

VMWARE, INC.  
Form S-4  
July 09, 2007  
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As filed with the Securities and Exchange Commission on July 9, 2007

Registration No. 333-

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM S-4

### REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

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## VMWARE, INC.

(Exact name of registrant as specified in its charter)

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**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**7372**  
(Primary Standard Industrial  
Classification Code Number)

**94-3292913**  
(I.R.S. Employer  
Identification No.)

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3401 Hillview Avenue

Palo Alto, CA 94304

(650) 427-5000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Rashmi Garde, Esq.

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Vice President and General Counsel

VMware, Inc.

3401 Hillview Avenue

Palo Alto, CA 94304

(650) 427-5000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Margaret A. Brown, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP

One Beacon Street

Boston, Massachusetts 02108

(617) 573-4800

Paul T. Dacier, Esq.

EMC Corporation

176 South Street

Hopkinton, Massachusetts 01748

(508) 435-1000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum	
			Aggregate Offering Price	Amount of Registration Fee <sup>(2)</sup>
Options to purchase Class A Common Stock, par value \$.01 per share	9,225,000 <sup>(1),(2)</sup>	N/A	\$ 221,400,000 <sup>(2)</sup>	\$ 6,796.98 <sup>(3)</sup>
Restricted Class A Common Stock	4,350,000 <sup>(1),(2)</sup>	N/A	\$ 104,400,000 <sup>(2)</sup>	\$ 3,205.08 <sup>(3)</sup>

- (1) Represents the maximum aggregate number of shares of VMware restricted stock and shares of VMware Class A common stock subject to options to purchase VMware common stock issuable in exchange for shares of EMC restricted stock and options to purchase EMC common stock.
- (2) This number assumes: 1) all eligible options and shares of restricted stock are properly tendered and not withdrawn in the offer; 2) an initial public offering price of VMware Class A common stock equal to \$24.00, the midpoint of the estimated initial public offering price of VMware Class A common stock reflected in the IPO Registration Statement and 3) a volume-weighted average price per share of EMC common stock on the New York Stock Exchange over the final two full trading days prior to the expiration date of the exchange offer during the period beginning at 6:30 a.m., Pacific Time (or such other time as is the official open of trading on the New York Stock Exchange), and ending at 1:00 p.m., Pacific Time (or such other time as is the official close of trading on the New York Stock Exchange), as reported by Bloomberg Financial LP, equal to \$18.00 (which is representative of recent trading prices of EMC stock).

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(3) Calculated pursuant to Section 6(b) of the Securities Act as follows: the proposed maximum aggregate offering price amount multiplied by 0.0000307.

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**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.**

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**The information in this Prospectus Offer to Exchange may change. VMware may not complete the exchange offer until the registration statement filed with the U.S. Securities and Exchange Commission with respect to the exchange offer is effective. This Prospectus Offer to Exchange is not an offer to sell or exchange these securities and VMware is not soliciting offers to buy or exchange these securities in any jurisdiction where the exchange offer or the sale of these securities is not permitted.**

**PROSPECTUS-OFFER TO EXCHANGE**

**EMC CORPORATION**

**VMWARE, INC.**

**OFFER TO EXCHANGE**

**CERTAIN OUTSTANDING OPTIONS TO PURCHASE SHARES**

**OF COMMON STOCK OF EMC CORPORATION**

**FOR OPTIONS TO PURCHASE SHARES OF**

**CLASS A COMMON STOCK OF VMWARE, INC.**

**AND**

**CERTAIN OUTSTANDING RESTRICTED STOCK OF EMC CORPORATION FOR RESTRICTED**

**CLASS A COMMON STOCK OF VMWARE, INC.**

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**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE**

**AT 11:00 A.M., PACIFIC TIME, ON AUGUST 6, 2007,**

**UNLESS THE OFFER IS EXTENDED.**

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EMC Corporation ( EMC ) and VMware, Inc. ( VMware or the Company ), a wholly owned subsidiary of EMC, are offering eligible employees of VMware and its subsidiaries in the United States a one-time opportunity to exchange (sometimes referred to as tender ) all of such employees outstanding stock options ( EMC Options ) to purchase shares of EMC s common stock, par value \$0.01 per share (the EMC Stock ), granted under the EMC Plans (as listed under The Exchange Offer Eligible Options and Restricted Stock ) for options ( VMware Options ) to purchase VMware Class A common stock, par value \$0.01 per share (the VMware Stock ), as determined on an award-by-award basis, and to exchange all of such employees restricted EMC Stock granted under the EMC Plans ( EMC Restricted Stock ) for restricted VMware Stock ( VMware Restricted Stock ), as determined on an award-by-award basis. VMware and EMC are making the offer upon the terms and subject to the conditions set forth in this Prospectus Offer to Exchange and in the related accompanying Letter of Transmittal (which together, as they may be amended or supplemented from time to time, constitute the Offer ). References in this Offer to Exchange to we, us and our, unless the context otherwise requires, are references to VMware.

This Offer is being made to employees of VMware and its subsidiaries in the United States on the date hereof who hold EMC Options or EMC Restricted Stock. To remain eligible to tender EMC Options or EMC Restricted Stock for exchange and cancellation and receive VMware Options or VMware Restricted Stock pursuant to this Offer, you must continue to be an employee of VMware or its subsidiaries, employed in

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the United States, on and from the date hereof through the expiration of this Offer at 11:00 a.m., Pacific Time, on August 6, 2007, or such later date to which this Offer may be extended (such date, as it may be extended, the Expiration Date ) and also through the time and date on which the VMware Options and shares of VMware Restricted Stock are granted (such time and date, the Grant Date ). The Grant Date will be on or promptly following the date we accept EMC Options or EMC Restricted Stock tendered for exchange in this Offer, which we expect will be on or promptly following the Expiration Date. See The Exchange Offer.

This Offer is intended to expire substantially concurrently with the initial public offering of VMware Stock (the IPO ). Prior to the IPO, VMware Stock has not been traded in a public market. VMware Stock has been approved for listing on the New York Stock Exchange under the symbol VMW. We are currently a wholly owned subsidiary of EMC and following the IPO and this Offer, EMC will continue to be our controlling stockholder. Following the IPO, we will have two classes of authorized common stock: Class A common stock and Class B common stock. EMC will own 32,500,000 shares of Class A common stock and all 300,000,000 shares of Class B common stock, representing approximately 89% of our total outstanding shares of common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting, the election of directors, conversion, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this Prospectus Offer to Exchange. The holders of Class B common stock shall be entitled to 10 votes per share and the holders of Class A common stock shall be entitled to one vote per share. Therefore, EMC will hold approximately 99% of the combined voting power of our outstanding common stock upon completion of the IPO and this Offer.

**Investing in our Class A common stock or options to purchase our Class A common stock involves risks. See Risk Factors beginning on page 19.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Offer to Exchange is truthful or complete. Any representation to the contrary is a criminal offense.**

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*The Information and Exchange Agent for this Offer is:*

Mellon Investor Services

July 9, 2007

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This Prospectus Offer to Exchange incorporates important business and financial information about EMC Corporation from other documents that are not included in, or delivered with, this Prospectus Offer to Exchange. This information is available to you without charge upon request. You can obtain the incorporated documents by requesting them in writing from EMC Investor Relations at the following address:

176 South Street

Hopkinton, MA 01748

If you would like to request additional copies of this Prospectus Offer to Exchange or the related Letter of Transmittal or Notice of Withdrawal, the information and exchange agent, Mellon Investor Services, must receive your request by July 30, 2007, which is five business days prior to the scheduled expiration of this Offer, in order to ensure that you receive the documents prior to the expiration of the Offer. You may contact Mellon Investor Services at the following addresses and telephone numbers:

<u>By Mail:</u>	<u>By Hand:</u>	<u>By Overnight:</u>
Mellon Investor Services	Mellon Investor Services	Mellon Investor Services
Reorganization Department	Reorganization Department	Reorganization Department
PO Box 3301	27th Floor	480 Washington Blvd.
South Hackensack, NJ 07606	480 Washington Blvd.	Mail Stop - Reorg
	Jersey City, NJ 07310	Jersey City, NJ 07310
	1-888-313-1479 (from within the U.S.)	
	201-680-6672 (from outside the U.S.)	

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Also see Where You Can Find More Information about EMC and VMware on page 162.

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**Tendering EMC Options or EMC Restricted Stock for exchange, and receiving VMware Options or VMware Restricted Stock pursuant to the Offer, does not confer upon you any right to remain an employee of VMware. The terms of your employment with VMware remain unchanged. We cannot guarantee or provide you with any assurance that you will not be subject to involuntary termination or that you will otherwise remain in the employ of VMware until the Grant Date or thereafter. If you voluntarily terminate your employment with us or if we terminate your employment for any reason before the Grant Date, even if you tendered EMC Options or EMC Restricted Stock for exchange in the Offer prior to such termination, such tender will not be accepted and such EMC Options will not be exchanged for VMware Options or VMware Restricted Stock.**

We are not making the Offer to, nor will we accept any tender of options or restricted stock from or on behalf of, optionholders or holders of restricted stock in any jurisdiction in which the Offer or the acceptance of any tender of EMC Options or EMC Restricted Stock would not be in compliance with the laws of such jurisdiction. However, we may, in our discretion, take any actions necessary for us to make the Offer to VMware's optionholders or holders of restricted stock in any such jurisdiction.

