VMWARE, INC.
Form S-4/A
July 24, 2007
Table of Contents

As filed with the Securities and Exchange Commission on July 24, 2007

Registration No. 333-144424

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1 to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

VMWARE, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**7372**	**94-3292913**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

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)

Rashmi Garde, Esq.

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.	Paul T. Dacier, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP	EMC Corporation
One Beacon Street	176 South Street
Boston, Massachusetts 02108	Hopkinton, Massachusetts 01748
(617) 573-4800	(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[(2)]
Options to purchase Class A Common Stock, par value $.01 per share	9,225,000[(1),(2)]	N/A	$ 239,112,000[(2)]	$ 7,340.74[(3)(4)]
Restricted Class A Common Stock	4,350,000[(1),(2)]	N/A	$ 112,752,000[(2)]	$ 3,461.49[(3)(5)]

(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 $19.54 (the average of the volume-weighted average price per share of EMC stock for the two days ended July 20, 2007).

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

(4) 6,796.98 of which has been previously paid.

(5) 3,205.08 of which has been previously paid.

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.

Table of Contents

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.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE

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

UNLESS THE OFFER IS EXTENDED.

EMC Corporation (EMC) and VMware, Inc. (VMware or the Company), a 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 of the commencement of this Offer 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 the United States, on and from the date of the commencement of this Offer 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.

We and EMC commenced the Offer on July 9, 2007, prior to the effectiveness of our registration statement on Form S-4 of which this Prospectus Offer to Exchange is a part, in accordance with Rule 162 of the Securities Act of 1933, as amended (the Securities Act), and Rule 13e-4(e)(2) of the Securities Exchange Act of 1934, as amended (the Exchange Act). 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. EMC currently owns substantially all of our outstanding common stock 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.

The Information and Exchange Agent for this Offer is:

Mellon Investor Services

July 9, 2007, as amended July 24, 2007

Table of Contents

TABLE OF CONTENTS

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:

By Mail:	By Hand:	By Overnight:
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.)

Also see Where You Can Find More Information about EMC and VMware on page 163.

Table of Contents

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.).

Table of Contents

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 the commencement of this 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.

Table of Contents

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.

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.

Table of Contents

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 $19.54 and the IPO Price were $24, the Exchange Ratio would be approximately 0.81, and if you tendered 1,000 EMC Options, you would receive 814 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.

Table of Contents

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 chose 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.

Table of Contents

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

Table of Contents

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.

Table of Contents

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

Table of Contents

(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.

Table of Contents

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

EMC currently owns substantially all of VMware s outstanding common stock. 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

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.

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

Table of Contents

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 54)

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.

Table of Contents

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 55)

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 81)

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 and management 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. 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

Table of Contents

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 82)

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

Table of Contents

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 84)

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 85)

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;

- large installed base of customers;
- strong partner network; and
- robust global support operations and services.

VMware s Growth Strategy (page 87)

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 119)

We were acquired by EMC in January 2004, and prior to the IPO we were 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 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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007), a maximum of approximately 14.7 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 $103.1 million, which will be recognized over the remaining vesting periods.

Table of Contents

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 $380,000 and $3,756,000 for the three months ended March 31, 2007 and the year ended December 31, 2006, respectively, and net income is reduced by $238,000 and $2,348,000 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 Capital (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). The calculation includes the exercise of the over-allotment option to provide potential investors the ability to understand the maximum amount of dilution that may occur as a result of the IPO and the Offer. This assumption varies from other pro forma amounts shown in other parts of the Prospectus Offer to Exchange that give effect to the offering in which the over-allotment option is not assumed to be exercised.

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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007). 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 the IPO and approximately 2.5% of our total 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 the IPO 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 Capital pursuant to which Intel Capital 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.

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.

In June 2007, VMware adopted the VMware 2007 Equity and Incentive Plan (2007 Equity and Incentive Plan), which provides for the granting of stock options or other stock-based awards, including awards of restricted stock. Through July 2, 2007, VMware s Compensation and Corporate Governance Committee made broad-based grants to issue approximately 35.8 million stock options and approximately 453,000 restricted stock units. These awards have a fair value of approximately $260.5 million, which will be recognized over the awards vesting periods, resulting in incremental equity-based compensation expense through 2011. See VMware Management s Discussion and Analysis of Financial Condition and Results of Operations Equity-based Compensation.

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 the commencement of this Offer. 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 the commencement of this Offer 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.

Table of Contents

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 133)

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 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 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 144)

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.

Table of Contents

The Information and Exchange Agent

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

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 163. 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,				
	2007	2006	2006	2005	2004	2003	2002
	(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)

	March 31, 2007
Book value per share	$ 4.93

11

Table of Contents

VMware

	Successor Company Three Months Ended March 31,		Year Ended December 31, (in thousands, except per share amounts)			Predecessor Company (in thousands)	
					Period from January 9, 2004 to December 31,	Period from February 1, 2003 to January 8,	Year Ended January 31,
	2007	2006	2006	2005	2004	2004	2003
Cash dividends per share[1]	$	$	$ 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

	March 31, 2007
Book value per share	$ (0.55)

	Three Months Ended March 31, 2007	Year Ended December 31, 2006
Pro forma[2]:		
Cash dividends per share [1]	$	$ 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

	March 31, 2007
Pro forma[2]:	
Book value per share	$ 2.34

(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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007).

Table of Contents

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 $19.54 per share (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007), there will be incremental stock-based compensation of $7,100, 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 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	Pro forma Adjustments	Pro Forma
Total pre-tax stock-based compensation expense	$ 8,720	$ 380	$ 9,100	$ 38,997	$ 3,756	$ 42,753
Net income	41,080	(238)	40,842	85,890	(2,348)	83,542

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 Offer on the following terms:

	Three Months Ended March 31, 2007		Year Ended December 31, 2006	
	Pro Forma Basic Earnings per Share	Pro Forma Diluted Earnings per Share	Pro Forma Basic Earnings per Share	Pro Forma Diluted Earnings per Share
50% of EMC Options and EMC Restricted Stock are exchanged, assuming an IPO price of $24.00 per share and a VWAP of $19.54 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 $19.54 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 $19.54 per share	$ 0.11	$ 0.11	$ 0.22	$ 0.22

Table of Contents

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.

Table of Contents

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.

	Successor Company					Predecessor Company	
	Three Months Ended March 31,		Years Ended December 31,		Period from January 9, 2004 to December 31,	Period from February 1, 2003 to January 8,	Year Ended January 31,
	2007	2006	2006[1]	2005	2004	2004	2003
	(in thousands, except per share amounts)					(in thousands)	
Summary of Operations:							
Revenues:							
License[2]	$ 169,557	$ 90,300	$ 491,902	$ 287,006	$ 178,873	$ 61,980	$ 31,216
Services[2]	89,138	38,777	212,002	100,068	39,883	12,220	
Total revenues	258,695	129,077	703,904	387,074	218,756	74,200	31,216
Costs of revenues:							
Cost of license revenues[2][3]	20,556	12,405	59,202	40,340	32,811	3,449	5,596
Cost of services revenues[2][3]	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
Gross profit	214,671	107,073	580,522	321,882	173,320	65,981	25,620
Operating expenses:							
Research and development[3]	54,958	22,335	148,254	72,561	43,900	25,382	15,788
Sales and marketing[3]	86,707	42,566	238,327	124,964	59,976	23,028	12,457
General and administrative[3]	26,624	11,847	69,602	30,762	19,037	11,539	4,168
In-process research and development			3,700		15,200		
Operating income (loss)	46,382	30,325	120,639	93,595	35,207	6,032	(6,793)
Investment income	2,977	340	3,271	3,077	53	463	554
Other income (expense), net	59	(348)	(1,363)	(1,332)	(110)	(27)	
Income (loss) before taxes	49,418	30,317	122,547	95,340	35,150	6,468	(6,239)
Income tax provision[4]	8,338	9,981	36,832	28,565	18,369	1,848	145
Income (loss) before cumulative effect of a change in accounting principle	41,080	20,336	85,715	66,775	16,781	4,620	(6,384)
Cumulative effect of a change in accounting principle (net of tax)		175	175				
Net income (loss)	$ 41,080	$ 20,511	$ 85,890	$ 66,775	$ 16,781	$ 4,620	$ (6,384)
Net income per weighted average share, basic and diluted for Class A and Class B	$ 0.12	$ 0.06	$ 0.26	$ 0.20	$ 0.05	N/A	N/A
Weighted average shares, basic and diluted for Class A and Class B	332,500	332,500	332,500	332,500	332,500	N/A	N/A
Pro forma basic and diluted earnings per share for Class A and Class B[5]	$ 0.11		$ 0.24				

Pro forma weighted average shares, basic and diluted for Class A and Class B	363,366	363,366

15

Table of Contents

	Successor Company				Predecessor Company	
	March 31,	December 31,			January 8,	January 31,
	2007	2006	2005	2004	2004	2003
	(in thousands)				(in thousands)	
Balance Sheet Data:						
Cash and cash equivalents	$ 258,468	$ 176,134	$ 38,653	$ 36,059	$ 49,883	$ 13,686
Working capital (deficiency)	3,448	(55,318)	(134,198)	(29,166)	12,189	6,566
Total assets	1,244,317	1,145,950	799,803	697,675	82,015	39,559
Total stockholder s equity (deficit)(5)	(183,493)	(230,812)	453,829	560,282	(27,455)	(35,566)

(1) In 2006, VMware acquired all of the outstanding shares of Akimbi Systems, Inc. See Note B to the consolidated financial statements included elsewhere in this Prospectus Offer to Exchange.

(2) The Company did not separate its revenues or cost of revenues between license and services for the year ended January 31, 2003. For purposes of this presentation, the total revenues and total cost of revenues for such period have been presented license revenues and cost of license revenues, respectively.

(3) Includes stock-based compensation, acquisition-related intangible amortization and capitalized software development costs amortization, and excludes capitalized software development costs, as indicated in the table below.

	Successor Company					Predecessor Company	
	Three Months Ended March 31,		Year Ended December 31,		Period from January 9, 2004 to December 31,	Period from February 1, 2003 to January 8,	Year Ended January 31,
	2007	2006	2006	2005	2004	2004	2003
Cost of license revenues							
Stock-based compensation	$ 36	$ 14	$ 99	$	$	$	$
Acquisition-related intangible amortization	5,215	5,387	21,840	23,357	25,487		
Capitalized software development costs amortization	7,987	2,769	22,299	6,159	1,317		
Cost of services revenues							
Stock-based compensation	494	395	2,384	1,299	1,061		
Research and development							
Stock-based compensation not capitalized	6,392	2,225	26,342	14,656	10,292		
Total capitalized software development costs	(7,599)	(17,671)	(43,012)	(25,103)	(8,155)		
Stock-based compensation included in total capitalized software development costs above	927	5,329	10,489	3,545			
Sales and marketing							
Stock-based compensation	2,944	1,840	12,020	5,341	4,672		
Acquisition-related intangible amortization	577	544	2,188	1,785			
General and administrative							
Stock-based compensation	1,778	1,995	10,381	5,775	3,518		
Acquisition-related intangible amortization	493	374	1,494	1,000	773		

(4)

The income tax effect of stock-based compensation, acquisition-related intangible amortization, capitalized software development costs and amortization of capitalized software development costs was $5,144, $(167), $18,042, $9,567, $9,083, $ and $ for the three months ended March 31, 2007 and 2006, the years ended December 31, 2006 and 2005, the period from January 9, 2004 to December 31, 2004, the period from February 1, 2003 to January 8, 2004 and 2003, respectively.

