization equities	6		6	
International equities	7		7	
U.S. long-duration fixed income	55		54	
Below Investment Grade Corporate Fixed Income	3		3	
Total	100	%	100	%

M. Commitments and Contingencies

Operating Lease Commitments

We lease office and warehouse facilities and equipment under various operating leases. Facility leases generally include renewal options. Rent expense was as follows (table in millions):

	2015	2014	2013
Rent expense	\$451	\$361	\$328
Sublease proceeds	(4	) (2	) (2
Net rent expense	\$447	\$359	\$326

Our future operating lease commitments as of December 31, 2015 are as follows (table in millions):

2016	\$338
2017	287
2018	223
2019	172
2020	136
Thereafter	852
Total minimum lease payments	\$2,008

We sublet certain of our office facilities. Expected future non-cancelable sublease proceeds range from approximately \$1 million to \$5 million per year for the next four years with total sublease proceeds of \$11 million as of December 31, 2015.

Outstanding Purchase Orders

At December 31, 2015, we had outstanding purchase orders aggregating approximately \$3.2 billion. The purchase orders are for manufacturing and non-manufacturing related goods and services. While the purchase orders are generally cancelable without penalty, certain vendor agreements provide for percentage-based cancellation fees or minimum restocking charges based on the nature of the product or service.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Guarantees and Indemnification Obligations

EMC's subsidiaries have entered into arrangements with financial institutions for such institutions to provide guarantees for rent, taxes, insurance, leases, performance bonds, bid bonds and customs duties aggregating approximately \$150 million as of December 31, 2015. The guarantees vary in length of time. In connection with these arrangements, we have agreed to guarantee substantially all of the guarantees provided by these financial institutions. EMC and certain of its subsidiaries have also entered into arrangements with financial institutions in order to facilitate the management of currency risk. EMC has agreed to guarantee the obligations of its subsidiaries under these arrangements.

We enter into agreements in the ordinary course of business with, among others, customers, resellers, original equipment manufacturers ("OEMs"), systems integrators and distributors. Most of these agreements require us to indemnify the other party against third-party claims alleging that an EMC product infringes a patent and/or copyright. Certain agreements in which we grant limited licenses to specific EMC-trademarks require us to indemnify the other party against third-party claims alleging that the use of the licensed trademark infringes a third-party trademark. Certain of these agreements require us to indemnify the other party against certain claims relating to the loss or processing of data, to real or tangible personal property damage, personal injury or the acts or omissions of EMC, its employees, agents or representatives. In addition, from time to time, we have made certain guarantees regarding the performance of our systems to our customers. We have also made certain guarantees for obligations of our subsidiaries.

We have agreements with certain vendors, financial institutions, lessors and service providers pursuant to which we have agreed to indemnify the other party for specified matters, such as acts and omissions of EMC, its employees, agents or representatives.

We have procurement or license agreements with respect to technology that is used in our products and agreements in which we obtain rights to a product from an OEM. Under some of these agreements, we have agreed to indemnify the supplier for certain claims that may be brought against such party with respect to our acts or omissions relating to the supplied products or technologies.

We have agreed to indemnify the directors, executive officers and certain other officers of EMC and our subsidiaries, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer.

In connection with certain acquisitions, we have agreed to indemnify the current and former directors, officers and employees of the acquired company in accordance with the acquired company's by-laws and charter in effect immediately prior to the acquisition or in accordance with indemnification or similar agreements entered into by the acquired company and such persons. In a substantial majority of instances, we have maintained the acquired company's directors' and officers' insurance, which should enable us to recover a portion of any future amounts paid. These indemnities vary in length of time.

Based upon our historical experience and information known as of December 31, 2015, we believe our liability on the above guarantees and indemnities at December 31, 2015 is not material.

Litigation

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 February 23, 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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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., Civ. No. 15-6318-H	Mass. Superior Court, Middlesex County	11/12/2015
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

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. The appeal has not yet been docketed.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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 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.

N. Shareholders' Equity

Net Income Per Share

The reconciliation from basic to diluted earnings per share for both the numerators and denominators is as follows (table in millions):

	2015	2014	2013
Numerator:			
Net income attributable to EMC Corporation	\$ 1,990	\$ 2,714	\$ 2,889
Incremental dilution from VMware	(5	) (7	) (8
Net income – dilution attributable to EMC Corporation	\$ 1,985	\$ 2,707	\$ 2,881
Denominator:			
Weighted average shares, basic	1,944	2,028	2,074
Weighted average common stock equivalents	18	26	28
Assumed conversion of the 2013 Notes and associated warrants	—	5	58
Weighted average shares, diluted	1,962	2,059	2,160

Restricted stock awards, restricted stock units and options to acquire 6 million, 2 million and 4 million shares of our common stock for the years ended December 31, 2015, 2014 and 2013, respectively, were excluded from the calculation of diluted earnings per share because they were anti-dilutive. The incremental dilution from VMware represents the impact of VMware's dilutive securities on EMC's consolidated diluted net income per share and is calculated by multiplying the difference between VMware's basic and diluted earnings per share by the number of VMware shares owned by EMC.

Due to the cash settlement feature of the principal amount of the 2013 Notes, we only included the impact of the premium feature in our diluted earnings per share calculation when the 2013 Notes were convertible due to maturity or when the average stock price exceeded the conversion price of the 2013 Notes.

Concurrent with the issuance of the 2013 Notes, we also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately \$19.55 per share of our common stock. Approximately half of the associated warrants were exercised in 2012 and the remaining 109 million warrants were exercised between February 18, 2014 and March 17, 2014 and were settled with 29 million shares of our common stock. As such, we included the impact of the remaining outstanding sold warrants in our diluted earnings per share calculation during the years ended

December 31, 2014 and 2013.

EMC Repurchases of Common Stock

We utilize both authorized and unissued shares (including repurchased shares) for all issuances under our equity plans. Our Board of Directors authorized the repurchase of 250 million shares of our common stock in February 2013 and an additional 250 million shares of our common stock in December 2014. For the year ended December 31, 2015, we spent \$2.0 billion to repurchase 76 million shares of our common stock. Of the 500 million shares authorized for repurchase, we have repurchased 277 million shares at a total cost of \$7.4 billion, leaving a remaining balance of 223 million shares authorized for future repurchases. We spent approximately \$3.0 billion in both the years ended December 31, 2014 and December 31, 2013 on the repurchase of stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

VMware Repurchase of Common Stock

The following table summarizes stock repurchase authorizations in the years ended December 31, 2015, 2014 and 2013 (amounts in table in millions):

Month Authorized	Amount Authorized	Expiration Date	Status
January 2015	\$1,000	End of 2017	Open
August 2014	1,000	End of 2016	Completed in Q3' 15
August 2013	700	End of 2015	Completed in Q4' 14
November 2012	250	End of 2014	Completed in Q4' 13
February 2012	600	End of 2013	Completed in Q2' 13

From time to time, VMware repurchases stock pursuant to the January 2015 authorizations in open market transactions or privately negotiated transactions as permitted by securities laws and other legal requirements. All shares repurchased under VMware's stock repurchase programs are retired.