There is currently no trading market for VMware Stock, and the value of VMware Stock you may receive in the Offer will not be known until the pricing of the IPO. In the IPO Registration Statement, we have estimated the initial public offering price of VMware Stock to be between \$23.00 per share and \$25.00 per share. Throughout this Offer, indicative exchange ratios (as defined below) (calculated in the manner and at the intervals described in this Prospectus Offer to Exchange), will also be available to eligible employees through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> and from the information and exchange agent, Mellon Investor Services, at 1-888-313-1479 (from within the U.S.) or at 201-680-6672 (from outside the U.S.). The exchange ratio is a fraction (the Exchange Ratio), the numerator of which will be the average (arithmetic mean) of the volume-weighted average price of EMC Stock over the final two full trading days of this Offer (the VWAP) and the denominator of which will be the initial public offering price of VMware Stock (the IPO Price).

Consummation of this Offer is subject to certain conditions set forth herein, including the U.S. Securities and Exchange Commission (the SEC) declaring VMware's Registration Statement on Form S-1 relating to the IPO (the IPO Registration Statement) and VMware's Registration Statement on Form S-4 relating to this Offer (the Exchange Offer Registration Statement) effective. This Offer is not subject to approval of EMC's or VMware's stockholders or contingent upon a minimum number of options or shares of restricted stock being tendered. Shares of EMC Stock are quoted on the New York Stock Exchange under the symbol EMC. On July 6, 2007, the last reported sale price of EMC Stock on the New York Stock Exchange was \$18.66 per share. **We recommend that you obtain current market quotations for EMC Stock before deciding whether to tender your options and restricted stock.**

**Although the EMC and VMware boards of directors have approved this Offer, neither EMC nor VMware has authorized any person to make any recommendation on its behalf as to whether you should tender or refrain from tendering your options or restricted stock pursuant to the Offer. You should rely only on the information contained in this Prospectus Offer to Exchange or documents to which we have expressly referred you. Neither EMC nor VMware has authorized anyone to give you any information or to make any representation in connection with the Offer other than the information and representations contained in this Prospectus Offer to Exchange or in the related Letter of Transmittal. If anyone makes any recommendation or representation to you or gives you any information, you must not rely upon that recommendation, representation or information as having been authorized by either EMC or VMware.**

This Prospectus Offer to Exchange is being furnished to you solely to provide you information regarding the Company in connection with your determination whether to participate in this Offer and is not intended as a solicitation in connection with acquiring VMware Stock, as part of the IPO or otherwise.

You should direct questions about this Offer or requests for assistance or for additional copies of the Prospectus Offer to Exchange or the Letter of Transmittal to the information and exchange agent, Mellon Investor Services, located at Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310, at 1-888-313-1479 (from within the U.S.) or at 201-680-6672 (from outside the U.S.).



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**SUMMARY TERM SHEET QUESTIONS AND ANSWERS**

The following summary term sheet is in question and answer format and is provided to address some of the questions that you may have about this Offer. We urge you to read carefully the remainder of this Prospectus Offer to Exchange and the accompanying Letter of Transmittal because the information in this summary is not complete, and additional important information is contained in the remainder of this Prospectus Offer to Exchange and the accompanying Letter of Transmittal. We have included references to the relevant sections in the Prospectus Offer to Exchange where you can find a more complete description of the topics in this summary.

**Why are EMC and VMware conducting this Offer?**

Historically, EMC has granted EMC Options and EMC Restricted Stock to its employees, including employees of VMware and its subsidiaries, as a key component of employee compensation to align the interests of employees and shareholders of EMC and further enhance EMC shareholder value. Following the IPO, VMware will have the ability to more directly tie VMware employee incentives to VMware's results and provide employees of VMware and its subsidiaries a more meaningful incentive to enhance VMware stockholder value. EMC and VMware are therefore undertaking this Offer to allow eligible employees of VMware and its subsidiaries to exchange their EMC Options and EMC Restricted Stock for VMware Options and VMware Restricted Stock in a manner designed to generally retain the terms and intrinsic value of the tendered EMC securities. This Offer is being undertaken for compensatory purposes as a means to retain and motivate employees of VMware and its subsidiaries and encourage such employees to remain in the service of VMware by allowing such employees to share in the value they create at VMware from the date of the IPO. See The Transaction Reasons for the Offer.

**What securities are we offering to exchange?**

EMC and VMware are offering eligible employees a one-time opportunity to exchange all of such employees' EMC Options granted under the EMC Plans for VMware Options and to exchange all of such eligible employees' EMC Restricted Stock granted under the EMC Plans for VMware Restricted Stock, in each case determined on an award-by-award basis. See The Exchange Offer Terms of the Exchange Offer.

**Who is eligible to participate in this Offer?**

Employees of VMware or its subsidiaries in the United States as of the date of this Prospectus Offer to Exchange who hold EMC Options or EMC Restricted Stock and who continue to be employees of VMware or its subsidiaries in the United States through the expiration of this Offer and through the Grant Date are eligible to participate in this Offer. See The Exchange Offer Terms of the Exchange Offer.

**What are the conditions of this Offer?**

Completion of the exchange of options and restricted stock pursuant to this Offer is subject to a number of conditions. These include, among other things, the SEC declaring this Exchange Offer Registration Statement and the IPO Registration Statement effective. These and various other conditions are more fully described in The Exchange Offer Conditions to Completion of the Offer. This Offer is not subject to any approval of EMC's shareholders or VMware's stockholders and is not contingent upon a minimum number of options or shares of restricted stock being tendered.

**If I elect to tender for exchange EMC Options or EMC Restricted Stock, will my elections affect other components of my compensation?**

No.

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### **May I exchange EMC Options for shares of VMware Restricted Stock or exchange shares of EMC Restricted Stock for VMware Options?**

No. This Offer is to exchange EMC Options for VMware Options only and EMC Restricted Stock for VMware Restricted Stock only. However, if you are an eligible employee and you hold both EMC Options and EMC Restricted Stock, you may, subject to the terms and conditions of this Offer, tender your EMC Options for VMware Options and your EMC Restricted Stock for VMware Restricted Stock.

### **If I have a partially vested EMC Option grant, may I tender only the unvested portion of the grant?**

No. You may only tender all, but not less than all, of each particular grant. This means that if you tender an EMC Option grant that is partially vested, you will receive two VMware Option grants, one for the vested and outstanding portion and one for the unvested and outstanding portion. Those grants may have different vesting terms from each other. See The Exchange Offer Terms of the Exchange Offer.

### **How do I find out how many EMC Options I have and what their exercise prices are and how many shares of EMC Restricted Stock I have?**

If you have chosen to receive this Prospectus Offer to Exchange by mail, the Letter of Transmittal enclosed with this Prospectus Offer to Exchange includes a list of your EMC Options and EMC Restricted Stock as of June 27, 2007. In addition, you can at any time access current information about your options and restricted stock by going to [www.ubs.com/onesource/emc](http://www.ubs.com/onesource/emc).

### **How many VMware Options will I receive in exchange for my tendered EMC Options?**

It will not be possible to know exactly how many VMware Options you will receive in exchange for your tendered EMC Options before the expiration of this Offer. If you meet the employee eligibility requirements and your options are properly tendered and accepted for exchange, you will be entitled to receive VMware Options exercisable for a number of shares of VMware Stock based on the Exchange Ratio, which will be determined upon the pricing of the VMware IPO. **You will not have the opportunity to withdraw tendered EMC Options after the Exchange Ratio is determined.**

The number of VMware shares subject to a VMware Option that you receive in this Offer will be determined by multiplying the number of shares underlying each EMC Option that you tender by the Exchange Ratio. The number of VMware shares subject to a VMware Option that you receive in this Offer will be rounded down to the nearest whole share on an award-by-award basis. Accordingly, VMware Options will not be granted for fractional shares, and you will not be compensated for any fractional shares you otherwise would have received. See The Exchange Offer Number of VMware Options and Restricted Stock to be Issued in Exchange.

### **What will the exercise price of the VMware Options be?**

The per share exercise price of each VMware Option that you receive will be determined by dividing the exercise price of each EMC Option that you tender by the Exchange Ratio and rounding the result up to the nearest whole cent.

### **How many shares of VMware Restricted Stock will I receive in exchange for my tendered EMC Restricted Stock?**

It will not be possible to know exactly how many shares of VMware Restricted Stock you will receive in exchange for your tendered EMC Restricted Stock before the expiration of this Offer. If you meet the employee eligibility requirements and your restricted stock is properly tendered and accepted for exchange, you will be entitled to receive VMware Restricted Stock based on the Exchange Ratio, which will be determined upon the pricing of the VMware IPO.

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The number of shares of VMware Restricted Stock that you receive in this Offer will be determined by multiplying the number of shares of EMC Restricted Stock that you tender by the Exchange Ratio. The number of shares of VMware Restricted Stock that you receive in this Offer will be rounded down to the nearest whole share. Accordingly, VMware Restricted Stock will not be granted for fractional shares, and you will not be compensated for any fractional shares you otherwise would have received. See *The Exchange Offer Number of VMware Options and Restricted Stock to be Issued in Exchange*.

### **What is the VWAP?**

The VWAP is the volume-weighted average price per share of EMC Stock on the New York Stock Exchange over the final two full trading days (calculated as the average (arithmetic mean) of the VWAP on those two days) prior to the Expiration Date during the period beginning at 6:30 a.m., Pacific Time (or such other time as is the official open of trading on the New York Stock Exchange on the applicable date), and ending at 1:00 p.m., Pacific Time (or such other time as is the official close of trading on the New York Stock Exchange on the applicable date), as reported by Bloomberg Financial LP. This means that if the Expiration Date is August 6, 2007, the VWAP would be calculated using the average (arithmetic mean) of the volume-weighted average price per share of EMC Stock on August 2, 2007 and the volume-weighted average price per share of EMC Stock on August 3, 2007.