16

Table of Contents

(5) Unaudited pro forma per share data gives effect, in the weighted average shares used in the calculation, to the additional 30.9 million shares, which, when multiplied by the assumed offering price of $24.00 per share (the midpoint of the range set forth in the IPO Registration Statement), and after giving effect to a pro rata allocation of offering costs, would have been required to be issued to generate proceeds sufficient to pay the portion of the $800,000 dividend declared in April 2007 (see Note M to the consolidated financial statements included elsewhere in this Prospectus Offer to Exchange) that exceeded the most recent twelve months net earnings.

(6) The stockholders equity (deficit) as of March 31, 2007, gives retroactive effect to the $800,000 dividend paid to EMC in the form of a note in April 2007. See Note M to the financial statements.

Table of Contents

EMC S SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

	Three Months Ended March 31, 2007	2006	2006[1][2]	Year Ended December 31, 2005[3]	2004[4]	2003[5]	2002
	(in thousands, except per share amounts)			(in thousands, except per share amounts)			
Summary of Operations:							
Revenues	$ 2,975,005	$ 2,550,687	$ 11,155,090	$ 9,663,955	$ 8,229,488	$ 6,236,808	$ 5,438,352
Operating income (loss)	341,528	302,824	1,207,758	1,480,422	1,043,993	401,157	(493,831)
Net income (loss)	312,607	272,456	1,223,982	1,133,165	871,189	496,108	(118,706)
Net income (loss) per weighted average share, basic	$ 0.15	$ 0.12	$ 0.54	$ 0.48	$ 0.36	$ 0.22	$ (0.05)
Net income (loss) per weighted average share, diluted	$ 0.15	$ 0.11	$ 0.54	$ 0.47	$ 0.36	$ 0.22	$ (0.05)
Weighted average shares, basic	2,080,039	2,350,606	2,248,431	2,382,977	2,402,198	2,211,544	2,206,294
Weighted average shares, diluted	2,121,826	2,400,312	2,286,304	2,432,582	2,450,570	2,237,656	2,206,294

	March 31, 2007	2006	2006[1][2]	December 31, 2005[3]	2004[4]	2003[5]	2002
	(in thousands, except per share amounts)			(in thousands, except per share amounts)			
Balance Sheet Data:							
Working capital	$ 3,554,022	$ 2,365,077	$ 2,639,483	$ 2,900,118	$ 1,882,226	$ 2,140,775	$ 2,175,598
Total assets	18,622,308	16,662,056	18,566,247	16,790,383	15,422,906	14,092,860	9,590,447
Long-term obligations[6]	3,571,560	113,409	3,454,665	129,994	130,844	132,634	6,963
Stockholders equity	10,339,778	12,115,191	10,325,707	12,065,430	11,523,287	10,884,721	7,226,002

(1) In 2006, EMC adopted FAS No. 123R Share-based Payment which requires the expensing of stock options. As a result of adopting the new standard, Operating income decreased by $241.6 million, Net income decreased by $204.5 million, Net income per weighted average share, basic decreased by $0.10 and Net income per weighted average share, diluted decreased by $0.09.

(2) In 2006, EMC acquired all of the outstanding shares of RSA Security Inc., Network Intelligence Corporation, Kashya, Inc., Interlink Group, Inc., nLayers Ltd., Akimbi Systems, Inc. and Avamar Technologies, Inc. and acquired the assets of ProActivity Software Solutions Ltd..

(3) In 2005, EMC acquired all of the outstanding shares of System Management Arts Incorporated and Captiva Software Corporation.

(4) In 2004, EMC acquired all of the outstanding shares of VMware.

(5) In 2003, EMC acquired all of the outstanding shares of LEGATO Systems, Inc. and Documentum, Inc.

(6) Includes long-term convertible debt and capital leases, excluding current portion.

RISK FACTORS

Risks Related to the Offer

You will be subject to different risks if you tender EMC Options or shares of EMC Restricted Stock in the Offer.

If you exchange all of your EMC Options and shares of EMC Restricted Stock, and you do not otherwise own EMC Stock, then you will no longer have an interest in EMC and its possible future growth, but instead you will have an interest in VMware and its possible future growth. As a result, you will be subject exclusively to risks associated with an investment in VMware and not risks associated with an investment in EMC.

If you exchange some, but not all, of your EMC Options or shares of EMC Restricted Stock, then you will have an interest in both EMC and its possible future growth and VMware and its possible future growth and you will be subject to the risks associated with investments in both EMC and VMware. This means that, in the future, a VMware Option that you receive in the exchange could be out of the money at a time when, based on the then current price of EMC Stock, the EMC Option you exchanged would have been in the money had you retained it. If a VMware Option that you receive in the exchange becomes out of the money and remains out of the money after it vests and until its expiration, it will then be worthless.

If you do not exchange any of your EMC Options and shares of EMC Restricted Stock, then you will continue to have an interest in EMC and its possible future growth and will be subject to the risks associated with an investment in EMC. However, if you otherwise have or receive VMware Options or shares of VMware Stock, you will continue to have an interest in VMware and its possible future growth and will be subject to the risks associated with an investment in VMware.

You will not know the exact number of VMware Options or shares of VMware Restricted Stock that you will receive in the exchange at the time by which you must decide whether or not to tender your EMC Options or shares of EMC Restricted Stock.

A final Exchange Ratio will be posted at approximately 2:30 p.m., Pacific Time, after the Offer expires on the Expiration Date. As you must make any election to tender before that time, you will not know exactly how many VMware Options or shares of VMware Restricted Stock you will receive in exchange for your tendered EMC Options or shares of EMC Restricted Stock when you make your election.

If you tender vested EMC Options, the VMware Options that you receive in exchange will have a new vesting schedule.

If you tender vested EMC Options, the VMware Options that you receive in exchange will be subject to a new vesting period, commencing on the Grant Date, which provides for full vesting, subject to continued employment, following 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). These VMware Options will not be vested at the Grant Date and will vest monthly in equal amounts over the vesting period. Therefore, you will lose the benefit of the time towards vesting that you accumulated in order to vest those EMC Options. Subject to the conditions of your option agreement and the terms of the applicable EMC Plan, if your employment with VMware terminates following the Grant Date, unvested VMware Options that you receive in the exchange may be forfeited.

If you tender shares of EMC Restricted Stock, the shares of VMware Restricted Stock that you receive in exchange may not be subject to the same acceleration provisions.

Except as described in the next risk factor, EMC Restricted Stock properly tendered in this Offer and not withdrawn will be exchanged for VMware Restricted Stock which will continue to be governed by the same provisions regarding timing of the lapse of restrictions and other terms and conditions of the EMC Restricted Stock for which it was exchanged, except that the certain VMware Restricted Stock, depending on the date of grant, received in this Offer will be subject to different acceleration provisions related to VMware achieving certain performance benchmarks than those applicable to the original EMC Restricted Stock award.

If you tender vested EMC Options or Restricted Stock, the VMware Options or VMware Restricted Stock that you receive in exchange will not be subject to accelerated vesting on a change in control.

The EMC Options and EMC Restricted Stock which you may tender in the Offer were, in certain circumstances, subject to accelerated vesting on a change in control of EMC. The VMware Options and VMware Restricted Stock that we will grant in the exchange will not be subject to accelerated vesting on a change in control. This means that, unless otherwise provided at the time, you will not receive the benefit of your VMware Options and VMware Restricted Stock becoming fully vested or unrestricted upon a change in control.

If you do not tender some or all of your EMC Options or shares of EMC Restricted Stock, you could lose the rights to those EMC Options and shares of EMC Restricted Stock if EMC ceases to hold shares of VMware Stock representing 50% or more of the total outstanding voting power of VMware.

EMC Options and EMC Restricted Stock that you choose not to tender for exchange, or that are not properly tendered in this Offer, will remain outstanding and retain all their current terms, including exercise price, term, vesting schedule and timing of the lapse of restrictions for EMC Restricted Stock as applicable. For so long as EMC continues to hold shares of VMware Stock representing 50% or more of the total outstanding voting power of VMware, service with VMware will be considered service with EMC for purposes of vesting and determining timing of the lapse of restrictions for EMC Restricted Stock. 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 terminated for purposes of such awards, 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 the VMware Options that you receive in the exchange vest or if the restrictions on the VMware Restricted Stock that you receive in the exchange lapse, you may be prohibited from freely selling the shares of VMware Stock that you receive from such exercise or lapse of restrictions for a period of time.

VMware has agreed with the underwriters 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 or effectively dispose of (e.g., by hedging) any restricted stock or shares of common stock underlying such options for a period of 180 days from the date the SEC declares the IPO Registration Statement effective. Therefore, you will not be able to sell or dispose of such shares, if you have any, until after that period, and there is no guarantee that the price of VMware Stock will be as high after that period as it is during that period.

Tax-Related Risks

The tax treatment of VMware Options issued pursuant to this Offer under tax law is not completely certain, and you may be required to recognize income prior to the exercise of your VMware Options or pay an additional tax in respect of such VMware Options under applicable tax laws if you participate in this Offer.

Although we do not expect it to be the case, it is possible that VMware Options issued pursuant to this Offer will be subject to taxes that are imposed under Section 409A of the Internal Revenue Code governing nonqualified deferred compensation. Therefore, if you receive VMware Options pursuant to this Offer, there is a chance you may incur taxes and penalties under Section 409A with respect to the VMware Options. In addition, if you are subject to the tax laws in more than one jurisdiction, you should be aware that tax consequences of more than one jurisdiction may apply to your VMware Options as a result of your participation in this Offer. You are advised to consult with your personal tax advisor with respect to the decision whether to participate in this Offer.

Table of Contents

The VMware Options that you receive in the exchange will not qualify as incentive stock options.

VMware Options granted in exchange for incentive stock options tendered for exchange and accepted pursuant to this Offer will not qualify as incentive stock options. You will therefore not be eligible for the favorable tax treatment that may be available for incentive stock options, which generally may be exercised without an immediate tax liability for the optionee and which allow the optionee under certain circumstances to receive capital gains tax treatment upon disposition of the underlying shares.