The following table summarizes stock repurchase activity in the years ended December 31, 2015, 2014 and 2013 (table in millions, except per share amounts):

	For the Year Ended December 31,		
	2015	2014	2013
Aggregate purchase price	\$1,125	\$700	\$508
Class A common shares repurchased	13	8	7
Weighted-average price per share	\$83.36	\$91.61	\$76.58

The amount of repurchased shares includes commissions and was classified as a reduction to additional paid-in capital. As of December 31, 2015, the cumulative authorized amount remaining for repurchase was \$835 million.

Cash Dividend on Common Stock

During 2013, our Board of Directors approved the initiation of a quarterly cash dividend to EMC shareholders of \$0.10 per share of common stock and in the second quarter of 2014, our Board of Directors approved an increase of the dividend to \$0.115 per share of common stock.

Our Board of Directors declared the following dividends during the periods presented:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
Fiscal Year 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
Fiscal Year 2014:				
February 6, 2014	\$0.10	April 1, 2014	\$209	April 23, 2014
April 17, 2014	\$0.115	July 1, 2014	\$237	July 23, 2014
July 30, 2014	\$0.115	October 1, 2014	\$239	October 23, 2014
December 10, 2014	\$0.115	January 2, 2015	\$234	January 23, 2015
Fiscal Year 2013:				
May 28, 2013	\$0.10	July 1, 2013	\$212	July 23, 2013
August 1, 2013	\$0.10	October 1, 2013	\$210	October 23, 2013

December 12, 2013

\$0.10

January 8, 2014 \$206

January 23, 2014

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

On February 11, 2016, EMC declared a quarterly dividend of \$0.115 per share to shareholders of record on April 1, 2016, payable on April 22, 2016.

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), which is presented net of tax, for the years ended December 31, 2015 and 2014 consist of the following (table in millions):

	Foreign Currency Translation Adjustments	Unrealized Net Gains (Losses) on Investments	Unrealized Net Losses on Derivatives	Recognition of Actuarial Net Loss from Pension and Other Postretirement Plans	Accumulated Other Comprehensive Income Attributable to the Non-controlling Interests	Total
Balance as of January 1, 2014 ^(a)	\$ (52)	\$ 31	\$ (105)	\$ (110)	\$ (3)	\$ (239)
Other comprehensive income (loss) before reclassifications	(135)	57	24	(22)	—	(76)
Net losses (gains) reclassified from accumulated other comprehensive income	—	(39)	(18)	6	—	(51)
Net current period other comprehensive income (loss)	(135)	18	6	(16)	—	(127)
Balance as of December 31, 2014 ^(b)	(187)	49	(99)	(126)	(3)	(366)
Other comprehensive income (loss) before reclassifications	(169)	(16)	21	(7)	4	(167)
Net losses (gains) reclassified from accumulated other comprehensive income	—	(43)	(11)	8	—	(46)
Net current period other comprehensive income (loss)	(169)	(59)	10	1	4	(213)
Balance as of December 31, 2015 ^(c)	\$ (356)	\$ (10)	\$ (89)	\$ (125)	\$ 1	\$ (579)

(a) Net of taxes (benefits) of \$18 million for unrealized net gains on investments, \$(66) million for unrealized net losses on derivatives and \$(61) million for actuarial net loss on pension plans.

(b) Net of taxes (benefits) of \$31 million for unrealized net gains on investments, \$(64) million for unrealized net losses on derivatives and \$(70) million for actuarial net loss on pension plans.

(c) Net of taxes (benefits) of \$(5) million for unrealized net gains on investments, \$(56) million for unrealized net losses on derivatives and \$(71) million for actuarial net loss on pension plans.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

The amounts reclassified out of accumulated other comprehensive income (loss) for the years ended December 31, 2015 and 2014 is as follows (table in millions):

Accumulated Other Comprehensive Income Components	For the Year Ended		Impacted Line Item on Consolidated Income Statements
	December 31, 2015	December 31, 2014	
Net gain on investments:	\$70	\$62	Investment income
	(27)	(23)	Provision for income tax
Net of tax	\$43	\$39	
Net gain on derivatives:			
Foreign exchange contracts	\$30	\$39	Product sales revenue
Foreign exchange contracts	(2)	(10)	Cost of product sales
Interest rate swap	(22)	(11)	Other interest expense
Total net gain on derivatives before tax	6	18	
	5	—	Provision for income tax
Net of tax	\$11	\$18	
Net loss from pension and other postretirement plans	\$(13)	\$(9)	Selling, general and administrative expense
	5	3	Provision for income tax
Net of tax	\$(8)	\$(6)	

EMC Preferred Stock

Our preferred stock may be issued from time to time in one or more series, with such terms as our Board of Directors may determine, without further action by our shareholders.

O. Stock-Based Compensation

EMC Equity Plans

The EMC Corporation Amended and Restated 2003 Stock Plan (the “2003 Plan”) provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The exercise price for a stock option shall not be less than 100% of the fair market value of our common stock on the date of grant. Options generally become exercisable in annual installments over a period of five years after the date of grant and expire ten years after the date of grant. Incentive stock options will expire no later than ten years after the date of grant. Restricted stock is common stock that is subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Restricted stock units represent the right to receive shares of common stock in the future, with the right to future delivery of the shares subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Grants of restricted stock awards or restricted stock units that vest only by the passage of time will not vest fully in less than two years after the date of grant, except for grants to non-employee Directors that are not subject to this minimum two-year vesting requirement. The 2003 Plan allows us to grant up to 460 million shares of common stock. We recognize restricted stock awards and restricted stock units against the 2003 Plan share reserve as two shares for every one share issued in connection with such awards.

In addition to the 2003 Plan, we have four other stock option plans (the “1985 Plan,” the “1993 Plan,” the “2001 Plan” and the “1992 Directors Plan”). In May 2007, these four plans were consolidated into the 2003 Plan such that all future grants will be granted under the 2003 Plan and shares that are not issued as a result of cancellations, expirations or forfeitures, will become available for grant under the 2003 Plan.

A total of 1,022 million shares of common stock have been reserved for issuance under the 2003 Plan. At December 31, 2015, there were an aggregate of 53 million shares of common stock available for issuance pursuant to

future grants under the 2003 Plan.

We have, in connection with the acquisition of various companies, assumed the stock option plans of these companies. We do not intend to make future grants under any of such plans.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

EMC Employee Stock Purchase Plan

Under our Amended and Restated 1989 Employee Stock Purchase Plan (the "1989 Plan"), eligible employees may purchase shares of common stock through payroll deductions at 85% of the fair market value at the time of exercise. During the year ended December 31, 2013, EMC amended the Plan to adjust the grant and exercise dates. Options to purchase shares are granted twice yearly, on February 1 and August 1, and are exercisable on the succeeding July 31 and January 31, respectively, each year. Pursuant to the terms of the Merger Agreement, the last ESPP purchase was in January 2016. A total of 183 million shares of common stock have been reserved for issuance under the 1989 Plan. The following table summarizes the 1989 Plan activity in the years ended December 31, 2015, 2014 and 2013 (table in millions, except per share amounts):

	For the Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Cash proceeds	\$180	\$186	\$82
Common shares purchased	8	8	4
Weighted-average price per share	\$22.44	\$22.44	\$20.08

As of December 31, 2015, \$80 million of ESPP withholdings were recorded as a liability on the consolidated balance sheet for the purchase that occurred in January 2016.