### **How will the Exchange Ratio be calculated?**

The Exchange Ratio will be expressed as a fraction, the numerator of which will be the VWAP and the denominator of which will be the IPO Price. Therefore, if the VWAP is less than the IPO Price, the Exchange Ratio will be less than 1, and although the intrinsic value of your exchanged equity will be maintained (subject to the effects of rounding for fractional amounts), you will receive a fewer number of VMware Options or shares of VMware Restricted Stock than the number of EMC Options or shares of EMC Restricted Stock you exchanged. For example, if the VWAP were \$18 and the IPO Price were \$24, the Exchange Ratio would be 0.75, and if you tendered 1,000 EMC Options, you would receive 750 VMware Options, with the same (subject to the effects of rounding for fractional amounts) aggregate intrinsic value in exchange. See *The Exchange Offer Number of VMware Options and Restricted Stock to be Issued in Exchange*.

### **Where can I find then-current pricing and Exchange Ratio information during the Offer period?**

You will not know the exact number of VMware Options or shares of VMware Restricted Stock that you will receive in exchange for VMware Options or VMware Restricted Stock that you tender until after the expiration of this Offer when the final Exchange Ratio is calculated (at approximately 2:30 p.m., Pacific Time, on the Expiration Date). However, you will be able to access certain updated pricing-related information through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware>. Each day, beginning on July 10, 2007, and ending on August 1, 2007, after the close of trading on the New York Stock Exchange, the Election Site for the EMC VMware Exchange Program will be updated to show what the VWAP would be if that day were final trading day prior the Expiration Date and what the Exchange Ratio would be based on that VWAP (assuming that the IPO Price was equal to the mid-point of the range of the estimated initial offering price reflected in the IPO Registration Statement).

During the last two full trading days of this Offer, the Election Site for the EMC VMware Exchange Program will display the ongoing calculation, updated on an hourly basis, of the actual VWAP and the Exchange Ratio as it then stands (assuming that the IPO Price is equal to the mid-point of the range of the estimated initial offering price reflected in the IPO Registration Statement). Thus, on the next-to-last full trading day prior to the Expiration Date (the first day of the calculation period), the actual daily VWAP of EMC Stock during the elapsed portion of that first day will be used in the calculation and, on the final full trading day prior to the Expiration Date, the calculations will use the average of the daily VWAP of EMC Stock for the next-to-last full trading day and the actual daily VWAP during the elapsed portion of that final full trading day. The Election Site for the EMC VMware Exchange Program will be updated every hour during the two-day calculation period and a final VWAP, subject to extension of this Offer, will be posted at approximately 2:30 p.m., Pacific Time, on the day prior to the Expiration Date. See *The Exchange Offer Number of VMware Options and Restricted Stock to be Issued in Exchange*.

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**When will I be able to find out the Exchange Ratio?**

At approximately 2:30 p.m., Pacific Time, after the expiration of the Offer on the Expiration Date, the Election Site for the EMC VMware Exchange Program will be updated with the final Exchange Ratio. We will also issue a press release announcing the Exchange Ratio, and EMC and VMware will file an amendment to the Tender Offer Statement on Schedule TO that they originally filed with the SEC on July 9, 2007 (as the same may be amended or supplemented from time to time, the Schedule TO ) with the SEC containing this press release. The Schedule TO will be available on the SEC's website at <http://www.sec.gov>. Because the Exchange Ratio will be calculated after the expiration of this Offer, you will not have an opportunity to withdraw tendered EMC Options or shares of EMC Restricted Stock after the Exchange Ratio is calculated.

**Must I tender options or restricted stock for exchange in this Offer?**

No. Whether or not you tender options or restricted stock for exchange in this Offer is solely your decision and completely voluntary.

**What happens to EMC Options or EMC Restricted Stock that I choose not to tender or that are not accepted for exchange in this Offer?**

Nothing. However, if EMC ceases to hold shares of VMware Stock representing 50% or more of the total outstanding voting power of VMware, your employment will be treated as having terminated for purposes of the award and any EMC Options and EMC Restricted Stock then held by you will be terminated in accordance with the terms of the applicable award.

**If I choose to tender EMC Options or EMC Restricted Stock for exchange in this Offer, do I have to tender all of my options and restricted stock?**

In order to tender an eligible option, you must tender all outstanding EMC Options under the award relating to that eligible option. EMC and VMware are not accepting partial tenders of particular option awards. For example, if you hold an option pursuant to an award of options to purchase 1,000 shares of EMC Stock at an exercise price of \$9.75 per share of which 500 shares are vested, you must tender the option for all 1,000 shares in its entirety; you cannot tender only a portion of the options subject to a particular award and retain the remainder. On the other hand, if you have an option to purchase 1,000 shares of EMC Stock at an exercise price of \$11.19 per share and another option to purchase 2,000 shares of EMC Stock at an exercise price of \$12.85 per share, you may choose to tender for exchange all (but not less than all) of the outstanding options under either of the option awards or all of the options under both of the option awards or choose not to tender any of your EMC Options.

In order to tender eligible restricted stock from a particular restricted stock award, you must tender all outstanding shares of EMC Restricted Stock under that award. For example, if you have an EMC Restricted Stock award covering 700 shares of EMC Stock and an EMC Restricted Stock award covering 300 shares of EMC Stock, you may choose to tender for exchange all (but not less than all) of the EMC Restricted Stock under one award or both of the awards or choose not to tender any shares of EMC Restricted Stock. See The Exchange Offer Terms of the Exchange Offer.

**Can I tender for exchange both vested and unvested EMC Options?**

Yes.

**Can I exchange options that I have already fully exercised or shares of EMC Stock that I have that are no longer restricted?**

No.

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**Can I exchange the remaining portion of an eligible option award that I have already partially exercised?**

Yes. If you have previously partially exercised an eligible option award, you can still tender for exchange the remaining unexercised portion of an eligible option award. However, if you tender any portion of an option award, you must tender all of the EMC Options remaining under that award.

**Will the terms and conditions of my VMware Options and VMware Restricted Stock be the same as the terms of the EMC Options and EMC Restricted Stock that I tender?**

VMware Options and VMware Restricted Stock granted pursuant to this Offer will be subject to the same terms and conditions as set forth in the EMC Plans at the time of the grant of the tendered EMC Options or EMC Restricted Stock, except that (1) vested EMC Options properly tendered in this Offer and not withdrawn will be exchanged for unvested VMware Options subject to a new vesting period, commencing on the Grant Date, which provides for, subject to continued employment, monthly vesting in equal amounts over a period equal to the shorter of twelve months or 90 days prior to the scheduled expiration of the tendered EMC Options (but if such 90th day would be prior to the date of grant, then the VMware option granted would vest on the date of grant), (2) VMware Options issued in the exchange will not be incentive stock options, notwithstanding whether the tendered EMC Option was an incentive stock option, (3) VMware Options and VMware Restricted Stock issued in the exchange will not be subject to accelerated vesting on a change in control, and (4) certain EMC Restricted Stock properly tendered in this Offer and not withdrawn will be exchanged for VMware Restricted Stock that will be subject to different acceleration provisions related to VMware achieving certain performance benchmarks than those applicable to the original EMC Restricted Stock award. Except as described above, the VMware Options and VMware Restricted Stock you receive in the exchange will continue to be subject to the terms of the original EMC option or restricted stock agreement under which they were granted except that, unless the context may otherwise require, references to EMC in the applicable award agreement shall instead be deemed to be references to VMware.

**Will I lose the benefits of any time towards vesting I have accumulated under my existing EMC Options if I tender these options in this Offer and they are accepted for exchange and canceled?**

If you tender unvested EMC Options, the VMware Options you receive in exchange for unvested EMC Options will continue to vest in accordance with the vesting schedule of the EMC Options they replace. However, if you tender vested EMC Options, the VMware Options you receive in exchange for your vested EMC Option will be subject to a new vesting period, commencing on the Grant Date, equal to the shorter of twelve months or 90 days prior to the scheduled expiration of the tendered EMC Options (but if such 90th day would be prior to the date of grant, then the VMware option granted would vest on the date of grant). These options will vest monthly in equal amounts over the vesting period. See The Exchange Offer Terms of the Exchange Offer.

**If my current options are incentive stock options, will my VMware Options be incentive stock options?**

No. VMware Options received in exchange for such EMC Options will not be incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, and will thus not have the tax features of incentive stock options (which generally provide that income is not recognized by the optionholder when stock is acquired pursuant to such options and that the optionholder may be eligible for capital gains treatment on the disposition of such shares under certain circumstances). See U.S. Federal Income Tax Consequences.

**If I exercise the VMware Options that I receive in the exchange or if the restrictions on the VMware Restricted Stock that I receive in the exchange lapse, will I be able to freely sell the shares of VMware Stock that I receive from such exercise or lapse of restrictions?**

VMware has agreed with the underwriters of the IPO that, as a condition to participating in this Offer, participating employees who receive VMware Options or VMware Restricted Stock must agree to not dispose of

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or effectively dispose of (e.g., by hedging) any shares of the VMware Stock underlying these VMware Options or shares of VMware Restricted Stock for a period of 180 days from the date the SEC declares the IPO Registration Statement effective. VMware intends to file a registration statement on Form S-8 in order to make the VMware Stock underlying the VMware Options and VMware Restricted Stock freely tradable after the expiration of such 180-day period.