If you are a resident of the U.S. but subject to foreign tax laws, there may be tax and social insurance consequences that may apply to you for tendering EMC Options or shares of EMC Restricted Stock in exchange for VMware Options or shares of VMware Restricted Stock pursuant to this Offer. You should be certain to consult your own tax advisors to discuss these consequences.

Risks Relating to VMware s Business

The virtualization products and services we sell are based on an emerging technology and therefore the potential market for our products remains uncertain.

The virtualization products and services we develop and sell are based on an emerging technology platform and our success depends on organizations and customers perceiving technological and operational benefits and cost savings associated with adopting virtualization solutions. Our relatively limited operating history and the relatively limited extent to which virtualization solutions have been currently adopted may make it difficult to evaluate our business because the potential market for our products remains uncertain. To the extent that the virtualization market develops more slowly or less comprehensively than we expect, our revenue growth rates may slow materially or our revenue may decline substantially.

We expect to face increasing competition that could result in a loss of customers, reduced revenues or decreased profit margins.

The market for our products is competitive and we expect competition to significantly intensify in the future. For example, Microsoft currently provides products that compete with some of our entry-level offerings and has announced its intention to provide products that will compete with some of our enterprise-class products in the future. We also face competition from other companies, including several recent market entrants. Existing and future competitors may introduce products in the same markets we serve or intend to serve, and competing products may have better performance, lower prices, better functionality and broader acceptance than our products. Many of our current or potential competitors also have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing and other resources than we do. This competition could result in increased pricing pressure and sales and marketing expenses, thereby materially reducing our profit margins, and could harm our ability to increase, or cause us to lose, market share. Increased competition also may prevent us from entering into or renewing service contracts on terms similar to those that we currently offer.

Some of our competitors and potential competitors supply a wide variety of products to, and have well-established relationships with, our current and prospective end users. Some of these competitors have in the past and may in the future take advantage of their existing relationships to engage in business practices that make our products less attractive to our end users. For example, Microsoft has recently implemented distribution arrangements with x86 system vendors and independent software vendors, or ISVs, related to certain of their operating systems that only permit the use of Microsoft s virtualization format and do not allow the use of our corresponding format. Microsoft has also recently implemented pricing policies that require customers to pay additional license fees based on certain uses of virtualization technology. These distribution and licensing restrictions, as well as other business practices that may be adopted in the future by our competitors, could materially impact our prospects regardless of the merits of our products. In addition, competitors with existing relationships with our current or prospective end users could in the future integrate competitive capabilities into their existing products and make them available without additional charge.

Table of Contents

We also face potential competition from our partners. For example, third parties currently selling our products could build and market their own competing products and services or market competing products and services of third parties. If we are unable to compete effectively, our growth and our ability to sell products at profitable margins could be materially and adversely affected.

Industry alliances or consolidation may result in increased competition.

Some of our competitors have made acquisitions or entered into partnerships or other strategic relationships with one another to offer a more comprehensive virtualization solution than they individually had offered. We expect these trends to continue as companies attempt to strengthen or maintain their market positions in the evolving virtualization infrastructure industry. Many of the companies driving this trend have significantly greater financial, technical and other resources than we do and may be better positioned to acquire and offer complementary products and technologies. The companies resulting from these possible combinations may create more compelling product offerings and be able to offer greater pricing flexibility than we can or may engage in business practices that make it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, technology or product functionality. These pressures could result in a substantial loss of customers or a reduction in our revenues.

Our operating results may fluctuate significantly, which makes our future results difficult to predict and may result in our operating results falling below expectations or our guidance, which could cause the price of our Class A common stock to decline.

Our operating results may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. You should not rely on our past results as an indication of our future performance. In addition, a significant portion of our quarterly sales typically occurs during the last month of the quarter, which we believe generally reflects customer buying patterns for enterprise technology. As a result, our quarterly operating results are difficult to predict even in the near term. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, the price of our common stock would likely decline substantially.

In addition, factors that may affect our operating results include, among others:

- fluctuations in demand, adoption, sales cycles and pricing levels for our products and services;
- changes in customers budgets for information technology purchases and in the timing of their purchasing decisions;
- the timing of recognizing revenue in any given quarter as a result of software revenue recognition policies;
- the sale of our products in the timeframes we anticipate, including the number and size of orders in each quarter;
- our ability to develop, introduce and ship in a timely manner new products and product enhancements that meet customer demand, certification requirements and technical requirements;
- the timing of the announcement or release of products or upgrades by us or by our competitors;
- our ability to implement scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- our ability to control costs, including our operating expenses;

our ability to attract and retain highly skilled employees, particularly those with relevant experience in software development and sales; and

general economic conditions in our domestic and international markets.

Table of Contents

If operating system and hardware vendors do not cooperate with us or we are unable to obtain early access to their new products, or access to certain information about their new products to ensure that our solutions interoperate with those products, our product development efforts may be delayed or foreclosed.

Our products interoperate with Windows, Linux and other operating systems and the hardware devices of numerous manufacturers. Developing products that interoperate properly requires substantial partnering, capital investment and employee resources, as well as the cooperation of the vendors or developers of the operating systems and hardware. Operating system and hardware vendors may not provide us with early access to their technology and products, assist us in these development efforts or share with or sell to us any APIs, formats, or protocols we may need. If they do not provide us with the necessary early access, assistance or proprietary technology on a timely basis, we may experience product development delays or be unable to expand our products into other areas. To the extent that software or hardware vendors develop products that compete with ours or those of EMC, they may have an incentive to withhold their cooperation, decline to share access or sell to us their proprietary APIs, protocols or formats or engage in practices to actively limit the functionality, or compatibility, and certification of our products. In addition, hardware or operating system vendors may fail to certify or support or continue to certify or support, our products for their systems. If any of the foregoing occurs, our product development efforts may be delayed or foreclosed and our business and results of operations may be adversely affected.

We rely on distributors, resellers, x86 system vendors and systems integrators to sell our products, and our failure to effectively develop, manage or prevent disruptions to our distribution channels and the processes and procedures that support them could cause a reduction in the number of end users of our products.

Our future success is highly dependent upon maintaining and increasing the number of our relationships with distributors, resellers, x86 system vendors and systems integrators. By relying on distributors, resellers, x86 system vendors and systems integrators, we may have little or no contact with the ultimate users of our products, thereby making it more difficult for us to establish brand awareness, ensure proper delivery and installation of our products, service ongoing customer requirements, estimate end user demand and respond to evolving customer needs.

Recruiting and retaining qualified channel partners and training them in the use of our technology and product offerings requires significant time and resources. In order to develop and expand our distribution channel, we must continue to expand and improve our processes and procedures that support our channel, including our investment in systems and training, and those processes and procedures may become increasingly complex and difficult to manage. We generally do not have long-term contracts or minimum purchase commitments with our distributors, resellers, x86 system vendors and systems integrators, and our contracts with these channel partners do not prohibit them from offering products or services that compete with ours. Our competitors may be effective in providing incentives to existing and potential channel partners to favor products of our competitors or to prevent or reduce sales of our products. Our channel partners and x86 system vendors may choose not to offer our products exclusively or at all. Our failure to maintain and increase the number of relationships with channel partners would likely lead to a loss of end users of our products which would result in us receiving lower revenues from our channel partners. One of the Company s distribution agreements is with Ingram Micro, which accounted for 29% of our revenues in 2006. The agreement with Ingram Micro under which the Company receives the substantial majority of its Ingram Micro revenues is terminable by either party upon 90 days prior written notice to the other party, and neither party has any obligation to purchase or sell any products under the agreement. The terms of this agreement between Ingram Micro and us are substantially similar to the terms of the agreements we have with other distributors, except for certain differences shipment and payment terms, indemnification obligations and product return rights. While we believe that we have in place, or would have in place by the date of any such termination, agreements with other distributors sufficient to maintain our revenues from distribution, if we were to lose Ingram Micro s distribution services, such loss could have a negative impact on our results of operations until such time as we arrange to replace these distribution services with the services of existing or new distributors. We believe that we could replace the revenues earned from Ingram Micro s distribution services in a relatively short period after a loss of these services and that the negative impact on our results of operations due to such a loss would be short-term.

Table of Contents

The concentration of our product sales among a limited number of distributors increases our potential credit risk and could cause significant fluctuations or declines in our product revenues.

As of December 31, 2006, approximately 28% and 11%, and as of December 31, 2005, approximately 30% and 11%, of our total accounts receivable outstanding were from two distributors. We anticipate that sales of our products to a limited number of distributors will continue to account for a significant portion of our total product revenues for the foreseeable future. The concentration of product sales among certain distributors increases our potential credit risks. One or more of these distributors could delay payments or default on credit extended to them. Any significant delay or default in the collection of significant accounts receivable could result in an increased need for us to obtain working capital from other sources, possibly on worse terms than we could have negotiated if we had established such working capital resources prior to such delays or defaults. Any significant default could result in a negative impact on our results of operations.

We are dependent on our existing management and our key development personnel, and the loss of key personnel may prevent us from implementing our business plan in a timely manner.

Our success depends largely upon the continued services of our existing management. We are also substantially dependent on the continued service of our key development personnel for product innovation. We generally do not have employment or non-compete agreements with our existing management or development personnel and, therefore, they could terminate their employment with us at any time without penalty and could pursue employment opportunities with any of our competitors. The loss of key employees could seriously harm our ability to release new products on a timely basis and could significantly help our competitors.

Because competition for our target employees is intense, we may not be able to attract and retain the highly skilled employees we need to support our planned growth.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these personnel is intense, especially for engineers with high levels of experience in designing and developing software and senior sales executives. We may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater resources than we have. In addition, in making employment decisions, particularly in the high-technology industry, job candidates often consider the value of the stock options, restricted stock grants or other equity-based compensation they are to receive in connection with their employment. A decline in the value of our stock after the IPO could adversely affect our ability to attract or retain key employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth prospects could be severely harmed.

If we are unable to protect our intellectual property rights, our competitive position could be harmed or we could be required to incur significant expenses to enforce our rights.

We depend on our ability to protect our proprietary technology. We rely on trade secret, patent, copyright and trademark laws and confidentiality agreements with employees and third parties, all of which offer only limited protection. As such, despite our efforts, the steps we have taken to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights, and our ability to police such misappropriation or infringement is uncertain, particularly in countries outside of the United States. Further, with respect to patent rights, we do not know whether any of our pending patent applications will result in the issuance of patents or whether the examination process will require us to narrow our claims. Even if patents are issued from our patent applications, which is not certain, they may be contested, circumvented or invalidated in the future. Moreover, the rights granted under any issued patents may not provide us with proprietary protection or competitive advantages, and, as with any technology, competitors may be able to develop similar or superior technologies to our own now or in the future. In addition, we rely on contractual and license agreements with third parties in connection with their use of our products and technology. There is no

Table of Contents

guarantee that such parties will abide by the terms of such agreements or that we will be able to adequately enforce our rights, in part because we rely on click-wrap and shrink-wrap licenses in some instances.