EMC Stock Options

The following table summarizes our option activity under all equity plans since January 1, 2013 (shares in millions):

	Number of Shares	Weighted Average Exercise Price (per share)
Outstanding, January 1, 2013	77	\$14.39
Options granted relating to business acquisitions	1	3.29
Forfeited	(1	) 13.36
Exercised	(20	) 13.10
Outstanding, December 31, 2013	57	14.56
Options granted relating to business acquisitions	8	0.62
Forfeited	(1	) 13.55
Exercised	(24	) 13.19
Outstanding, December 31, 2014	40	12.68
Exercised	(13	) 11.38
Outstanding, December 31, 2015	27	13.20
Exercisable, December 31, 2015	22	15.75
Vested and expected to vest, December 31, 2015	26	\$13.50

Apart from options issued through business acquisitions which are discussed in Note C, there were no stock options granted during the years ended December 31, 2015, 2014 and 2013. At December 31, 2015, the weighted-average remaining contractual term was 2.8 years and the aggregate intrinsic value was \$215 million for the 22 million exercisable shares. For the 26 million shares vested and expected to vest at December 31, 2015, the weighted-average remaining contractual term was 2.6 years and the aggregate intrinsic value was \$323 million. The intrinsic value is based on our closing stock price of \$25.68 as of December 31, 2015, which would have been received by the option holders had all in-the-money options been exercised as of that date. The total pre-tax intrinsic values of options exercised in 2015, 2014 and 2013 were \$203 million, \$353 million and \$240 million, respectively. Cash proceeds from the exercise of stock options were \$142 million, \$317 million and \$260 million in 2015, 2014 and 2013, respectively. Income tax benefits realized from the exercise of stock options in 2015, 2014 and 2013 were \$28 million, \$61 million and \$45 million, respectively. Pursuant to the terms of the Merger Agreement, all outstanding stock

options will vest at least 20 days prior to the close of the transaction.

EMC Restricted Stock and Restricted Stock Units

Our restricted stock awards and units are valued based on our stock price on the grant date. Our restricted stock awards and units have various vesting terms from the date of grant, including pro rated vesting over three or four years, cliff vesting at the end of three or five years with acceleration for achieving specified performance criteria and vesting on various dates contingent on

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

achieving specified performance criteria. For awards with non-market performance conditions, management evaluates the criteria for each grant to determine the probability that the performance condition will be achieved.

The following table summarizes our restricted stock and restricted stock unit activity since January 1, 2013 (shares in millions):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock and restricted stock units at January 1, 2013	47	\$24.39
Granted	20	25.55
Vested	(15	) 22.61
Forfeited	(4	) 24.80
Outstanding, December 31, 2013	48	25.43
Granted	23	27.65
Vested	(14	) 24.89
Forfeited	(4	) 25.63
Outstanding, December 31, 2014	53	26.50
Granted	33	25.89
Vested	(19	) 25.13
Forfeited	(6	) 26.72
Restricted stock and restricted stock units at December 31, 2015	61	\$26.70

The total intrinsic values of restricted stock and restricted stock units that vested in 2015, 2014 and 2013 were \$514 million, \$388 million and \$404 million, respectively. As of December 31, 2015, restricted stock and restricted stock units representing 61 million shares were outstanding and unvested, with an aggregate intrinsic value of \$1,554 million. These shares and units are scheduled to vest through 2019. Of the total shares of restricted stock and restricted stock units outstanding, 49 million shares and units will vest upon fulfilling service conditions, of which vesting for 4 million shares and units will accelerate upon achieving performance conditions. The remaining 11 million shares and units will vest only if certain performance conditions are achieved. Pursuant to the terms of the Merger Agreement, all eligible outstanding restricted stock and restricted stock units will vest upon the close of the transaction.

VMware Equity Plans

In June 2007, VMware adopted its 2007 Equity and Incentive Plan (the "2007 Plan"). As of December 31, 2015, the number of authorized shares under the 2007 Plan was 122 million. The number of shares underlying outstanding equity awards that VMware assumes in the course of business acquisitions are also added to the 2007 Plan reserve on an as-converted basis. VMware has assumed 4 million shares, which accordingly have been added to the authorized shares under the 2007 Plan reserve.

Awards under the 2007 Plan may be in the form of stock-based awards such as restricted stock units or stock options. Generally, restricted stock grants made under the 2007 Plan have a three-year to four-year period over which they vest and vest 25% the first year and semi-annually thereafter. VMware's Compensation and Corporate Governance Committee determines the vesting schedule for all equity awards. The exercise price for a stock option awarded under the 2007 Plan shall not be less than 100% of the fair market value of VMware Class A common stock on the date of grant. Most options granted under the 2007 Plan vest 25% after the first year and monthly thereafter over the following three years and expire between six and seven years from the date of grant. VMware utilizes both authorized and unissued shares to satisfy all shares issued under the 2007 Plan. At December 31, 2015, there were an aggregate of 18 million shares of common stock available for issuance pursuant to future grants under the 2007 Plan.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

VMware Employee Stock Purchase Plan

In June 2007, VMware adopted its 2007 Employee Stock Purchase Plan (the "ESPP"), which is intended to be qualified under Section 423 of the Internal Revenue Code. As of December 31, 2015, the number of authorized shares under the ESPP was 14 million shares. Under the ESPP, eligible VMware employees are granted options to purchase shares at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are generally granted twice yearly on February 1 and August 1 and exercisable on the succeeding July 31 and January 31, respectively, of each year. As of December 31, 2015, there were 5 million shares of VMware Class A common stock available for issuance pursuant to future grants under the ESPP.

The following table summarizes ESPP activity in the years ended December 31, 2015, 2014 and 2013 (table in millions, except per share amounts):

	For the Year Ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Cash proceeds	\$98	\$80	\$76
Class A common shares purchased	1	1	1
Weighted-average price per share	\$65.54	\$73.21	\$65.97

As of December 31, 2015, \$48 million of ESPP withholdings were recorded as a liability on the consolidated balance sheet for the purchase that occurred in January 2016.

VMware Stock Options

The following table summarizes stock option activity since January 1, 2013 for VMware employees in VMware stock options (shares in millions):

	Number of Shares	Weighted Average Exercise Price (per share)
Outstanding, January 1, 2013	10	\$34.36
Granted	1	71.53
Exercised	(5	) 28.12
Outstanding, December 31, 2013	6	44.12
Granted	2	50.91
Exercised	(2	) 35.58
Outstanding, December 31, 2014	6	50.54
Exercised	(3	) 29.44
Outstanding, December 31, 2015	3	64.56
Exercisable, December 31, 2015	2	59.31
Vested and expected to vest	3	\$63.89

The above table includes stock options granted in conjunction with unvested stock options assumed in business combinations. As a result, the weighted-average exercise price per share may vary from the VMware stock price at time of grant.