### **Will I have to pay taxes if I exchange my EMC Options or EMC Restricted Stock in this Offer?**

If you exchange your current EMC Options for VMware Options or your current EMC Restricted Stock for VMware Restricted Stock, we believe that you will not be required under current applicable law to recognize income for United States federal income tax purposes at the time of the exchange. We recommend that you consult with your own tax advisor to determine the tax consequences to you of this Offer. See U.S. Federal Income Tax Consequences.

### **Will I have any rights or benefits with respect to EMC Options or EMC Restricted Stock I tender in this Offer?**

No. EMC Options and EMC Restricted Stock tendered and accepted for exchange in this Offer will be cancelled and you will no longer have any rights or benefits under those options or that restricted stock. See The Exchange Offer Delivery of VMware Restricted Shares, Options to Purchase VMware Common Stock.

### **If I tender EMC Options or EMC Restricted Stock in this Offer, will I be able to receive other VMware Option awards or VMware Restricted Stock awards before I receive my VMware Options or VMware Restricted Stock?**

We intend to grant VMware Option and VMware Restricted Stock awards to employees from time to time as part of VMware's normal compensation program. Employees eligible to participate in this Offer will continue to be eligible to receive additional option awards as part of VMware's overall compensation program.

### **What happens if this Offer is not consummated?**

If EMC and VMware do not accept any EMC Options or EMC Restricted Stock tendered for exchange, you will keep all of your current EMC Options and EMC Restricted Stock and you will not receive VMware Options or VMware Restricted Stock. No changes will be made to your existing EMC Options or shares of EMC Restricted Stock and they will remain outstanding with their current terms, including exercise price, term and vesting schedule.

### **When does this Offer expire? Can this Offer be extended?**

This Offer expires on August 6, at 11:00 a.m., Pacific Time, unless we extend it.

We and EMC may, in our discretion, extend this Offer at any time. EMC's and VMware's current intention is to extend this Offer if the IPO Registration Statement or the Exchange Offer Registration Statement will not be declared effective prior to the expiration of this Offer. If this Offer is extended, appropriate notice of the extension will be provided no later than 6:00 a.m., Pacific Time, on the next business day following the previously scheduled Expiration Date. See The Exchange Offer Extension; Termination; Amendment.

### **How do I tender my EMC Options or EMC Restricted Stock for exchange in this Offer?**

In order to validly tender EMC Options or EMC Restricted Stock for exchange in this Offer, you must, **prior to 11:00 a.m., Pacific Time, on the Expiration Date**, either make your election to tender online through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> or complete and sign the enclosed Letter of Transmittal in accordance with its instructions and deliver it to the information and exchange agent, by mail to Mellon Investor Services, Reorganization Department, PO Box 3301, South Hackensack, NJ 07606; by hand to Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310; or by overnight delivery to Mellon Investor Services, Reorganization Department, 480 Washington Blvd., Mail Stop Reorg, Jersey City, NJ 07310.

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EMC and VMware reserve the right to reject any or all tenders of options or restricted stock that we determine are not in appropriate form or that we determine are unlawful to accept. EMC and VMware expect to accept all EMC Options and all shares of EMC Restricted Stock that are properly and timely tendered for exchange and not validly withdrawn. See [The Exchange Offer Proper Tender of EMC Options and EMC Restricted Stock](#) and [The Exchange Offer Withdrawal Rights](#).

### **During what period of time may I withdraw previously tendered EMC Options or EMC Restricted Stock?**

You may withdraw EMC Options or EMC Restricted Stock you tendered for exchange at any time before Expiration Date. To withdraw EMC Options or EMC Restricted Stock tendered for exchange, you must either change your election to tender online through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> or deliver to the information and exchange agent, Mellon Investor Services, prior to the time this Offer expires, a properly completed and signed written Notice of Withdrawal in the form enclosed with this Prospectus Offer to Exchange. Delivery of the Notice of Withdrawal must be to the information and exchange agent, by mail to Mellon Investor Services, Reorganization Department, PO Box 3301, South Hackensack, NJ 07606; by hand to Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310; or by overnight delivery to Mellon Investor Services, Reorganization Department, 480 Washington Blvd., Mail Stop - Reorg, Jersey City, NJ 07310.

Once you have withdrawn previously tendered EMC Options or EMC Restricted Stock, you may re-tender EMC Options or EMC Restricted Stock for exchange prior to the date and time of the expiration of the Offer and only by again following the tender procedures described in this Prospectus Offer to Exchange and the accompanying Letter of Transmittal. See [The Exchange Offer Proper Tender of EMC Options and EMC Restricted Stock](#) and [The Exchange Offer Withdrawal Rights](#).

### **Can I change my mind and elect not to tender EMC Options or EMC Restricted Stock, or elect to tender additional EMC Options or EMC Restricted Stock, after I make an election on the Election Site for the EMC VMware Exchange Program or submit a Letter of Transmittal?**

Yes. If you made an election to tender options or restricted stock on the Election Site for the EMC VMware Exchange Program or submitted a Letter of Transmittal and you want to withdraw some or all of the EMC Options or EMC Restricted Stock you marked for tender on the Election Site for the EMC VMware Exchange Program or on that Letter of Transmittal, you may withdraw your tender of such EMC Options or shares of EMC Restricted Stock by changing your election to tender online through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> or delivering to the information and exchange agent, Mellon Investor Services, prior to the time this Offer expires, a Notice of Withdrawal (in the form included with this Prospectus Offer to Exchange) indicating which EMC Options or shares of EMC Restricted Stock you are withdrawing. If you wish to tender for exchange additional EMC Options or EMC Restricted Stock that you had not marked for tender on your previous Letter of Transmittal, you may elect to tender for exchange those additional EMC Options or shares of EMC Restricted Stock by making further elections on the Election Site for the EMC VMware Exchange Program or delivering to the information and exchange agent, Mellon Investor Services, prior to the Expiration Date an additional properly completed and signed Letter of Transmittal (in the form included with this Prospectus Offer to Exchange) selecting for tender for exchange such additional EMC Option or EMC Restricted Stock awards. You may only tender for exchange all EMC Options or shares of EMC Restricted Stock subject to a particular award. **If you deliver a Letter of Transmittal or a Notice of Withdrawal with respect to some but not all EMC Options or shares of EMC Restricted Stock subject to a particular award, EMC and VMware may, in our sole discretion, determine that you have elected to tender for exchange all or none of the EMC Options or EMC Restricted Stock underlying such award.**

You may request copies of the Notice of Withdrawal or Letter of Transmittal by contacting the information and exchange agent, Mellon Investor Services, at 1-888-313-1479 (from within the U.S.) or at 201-680-6672

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(from outside the U.S.). Delivery of the Notice of Withdrawal or the additional Letter of Transmittal must be to the information and exchange agent, by mail to Mellon Investor Services, Reorganization Department, PO Box 3301, South Hackensack, NJ 07606; by hand to Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310; or by overnight delivery to Mellon Investor Services, Reorganization Department, 480 Washington Blvd., Mail Stop - Reorg, Jersey City, NJ 07310. See [The Exchange Offer](#) [Proper Tender of EMC Options and EMC Restricted Stock](#) and [The Exchange Offer](#) [Withdrawal Rights](#).

### **When will I receive my VMware Options and VMware Restricted Stock?**

If you participated in the exchange, you will receive a notice from us as soon as practicable after the Grant Date indicating the number of shares of EMC Stock subject to the EMC Options you tendered that were accepted for exchange, the number of shares subject to the new option award(s) and the exercise price per share of your VMware Options, as well as the number of shares of EMC Restricted Stock you tendered that were accepted for exchange and the number of shares of VMware Restricted Stock that you will receive pursuant to the exchange. See [The Exchange Offer](#) [Delivery of VMware Restricted Shares, Options to Purchase VMware Common Stock](#).

### **What happens if a VMware Option I am granted later ends up out of the money ?**

If a VMware Option that you receive in the exchange is or becomes out of the money (i.e., has a per share exercise price greater than the price of VMware Stock) and remains out of the money after it vests and until its expiration, it will then be worthless. **We can provide no assurance as to the price of VMware Stock upon the IPO or in the future.**

### **What do VMware, EMC and their respective boards of directors think of this Offer?**

Although the VMware board of directors has approved this Offer, in light of the unique circumstances of individual optionholders and holders of restricted stock, as well as the risks associated with this Offer described in this Prospectus [Offer to Exchange](#) under [Risk Factors](#), neither VMware's nor EMC's board of directors makes any recommendation as to whether you should tender or refrain from tendering your EMC Options or EMC Restricted Stock for exchange. You must make your own decision whether to tender EMC Options or EMC Restricted Stock. For questions regarding tax implications or other investment-related questions, you should consult with your own legal counsel, accountant, financial and tax advisors. See [The Transaction](#) [Reasons for the Offer](#).

### **Whom can I talk to if I have questions about my existing options or restricted stock or about this Offer?**

For additional information or assistance concerning this Offer or to request copies of the Offer documents and the other information incorporated by reference in this Prospectus [Offer to Exchange](#), without charge, you should contact the information and exchange agent, Mellon Investor Services, located at Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310, at 1-888-313-1479 (from within the U.S.) or at 201-680-6672 (from outside the U.S.).

### **How should I decide whether or not to exchange my EMC Options or my EMC Restricted Stock?**

EMC and VMware understand that this may be a difficult decision. There are no guarantees of VMware's future performance, the future prices of VMware Stock, or EMC's future performance or the future prices of EMC Stock. EMC and VMware advise you to consult with your financial advisor regarding the relative benefits of tendering your EMC Options or EMC Restricted Stock for exchange and cancellation pursuant to this Offer or holding your EMC Options and shares of EMC Restricted Stock.