Detecting and protecting against the unauthorized use of our products, technology and proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation could result in substantial costs and diversion of management resources, either of which could harm our business, operating results and financial condition, and there is no guarantee that we would be successful. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to protecting their technology or intellectual property rights than do we. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property, which could result in a substantial loss of our market share.

We provide access to our hypervisor and other selected source code to partners, which creates additional risk that our competitors could develop products that are similar or better than ours.

Our success and ability to compete depend substantially upon our internally developed technology, which is incorporated in the source code for our products. We seek to protect the source code, design code, documentation and other written materials for our software, under trade secret and copyright laws. However, we have chosen to provide access to our hypervisor and other selected source code to more than 35 of our partners for co-development, as well as for open APIs, formats and protocols. Though we generally control access to our source code and other intellectual property, and enter into confidentiality or license agreements with such partners, as well as with our employees and consultants, our safeguards may be insufficient to protect our rights to our technology. Our protective measures may be inadequate, especially because we may not be able to prevent our partners, employees or consultants from violating any agreements or licenses we may have in place or abusing their access granted to our source code. Improper disclosure or use of our source code could help competitors develop products similar to or better than ours.

Claims by others that we infringe their proprietary technology could force us to pay damages or prevent us from using certain technology in our products.

Third parties could claim that our products or technology infringe their proprietary rights. This risk may increase as the number of products and competitors in our market increases and overlaps occur. In addition, to the extent that we gain greater visibility and market exposure as a public company, we face a higher risk of being the subject of intellectual property infringement claims. Any claim of infringement by a third party, even one without merit, could cause us to incur substantial costs defending against the claim, and could distract our management from our business. Furthermore, a party making such a claim, if successful, could secure a judgment that requires us to pay substantial damages. A judgment could also include an injunction or other court order that could prevent us from offering our products. In addition, we might be required to seek a license for the use of such intellectual property, which may not be available on commercially reasonable terms or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and may ultimately not be successful. Any of these events could seriously harm our business, operating results and financial condition. Third parties may also assert infringement claims against our customers and channel partners. Any of these claims could require us to initiate or defend potentially protracted and costly litigation on their behalf, regardless of the merits of these claims, because we generally indemnify our customers and channel partners from claims of infringement of proprietary rights of third parties in connection with the use of our products. If any of these claims succeed, we may be forced to pay damages on behalf of our customers or channel partners, which could materially reduce our income.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

A significant portion of the products or technologies acquired, licensed or developed by us may incorporate so-called open source software, and we may incorporate open source software into other products in the future.

Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, Apache-style licenses, Berkeley Software Distribution, BSD-style licenses and other open source licenses. We monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use such that we have not triggered any such conditions, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses, and therefore the potential impact of these terms on our business is somewhat unknown and may result in unanticipated obligations regarding our products and technologies. For example, we may be subjected to certain conditions, including requirements that we offer our products that use the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and/or that we license such modifications or derivative works under the terms of the particular open source license.

If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations. If our defenses were not successful, we could be subject to significant damages, enjoined from the distribution of our products that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our products. In addition, if we combine our proprietary software with open source software in a certain manner, under some open source licenses we could be required to release the source code of our proprietary software, which could substantially help our competitors develop products that are similar to or better than ours.

Our sales cycles can be long and unpredictable, and our sales efforts require considerable time and expense. As a result, our sales are difficult to predict and may vary substantially from quarter to quarter, which may cause our operating results to fluctuate significantly.

The timing of our revenue is difficult to predict. Our sales efforts involve educating our customers about the use and benefit of our products, including their technical capabilities and potential cost savings to an organization. Customers typically undertake a significant evaluation process that has in the past resulted in a lengthy sales cycle, which typically lasts several months, and may last a year or longer. We spend substantial time, effort and money on our sales efforts without any assurance that our efforts will produce any sales. In addition, product purchases are frequently subject to budget constraints, multiple approvals, and unplanned administrative, processing and other delays. If sales expected from a specific customer for a particular quarter are not realized in that quarter or at all, our results could fall short of public expectations and our business, operating results and financial condition could be materially adversely affected.

Our current research and development efforts may not produce significant revenues for several years, if at all.

Developing our products is expensive. Our investment in research and development may not result in marketable products or may result in products that take longer to generate revenues, or generate less revenues, than we anticipate. Our research and development expenses were \$148.3 million, or 21.1% of our total revenues in 2006, and \$72.6 million, or 18.7% of our total revenues in 2005. Our future plans include significant investments in software research and development and related product opportunities. We believe that we must continue to dedicate a significant amount of resources to our research and development efforts to maintain our competitive position. However, we may not receive significant revenues from these investments for several years, if at all.

We may not be able to respond to rapid technological changes with new solutions and services offerings, which could have a material adverse effect on our sales and profitability.

The markets for our software solutions are characterized by rapid technological changes, changing customer needs, frequent new software product introductions and evolving industry standards. The introduction of

Table of Contents

third-party solutions embodying new technologies and the emergence of new industry standards could make our existing and future software solutions obsolete and unmarketable. We may not be able to develop updated products that keep pace with technological developments and emerging industry standards and that address the increasingly sophisticated needs of our customers or that interoperate with new or updated operating systems and hardware devices or certify our products to work with these systems and devices, and there is no assurance that any of our new offerings would be accepted in the marketplace. Significant reductions in server-related costs or the rise of more efficient infrastructure management software could also affect demand for our software solutions. As a result, we may not be able to accurately predict the lifecycle of our software solutions, and they may become obsolete before we receive the amount of revenues that we anticipate from them. If any of the foregoing events were to occur, our ability to retain or increase market share in the virtualization software market could be materially adversely affected.

Our ability to sell our products is dependent on the quality of our support and services offerings, and our failure to offer high-quality support and services could have a material adverse effect on our sales and results of operations.

Once our products are integrated within our customers hardware and software systems, our customers may depend on our support organization to resolve any issues relating to our products. A high level of support is critical for the successful marketing and sale of our products. If we or our channel partners do not effectively assist our customers in deploying our products, succeed in helping our customers quickly resolve post-deployment issues, and provide effective ongoing support, our ability to sell our products to existing customers would be adversely affected, and our reputation with potential customers could be harmed. In addition, as we expand our operations internationally, our support organization will face additional challenges, including those associated with delivering support, training and documentation in languages other than English. As a result, our failure to maintain high-quality support and services, or to adequately assist our channel partners in providing high-quality support and services, could result in customers choosing to use our competitors products instead of ours in the future.

Adverse economic conditions or reduced information technology spending may adversely impact our revenues.

Our business depends on the overall demand for information technology and on the economic health of our current and prospective customers. The purchase of our products is often discretionary and may involve a significant commitment of capital and other resources. Weak economic conditions, or a reduction in information technology spending even if economic conditions improve, would likely adversely impact our business, operating results and financial condition in a number of ways, including by lengthening sales cycles, lowering prices for our products and services and reducing unit sales.

We may engage in future acquisitions that could disrupt our business, cause dilution to our stockholders and harm our business, operating results and financial condition.

In the future we may seek to acquire other businesses, products or technologies. However, we may not be able to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, or may be viewed negatively by customers, financial markets or investors. Acquisitions may disrupt our ongoing operations, divert management from day-to-day responsibilities, increase our expenses and adversely impact our business, operating results and financial condition. Future acquisitions may reduce our cash available for operations and other uses and could result in an increase in amortization expense related to identifiable assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt. We have limited historical experience with the integration of acquired companies. There can be no assurance that we will be able to manage the integration of acquired businesses effectively or be able to retain and motivate key personnel from these businesses. Any difficulties we encounter in the integration process could divert management from day-to-day responsibilities, increase our expenses and have a material adverse effect on our business, financial condition and results of operations.

Table of Contents

Operating in foreign countries subjects us to additional risks that may harm our ability to increase or maintain our international sales and operations.

In 2006, we derived approximately 44% of our revenue from customers outside the United States. We have sales and technical support personnel in numerous countries worldwide. We expect to continue to add personnel in additional countries. Our international operations subject us to a variety of risks, including:

- the difficulty of managing and staffing international offices and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- difficulties in enforcing contracts and collecting accounts receivable, and longer payment cycles, especially in emerging markets;
- difficulties in delivering support, training and documentation in certain foreign markets;
- tariffs and trade barriers and other regulatory or contractual limitations on our ability to sell or develop our products in certain foreign markets;
- increased exposure to foreign currency exchange rate risk;
- reduced protection for intellectual property rights, including reduced protection from software piracy in some countries; and
- difficulties in maintaining appropriate controls relating to revenue recognition practices.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales.

Our products are highly technical and may contain errors, which could cause harm to our reputation and adversely affect our business.

Our products are highly technical and complex and, when deployed, have contained and may contain errors, defects or security vulnerabilities. Some errors in our products may only be discovered after a product has been installed and used by customers. Any errors, defects or security vulnerabilities discovered in our products after commercial release could result in loss of revenue or delay in revenue recognition, loss of customers and increased service and warranty cost, any of which could adversely affect our business, operating results and financial condition. In addition, we could face claims for product liability, tort or breach of warranty, including claims relating to changes to our products made by our channel partners. Our contracts with customers contain provisions relating to warranty disclaimers and liability limitations, which may not be upheld. Defending a lawsuit, regardless of its merit, is costly and may divert management s attention and adversely affect the market s perception of us and our products. In addition, if our business liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business, operating results and financial condition could be adversely impacted.

Our independent registered public accounting firm identified a material weakness in the design and operation of our internal controls as of December 31, 2006, which, if not remedied, could result in material misstatements in our financial statements in future periods.

Our independent registered public accounting firm reported to our board of directors a material weakness in the design and operation of our internal controls as of December 31, 2006 related to the capitalization of software development costs. A material weakness is defined by the standards issued by the Public Company Accounting Oversight Board as a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. The material weakness resulted from a lack of adequate internal controls to ensure the timely identification and accumulation of costs once a project reaches technological

feasibility under applicable accounting standards. The consolidated financial statements included in this Prospectus Offer to Exchange reflect adjustments to properly state our capitalized software development costs for the periods included therein. Our independent registered public accounting firm was not engaged to audit the effectiveness of our internal control over financial reporting as of December 31, 2006. If such an evaluation had been performed, additional material weaknesses may have been identified.