As of December 31, 2015, for the VMware stock options, the weighted-average remaining contractual term was 4.5 years and the aggregate intrinsic value was \$26 million for the 2 million exercisable shares. For the 3 million options vested and expected to vest at December 31, 2015, the weighted-average remaining contractual term was 4.9 years and the aggregate intrinsic value was \$43 million. These aggregate intrinsic values represent the total pre-tax intrinsic values based on VMware's closing stock price of \$56.57 as of December 31, 2015, which would have been received by the option holders had all in-the-money options been exercised as of that date. The options exercised in 2015, 2014 and 2013 had a pre-tax intrinsic value of \$136 million, \$147 million and \$256 million, respectively. The total fair value of VMware stock options that vested during the years ended December 31, 2015, 2014 and 2013 was \$60

million, \$64 million and \$60 million, respectively.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

VMware Restricted Stock

The following table summarizes restricted stock activity since January 1, 2013 (shares in millions):

	Number of Units	Weighted Average Grant Date Fair Value (per unit)
Restricted stock at January 1, 2013	12	\$91.93
Granted	7	76.20
Vested	(4	) 83.21
Forfeited	(2	) 90.55
Outstanding, December 31, 2013	13	85.85
Granted	6	92.82
Vested	(5	) 86.27
Forfeited	(1	) 88.03
Outstanding, December 31, 2014	13	88.88
Granted	13	72.42
Vested	(5	) 90.72
Forfeited	(2	) 87.39
Outstanding, December 31, 2015	19	\$77.29

As of December 31, 2015, restricted stock representing 19 million shares of VMware's Class A common stock were outstanding, with an aggregate intrinsic value of \$1,057 million based on VMware's closing price as of December 31, 2015. The total fair value of VMware restricted stock awards that vested during the years ended December 31, 2015, 2014 and 2013 was \$379 million, \$480 million and \$340 million, respectively.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Stock-Based Compensation Expense

The following tables summarize the components of total stock-based compensation expense included in our consolidated income statements in 2015, 2014 and 2013 (in millions):

Year Ended December 31, 2015

	Stock Options	Restricted Stock	Retirement Benefit Stock Match	Total Stock-Based Compensation
Cost of product sales	\$ 13	\$ 24	\$ 3	\$ 40
Cost of services	16	86	14	116
Research and development	71	313	11	395
Selling, general and administrative	70	453	19	542
Stock-based compensation expense before income taxes	170	876	47	1,093
Income tax benefit	38	192	18	248
Total stock-based compensation, net of tax	\$ 132	\$ 684	\$ 29	\$ 845

Year Ended December 31, 2014

	Stock Options	Restricted Stock	Total Stock-Based Compensation
Cost of product sales	\$ 16	\$ 38	\$ 54
Cost of services	20	72	92
Research and development	79	303	382
Selling, general and administrative	78	415	493
Stock-based compensation expense before income taxes	193	828	1,021
Income tax benefit	45	179	224
Total stock-based compensation, net of tax	\$ 148	\$ 649	\$ 797

Year Ended December 31, 2013

	Stock Options	Restricted Stock	Total Stock-Based Compensation
Cost of product sales	\$ 19	\$ 29	\$ 48
Cost of services	15	61	76
Research and development	75	282	357
Selling, general and administrative	82	372	454
Stock-based compensation expense before income taxes	191	744	935
Income tax benefit	56	170	226
Total stock-based compensation, net of tax	\$ 135	\$ 574	\$ 709

Stock-based compensation expense includes \$59 million, \$57 million and \$54 million of expense associated with our employee stock purchase plans for 2015, 2014 and 2013, respectively. During the year ended December 31, 2015, stock-based compensation expense also includes \$47 million related to EMC's supplemental 401(k) matching contribution as discussed in footnote L.

The table below presents the net change in amounts capitalized or accrued in 2015 and 2014 for the following items (in millions):

	Increased (decreased) during the year ended December 31, 2015	Increased (decreased) during the year ended December 31, 2014
Accrued expenses (accrued warranty expenses)	\$(13)	\$—
Other assets	(24)	(19)

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

As of December 31, 2015, the total unrecognized after-tax compensation cost for stock options, restricted stock and restricted stock units was \$1,811 million. This non-cash expense is scheduled to be recognized through 2019 with a weighted-average remaining period of 1.4 years.

Fair Value of VMware Options

The fair value of each option to acquire VMware Class A common stock granted during the years ended December 31, 2015, 2014 and 2013 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the Year Ended		
	December 31,		
	2015	2014	2013
VMware Stock Options			
Dividend yield	None	None	None
Expected volatility	32.0	% 36.2	% 38.5
Risk-free interest rate	1.1	% 0.9	% 0.9
Expected term (in years)	3.3	3.2	3.6
Weighted-average fair value at grant date	\$27.16	\$48.47	\$29.47
	For the Year Ended		
	December 31,		
	2015	2014	2013
VMware Employee Stock Purchase Plan			
Dividend yield	None	None	None
Expected volatility	30.1	% 32.3	% 32.9
Risk-free interest rate	0.1	% 0.1	% 0.1
Expected term (in years)	0.5	0.5	0.5
Weighted-average fair value at grant date	\$20.59	\$20.71	\$20.45

The weighted-average grant date fair value of VMware stock options can fluctuate from period to period primarily due to higher valued options assumed through business combinations with exercise prices lower than the fair market value of VMware's stock on the date of grant.

For all equity awards granted during the years ended 2015, 2014 and 2013, volatility was based on an analysis of historical stock prices and implied volatilities of VMware's Class A common stock. The expected term is based on historical exercise patterns and post-vesting termination behavior, the term of the purchase period for grants made under the ESPP, or the weighted-average remaining term for options assumed in acquisitions. VMware's expected dividend yield input was zero as it has not historically paid, nor expects in the future to pay, cash dividends on its common stock. The risk-free interest rate was based on a U.S. Treasury instrument whose term is consistent with the expected term of the stock options.

P. Restructuring and Acquisition-Related Charges

In 2015, 2014 and 2013, we incurred restructuring and acquisition-related charges of \$450 million, \$239 million and \$224 million, respectively. In 2015, EMC incurred \$420 million of restructuring charges, primarily related to our current year restructuring programs, and \$4 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. In 2014, EMC incurred \$210 million of restructuring charges, primarily related to our 2014 restructuring programs, and \$6 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. In 2013, EMC incurred \$139 million of restructuring charges, primarily related to our 2013 restructuring program, and \$8 million of charges in connection with acquisitions for financial, advisory, legal and accounting services.