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**SUMMARY OF THIS PROSPECTUS OFFER TO EXCHANGE**

**The Companies**

***VMware***

VMware, Inc.

3401 Hillview Avenue

Palo Alto, California 94304

Telephone: (650) 427-5000

Website: [www.vmware.com](http://www.vmware.com)

VMware is currently a wholly owned subsidiary of EMC. Immediately following the IPO, it is currently expected that EMC will continue to own approximately 89% of VMware's common stock (43% of VMware's Class A common stock) and 100% of VMware's Class B common stock) and will control 99% of the combined voting power of VMware's outstanding common stock. If the underwriters in the IPO exercise in full their over-allotment option, EMC will own approximately 88% of VMware's outstanding common stock (41% of VMware's Class A common stock and 100% of VMware's Class B common stock) and 98% of the combined voting power of VMware's outstanding common stock. The number of shares to be sold in the IPO is subject to change. Any such changes will be disclosed by an amendment to the Exchange Offer Registration Statement of which this Prospectus Offer to Exchange is a part and the IPO Registration Statement. EMC will continue to control VMware following the IPO, and will be able to exercise control over all matters requiring stockholder approval, including the election of VMware's directors and approval of significant corporate transactions. In addition, EMC's controlling interest may discourage a change of control that the other holders of VMware Stock may favor.

For a description of VMware's business, see Summary of this Prospectus Offer to Exchange VMware's Business and Business of VMware.

This Prospectus Offer to Exchange is being furnished to you solely to provide you information regarding the Company in connection with your determination of whether to participate in this Offer and is not intended as a solicitation in connection with acquiring VMware Stock, as part of the IPO or otherwise.

***EMC***

EMC Corporation

176 South Street

Hopkinton, Massachusetts 01748

Telephone: (508) 435-1000

Website: [www.emc.com](http://www.emc.com)

EMC and its subsidiaries develop, deliver and support the information technology industry's broadest range of information infrastructure technologies and solutions that are designed to help individuals and organizations handle everything they need to do with their digital information.

EMC's systems, software and services support EMC's customers' critical business processes by helping them build information infrastructures from the most comprehensive systems available to store, manage and protect information at the right service levels and the right costs. EMC refers to this as an information lifecycle management strategy. EMC's information management software and solutions empower its customers to capture, manage and leverage structured and unstructured information documents, images or emails to support their business processes. EMC's resource management software allows organizations to better understand, manage and automate the operation of their information infrastructure.

## Edgar Filing: VMWARE, INC. - Form S-4

EMC's information security division offers customers security solutions to assess the risk to their information, secure the people accessing information and

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the infrastructure, protect the confidentiality and integrity of the information itself and manage security information and events to assure effectiveness and ease the burdens of compliance.

EMC files annual, quarterly and current reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934 (the Exchange Act). You may read and copy this information at the SEC's Public Reference Room, located at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the SEC at the above address, at prescribed rates.

The SEC also maintains a website that contains reports, proxy statements and other information that EMC files electronically with the SEC. The address of that website is <http://www.sec.gov>.

## **The Exchange Offer**

### ***Terms of the Offer (page 44)***

EMC and VMware are offering eligible employees of VMware and its subsidiaries in the United States a one-time opportunity to exchange all of such employees' EMC Options to purchase shares of EMC Stock for VMware Options to purchase VMware Stock, as determined on an award-by-award basis, and to exchange all of such employees' EMC Restricted Stock for VMware Restricted Stock, as determined on an award-by-award basis.

In order to tender an eligible option, you must tender all outstanding EMC Options under the award relating to that eligible option. EMC and VMware are not accepting partial tenders of particular option awards. Similarly, if you tender shares of EMC Restricted Stock from a particular restricted stock award, you must tender all of the EMC Restricted Stock under that award.

### ***Expiration Date (page 49)***

This Offer is scheduled to expire at 11:00 a.m., Pacific Time, on August 6, 2007, unless EMC and VMware, in our discretion, extend the period of time during which this Offer will remain open. EMC's and VMware's current intention is to extend this Offer if the IPO Registration Statement or the Exchange Offer Registration Statement will not be declared effective prior to the expiration of this Offer.

### ***Fractional Shares (page 50)***

Awards of VMware Options and VMware Restricted Stock will be calculated according to the Exchange Ratio and will be rounded down to the nearest whole share on an award-by-award basis. Accordingly, VMware Options and VMware Restricted Stock will not be issued for fractional shares, and you will not be compensated for any fractional shares you otherwise would have received.

### ***Proper Tender of EMC Options and EMC Restricted Stock (page 50)***

To validly tender your options or restricted stock for exchange in this Offer, you must either make your election to tender online through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> or complete and sign the enclosed Letter of Transmittal in accordance with its instructions, and send it to the information and exchange agent, by mail to Mellon Investor Services, Reorganization Department, PO Box 3301, South Hackensack, NJ 07606; by hand to Mellon Investor Services, Reorganization Department, 27th Floor, 480 Washington Blvd., Jersey City, NJ 07310; or by overnight delivery to Mellon Investor Services, Reorganization Department, 480 Washington Blvd., Mail Stop Reorg, Jersey City, NJ 07310. Such election must be made through the Election Site for the EMC VMware Exchange Program or received by the information and exchange agent, Mellon Investor Services, prior to 11:00 a.m., Pacific Time, on the Expiration Date.

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### ***Withdrawal Rights (page 52)***

You may withdraw some or all of the EMC Options or EMC Restricted Stock you tendered for exchange in this Offer. If you want to withdraw any of the EMC Options you tendered for exchange, you must withdraw all tendered EMC Options subject to the particular award of which the options you want to withdraw are a part, and if you want to withdraw any EMC Restricted Stock you tendered for exchange, you must withdraw all EMC Restricted Stock subject to the particular award of which the restricted stock you want to withdraw is a part.

To validly withdraw EMC Options or EMC Restricted Stock tendered for exchange, you must, prior to the time this Offer expires, either change your election online through the Election Site for the EMC VMware Exchange Program at <https://www.corp-action.net/vmware> or deliver to the information and exchange agent, Mellon Investor Services, a properly completed and signed written Notice of Withdrawal in the form enclosed with this Prospectus Offer to Exchange. If you choose to deliver a Notice of Withdrawal, it must be sent to the information and exchange agent, by the means and at the appropriate address above set forth.

### ***Delivery of VMware Restricted Shares, Options to Purchase VMware Common Stock (page 53)***

If and when EMC and VMware accept for exchange and cancellation your properly tendered and not withdrawn EMC Options and EMC Restricted Stock, you will have no further rights with respect to those cancelled EMC Options and EMC Restricted Stock. As promptly as practicable after we accept tendered EMC Options and EMC Restricted Stock for exchange and cancellation, we will send each tendering employee a notice indicating the number of shares of EMC Stock subject to the options and the number of shares of EMC Restricted Stock tendered for exchange that have been accepted and cancelled and the number of shares of VMware Stock underlying the VMware Options granted in exchange for such options, and the number of shares of VMware Restricted Stock granted in exchange for such EMC Restricted Stock.

### ***Extension; Termination; Amendment (page 53)***

EMC and VMware may, from time to time, extend the period of time during which this Offer is open and delay accepting any EMC Options or EMC Restricted Stock tendered to them by disseminating notice of the extension to optionholders by public announcement, oral or written notice or otherwise as permitted by Rule 13e-4(e)(3) under the Exchange Act.

EMC and VMware also expressly reserve the right, in their reasonable judgment, prior to the Expiration Date, to terminate or amend this Offer and to postpone their acceptance and cancellation of any EMC Options or EMC Restricted Stock tendered for exchange upon the occurrence of certain conditions by disseminating notice of the termination or postponement to the optionholders by public announcement, oral or written notice or otherwise as permitted by applicable law.

Subject to compliance with applicable law, EMC and VMware further reserve the right, in our discretion, and regardless of whether any event set forth in The Exchange Offer Conditions to Completion of the Offer has occurred or is deemed by us to have occurred, to amend this Offer in any respect, except if EMC or VMware materially change the terms of this Offer or the information concerning this Offer, or if they waive a material condition of this Offer, EMC and VMware will extend this Offer to the extent required by the SEC. The period by which this Offer will be extended in such a case will depend on the facts and circumstances, including the relative materiality of such terms or information. We will notify you of any such amendment and EMC will file with the SEC an amendment to the Schedule TO.

Amendments to this Offer may be made at any time, and from time to time, by providing appropriate notice of the amendment. Any notice pursuant to this Offer will be disseminated promptly to eligible employees in a manner reasonably designed to inform them of such change. EMC and VMware have no obligation to publish, advertise or otherwise communicate any such public announcement except by making a press release or as otherwise required by applicable law.

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### ***Automatic Extension (page 54)***

This Offer will be automatically extended, for a minimum of one trading day, if a market disruption event occurs with respect to the EMC Common Stock or the VMware Class A common stock on either of the two days during which the value of each share of EMC Common Stock or VMware Class A common stock was originally expected to be determined.

### ***Conditions to Completion of the Offer (page 54)***

This Offer is subject to various conditions, including the IPO Registration Statement and the Exchange Offer Registration Statement being declared effective by the SEC. EMC and VMware may in their discretion waive any of the conditions, in whole or in part, at any time and from time to time, prior to their acceptance for exchange and cancellation of EMC Options and EMC Restricted Stock tendered pursuant to this Offer, whether or not they waive any other condition to this Offer. EMC's and VMware's failure at any time to exercise any of these rights will not be deemed a waiver of any such rights.