Under Section 404 of the Sarbanes-Oxley Act of 2002 and the current rules of the Securities and Exchange Commission, or SEC, our management and auditors will be required to evaluate and report on the effectiveness of our internal control over financial reporting as of December 31, 2008. We believe we have a plan in place to remediate the material weakness by implementing additional formal policies, procedures and processes, hiring additional accounting personnel and increasing management review and oversight over the financial statement close process. We believe we had adequate controls in place at June 30, 2007 to remediate the material weakness and that there have not been and will not be any material costs associated with such remediation. If our remediation is insufficient to address the material weakness, or if additional material weaknesses in our internal controls are discovered in the future, we may fail to meet our future reporting obligations, our financial statements may contain material misstatements and the price of our common stock may decline.

If we fail to implement an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud. As a result, our stockholders could lose confidence in our financial reporting, which could harm our business and the trading price of our common stock.

We are preparing for compliance with Section 404 by addressing the existing material weakness in our internal controls and by strengthening, assessing and testing our system of internal controls. In particular, we believe we will need to increase the number of our accounting personnel and improve our processes and systems to ensure timely and accurate reporting of our financial results in accordance with reporting obligations as a stand-alone public company following the IPO. However, the continuous process of strengthening our internal controls and complying with Section 404 is expensive and time-consuming, and requires significant management attention. We cannot be certain that these measures will ensure that we will remediate the existing material weakness or implement adequate control over our financial processes and reporting. In addition, we have identified certain processes that need to be automated in order to ensure that we have effective internal control over financial reporting. If we are not able to automate these processes in a timely fashion, we will not be able to ensure compliance. Furthermore, if we rapidly grow our business, our internal controls will become more complex and we will require significantly more resources to ensure our internal controls overall remain effective. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results or cause us to fail to meet our reporting obligations. If we or our independent registered public accounting firm discover additional material weaknesses, the disclosure of that fact, even if quickly remedied, could reduce the market s confidence in our financial statements and harm our stock price. In addition, future non-compliance with Section 404 could subject us to a variety of administrative sanctions, including the suspension or delisting of our common stock from the exchange on which we decide to list and the inability of registered broker-dealers to make a market in our common stock, which could further reduce our stock price.

If we fail to manage future growth effectively, we may not be able to meet our customers needs or be able to meet our future reporting obligations.

We have expanded our operations significantly since inception and anticipate that further significant expansion will be required. This future growth, if it occurs, will place significant demands on our management, infrastructure and other resources. To manage any future growth, we will need to hire, integrate and retain highly skilled and motivated employees. We will also need to continue to improve our financial and management controls, reporting and operational systems and procedures. If we do not effectively manage our growth we may not be able to meet our customers needs, thereby adversely affecting our sales, or be able to meet our future reporting obligations.

Table of Contents

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems, such as computer viruses or terrorism, which could result in delays or cancellations of customer orders or the deployment of our products.

Our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or a flood, could have a material adverse impact on our business, operating results and financial condition. In addition, our servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with our computer systems. In addition, acts of terrorism or war could cause disruptions in our or our customers business or the economy as a whole. To the extent that such disruptions result in delays or cancellations of customer orders, or the deployment of our products, our revenues would be adversely affected.

Changes to financial accounting standards may affect our reported financial results and cause us to change our business practices.

We prepare our financial statements to conform with generally accepted accounting principles, or GAAP, in the United States. These accounting principles are subject to interpretation by the SEC and various other bodies. A change in those policies can have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced. Changes to those rules or the interpretation of our current practices may adversely affect our reported financial results or the way we conduct our business.

Risks Related to VMware s Relationship with EMC

As long as EMC controls us, your ability to influence matters requiring stockholder approval will be limited.

After the IPO, 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 the total outstanding shares of common stock or 99% of the voting power of outstanding common stock. The holders of our Class A common stock and our Class B common stock have identical rights, preferences and privileges except with respect to voting and conversion rights, the election of directors, 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. Holders of our Class B common stock will be entitled to 10 votes per share of Class B common stock, and the holders of our Class A common stock will be entitled to one vote per share of Class A common stock. The holders of Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on our board of directors which we would have if there were no vacancies on our board of directors at the time. Subject to any rights of any series of preferred stock to elect directors, the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect our remaining directors, which at no time will be less than one director. If EMC transfers shares of our Class B common stock to any party other than a successor-in-interest or a subsidiary of EMC (other than in a distribution to its stockholders under Section 355 of the Internal Revenue Code of 1986, as amended, or the Code, or in transfers following such a distribution), those shares would automatically convert into Class A common stock. For so long as EMC or its successor-in-interest beneficially owns shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC will be able to elect all of the members of our board of directors.

In addition, until such time as EMC or its successor-in-interest beneficially owns shares of our common stock representing less than a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC will have the ability to take stockholder action without the vote of any other stockholder and without having to call a stockholder meeting, and investors in the IPO will not be able to affect the outcome of any stockholder vote during this period. As a result, EMC will have the ability to control all matters affecting us, including:

- the composition of our board of directors and, through our board of directors, any determination with respect to our business plans and policies;
- any determinations with respect to mergers, acquisitions and other business combinations;
- our acquisition or disposition of assets;

Table of Contents

- our financing activities;
- certain changes to our certificate of incorporation;
- changes to the agreements providing for our transition to becoming a public company;
- corporate opportunities that may be suitable for us and EMC;
- determinations with respect to enforcement of rights we may have against third parties, including with respect to intellectual property rights;
- the payment of dividends on our common stock; and
- the number of shares available for issuance under our stock plans for our prospective and existing employees.

Our certificate of incorporation and the master transaction agreement also contain provisions that require that as long as EMC beneficially owns at least 20% or more of the outstanding shares of our common stock, the prior affirmative vote or written consent of EMC (or its successor-in-interest) as the holder of the Class B common stock is required (subject in each case to certain exceptions) in order to authorize us to:

- consolidate or merge with any other entity;
- acquire the stock or assets of another entity in excess of $100 million;
- issue any stock or securities except to our subsidiaries or pursuant to the IPO or our employee benefit plans;
- dissolve, liquidate or wind us up;
- declare dividends on our stock;
- enter into any exclusive or exclusionary arrangement with a third party involving, in whole or in part, products or services that are similar to EMC s; and
- amend, terminate or adopt any provision inconsistent with certain provisions of our certificate of incorporation or bylaws.

If EMC does not provide any requisite consent allowing us to conduct such activities when requested, we will not be able to conduct such activities and, as a result, our business and our operating results may be harmed.

EMC s voting control and its additional rights described above may discourage transactions involving a change of control of us, including transactions in which holders of our Class A common stock might otherwise receive a premium for your shares over the then-current market price. EMC is not prohibited from selling a controlling interest in us to a third party and may do so without your approval and without providing for a purchase of your shares of Class A common stock. Accordingly, shares of Class A common stock may be worth less than they would be if EMC did not maintain voting control over us or have the additional rights described above.

In the event EMC is acquired or otherwise undergoes a change of control, any acquiror or successor will be entitled to exercise the voting control and contractual rights of EMC, and may do so in a manner that could vary significantly from that of EMC.

By participating in the Offer, you will be deemed to have notice of and have consented to the provisions of our certificate of incorporation and the master transaction agreement with respect to the limitations that are described above.

Our business and that of EMC overlap, and EMC may compete with us, which could reduce our market share.

EMC and we are both IT infrastructure companies providing products related to storage management, back-up, disaster recovery, security, system management and automation, provisioning and resource management. There can be no assurance that EMC will not engage in increased competition with us in the future. In addition, the intellectual

Table of Contents

property agreement that we will enter into with EMC will provide EMC the ability to use our source code and intellectual property, which, subject to limitations, it may use to produce certain products that compete with ours. EMC s rights in this regard extend to its majority owned subsidiaries, which could include joint ventures where EMC holds a majority position and one or more of our competitors hold minority positions.

EMC could assert control over us in a manner which could impede our growth or our ability to enter new markets or otherwise adversely affect our business. Further, EMC could utilize its control over us to cause us to take or refrain from taking certain actions, including entering into relationships with channel, technology and other marketing partners, enforcing our intellectual property rights or pursuing corporate opportunities or product development initiatives that could adversely affect our competitive position, including our competitive position relative to that of EMC in markets where we compete with them. In addition, EMC maintains significant partnerships with certain of our competitors, including Microsoft.

EMC s competition in certain markets may affect our ability to build and maintain partnerships.

Our existing and potential partner relationships may be affected by our relationship with EMC. We partner with a number of companies that compete with EMC in certain markets in which EMC participates. EMC s majority ownership in us might affect our ability to effectively partner with these companies. These companies may favor our competitors because of our relationship with EMC.

EMC competes with certain of our significant channel, technology and other marketing partners, including IBM and Hewlett-Packard. Pursuant to our certificate of incorporation and other agreements that we will have with EMC, EMC may have the ability to impact our relationship with our partners that compete with EMC, which could have a material adverse effect on our results of operations or our ability to pursue opportunities which may otherwise be available to us.

Our historical financial information as a business segment of EMC may not be representative of our results as an independent public company.

The historical financial information we have included in this Prospectus Offer to Exchange does not necessarily reflect what our financial position, results of operations or cash flows would have been had we been an independent entity during the historical periods presented. The historical costs and expenses reflected in our consolidated financial statements include an allocation for certain corporate functions historically provided by EMC, including tax, accounting, treasury, legal and human resources services. The historical financial information is not necessarily indicative of what our results of operations, financial position, cash flows or costs and expenses will be in the future. We have not made pro forma adjustments to reflect many significant changes that will occur in our cost structure, funding and operations as a result of our transition to becoming a public company, including changes in our employee base, potential increased costs associated with reduced economies of scale and increased costs associated with being a publicly traded, stand-alone company. For additional information, see VMware s Selected Consolidated Financial Data, VMware Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements and notes thereto.

Our ability to operate our business effectively may suffer if we are unable to cost-effectively establish our own administrative and other support functions in order to operate as a stand-alone company after the expiration of our transitional services agreements with EMC.

As a subsidiary of EMC, we have relied on administrative and other resources of EMC to operate our business. In connection with the IPO, we will enter into various service agreements to retain the ability for specified periods to use these EMC resources. See VMware s Certain Relationships and Related Person Transactions. These services may not be provided at the same level as when we were a wholly owned subsidiary of EMC, and we may not be able to obtain the same benefits that we received prior to the IPO. These services may not be sufficient to meet our needs, and after our agreements with EMC expire, we may not be able to replace these services at all or obtain these services at prices and on terms as favorable as we currently have with

Table of Contents

EMC. We will need to create our own administrative and other support systems or contract with third parties to replace EMC s systems. In addition, we have received informal support from EMC which may not be addressed in the agreements we will enter into with EMC; the level of this informal support may diminish as we become a more independent company. Any failure or significant downtime in our own administrative systems or in EMC s administrative systems during the transitional period could result in unexpected costs, impact our results and/or prevent us from paying our suppliers or employees and performing other administrative services on a timely basis. See VMware s Certain Relationships and Related Person Transactions Relationship with EMC Corporation for a description of these services.