In 2015, VMware incurred \$23 million of restructuring charges related to workforce reductions as part of its current year restructuring program and \$3 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. In 2014, VMware incurred \$18 million of restructuring charges related to workforce reductions as part of its current year restructuring program and \$7 million of charges in connection with acquisitions for

financial, advisory, legal and accounting services. In 2013, VMware incurred \$54 million of restructuring charges related to workforce reductions as part of its 2013 restructuring program and \$5 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. In addition, VMware incurred a benefit of \$2 million and a charge of \$18 million primarily related to impairment charges related to its business realignments in 2014 and 2013, respectively.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During 2015, we initiated a cost reduction and business transformation program to better align our expenses and improve the operations of our federation of businesses. In the fourth quarter of 2015, as part of the previously announced program to reduce our existing cost base by \$850 million annually, and consistent with prior restructuring actions to keep pace with changes in the industry, we approved a restructuring plan which consists of a reduction in force which will be substantially completed by the end of the first quarter of 2016 and fully completed by the end of 2016. The total charge resulting from this plan is expected to be approximately \$250 million, with total cash payments associated with the plan expected to be \$220 million. Charges related to this restructuring action are included in the 2015 charges. During 2015, 2014 and 2013, EMC implemented restructuring programs to create further operational efficiencies which will result or have resulted in workforce reductions of approximately 4,600, 2,100 and 1,900 positions, respectively. The actions impact positions around the globe covering our Information Storage, RSA Information Security, Enterprise Content Division and Pivotal segments. All of these actions are expected to be completed or were completed within a year of the start of each program.

During 2015 and 2014, VMware eliminated approximately 380 and 180 positions, respectively, across all major functional groups and geographies to streamline its operations. During 2013, VMware approved and initiated a business realignment plan to streamline its operations. The plan included the elimination of approximately 710 positions across all major functional groups and geographies. All of these actions are expected to be completed or were completed within a year of the program.

During 2015, 2014 and 2013, we recognized \$18 million in each year, 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 costs are expected to be utilized by the end of 2017. The remaining cash portion owed for these programs in 2016 is approximately \$4 million, plus an additional \$7 million over the period from 2017 and beyond.

On January 22, 2016, VMware approved, subject to compliance with all applicable local legal obligations, a plan to streamline its operations, with plans to reinvest the associated savings in field, technical and support resources associated with growth products. The total charge resulting from this plan is estimated to be between \$55 million and \$65 million, consisting principally of employee-related charges to be paid in cash for the elimination of approximately 800 positions and personnel which are expected to be completed by June 30, 2016.

The activity for the restructuring programs is presented below (tables in millions):

Year Ended, December 31, 2015:

2015 EMC Programs

Category	Balance as of December 31, 2014	2015 Charges	Utilization	Balance as of December 31, 2015
Workforce reductions	\$—	\$409	\$(104)	\$305
Consolidation of excess facilities and other contractual obligations	—	26	(9)	17
Total	\$—	\$435	\$(113)	\$322

Other EMC Programs

Category	Balance as of December 31, 2014	Adjustments to the Provision	Utilization	Balance as of December 31, 2015
Workforce reductions	\$102	\$(7)	\$(78)	\$17
Consolidation of excess facilities and other contractual obligations	19	(8)	(8)	3
Total	\$121	\$(15)	\$(86)	\$20

VMware Programs

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Category	Balance as of December 31, 2014	2015 Charges	Utilization	Balance as of December 31, 2015
Workforce reductions	\$8	\$23	\$(28)	\$3
Consolidation of excess facilities and other contractual obligations	—	—	—	—
Total	\$8	\$23	\$(28)	\$3

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Year Ended, December 31, 2014:

EMC Programs

Category	Balance as of December 31, 2013	2014 Charges	Utilization	Balance as of December 31, 2014
Workforce reductions	\$66	\$192	\$(156)	\$102
Consolidation of excess facilities and other contractual obligations	24	18	(23)	19
Total	\$90	\$210	\$(179)	\$121

VMware Programs

Category	Balance as of December 31, 2013	2014 Charges	Utilization	Balance as of December 31, 2014
Workforce reductions	\$—	\$18	\$(10)	\$8
Consolidation of excess facilities and other contractual obligations	—	—	—	—
Total	\$—	\$18	\$(10)	\$8

Year Ended, December 31, 2013:

EMC Programs

Category	Balance as of December 31, 2012	2013 Charges	Utilization	Balance as of December 31, 2013
Workforce reductions	\$63	\$121	\$(118)	\$66
Consolidation of excess facilities and other contractual obligations	28	18	(22)	24
Total	\$91	\$139	\$(140)	\$90

VMware Programs

Category	Balance as of December 31, 2012	2013 Charges	Utilization	Balance as of December 31, 2013
Workforce reductions	\$—	\$54	\$(54)	\$—
Consolidation of excess facilities and other contractual obligations	—	—	—	—
Total	\$—	\$54	\$(54)	\$—

During the year ended December 31, 2013, in connection with VMware's business realignment plan, VMware recognized cumulative pre-tax gains of \$44 million relating to the disposition of certain lines of business that were no longer aligned with VMware's core business priorities. The gains recognized in connection with this disposition was recorded to other income (expense), net on the consolidated income statements for the year ended December 31, 2013.

Q. Related Party Transactions

In 2014 and 2013, we leased certain real estate from a company owned by a member of our Board of Directors and such Director's siblings, for which payments aggregated approximately \$3 million and \$5 million, respectively. Such lease was initially assumed by us as a result of our acquisition of Data General in 1999 and renewed in 2003 for a ten-year term. The lease expired in 2014 and EMC vacated the facility. In accordance with its written policy and procedures relating to related person transactions, EMC's Audit Committee approved the transaction.

EMC is a large global organization which engages in thousands of purchase, sales and other transactions annually. We enter into purchase and sales transactions with other publicly-traded and privately-held companies, universities, hospitals and not-for-profit organizations with which members of our Board of Directors or executive officers are affiliated. We enter into these arrangements in the ordinary course of our business.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

From time to time, we make strategic investments in publicly-traded and privately-held companies that develop software, hardware and other technologies or provide services supporting our technologies. We may purchase from or make sales to these organizations.

We believe that the terms of each of these arrangements described above were fair and not less favorable to us than could have been obtained from unaffiliated parties.

R. 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.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our segment information for the years ended 2015, 2014 and 2013 are 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	
2015							
Revenues:							
Product revenues	\$ 10,200	\$ 156	\$ 424	\$ 10,780	\$ 87	\$ 10,867	
Services revenues	6,101	443	564	7,108	180	7,288	
Total consolidated revenues	16,301	599	988	17,888	267	18,155	
Gross profit	\$ 8,518	\$ 407	\$ 660	\$ 9,585	\$ 104	\$ 9,689	
Gross profit percentage	52.3	% 67.9	% 66.8	% 53.6	% 39.0	% 53.4	
Research and development				1,593	109	1,702	
Selling, general and administrative				4,834	216	5,050	
Restructuring and acquisition-related charges				—	—	—	
Total operating expenses				6,427	325	6,752	
Operating income (expense)				\$ 3,158	\$(221)	\$ 2,937	
				EMC Information Infrastructure plus Pivotal	VMware Virtual Infrastructure within EMC	Corp Reconciling Items	Consolidated
2015							
Revenues:							
Product revenues			\$ 10,867	\$ 2,723	\$(76)	\$ 13,514	
Services revenues			7,288	3,902	—	11,190	
Total consolidated revenues			18,155	6,625	(76)	24,704	
Gross profit			\$ 9,689	\$ 5,780	\$(478)	\$ 14,991	
Gross profit percentage			53.4	% 87.3	% —	60.7	
Research and development			1,702	1,066	399	3,167	
Selling, general and administrative			5,050	2,606	877	8,533	
Restructuring and acquisition-related charges			—	—	450	450	
Total operating expenses			6,752	3,672	1,726	12,150	
Operating income (expense)			2,937	2,108	(2,204)	2,841	
Non-operating income (expense), net			27	34	(20)	41	
Income tax provision (benefit)			819	398	(507)	710	
Net income			2,145	1,744	(1,717)	2,172	