### ***Risk Factors (page 19)***

In deciding whether to tender your EMC Options or EMC Restricted Stock, you should carefully consider the matters described in Risk Factors, as well as other information included in this Prospectus Offer to Exchange and the other documents incorporated by reference herein.

### ***Business of VMware (page 80)***

We are the leading provider of virtualization solutions. Our virtualization solutions represent a pioneering approach to computing that separates the operating system and application software from the underlying hardware to achieve significant improvements in efficiency, availability, flexibility and manageability. Our solutions enable organizations to aggregate multiple servers, storage infrastructure and networks together into shared pools of capacity that can be allocated dynamically, securely and reliably to applications as needed, increasing hardware utilization and reducing spending. We believe that the market opportunity for our virtualization solutions is large and expanding, with 24.6 million x86 servers and 489.7 million business client PCs installed worldwide as of December 2006. Our customer base includes 100% of the Fortune 100 and over 84% of the Fortune 1,000. Our customer base for our server solutions has grown to include 20,000 organizations of all sizes across numerous industries. We believe our solutions deliver significant economic value for customers, and many have adopted our solutions as the strategic and architectural foundation for their future computing initiatives.

In the eight years since the introduction of our first virtualization platform, we have expanded our offering with virtual infrastructure automation products to address distributed and heterogeneous infrastructure challenges such as system recoverability and reliability, backup and recovery, resource provisioning and management, capacity and performance management and desktop security. We have also complemented our virtualization platforms with a suite of related virtual infrastructure management products. Our broad and proven suite of virtualization solutions addresses a range of complex IT problems that include infrastructure optimization, business continuity, software lifecycle management and desktop management.

We work closely with over 200 technology partners, including leading server, processor, storage, networking and software vendors. We have shared the economic opportunities surrounding virtualization with our partners by facilitating solution development through open application programming interfaces (APIs), formats and protocols and providing access to our source code and technology. The endorsement and support of our partners have further enhanced the awareness, reputation and adoption of our virtualization solutions.

We have developed a multi-channel distribution model to expand our presence and reach various segments of the market. We derive a significant majority of our revenues from our large indirect sales channel of more than

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4,000 channel partners that include distributors, resellers, x86 system vendors and systems integrators. We believe that our partners benefit greatly from the sale of our solutions through additional services, software and hardware sales opportunities. We have trained a large number of partners and end users to deploy and leverage our solutions.

We have achieved strong financial performance to date, as demonstrated by our revenue growth. Our total revenues were \$703.9 million in 2006 and \$387.1 million in 2005, representing an increase of 82% in 2006. Software license revenues were \$491.9 million in 2006 and \$287.0 million in 2005, representing an increase of 71% in 2006.

The historical financial information we have included in this Prospectus Offer to Exchange includes allocations of certain corporate functions historically provided to us by EMC, including tax, accounting, treasury, legal and human resources services and other general corporate expenses. These allocations were made based on estimates which are considered reasonable by our management. Our historical results are not necessarily indicative of what our results of operations, financial position, cash flows or costs and expenses would have been had we been an independent entity during the historical periods presented or what our results of operations, financial position, cash flows or costs and expenses will be in the future when we are a publicly-traded, stand-alone company.

### **VMware s Industry Background (page 81)**

The introduction of x86 servers in the 1980s provided a low-cost alternative to mainframe and proprietary UNIX systems. The broad adoption of Windows and the emergence of Linux as server operating systems in the 1990s established x86 servers as the industry standard. The growth in x86 server and desktop deployments has introduced new operational risks and IT infrastructure challenges. These challenges include:

*Low Infrastructure Utilization.* Typical x86 server deployments achieve an average utilization of only 10% to 15% of total capacity, according to International Data Corporation (IDC), a market research firm. Organizations typically run one application per server to avoid the risk of vulnerabilities in one application affecting the availability of another application on the same server.

*Increasing Physical Infrastructure Costs.* The operational costs to support growing physical infrastructure have steadily increased. Most computing infrastructure must remain operational at all times, resulting in power consumption, cooling and facilities costs that do not vary with utilization levels.

*Increasing IT Management Costs.* As computing environments become more complex, the level of specialized education and experience required for infrastructure management personnel and the associated costs of such personnel have increased. Organizations spend disproportionate time and resources on manual tasks associated with server maintenance, and thus require more personnel to complete these tasks.

*Insufficient Failover and Disaster Protection.* Organizations are increasingly affected by the downtime of critical server applications and inaccessibility of critical end user desktops. The threat of security attacks, natural disasters, health pandemics and terrorism has elevated the importance of business continuity planning for both desktops and servers.

*Desktop Management and Security.* Managing and securing enterprise desktops present numerous challenges. Controlling a distributed desktop environment and enforcing management, access and security policies without impairing users ability to work effectively is complex and expensive. Numerous patches and upgrades must be continually applied to desktop environments to eliminate security vulnerabilities.

Virtualization was first introduced in the 1970s to enable multiple business applications to share and fully harness the centralized computing capacity of mainframe systems. Virtualization was effectively abandoned during the 1980s and 1990s when client-server applications and inexpensive x86 servers and desktops established

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the model of distributed computing. Rather than sharing resources centrally in the mainframe model, organizations used the low cost of distributed systems to build up islands of computing capacity, providing some benefits but also introducing new challenges. In 1999, VMware introduced virtualization to x86 systems as a means to efficiently address many of these challenges and to transform x86 systems into general purpose, shared hardware infrastructure that offers full isolation, mobility and operating system choice for application environments.

We believe that the addressable market opportunity for our virtualization solutions is large and expanding. IDC estimates that less than one million of the 24.6 million x86 servers and less than five million of the 489.7 million business client PCs deployed worldwide are running virtualization software. We believe industry trends towards more powerful yet under-utilized multi-core servers and the increasing complexity of managing desktop environments will further accelerate the widespread adoption of virtualization for both server and desktop deployments.

### **VMware's Solution (page 83)**

Our virtualization solutions run on industry-standard servers and desktops and support a wide range of operating system and application environments, as well as networking and storage infrastructure. We have designed our solutions to function independently of the hardware and operating system to provide customers with a broad platform choice. Our solutions provide a key integration point for hardware and infrastructure management vendors to deliver differentiated value that can be applied uniformly across all application and operating system environments. Key benefits to our virtualization solutions include:

*Server Consolidation and Infrastructure Optimization.* Our solutions enable organizations to achieve significantly higher resource utilization by pooling common infrastructure resources and breaking the legacy "one application to one server" model.

*Physical Infrastructure Cost Reduction.* Through server consolidation and containment, our solutions reduce the required number of servers and other related infrastructure overhead. Organizations are able to significantly decrease physical infrastructure costs through reduced data center space, power and cooling requirements.

*Improved Operational Flexibility and Responsiveness.* We offer a set of automation and management solutions that reduce the amount of time IT professionals must spend on largely reactive tasks, such as provisioning, configuration, monitoring and maintenance. Additionally, as the need for physical infrastructure decreases, so does the need for the highly-specialized personnel required to manage and maintain such environments.

*Increased Application Availability and Improved Business Continuity.* Our solutions enable organizations to reduce both planned and unplanned downtime in their computing environments by allowing them to securely migrate entire virtual environments to separate servers or even data center locations without user interruption.

*Improved Desktop Manageability and Security.* Our desktop virtualization solutions allow IT organizations to efficiently control and secure desktop environments to end users regardless of their location, desktop hardware, operating system or business application access needs.

### **VMware's Competitive Strengths (page 84)**

We believe that the following competitive strengths position us well to maintain and extend our leadership in virtualization solutions:

leading technology and market position;

broad product portfolio;

open standards and choice of operating systems;



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large installed base of customers;

strong partner network; and

robust global support operations and services.

**VMware's Growth Strategy (page 86)**

Our objective is to extend our market leadership in virtualization solutions. To accomplish this objective, we intend to:

broaden our product portfolio;

enable choice for customers and drive standards;

expand our network of technology and distribution partners;

increase sales to existing customers and pursue new customers; and

increase market awareness and drive adoption of virtualization.

**VMware's Relationship with EMC (page 118)**

We were acquired by EMC in January 2004, and prior to the IPO we have operated as a wholly owned subsidiary of EMC. As a result, in the ordinary course of our business, we have received various services provided by EMC, including tax, accounting, treasury, legal and human resources services. EMC has also provided us with the services of a number of its executives and employees prior to the IPO and will continue to do so after the IPO.

***EMC Will Be Our Controlling Stockholder.*** Immediately following the IPO, EMC, which will hold approximately 43% of our Class A common stock and 100% of our Class B common stock, will own approximately 89% of our outstanding common stock and 99% of the combined voting power of our outstanding common stock (approximately 88% of our outstanding common stock and 98% of the combined voting power of our outstanding common stock if the underwriters exercise in full the over-allotment option that we have granted them in the IPO). As a result, EMC will continue to control us following the completion of the IPO, and will be able to exercise control over all matters requiring stockholder approval, including the election of our directors and approval of significant corporate transactions.

***Agreements Between EMC and Us.*** We will enter into several agreements with EMC prior to the completion of the IPO, including a master transaction agreement, an administrative services agreement, a new tax sharing agreement, an intellectual property agreement, an employee benefits agreement, an insurance matters agreement and a real estate agreement. For a description of these agreements and the other agreements that we will enter into with EMC, read "VMware's Certain Relationships and Related Person Transactions" Relationship with EMC Corporation.