After the IPO, we will be a smaller company relative to EMC, which could result in increased costs because of a decrease in our purchasing power and difficulty maintaining existing customer relationships and obtaining new customers.

Prior to the IPO, we were able to take advantage of EMC s size and purchasing power in procuring goods, technology and services, including insurance, employee benefit support and audit and other professional services. We are a smaller company than EMC, and we cannot assure you that we will have access to financial and other resources comparable to those available to us prior to the IPO. As a stand-alone company, we may be unable to obtain office space, goods, technology and services at prices or on terms as favorable as those available to us prior to the IPO, which could increase our costs and reduce our profitability. Our future success depends on our ability to maintain our current relationships with existing customers, and we may have difficulty attracting new customers.

In order to preserve the ability for EMC to distribute its shares of our Class B common stock on a tax-free basis, we may be prevented from pursuing opportunities to raise capital, to effectuate acquisitions or to provide equity incentives to our employees, which could hurt our ability to grow.

Beneficial ownership of at least 80% of the total voting power and 80% of each class of nonvoting capital stock is required in order for EMC to effect a tax-free spin-off of VMware or certain other tax-free transactions. We have agreed that for so long as EMC or its successor-in-interest continues to own greater than 50% of the voting control of our outstanding common stock, we will not knowingly take or fail to take any action that could reasonably be expected to preclude EMC s or its successor-in-interest s ability to undertake a tax-free spin-off. Additionally, under our certificate of incorporation and the master transaction agreement, we must obtain the consent of EMC or its successor-in-interest as the holder of our Class B common stock to issue stock or other VMware securities excluding pursuant to employee benefit plans, which could cause us to forgo capital raising or acquisition opportunities that would otherwise be available to us. See VMware s Certain Relationships and Related Person Transactions Relationship with EMC Corporation. As a result, we may be precluded from pursuing certain growth initiatives.

Third parties may seek to hold us responsible for liabilities of EMC, which could result in a decrease in our income.

Third parties may seek to hold us responsible for EMC s liabilities. Under our master transaction agreement with EMC, EMC will indemnify us for claims and losses relating to liabilities related to EMC s business and not related to our business. However, if those liabilities are significant and we are ultimately held liable for them, we cannot assure you that we will be able to recover the full amount of our losses from EMC.

Although we intend to enter into a new tax sharing agreement with EMC under which our tax liabilities effectively will be determined as if we were not part of any consolidated, combined or unitary tax group of EMC Corporation and/or its subsidiaries, we nonetheless could be held liable for the tax liabilities of other members of these groups.

We have historically been included in EMC s consolidated group for U.S. federal income tax purposes, as well as in certain consolidated, combined or unitary groups that include EMC Corporation and/or certain of its subsidiaries for state and local income tax purposes. We intend to enter into a new tax sharing agreement with EMC that will become effective upon consummation of the IPO. Pursuant to the new tax sharing agreement, we and EMC generally will make payments to each other such that, with respect to tax returns for any taxable period in which we or any of our subsidiaries are included in EMC s consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of EMC Corporation and/or its subsidiaries, the amount of taxes to be paid by us will be determined, subject to certain adjustments, as if we and each of our subsidiaries included in such consolidated, combined or unitary group filed our own consolidated, combined or unitary tax return.

We have been included in the EMC consolidated group for U.S. federal income tax purposes for periods in which EMC owned at least 80% of the total voting power and value of our outstanding stock and expect to be included in such consolidated group following the IPO. Each member of a consolidated group during any part of a consolidated return year is jointly and severally liable for tax on the consolidated return of such year and for any subsequently determined deficiency thereon. Similarly, in some jurisdictions, each member of a consolidated, combined or unitary group for state, local or foreign income tax purposes is jointly and severally liable for the state, local or foreign income tax liability of each other member of the consolidated, combined or unitary group. Accordingly, for any period in which we are included in the EMC consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of EMC Corporation and/or its subsidiaries, we could be liable in the event that any income tax liability was incurred, but not discharged, by any other member of any such group.

Our inability to resolve favorably any disputes that arise between us and EMC with respect to our past and ongoing relationships may result in a significant reduction of our revenue.

Disputes may arise between EMC and us in a number of areas relating to our ongoing relationships, including:

- labor, tax, employee benefit, indemnification and other matters arising from our separation from EMC;
- employee retention and recruiting;
- business combinations involving us;
- our ability to engage in activities with certain channel, technology or other marketing partners;
- sales or dispositions by EMC of all or any portion of its ownership interest in us;
- the nature, quality and pricing of services EMC has agreed to provide us;
- business opportunities that may be attractive to both EMC and us; and
- product or technology development or marketing activities which may require the consent of EMC.

We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

The agreements we will enter into with EMC may be amended upon agreement between the parties. While we are controlled by EMC, we may not have the leverage to negotiate amendments to these agreements if required on terms as favorable to us as those we would negotiate with an unaffiliated third party.

Some of our directors and executive officers own EMC common stock, restricted shares of EMC common stock or options to acquire EMC common stock and hold management positions with EMC, which could cause conflicts of interests that result in our not acting on opportunities we otherwise may have.

Some of our directors and executive officers own EMC common stock and options to purchase EMC common stock. In addition, some of our directors are executive officers and/or directors of EMC. Ownership of

34

Table of Contents

EMC common stock, restricted shares of EMC common stock and options to purchase EMC common stock by our directors and officers after the IPO and the presence of executive officers or directors of EMC on our board of directors could create, or appear to create, conflicts of interest with respect to matters involving both us and EMC that could have different implications for EMC than they do for us. Provisions of our certificate of incorporation and the master transaction agreement address corporate opportunities that are presented to our directors or officers that are also directors or officers of EMC. We cannot assure you that the provisions in our certificate of incorporation will adequately address potential conflicts of interest or that potential conflicts of interest will be resolved in our favor or that we will be able to take advantage of corporate opportunities presented to individuals who are officers or directors of both us and EMC. As a result, we may be precluded from pursuing certain growth initiatives.

EMC s ability to control our board of directors may make it difficult for us to recruit high-quality independent directors.

So long as EMC beneficially owns shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC can effectively control and direct our board of directors. Further, the interests of EMC and our other stockholders may diverge. Under these circumstances, persons who might otherwise accept our invitation to join our board of directors may decline.

We will be a controlled company within the meaning of the New York Stock Exchange rules, and, as a result, will rely on exemptions from certain corporate governance requirements that provide protection to stockholders of other companies.

After the completion of the IPO, EMC will own more than 50% of the total voting power of our common shares and we will be a controlled company under the New York Stock Exchange corporate governance standards. As a controlled company, certain exemptions under the New York Stock Exchange standards free us from the obligation to comply with certain New York Stock Exchange corporate governance requirements, including the requirements:

- that a majority of our board of directors consists of independent directors;
- that we have a corporate governance and nominating committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities;
- that we have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee s purpose and responsibilities; and
- for an annual performance evaluation of the nominating and governance committee and compensation committee.

While we will voluntarily cause our Compensation and Corporate Governance Committee to initially be composed entirely of independent directors in compliance with the requirements of the New York Stock Exchange, we are not required to maintain the independent composition of the committee. As a result of our use of the controlled company exemptions, you will not have the same protection afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Intel s ownership relationship with us and the membership of an Intel representative on our board of directors may create actual or potential conflicts of interest.

Under a pending investment by Intel Capital, Intel will have an ownership relationship with us and a representative of Intel is expected to become a member of our board of directors. This relationship may create actual or potential conflicts of interest and the best interest of Intel may not reflect your best interests. The terms of this relationship are discussed in the section entitled Recent Developments and Certain Relationships and Related

Person Transactions.

Table of Contents

Risks Related to our Class A common stock

Our stock price may be volatile.

Prior to the IPO, our Class A common stock has not been traded in a public market. The estimated IPO Price for the shares was determined by negotiations between us and the representatives of the underwriters in the IPO and may not be indicative of prices that will prevail in the trading market. The trading price of our Class A common stock could be subject to wide fluctuations due to the factors discussed in this risk factors section and elsewhere in this Prospectus Offer to Exchange. These broad market and industry factors may decrease the market price of our Class A common stock, regardless of our actual operating performance. The stock market in general and technology companies in particular also have experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company s securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management s attention and resources.

No public market for our common stock currently exists and an active trading market may not develop or be sustained following the IPO.

Prior to the IPO, there has been no public market for our common stock. An active trading market may not develop following the closing of the IPO or, if developed, may not be sustained. The lack of an active market may impair your ability to sell your shares VMware Options or VMware Restricted Stock received in the exchange at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares underlying VMware Options or VMware Restricted Stock received in the exchange. In addition, an inactive market may impair our ability to raise capital by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration, which in turn could materially adversely affect our business.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We will have broad discretion in the use of a significant part of the net proceeds from the IPO and may not use them effectively.

Our management currently intends to use the net proceeds from the IPO in the manner described in VMware s Use of Proceeds and will have broad discretion in the application of a significant part of the net proceeds from the IPO. The failure by our management to apply these funds effectively could affect our ability to continue to develop and market our products.

Substantial future sales of our Class A common stock in the public market could cause our stock price to fall.

Sales of substantial amounts of our Class A common stock in the public market after the IPO, or the perception that these sales could occur, could cause the market price of our Class A common stock to decline and impede our ability to raise capital through the issuance of additional equity securities. Upon completion of the IPO, we will have 75,000,000 shares of Class A common stock outstanding, and EMC will own 32,500,000 shares of our Class A common stock and 300,000,000 shares of our Class B common stock, representing approximately 89% of the outstanding shares of our common stock. All shares sold in the IPO will be freely transferable, subject, in the case of affiliates, to applicable volume and other restrictions under Rule 144 under the Securities Act, and subject to the lock-up arrangements described in Shares Eligible for Future Sale. Our Class B common stock may be converted into Class A common stock at any time. EMC has no contractual obligation to retain these shares, other than the lock-up arrangement. In addition, EMC has the right to cause us to register the sale of its shares of our common stock under the Securities Act. Registration of these shares under the Securities Act would result in these shares, other than shares purchased by our affiliates, becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

If EMC elects to convert its shares of Class B common stock into Class A common stock, an additional 300,000,000 shares of Class A common stock will be available for sale after the period of 180 days from date of the IPO Registration Statement (subject to extension in certain circumstances), subject to volume and other restrictions as applicable under Rule 144 of the Securities Act.

Immediately after the IPO, we intend to file a registration statement on Form S-8 under the Securities Act covering an aggregate of 80,000,000 shares reserved for future issuance under our 2007 Equity and Incentive Plan, including the shares of Class A common stock issuable under options and the shares of Class A restricted stock issued pursuant to the Offer. This registration statement will automatically become effective upon filing. Shares registered under this registration statement will be available for sale in the open market, subject to the lock-up arrangements described above, as well as any stock option vesting requirements and the lapsing of restrictions on restricted stock, although sales of shares held by our affiliates will be limited by Rule 144 volume limitations. Sales of substantial amounts of these securities could cause our stock price to fall.