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Net income attributable to the non-controlling interests	7	(324)	135	(182)
Net income attributable to EMC Corporation	\$2,152	\$1,420		\$ (1,582)	\$1,990

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	EMC Information Infrastructure					EMC Information Infrastructure plus Pivotal
	Information Storage	Enterprise Content Division	RSA Information Security	EMC Information Infrastructure	Pivotal	
2014						
Revenues:						
Product revenues	\$ 10,785	\$ 164	\$ 462	\$ 11,411	\$ 65	\$ 11,476
Services revenues	5,757	476	573	6,806	162	6,968
Total consolidated revenues	16,542	640	1,035	18,217	227	18,444
Gross profit	\$ 9,180	\$ 417	\$ 698	\$ 10,295	\$ 106	\$ 10,401
Gross profit percentage	55.5	% 65.2	% 67.4	% 56.5	% 46.5	% 56.4
Research and development				1,489	128	1,617
Selling, general and administrative				4,583	183	4,766
Restructuring and acquisition-related charges				—	—	—
Total operating expenses				6,072	311	6,383
Operating income (expense)				\$ 4,223	\$(205)	\$ 4,018
				EMC Information Infrastructure plus Pivotal	VMware Virtual Infrastructure within EMC	Corp Reconciling Items
2014						
Revenues:						
Product revenues			\$ 11,476	\$ 2,575	\$ —	\$ 14,051
Services revenues			6,968	3,421	—	10,389
Total consolidated revenues			18,444	5,996	—	24,440
Gross profit			\$ 10,401	\$ 5,241	\$(393)	\$ 15,249
Gross profit percentage			56.4	% 87.4	% —	62.4
Research and development			1,617	987	387	2,991
Selling, general and administrative			4,766	2,390	826	7,982
Restructuring and acquisition-related charges			—	—	239	239
Total operating expenses			6,383	3,377	1,452	11,212
Operating income (expense)			4,018	1,864	(1,845)	4,037
Non-operating income (expense), net			(362)	34	53	(275)
Income tax provision (benefit)			942	385	(459)	868
Net income			2,714	1,513	(1,333)	2,894
Net income attributable to the non-controlling interests			—	(308)	128	(180)
Net income attributable to EMC Corporation			\$ 2,714	\$ 1,205	\$(1,205)	\$ 2,714

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	EMC Information Infrastructure					EMC Information Infrastructure plus Pivotal
	Information Storage	Enterprise Content Division	RSA Information Security	EMC Information Infrastructure	Pivotal	
2013						
Revenues:						
Product revenues	\$ 10,738	\$ 180	\$ 453	\$ 11,371	\$ 66	\$ 11,437
Services revenues	5,524	467	534	6,525	113	6,638
Total consolidated revenues	16,262	647	987	17,896	179	18,075
Gross profit	\$ 9,109	\$ 419	\$ 655	\$ 10,183	\$ 91	\$ 10,274
Gross profit percentage	56.0	% 64.8	% 66.4	% 56.9	% 50.7	% 56.8
Research and development				1,461	109	1,570
Selling, general and administrative				4,571	161	4,732
Restructuring and acquisition-related charges				—	—	—
Total operating expenses				6,032	270	6,302
Operating income (expense)				\$ 4,151	\$(179)	\$ 3,972
				EMC Information Infrastructure plus Pivotal	VMware Virtual Infrastructure within EMC	Corp Reconciling Items
2013						Consolidated
Revenues:						
Product revenues			\$ 11,437	\$ 2,253	\$ —	\$ 13,690
Services revenues			6,638	2,894	—	9,532
Total consolidated revenues			18,075	5,147	—	23,222
Gross profit			\$ 10,274	\$ 4,589	\$(390)	\$ 14,473
Gross profit percentage			56.8	% 89.2	% —	62.3
Research and development			1,570	826	365	2,761
Selling, general and administrative			4,732	2,003	603	7,338
Restructuring and acquisition-related charges			—	—	224	224
Total operating expenses			6,302	2,829	1,192	10,323
Operating income (expense)			3,972	1,760	(1,582)	4,150
Non-operating income (expense), net			(337)	) 22	30	(285)
Income tax provision (benefit)			911	317	(456)	772
Net income			2,724	1,465	(1,096)	3,093
Net income attributable to the non-controlling interests			—	(295)	) 91	(204)
Net income attributable to EMC Corporation			\$ 2,724	\$ 1,170	\$(1,005)	\$ 2,889

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):

	2015	2014	2013
United States	\$13,361	\$12,835	\$12,230
Europe, Middle East and Africa	6,845	6,981	6,355
Asia Pacific and Japan	3,157	3,191	3,193
Latin America, Mexico and Canada	1,341	1,433	1,444
Total	\$24,704	\$24,440	\$23,222

No country other than the United States accounted for 10% or more of revenues in 2015, 2014 or 2013.

Long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, in the United States were \$4,584 million at December 31, 2015 and \$4,355 million at December 31, 2014. Internationally, long-lived assets, excluding financial instruments, deferred tax assets, goodwill and intangible assets, were \$1,053 million at December 31, 2015 and \$1,021 million at December 31, 2014. 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 December 31, 2015 or 2014.

S. Selected Quarterly Financial Data (unaudited)

Quarterly financial data for 2015 and 2014 is as follows (tables in millions, except per share amounts):

2015	Q1 2015	Q2 2015	Q3 2015	Q4 2015
Revenues	\$5,613	\$5,997	\$6,079	\$7,014
Gross profit	3,339	3,587	3,705	4,360
Net income attributable to EMC Corporation	252	487	480	771
Net income per weighted average share, diluted: common shareholders	\$0.13	\$0.25	\$0.25	\$0.39

2014	Q1 2014	Q2 2014	Q3 2014	Q4 2014
Revenues	\$5,479	\$5,880	\$6,032	\$7,048
Gross profit	3,347	3,654	3,743	4,505
Net income attributable to EMC Corporation	392	589	587	1,147
Net income per weighted average share, diluted: common shareholders	\$0.19	\$0.28	\$0.28	\$0.56

The second quarter of 2015 includes a VMware GSA settlement charge which was recorded as a reduction of revenue of \$42 million, or \$0.02 per diluted share, and a fair value adjustment on an asset held for sale of \$12 million, or \$0.01 per diluted share. The fourth quarter of 2015 includes merger-related costs of \$14 million, or \$0.01 per diluted share, special tax items of \$39 million, or \$0.02 per diluted share and a tax benefit related to the expected R&D tax credit for 2015 of \$61 million, or \$0.03 per diluted share.