**Impact of the Exchange Offer (page 42)**

As of June 30, 2007, there were approximately 1,900 employees who would be eligible to participate in the Offer. Based on an assumed IPO Price of \$24.00 per share (the midpoint of the range reflected in the IPO Registration Statement) and an assumed VWAP of \$18.00 (which is representative of recent trading prices of EMC stock), a maximum of approximately 13.6 million shares of our Class A class common stock underlying options or restricted stock awards granted subject to the Offer would be issued, pursuant to the Offer, if all eligible employees tendered all of their EMC Options and EMC Restricted Stock. We estimate that the unamortized fair value of the exchanged awards will be approximately \$103.6 million, which will be recognized over the remaining vesting periods.



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To assist eligible employees in understanding the potential impact of the Offer on earnings per share, we note that supplemental pro forma basic and supplemental pro forma diluted earnings per share amounts would have been \$0.22 and \$0.22 for the year ended December 31, 2006 and \$0.11 and \$0.11 for the three months ended March 31, 2007, respectively, assuming the following:

Supplemental pro forma basic and diluted earnings per share data assume actual pre-tax income is reduced by \$415,000 and \$4,083,000 for the three months ended March 31, 2007 and the year ended December 31, 2006, respectively, and net income is reduced by \$259,000 and \$2,552,000 for the three months ended March 31, 2007 and the year ended December 31, 2006, respectively, to reflect the estimated impact of the respective period's amortization of the incremental stock compensation expense resulting from the Offer.

Supplemental pro forma basic weighted average shares data assume the issuance and sale of the full 37,950,000 shares of our Class A common stock (assuming the over-allotment option is exercised in full) had occurred January 1, 2006. Supplemental pro forma basic weighted average shares data also assume the issuance and sale of 9,500,000 shares of our Class A common stock to Intel (described below in *Recent Developments*) had occurred January 1, 2006. (This differs from the basic pro forma per share data presented under *Summary Consolidated Financial Data*, *Selected Consolidated Financial Data* and the consolidated financial statements. That presentation includes only the incremental number of shares necessary to be sold to fund the amount of the April 2007 dividend to EMC in excess of the most recent twelve months' earnings.)

Supplemental pro forma diluted earnings per share amounts assume (1) the issuance and sale of the Class A common stock (pursuant to the IPO and to the Intel investment) on the terms described above and (2) the consummation of the Offer assuming 100% of all the options and shares are exchanged, assuming an IPO Price of \$24.00 per share (the midpoint of the range set forth on the cover of this IPO Registration Statement) and assuming a VWAP of \$18.00 (which is representative of recent trading prices of EMC stock). If zero equity instruments were assumed to be exchanged, diluted income per share for these periods would be the same as the basic earnings per share.

This compares to reported basic and diluted earnings per share of \$0.26 and \$0.26 for the year ended December 31, 2006 and \$0.12 and \$0.12 for the three months ended March 31, 2007, respectively.

**Recent Developments**

VMware and Intel Corporation, or Intel, have had an ongoing strategic relationship. VMware's base virtualization platform virtualizes Intel architecture. Intel Capital Corporation, or Intel Capital, the global investment arm of Intel, has agreed to invest \$218.5 million in our Class A common stock at \$23.00 per share, subject to the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, and the satisfaction of other customary closing conditions. Upon the closing of the investment, Intel Capital will own 9.5 million shares, or approximately 12.7%, of our Class A common stock to be outstanding after this offering and approximately 2.5% of our total outstanding common stock which will then be outstanding, which shares will represent less than 1% of the combined voting power of our outstanding common stock. Pursuant to Intel Capital's proposed investment, at the later of the closing of the investment, and the earlier of the completion of this offering and September 30, 2007, our board of directors will appoint a new board member, an Intel executive to be designated by Intel and acceptable to our board. We have also entered into an investor rights agreement with Intel pursuant to which Intel will have certain registration and other rights as a holder of our Class A common stock. See *Description of Capital Stock of VMware*. In addition, we and Intel have entered into a routine and customary collaboration partnering agreement that expresses the parties' intent to continue to expand their cooperative efforts around joint development, marketing and industry initiatives. Intel's investment is intended to foster strengthened intercompany collaboration towards accelerating VMware virtualization product adoption on Intel architecture and reinforcing the value of virtualization technology for customers.

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This investment will not cause any change to VMware's continued operation under our rules of engagement with respect to open industry partnerships and confidentiality principles that we publish to our technology partners.

**Legal and Other Limitations (page 56)**

This Prospectus Offer to Exchange is not an offer to sell or exchange and it is not a solicitation of an offer to buy any shares of EMC's common stock or VMware Class A common stock in any jurisdiction in the United States in which the offer, sale or exchange is not permitted. EMC and VMware are not aware of any jurisdiction in the United States where the making of this Offer or its acceptance would not be legal. If EMC or VMware learn of any jurisdiction where making this Offer or its acceptance would not be permitted, EMC and VMware intend to make a good faith effort to comply with the relevant law in order to enable such offer and acceptance to be permitted. If, after such good faith effort, EMC and VMware cannot comply with such law, EMC and VMware will determine whether this Offer will be made to and whether tenders will be accepted from or on behalf of persons who are holders of shares of EMC Options and EMC Restricted Stock residing in the jurisdiction.

In any jurisdiction in which the securities or blue sky laws require this Offer to be made by a licensed broker or dealer, this Offer may be made on EMC's or VMware's behalf by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

**Market Prices; Dividend Information (page 57)**

EMC's common stock is listed on the New York Stock Exchange under the symbol EMC. VMware Class A common stock has been approved for listing on the New York Stock Exchange under the symbol VMW. The closing sales price of EMC's common stock was \$18.66 on July 6, 2007, the last full trading day prior to the date of this Prospectus Offer to Exchange. The indicative exchange ratio that would have been in effect following the official close of trading on the New York Stock Exchange on July 6, 2007, based on the average (arithmetic mean) of the VWAP of EMC's common stock on July 5, 2007 and July 6, 2007, the last two full trading days prior to the date of this Prospectus Offer to Exchange and assuming an IPO Price of \$24.00 per share (the midpoint of the range of the estimated IPO price reflected in the IPO Registration Statement), would have provided for approximately 0.76912 shares (subject to rounding on a grant-by-grant basis) of VMware Class A common stock subject to a VMware Option or shares of VMware Restricted Stock to be exchanged for every share of EMC common stock subject to an EMC Option or share of EMC Restricted Stock accepted for exchange in the Offer.

EMC has never paid cash dividends on its common stock. VMware paid cash dividends of \$190.0 million and \$92.9 million to EMC in 2005 and 2004, respectively, and an \$800.0 million dividend payable to EMC in the form of a note in April 2007. VMware does not anticipate declaring any cash dividends in the foreseeable future.

**U.S. Federal Income Tax Consequences (page 132)**

The exchange of options and restricted stock pursuant to this Offer is expected to be treated as a non-taxable exchange and the Company and the participants in the exchange are not expected to recognize income for U.S. federal income tax purposes upon the tender of EMC Options and EMC Restricted Stock and the award of VMware Options and VMware Restricted Stock. All incentive stock options that are tendered in this Offer will be exchanged for nonqualified stock options. VMware may be entitled to a tax deduction upon the exercise of the nonqualified stock options issued as VMware Options.

An optionholder who receives nonqualified stock options in VMware in exchange for incentive stock options will, with respect to such nonqualified stock options, not be eligible for the favorable tax treatment that is available to incentive stock options. That favorable tax treatment consists generally of the ability to exercise the

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option without an immediate tax liability for the optionee and the ability to receive capital gains tax treatment upon disposition of the underlying shares under certain circumstances.

**Additional tax information with respect to the VMware Options and VMware Restricted Stock granted under the VMware 2007 Equity and Incentive Plan ( 2007 Equity and Incentive Plan ) is provided under U.S. Federal Income Tax Consequences. This information is a brief summary only and reference is made to the Internal Revenue Code of 1986, as amended, and the regulations and interpretations issued thereunder, for a complete statement of all relevant federal tax consequences.** We recommend that you consult your own tax advisor with respect to the country, state and local tax consequences of participating in this Offer.

### **No Appraisal Rights (page 43)**

No appraisal rights are available to EMC shareholders or VMware stockholders in connection with this Offer.

### **Accounting Treatment of the Offer (page 43)**

Accounting for the transaction will result in an incremental accounting expense for VMware equal to the value of the awards granted in the exchange over the value of the awards tendered and accepted for exchange based on a Black-Scholes valuation. It is expected that there will be excess fair value of the awards granted in the exchange over the fair value of the awards tendered and accepted for exchange based on a

Black-Scholes valuation, even though the intrinsic value to eligible employees will remain the same (subject to the effects of rounding fractional amounts), because the Black-Scholes valuation takes into account the expected volatility of a stock, which is expected to be different between EMC Stock and VMware Stock. Additionally, the expected term of the options granted in the exchange may differ from the options tendered and accepted for exchange, which would result in an incremental expense. The incremental expense will be recognized by VMware over the remaining vesting period of the awards.

### **Comparison of Stockholder Rights (page 143)**

VMware is organized under the laws of the State of Delaware, while EMC is organized under the laws of the Commonwealth of Massachusetts. Differences in the rights of a stockholder of VMware from those of a shareholder of EMC arise principally from differences in the laws of Delaware and Massachusetts and the constitutive documents of each of VMware and EMC.

### **The Information and Exchange Agent**

The information and exchange agent for this Offer is Mellon Investor Services.

**Table of Contents****Comparative Per Share Data**

The following tables present certain historical per share data for EMC and certain historical per share and pro forma data for VMware.