Intel Capital s pending investment in our Class A common stock may not be consummated, and as a result, our stock price may be negatively impacted.

The closing of Intel Capital s purchase of 9.5 million shares of our Class A common stock is subject to expiration of the applicable waiting period under the HSR Act and the satisfaction of other customary closing conditions, including the absence of a material adverse change. We cannot assure you that the investment will close. The IPO is not conditioned on the closing of the Intel Capital investment, and if the Intel Capital investment does not close, our stock price may be negatively impacted.

The difference in the voting rights of our Class A and our Class B common stock may harm the value and liquidity of our Class A 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. The holders of Class B common stock shall be entitled to 10 votes per share, as well as certain consent and other rights associated with the Class B common stock, and the holders of our Class A common stock shall be entitled to one vote per share. The holders of Class B common stock will also be entitled to elect at least 80% of our board of directors, and, subject to any rights of any series or class of preferred stock to elect directors, the holders of Class A common stock and Class B common stock, voting together as a single class, will entitled to elect the remaining directors, which will never be less than one. The difference in the right to elect directors and the voting rights of our Class A and Class B common stock could harm the value of the Class A common stock to the extent that any current or future investor in our common stock ascribes value to the rights of the holders of our Class B common stock to elect at least 80% of our board of directors or to 10 votes per share. The existence of two classes of common stock could result in less liquidity for either class of common stock than if there were only one class of our common stock. See Description of Capital Stock of VMware for a description of our common stock and rights associated with it.

Table of Contents

Delaware law and our certificate of incorporation and bylaws contain anti-takeover provisions that could delay or discourage takeover attempts that stockholders may consider favorable.

Provisions in our certificate of incorporation and bylaws will have the effect of delaying or preventing a change of control or changes in our management. These provisions include the following:

- the division of our board of directors into three classes, with each class serving for a staggered three-year term, which would prevent stockholders from electing an entirely new board of directors at any annual meeting;
- the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;
- following a distribution of Class B common stock by EMC to its stockholders, the restriction that a beneficial owner of 10% or more of our Class B common stock may not vote in any election of directors unless such person or group also owns at least an equivalent percentage of Class A common stock or obtains approval of our board of directors prior to acquiring beneficial ownership of at least 5% of Class B common stock;
- the prohibition of cumulative voting in the election of directors or any other matters, which would otherwise allow less than a majority of stockholders to elect director candidates;
- the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders meeting;
- the ability of the board of directors to issue, without stockholder approval, up to 100,000,000 shares of preferred stock with terms set by the board of directors, which rights could be senior to those of common stock; and
- in the event that EMC or its successor-in-interest no longer owns shares of our common stock representing at least a majority of the votes entitled to be cast in the election of directors, stockholders may not act by written consent and may not call special meetings of the stockholders.

Until such time as EMC or its successor-in-interest ceases to beneficially own 20% or more of the outstanding shares of our common stock, the affirmative vote or written consent of the holders of a majority of the outstanding shares of the Class B common stock will be required to:

- amend certain provisions of our bylaws or certificate of incorporation;
- make certain acquisitions or dispositions;
- declare dividends, or undertake a recapitalization or liquidation;
- adopt any stockholder rights plan, poison pill or other similar arrangement;

- approve any transactions that would involve a merger, consolidation, restructuring, sale of substantially all of our assets or any of our subsidiaries or otherwise result in any person or entity obtaining control of us or any of our subsidiaries; or

- undertake certain other actions.

In addition, we have elected to apply the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us. These provisions in our certificate of incorporation and bylaws and under Delaware law could discourage potential takeover attempts and could reduce the price that investors might be willing to pay for shares of our common stock in the future and result in the market price of our shares of common stock being lower than it would be without these provisions.

Table of Contents

As a public company we will incur additional costs and face increased demands on our management.

As a public company, we will incur significant legal, accounting and other expenses that we did not directly incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, as well as the rules subsequently implemented by the SEC and the New York Stock Exchange, have required changes in corporate governance practices of public companies. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. For example, as a result of becoming a public company, we intend to add independent directors, create additional board committees and adopt certain policies regarding internal controls and disclosure controls and procedures. In addition, we will incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Furthermore, our management will have increased demands on its time in order to ensure we comply with public company reporting requirements and the compliance requirements of the Sarbanes-Oxley Act of 2002, as well as the rules subsequently implemented by the SEC and the applicable stock exchange requirements of the New York Stock Exchange.

After the completion of the IPO, we do not expect to declare any dividends in the foreseeable future.

After the completion of the IPO, we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

Table of Contents

FORWARD-LOOKING STATEMENTS

This Prospectus Offer to Exchange and the documents incorporated by reference herein may include forward-looking statements that reflect VMware s and EMC s current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words, such as outlook, believes, expects, potential, continues, may, will, seeks approximately, predicts, intends, plans, estimates, anticipates or the negative version of those words or other comparable words forward-looking statements contained in this Prospectus Offer to Exchange are based upon VMware s or EMC s historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by VMware, EMC or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause VMware s or EMC s actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to those described under Risk Factors in this Prospectus Offer to Exchange. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included, as to EMC, or incorporated by reference in this Prospectus Offer to Exchange. We do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we may have anticipated. Any forward-looking statements you read in this Prospectus Offer to Exchange reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to VMware s and EMC s operations, results of operations, financial condition, growth strategy and liquidity. You should specifically consider the factors identified in this Prospectus Offer to Exchange and in EMC s Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 that could cause VMware s or EMC s actual results to differ before making an investment decision.

Table of Contents

THE TRANSACTION

This section of the Prospectus Offer to Exchange describes material aspects of the proposed transaction. While we believe that the description covers the material terms of the transaction, this summary may not contain all of the information that is important to you. You should carefully read this entire Prospectus Offer to Exchange and the other documents to which we refer for a more complete understanding of the transaction.

Background of the Offer

Historically, EMC has awarded EMC Options and restricted stock to its employees, including VMware employees, as a key component of employee compensation to align the interests of employees and shareholders of EMC and further enhance shareholder value. Because following the IPO, VMware will have the ability to more directly tie VMware employee incentives to VMware employee results and provide VMware employees a more meaningful incentive to enhance VMware shareholder value, EMC and VMware are undertaking this Offer to allow eligible employees of VMware to exchange their EMC-related equity compensation for VMware equity compensation 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 VMware employees and encourage such employees to remain in the service of VMware by allowing VMware employees to share directly in the value they create at VMware from the date of the VMware IPO.

Reasons for the Offer

EMC and VMware are making this Offer to eligible employees for compensatory purposes. Stock options are generally intended to help align the interests of a company s employees with the interests of the company s stockholders. After the IPO, VMware Stock will trade publicly and, accordingly, we intend to grant VMware Options and VMware Restricted Stock to Company employees on a going forward basis. Since employees of VMware and its subsidiaries have historically received EMC Options and EMC Restricted Stock, we believe it will aid the Company s efforts to encourage ownership of the Company by personnel whose long-term employment and efforts are considered important to the Company s continued progress, by allowing eligible employees to exchange their EMC Options and EMC Restricted Stock for VMware Options and VMware Restricted Stock. The VMware board of directors believes that ownership by employees of VMware and its subsidiaries of VMware Options or VMware Restricted Stock received in this Offer will serve as an effective tool to encourage stock option and restricted stock recipients to act in the VMware stockholders interest by enabling the option recipients to have an economic stake in the Company s success.

Effects of the Offer

Eligible employees who exchange all of their EMC Options and shares of EMC Restricted Stock, and do not otherwise own EMC Stock, will no longer have an interest in EMC and its possible future growth, but instead will have an interest in VMware and its possible future growth. As a result, such eligible employees will be subject exclusively to risks associated with an investment in VMware and not risks associated with an investment in EMC.

Eligible employees who exchange some, but not all, of their EMC Options or shares of EMC Restricted Stock will have an interest in both EMC and its possible future growth and VMware and its possible future growth and will be subject to the risks associated with investments in both EMC and VMware.

Eligible employees who do not exchange any of their EMC Options and shares of EMC Restricted Stock will continue to have an interest in EMC and its possible future growth and will be subject to the risks associated with an investment in EMC. However, such eligible employees who otherwise have or receive VMware Options or shares of VMware Stock, will continue to have an interest in VMware and its possible future growth and will be subject to the risks associated with an investment in VMware.

Table of Contents

Impact of the Offer

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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007), a maximum of approximately 14.7 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 $103.1 million, which will be recognized over the remaining vesting periods.

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 $380,000 and $3,756,000 for the three months ended March 31, 2007 and the year ended December 31, 2006, respectively, and net income is reduced by $238,000 and $2,348,000 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 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 also assumes the issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital 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 month s earnings.) The calculation includes the exercise of the over-allotment option to provide potential investors the ability to understand the maximum amount of dilution that may occur as a result of the IPO and the Offer. This assumption varies from other pro forma amounts shown in other parts of the Prospectus Offer to Exchange that give effect to the offering in which the over-allotment option is not assumed to be exercised.

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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007). 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.

VMware s Equity Capitalization Following the IPO and the Offer

EMC currently owns substantially all of our outstanding common stock, 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. The holders of Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of the directors on our board of directors which we would have if there were no vacancies on our board of directors at the time. Subject to any rights of any series or class of preferred stock to elect directors, the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect the remaining directors on our board of directors, which at no time will be less than one director. Therefore, EMC will hold approximately 99% of the combined voting power of our outstanding common stock upon completion of the IPO and this Offer. VMware s equity capitalization will not change as a result of this Offer.

No Appraisal Rights

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

Accounting Treatment

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.

Tax Treatment

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 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.

We have been included in the EMC consolidated group for U.S. federal income tax purposes for periods in which EMC owned at least 80% of the total voting power and value of our outstanding stock and expect to be included in such consolidated group following this Offer. Each member of a consolidated group during any part of a consolidated return year is jointly and severally liable for tax on the consolidated return of such year and for any subsequently determined deficiency thereon. Similarly, in some jurisdictions, each member of a consolidated, combined or unitary group for state, local or foreign income tax purposes is jointly and severally liable for the state, local or foreign income tax liability of each other member of the consolidated, combined or unitary group. Accordingly, for any period in which we are included in the EMC consolidated group for U.S. federal income tax purposes or any other consolidated, combined or unitary group of EMC Corporation and/or its subsidiaries, we could be liable in the event that any income tax liability was incurred, but not discharged, by any other member of any such group.