The second and fourth quarters of 2014 include a gain on previously held interests in strategic investments and joint venture of \$45 million, or \$0.02 per diluted share and \$33 million, or \$0.02 per diluted share, respectively. The second quarter of 2014 also includes an impairment of strategic investment of \$24 million, or \$0.01 per diluted share. The fourth quarter of 2014 includes a tax benefit related to the expected R&D tax credit for 2014 of \$62 million, or \$0.03 per diluted share.

T. Subsequent Events

On January 22, 2016, VMware approved, subject to compliance with all applicable local legal obligations, a plan to streamline its operations, with plans to reinvest the associated savings in field, technical and support resources associated with growth products. The total charge resulting from this plan is estimated to be between \$55 million and \$65 million, consisting principally of employee-related charges to be paid in cash for the elimination of approximately 800 positions and personnel. Any such proposals in countries outside the United States will be subject to local law and consultation requirements.

Actions associated with the plan are expected to be completed by June 30, 2016. Finalization of the plan will be subject to local information and consultation processes with employees or their representatives if required by law.

ITEM CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND
9. FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our management has concluded that the Company's internal control over financial reporting was effective as of the end of the period covered by this Annual Report on Form 10-K.

Management's Annual Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting on page 57 is incorporated herein by reference.

Report of the Independent Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on page 58 is incorporated herein by reference.

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 quarter ended December 31, 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

STOCK PRICE PERFORMANCE GRAPH

	2010	2011	2012	2013	2014	2015
EMC	\$100.00	\$94.06	\$110.48	\$109.83	\$129.87	\$112.14
S&P 500 Index	\$100.00	\$100.00	\$113.40	\$146.97	\$163.71	\$162.52
S&P 500 Information Technology Sector Index	\$100.00	\$101.33	\$114.65	\$144.72	\$171.04	\$178.34

Source: Returns were generated from FactSet

Note: The stock price performance shown on the graph above is not necessarily indicative of future price performance. This graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that section nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We will file with the SEC a definitive Proxy Statement not later than 120 days after the close of the fiscal year ended December 31, 2015. Certain information required by this item is incorporated herein by reference to the Proxy Statement under the headings “Proposal 1 Election of Directors,” “Board Committees,” “Certain Transactions” and “Section 16(a) Beneficial Ownership Reporting Compliance.” Also see “Executive Officers of the Registrant” in Part I of this Annual Report on Form 10-K.

We have Business Conduct Guidelines that apply to all of our employees and non-employee directors. Our Business Conduct Guidelines (available on our website) satisfy the requirements set forth in Item 406 of Regulation S-K and apply to all relevant persons set forth therein. We intend to disclose on our website at www.emc.com amendments to, and, if applicable, waivers of, our Business Conduct Guidelines.

ITEM 11. EXECUTIVE
COMPENSATION

Certain information required by this item is incorporated herein by reference to the Proxy Statement under the headings “Compensation Committee Interlocks and Insider Participation,” “Leadership and Compensation Committee Report,” “Compensation Discussion and Analysis,” “Compensation of Executive Officers” and “Director Compensation.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
RELATED STOCKHOLDER MATTERS

The information required by this item is incorporated herein by reference to the Proxy Statement under the heading “Security Ownership of Certain Beneficial Owners and Management.”

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding EMC’s equity compensation plans as of December 31, 2015 (table in millions, except per share amounts).

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights ¹ (a)	Weighted-average exercise price per share of outstanding options, warrants and rights ¹ (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	20	\$16.87	70 ²
Equity compensation plans not approved by security holders	—	—	—
Total	20	\$16.87	70

¹ Does not include an aggregate of 6.6 million shares of common stock to be issued (subject to vesting) upon the exercise of outstanding options, with a weighted-average exercise price of \$1.96 per share, assumed by EMC in connection with various acquisitions. The option plans relating to such outstanding options were approved by the respective security holders of the acquired companies.

² Includes 17 million shares of common stock available for future issuance under our Amended and Restated 1989 Employee Stock Purchase Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated herein by reference to the Proxy Statement under the headings “Board Committees,” “Review and Approval of Transactions with Related Persons” and “Certain Transactions” and included in Note Q to the consolidated financial statements.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated herein by reference to the Proxy Statement under the heading “Pre-Approval of Audit and Non-Audit Services.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)

1. Financial Statements

The financial statements listed in the Index to consolidated financial statements are filed as part of this report.

2. Schedule

The Schedule on page S-1 is filed as part of this report.

3. Exhibits

See Index to Exhibits on page 120 of this report.

The exhibits are filed with or incorporated by reference in this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, EMC Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 25, 2016.

EMC CORPORATION

By: /s/ Joseph M. Tucci
Joseph M. Tucci
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of EMC Corporation and in the capacities indicated as of February 25, 2016.

Signatures	Title
/s/ Joseph M. Tucci Joseph M. Tucci	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Zane C. Rowe Zane C. Rowe	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Denis Cashman Denis Cashman	Chief Financial Officer, EMC Information Infrastructure and Chief Accounting Officer (Principal Accounting Officer)
/s/ Michael W. Brown Michael W. Brown	Director
/s/ Donald J. Carty Donald J. Carty	Director
/s/ Randolph L. Cowen Randolph L. Cowen	Director
/s/ James S. DiStasio James S. DiStasio	Director
/s/ John R. Egan John R. Egan	Director
/s/ William D. Green William D. Green	Director
/s/ Edmund F. Kelly Edmund F. Kelly	Director
/s/ Judith A. Miscik Judith A. Miscik	Director
/s/ Paul Sagan Paul Sagan	Director

/s/ Laura J. Sen
Laura J. Sen

Director

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EXHIBIT INDEX

The exhibits listed below are filed with or incorporated by reference in this Annual Report on Form 10-K.