You should read the information below together with VMware's audited consolidated financial statements and related notes and the information under VMware Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Prospectus Offer to Exchange and the historical financial statements and related notes contained in EMC's Form 10-K and Form 10-Qs that EMC has filed with the SEC and which are incorporated herein by reference. To obtain copies of these documents, see Where You Can Find More Information about EMC and VMware on page 162. The unaudited pro forma data below is for illustrative purposes only. The companies might have performed differently had they operated as stand-alone companies during all periods presented. Accordingly, the historical results should not be relied upon as an indicator of future performance. You should not rely on the information as being indicative of the historical results that would have been achieved or the future results of operation or financial condition that the companies will experience in the future.

**EMC****Three Months Ended**

	March 31,		Years Ended December 31,				2002
	2007	2006	2006	2005	2004	2003	
	(in thousands, except per share amounts)						
Cash dividends per share	\$	\$	\$	\$	\$	\$	\$
Net income (loss) per weighted average share:							
Basic	0.15	0.12	0.54	0.48	0.36	0.22	(0.05)
Diluted	0.15	0.11	0.54	0.47	0.36	0.22	(0.05)
	<b>March 31,</b>						
	<b>2007</b>						
Book value per share	\$ 4.93						

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	Successor Company				Predecessor Company		
	Three Months Ended March 31, Year Ended December 31, (in thousands, except per share amounts)				(in thousands)		
	2007	2006	2006	2005	Period from January 9, 2004 to December 31, 2004	Period from February 1, 2003 to January 8, 2004	Year Ended January 31, 2003
Cash dividends per share <sup>(1)</sup>	\$	\$	\$ 2.41	\$ 0.57	\$ 0.28	\$	\$
Net income per weighted average share for Class A and Class B:							
Basic	0.12	0.06	0.26	0.20	0.05	N/A	N/A
Diluted	0.12	0.06	0.26	0.20	0.05	N/A	N/A
	<b>March 31, 2007</b>						
Book value per share	\$ (0.55)						
	<b>Three Months Ended March 31, 2007</b>		<b>Year Ended December 31, 2006</b>				
<b>Pro forma<sup>(2)</sup>:</b>							
Cash dividends per share <sup>(1)</sup>	\$	\$	2.13				
Net income (loss) per weighted average share for Class A and Class B:							
Basic	\$ 0.11	\$	0.22				
Diluted	\$ 0.11	\$	0.22				
	<b>March 31, 2007</b>						
<b>Pro forma<sup>(2)</sup>:</b>							
Book value per share	\$ 2.36						

(1) In April 2007, VMware declared an \$800,000 dividend to EMC. The dividend has been given retroactive effect as of December 31, 2006.

(2) The pro forma data gives effect to (i) the issuance and sale of 37,950,000 shares of our Class A common stock in the IPO (assuming the over-allotment option is exercised in full) at an assumed IPO Price of \$24.00 per share (the midpoint of the range of the estimated IPO Price reflected in the IPO Registration Statement), (ii) the issuance and sale to Intel of 9,500,000 shares of our Class A common stock for proceeds of \$218,500, (iii) the deduction of estimated underwriting discounts and offering expenses payable by us and (iv) the consummation of the Offer as described in this Prospectus Offer to Exchange, assuming an IPO Price of \$24.00 and a VWAP of \$18.00.

The consummation of the Offer will result in incremental pre-tax stock-based compensation expense based on the difference between the exchange date fair value of the options and restricted stock surrendered and the fair value of the options and restricted stock issued in return. Assuming the consummation of the Offer at an assumed initial public offering price of \$24.00 per share (the midpoint of the range of the estimated IPO Price reflected in the IPO Registration Statement) and a VWAP equal to \$18.00 per share (which is representative of recent trading prices of EMC stock), there will be incremental stock-based compensation of \$7,700, which will be recognized over the vesting periods of the equity instruments exchanged in the Offer. The historic, pro forma adjustments and pro forma total stock-based compensation

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and net income for the year ended December 31, 2006 and the three months ended March 31, 2007 is as follows:

	Three Months Ended March 31, 2007			Year Ended December 31, 2006		
	Actual	Pro forma Adjustments	Pro Forma	Actual	Adjustments Pro forma	Pro Forma
Total pre-tax stock-based compensation expense	\$ 8,720	\$ 415	\$ 9,135	\$ 38,997	\$ 4,083	\$ 43,080
Net income	41,080	(259)	40,821	85,890	(2,552)	83,338



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The final incremental pre-tax stock based compensation expense will be determined based on the number of EMC Options and EMC Restricted Stock exchanged, the actual IPO price and the actual VWAP. The following table provides sensitivities to the pro forma basic and diluted earnings per share for differences in the number of equity instruments exchanged, the assumed IPO price and the assumed VWAP. The amounts below assume the issuance of 37,950,000 shares of Class A common stock in the IPO, the sale and issuance of 9,500,000 shares of Class A common stock to Intel and the completion of the exchange offer on the following terms:

	Three Months Ended March 31, 2007		Year Ended December 31, 2006	
	Pro	Pro	Pro	Pro
	Forma	Forma	Forma	Forma
	Basic Earnings	Diluted	Basic Earnings	Diluted
	per	Earnings per	per	Earnings per
	Share	Share	Share	Share
50% of EMC Options and EMC Restricted Stock are exchanged, assuming an IPO price of \$24.00 per share and a VWAP of \$18.00 per share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22
100% of EMC Options and EMC Restricted Stock are exchanged, assuming an IPO price of \$25.00 per share and a VWAP of \$18.00 per share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22
100% of equity instruments are exchanged, assuming an IPO of \$23.00 per share and a VWAP of \$20.00 per share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22

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**VMWARE'S SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data should be read together with VMware Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this Prospectus Offer to Exchange.

The data for the years ended December 31, 2006 and 2005 and the period from January 9, 2004 to December 31, 2004 have been derived from our audited consolidated financial statements included elsewhere in this Prospectus Offer to Exchange. The data for the three months ended March 31, 2007 and 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this Prospectus Offer to Exchange. We have prepared the unaudited consolidated financial statements on the same basis as the audited consolidated financial statements and, in the opinion of management, the statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial information set forth in these statements. On January 8, 2004, all of our capital stock was purchased by EMC. The acquisition was accounted for as a purchase; accordingly, our assets and liabilities were adjusted to their fair market values. Prior to the acquisition by EMC, our fiscal year ended on January 31. In connection with the acquisition, our fiscal year end was changed to December 31 to conform to EMC's year end. The data for the fiscal year ended January 31, 2003 was derived from the audited consolidated financial statements of our predecessor, which are not included in this Prospectus Offer to Exchange. The data for the period from February 1, 2003 to January 8, 2004 was derived from the unaudited consolidated financial statements of our predecessor, which are not included in this Prospectus Offer to Exchange. As a result of our acquisition by EMC and the resulting change in basis, the results of operations and financial position of our predecessor are not comparable with our results of operations and financial position following our acquisition by EMC.

Our consolidated financial statements include allocations of certain corporate functions provided to us by EMC, including general corporate expenses. These allocations were made based on estimates of effort or resources incurred on our behalf and which are considered reasonable by management. Additionally, certain other costs incurred by EMC for our direct benefit, such as rent, salaries and benefits have been included in our financial statements.

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The financial statements included in this Prospectus Offer to Exchange may not necessarily reflect our results of operations, financial position and cash flows as if we had operated as a stand-alone company during all periods presented. Accordingly, our historical results should not be relied upon as an indicator of our future performance.

	Three Months Ended March 31,		Successor Company Years Ended December 31,		Predecessor Company Period from		
	2007	2006	2006 <sup>(1)</sup>	2005	Period from January 9, 2004 to December 31, 2004	February 1, 2003 to January 8, 2004	Year Ended January 31, 2003
	(in thousands, except per share amounts)				(in thousands)		
<b>Summary of Operations:</b>							
Revenues:							
License <sup>(2)</sup>	\$ 169,557	\$ 90,300	\$ 491,902	\$ 287,006	\$ 178,873	\$ 61,980	\$ 31,216
Services <sup>(2)</sup>	89,138	38,777	212,002	100,068	39,883	12,220	
<b>Total revenues</b>	<b>258,695</b>	<b>129,077</b>	<b>703,904</b>	<b>387,074</b>	<b>218,756</b>	<b>74,200</b>	<b>31,216</b>
Costs of revenues:							
Cost of license revenues <sup>(2)(3)</sup>	20,556	12,405	59,202	40,340	32,811	3,449	5,596
Cost of services revenues <sup>(2)(3)</sup>	23,468	9,599	64,180	24,852	12,625	4,770	
	44,024	22,004	123,382	65,192	45,436	8,219	5,596
<b>Gross profit</b>	<b>214,671</b>	<b>107,073</b>	<b>580,522</b>	<b>321,882</b>	<b>173,320</b>	<b>65,981</b>	<b>25,620</b>
Operating expenses:							
Research and development <sup>(3)</sup>	54,958	22,335	148,254	72,561	43,900	25,382	15,788
Sales and marketing <sup>(3)</sup>	86,707	42,566	238,327	124,964	59,976	23,028	12,457
General and administrative <sup>(3)</sup>	26,624	11,847	69,602	30,762	19,037	11,539	4,168
In-process research and development			3,700		15,200		
<b>Operating income (loss)</b>	<b>46,382</b>	<b>30,325</b>	<b>120,639</b>	<b>93,595</b>	<b>35,207</b>	<b>6,032</b>	<b>(6,793)</b>
Investment income	2,977	340					