- 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.⁽³⁾
- 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.⁽¹³⁾
- 4.3 Indenture, dated as of June 6, 2013, by and between the Company and Wells Fargo Bank, National Association, as Trustee.⁽¹³⁾
- 10.1* EMC Corporation 1985 Stock Option Plan, as amended.⁽⁴⁾
- 10.2* EMC Corporation 1992 Stock Option Plan for Directors, as amended.⁽⁵⁾
- 10.3* EMC Corporation 1993 Stock Option Plan, as amended.⁽⁴⁾
- 10.4* EMC Corporation 2001 Stock Option Plan, as amended April 29, 2010.⁽¹²⁾
- 10.5* EMC Corporation Amended and Restated 2003 Stock Plan, as amended and restated as of April 30, 2015.⁽²⁰⁾
- 10.6* EMC Corporation Deferred Compensation Retirement Plan, as amended and restated as of January 1, 2011.⁽¹⁸⁾
- 10.7* EMC Corporation Executive Incentive Bonus Plan.⁽⁶⁾
- 10.8* Form of Change in Control Severance Agreement for Executive Officers. (filed herewith)
- 10.9* Form of EMC Corporation Amended and Restated 2003 Stock Plan Stock Option Agreement.⁽³⁾
- 10.10* Change in Control Severance Agreement between EMC and Zane C. Rowe dated October 1, 2014.⁽¹⁴⁾
- 10.11* Form of EMC Corporation Amended and Restated 2003 Stock Plan Performance Stock Option Agreement.⁽³⁾
- 10.12* Form of EMC Corporation Performance Restricted Stock Unit Agreement.⁽¹⁹⁾
- 10.13* Form of EMC Corporation Amended and Restated 2003 Stock Plan Restricted Stock Unit Agreement.⁽¹⁹⁾
- 10.14* Form of Indemnification Agreement.⁽⁷⁾
- 10.15 EMC Corporation Amended and Restated 1989 Employee Stock Purchase Plan, as amended and restated effective July 1, 2013.⁽¹¹⁾
- 10.16* Employment Arrangement with Joseph M. Tucci dated November 28, 2007.⁽⁸⁾
- 10.17* Amendment to Employment Arrangement with Joseph M. Tucci dated December 4, 2008.⁽²⁾
- 10.18* Amendment No. 2 to Employment Arrangement with Joseph M. Tucci dated May 7, 2009.⁽⁹⁾
- 10.19* Amendment No. 3 to Employment Arrangement with Joseph M. Tucci dated October 30, 2009.⁽¹⁰⁾
- 10.20* Amendment No. 4 to Employment Arrangement with Joseph M. Tucci dated January 20, 2012.⁽¹⁵⁾
- 10.21* Amendment No. 5 to Employment Arrangement with Joseph M. Tucci dated September 5, 2012.⁽¹⁶⁾
- 10.22* Letter Agreement with William F. Scannell dated July 16, 2012.⁽¹⁷⁾
- 10.23 Form of Commercial Paper Dealer Agreement between EMC Corporation, as Issuer, and the Dealer party thereto. ⁽²³⁾
- 10.24 Agreement and Plan of Merger, dated as of October 12, 2015, among Denali Holding Inc., Dell Inc., Universal Acquisition Co. and EMC Corporation.⁽²¹⁾
- 10.25* Form of Change in Control Severance Agreement for Executive Officers.⁽²²⁾
- 10.26 Credit Agreement, dated as of February 27, 2015, among the Company, as Borrower, the Lenders party thereto, as Lenders, 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.⁽¹⁹⁾

- 10.27 Agreement and Plan of Merger, by and among, EMC Corporation, Embrace Merger Corporation, Virtustream Group Holdings, Inc. and the Stockholder Representative named therein, dated May 22, 2015.⁽²⁴⁾
- 10.28* Letter Agreement with Zane Rowe.⁽²⁵⁾
- 10.29* Letter Agreement with Denis G. Cashman.⁽²⁵⁾
- 12.1 Statement regarding Computation of Ratio of Earnings to Fixed Charges. (filed herewith)
- 21.1 Subsidiaries of Registrant. (filed herewith)
- 23.1 Consent of Independent Registered Public Accounting Firm. (filed herewith)
- 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)

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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)

* This exhibit is a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(a) of Form 10-K.

** 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 27, 2009 (No. 1-9853).

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

(4) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed July 30, 2002 (No. 1-9853).

(5) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed April 27, 2005 (No. 1-9853).

(6) Incorporated by reference to EMC Corporation’s Current Report on Form 8-K filed February 2, 2005 (No. 1-9853).

(7) Incorporated by reference to EMC Corporation’s Annual Report on Form 10-K filed February 25, 2014 (No. 1-9853).

(8) Incorporated by reference to EMC Corporation’s Current Report on Form 8-K filed November 30, 2007 (No. 1-9853).

(9) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed May 8, 2009 (No. 1-9853).

(10) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed November 6, 2009 (No. 1-9853).

(11) Incorporated by reference to EMC Corporation’s Definitive Proxy Statement on Schedule 14A filed March 21, 2013 (No. 1-9853).

(12) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed May 7, 2010 (No. 1-9853).

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

(14) Incorporated by reference to EMC Corporation’s Current Report on Form 8-K filed October 1, 2014 (No. 1-9853).

(15) Incorporated by reference to EMC Corporation’s Current Report on Form 8-K filed January 24, 2012 (No. 1-9853).

(16) Incorporated by reference to EMC Corporation’s Current Report on Form 8-K filed September 6, 2012 (No. 1-9853).

(17) Incorporated by reference to EMC Corporation’s Quarterly Report on Form 10-Q filed August 2, 2012 (No. 1-9853).

(18) Incorporated by reference to EMC Corporation’s Annual Report on Form 10-K filed February 24, 2012 (No. 1-9853).

(19)

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- Incorporated by reference to EMC Corporation's Annual Report on Form 10-K filed February 27, 2015 (No. 1-9853).
- (20) Incorporated by reference to EMC Corporation's Definitive Proxy Statement on Schedule 14A filed March 20, 2015 (No. 1-9853).
- (21) Incorporated by reference to EMC Corporation's Current Report on Form 8-K filed October 13, 2015 (No. 1-9853).
- (22) Incorporated by reference to EMC Corporation's Quarterly Report on Form 10-Q filed November 9, 2015 (No. 1-9853).
- (23) Incorporated by reference to EMC Corporation's Current Report on Form 8-K filed March 23, 2015 (No. 1-9853).
- (24) Incorporated by reference to EMC Corporation's Current Report on Form 8-K filed July 9, 2015 (No. 1-9853).
- (25) Incorporated by reference to EMC Corporation's Current Report on Form 8-K filed January 27, 2016 (No. 1-9853).

EMC CORPORATION AND SUBSIDIARIES
 SCHEDULE II-VALUATION AND QUALIFYING ACCOUNTS
 (in millions)

Allowance for Bad Debts		Allowance for Bad Debts		
Description	Balance at Beginning of Period	Charged to Selling, General and Administrative Expenses	Bad Debts Write-Offs	Balance at End of Period
Year ended December 31, 2015 allowance for doubtful accounts	\$74	\$33	\$(15)	) \$92
Year ended December 31, 2014 allowance for doubtful accounts	65	10	(1)	) 74
Year ended December 31, 2013 allowance for doubtful accounts	72	(1)	(6)	) 65
Note: The allowance for doubtful accounts includes both current and non-current portions.				
Allowance for Sales Returns		Allowance for Sales Returns		
Description	Balance at Beginning of Period	Accounted for as a Reduction in Revenue	Sales Returns	Balance at End of Period
Year ended December 31, 2015 allowance for sales returns	\$70	\$128	\$(104)	) \$94
Year ended December 31, 2014 allowance for sales returns	76	89	(95)	) 70
Year ended December 31, 2013 allowance for sales returns	86	55	(65)	) 76
Tax Valuation Allowance		Tax Valuation Allowance		
Description	Balance at Beginning of Period	Charged to Income Tax Provision	Allowance Credited to Income Tax Provision	Balance at End of Period
Year ended December 31, 2015 income tax valuation allowance	\$126	\$43	\$(25)	) \$144
Year ended December 31, 2014 income tax valuation allowance	211	1	(86)	) 126
Year ended December 31, 2013 income tax valuation allowance	183	32	(4)	) 211