THE EXCHANGE OFFER

Terms of the Exchange Offer

Eligible Employees

Upon the terms and subject to the conditions of this Offer, EMC and VMware are offering to grant VMware Options and VMware Restricted Stock under the 2007 Equity and Incentive Plan in exchange for outstanding EMC Options and EMC Restricted Stock, respectively, that are properly tendered and not withdrawn by eligible employees in accordance with The Exchange Offer Proper Tender of EMC Options and EMC Restricted Stock (and not validly withdrawn in accordance with The Exchange Offer Withdrawal Rights) before the Expiration Date and accepted for exchange by EMC and VMware. The exchange will be on the basis of the Exchange Ratio determined as described herein. All outstanding EMC Options and shares of EMC Restricted Stock held by eligible employees are eligible to be tendered for exchange in this Offer.

You will be an eligible employee and thus be eligible to tender your EMC Options and EMC Restricted Stock for exchange and cancellation, and to receive VMware Options and VMware Restricted Stock, respectively, pursuant to this Offer if, on July 9, 2007, the date this Offer commenced, you were a employee of VMware or one of its subsidiaries in the United States and you continue to be an employee of VMware in the United States or one of its subsidiaries through the Expiration Date and the Grant Date. Employees employed in foreign countries, consultants, former employees and retirees are also not eligible employees.

If, on the Grant Date, an employee of VMware or one of its subsidiaries in the United States who was an eligible employee as of the date this Offer commenced is no longer, or at any time during the period of this Offer was not, an employee of VMware or one of its subsidiaries in the United States for any reason, including retirement, termination, voluntary resignation, layoff, death or long-term disability, that person will not be an eligible employee and will not be eligible to tender EMC Options or EMC Restricted Stock for exchange and cancellation, or to receive VMware Options or VMware Restricted Stock, pursuant to this Offer. An employee of VMware or one of its subsidiaries in the United States who is on an authorized leave of absence and is otherwise, as of the date this Offer is commenced and through the Grant Date, an eligible employee, will be an eligible employee for purposes of this Offer. Leave (including vacation and short-term leave) is considered authorized if it was approved in accordance with policies or practices of VMware, as determined by VMware in its sole discretion.

Tendering EMC Options or EMC Restricted Stock and receiving VMware Options or VMware Restricted Stock in exchange pursuant to this Offer does not confer upon you the right to remain an employee of the Company or one of its subsidiaries. The terms of your employment with VMware or one of its subsidiaries 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 the Company or one of its subsidiaries until the Grant Date or thereafter. If you voluntarily terminate your employment with VMware or one of its subsidiaries in the United States, or if VMware or one of its subsidiaries in the United States terminates your employment for any reason, before the Grant Date, even if you tendered EMC Options or EMC Restricted Stock for exchange in this Offer prior to such termination, such tender will not be accepted and such EMC Options or EMC Restricted Stock will not be exchanged. Your tendered EMC Options and EMC Restricted Stock will be treated as if they had not been tendered, and you will not receive any VMware Options or VMware Restricted Stock in exchange for such tendered EMC Options and EMC Restricted Stock. Your EMC Options and EMC Restricted Stock will be subject to all their current terms, including exercise price, term, vesting schedule and timing of the lapse of restrictions for EMC Restricted Stock, as applicable. For so long as EMC continues to hold shares of VMware Stock representing 50% or more of the total outstanding voting power of VMware, service with VMware or one of its subsidiaries will be considered service with EMC for purposes of vesting and determining timing of the lapse of restrictions for EMC Restricted Stock. However, from such time as EMC ceases to hold shares of VMware stock representing 50% or more of the total outstanding voting power of VMware, any EMC Options and EMC Restricted Stock then held by you will be terminated in accordance with the terms of the applicable award.

Table of Contents

Eligible Options and Restricted Stock

EMC and VMware are accepting for tender by eligible employees EMC Options and EMC Restricted Stock granted under the under the EMC Corporation 1993 Stock Option Plan; the EMC Corporation 2003 Stock Plan; the Akimbi Systems, Inc. 2004 Stock Incentive Plan; the EMC Corporation 1985 Stock Option Plan; the Legato Systems, Inc. 1995 Stock Option/Stock Issuance Plan; the EMC Corporation 2001 Stock Option Plan; the Documentum, Inc. 1996 Equity Incentive Plan; the VMware, Inc. 1998 Stock Plan; and the Dantz Development Corporation Amended and Restated 1997 Equity Incentive Plan (collectively, the EMC Plans). 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.

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. 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. For example, if you were granted 700 shares of EMC Restricted Stock and later 300 shares of EMC Restricted Stock, you may choose to tender for exchange all (but not less than all) of the shares of EMC Restricted Stock under either of the restricted stock awards or both of the restricted stock awards, or choose not to tender any of your EMC Restricted Stock.

You may not tender EMC Options for shares of VMware Restricted Stock or exchange shares of EMC Restricted Stock for VMware Options. 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 or your EMC Restricted Stock for VMware Restricted Stock.

An option award that has been fully exercised, or any portion of a particular option award that has been exercised, is no longer outstanding and thus is not eligible to be tendered for exchange in this Offer. Any shares of EMC Restricted Stock that you were granted that are no longer restricted are not eligible to be tendered for exchange in this Offer. 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.

All VMware Options and shares of VMware Restricted Stock granted pursuant to this Offer will be granted under the 2007 Equity and Incentive Plan and 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 Option 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

Table of Contents

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. Specifically with regard to restricted stock, VMware Restricted Stock granted in exchange for EMC Restricted Stock originally granted between May 17, 2005 and March 6, 2006, which you may know as an LTIP 1 grant, will not fully accelerate if VMware Revenue (as defined in the applicable restricted stock agreement) is equal to $1 billion and VMware EBITDA (as defined in the applicable restricted stock agreement) is equal to $300 million at the end of any fiscal year, but rather, if those goals are met for VMware s 2007 fiscal year, such grants will accelerate monthly in equal amounts such that all such grants will be not be subject to restrictions on December 31, 2008. Also, VMware Restricted Stock granted in exchange for EMC Restricted Stock originally granted between June 6, 2006 and October 26, 2006, which you may know as an LTIP 2 grant, will not be subject to acceleration of an additional 10% of shares subject to such grant if at the end of any VMware fiscal year VMware Revenue (as defined in the applicable restricted stock agreement) is equal to $1 billion and VMware EBITDA (as defined in the applicable restricted stock agreement) is equal to $300 million, but will continue to be subject to the other acceleration terms of the applicable restricted stock agreement. VMware Restricted Stock granted in exchange for EMC Restricted Stock other than LTIP 1 and LTIP 2 grants will not be subject to new or different acceleration terms. 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.

For all VMware Options and shares of VMware Restricted Stock granted pursuant to this Offer, the recipient s vesting and exercise rights will be contingent on the recipient s continued employment through the applicable vesting dates and, except as specifically noted above, subject to the provisions of the applicable EMC Plan and the applicable option or restricted stock agreement.

VMware intends to file a registration statement on Form S-8 with respect to the VMware Stock underlying the VMware Options and the VMware Restricted Stock. However, VMware has agreed with the underwriters of the IPO that, as a condition to participating in the Offer, participating employees who receive VMware Options or VMware Restricted Stock must agree to not dispose of or effectively dispose of (e.g., by hedging) any shares of the VMware Stock underlying these options for a period of 180 days from the date the SEC declares the IPO Registration Statement effective.

As of June 30, 2007, there were approximately 12.3 million shares of EMC Stock underlying EMC Options eligible to be tendered in this Offer. These options had a weighted average exercise price of $11.79 and a weighted average remaining life of 7.6 years. As of June 30, 2007, there were approximately 5.8 million shares of EMC Restricted Stock eligible to be tendered in this Offer with a weighted average remaining vesting period of 1.4 years.

Number of VMware Options and Restricted Stock to be Issued in Exchange

If you validly tender EMC Options or EMC Restricted Stock for exchange and cancellation, and such options are accepted and cancelled, pursuant to this Offer, the number of VMware Options or shares of VMware Restricted Stock you will be entitled to receive will be determined by the Exchange Ratio, which is based on the VWAP and the IPO Price. The Exchange Ratio will be determined in a manner intended to provide for an exchange that maintains the intrinsic value of EMC Options or EMC Restricted Stock tendered and VMware Options or VMware Restricted Stock granted (subject to the effects of rounding fractional amounts). 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, 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 $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007) and the IPO Price were $24.00 per share (the midpoint of the range set forth in the IPO Registration Statement), the Exchange Ratio would be 0.8142 (rounded for presentation), and if you tendered 1,000 EMC Options, you would receive 814 VMware Options, with the same aggregate intrinsic value in exchange. The VWAP is the average (arithmetic mean) of the volume-weighted average price per share of EMC Stock on the New York Stock Exchange over the final two full trading 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), 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). The VWAP will be calculated using the default criteria for the function known as Bloomberg VWAP of the AQR function for EMC common stock on the automated quote and analytical system distributed by Bloomberg Financial LP. The calculation of the VWAP is such 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. The IPO Price will be determined by negotiations between the representatives of the underwriters in the IPO and us.

For each EMC Option you exchange, you will be entitled to receive a non-qualified VMware Option to purchase a number of shares of VMware Stock equal to the number of shares underlying the EMC Option that you exchange multiplied by the Exchange Ratio.

For each EMC Option you exchange, the per share exercise price of each VMware Option you will be entitled to receive will be the exercise price of such EMC Option divided by the Exchange Ratio with the result rounded up to the nearest whole cent. The calculation of the per share exercise price of the VMware Options you will be entitled to receive will be done on an award-by-award basis, such that if you exchange EMC Options with different per share exercise prices from each other, the per share exercise prices of the VMware Options that you will be entitled to receive will also be different from each other.

An example of how the exchange of options would work is as follows (some numbers have been rounded): Assume that EMC shares have a VWAP of $14 per share. Also assume that you exchange an option for 200 shares of EMC Stock at a per share exercise price of $11.50. The aggregate spread (the difference between the aggregate exercise price you would have to pay to exercise the option and the value of the EMC Stock that you would receive upon exercising the option) on your option would be $500. If the initial public offering price per share of VMware Stock were to be $24 per share, the number of shares subject to the new VMware Option that you would receive if you exchanged your option would be the product of 200 and the Exchange Ratio, which in this case would be approximately 0.583 (the VWAP ($14) divided by the IPO Price ($24)). Therefore, after rounding fractional results as described below, you would receive VMware Options for 116 shares. The per share exercise price of the VMware Options would be the exercise price of the EMC Option ($11.50) divided by the Exchange Ratio (approximately 0.583), for a per share exercise price of $19.72. The aggregate spread in the new VMware Option would thus be $496.48 (such amount does not equal $500 due to rounding down for fractional shares subject to VMware Options and rounding up of the exercise price).

For each share of EMC Restricted Stock you exchange, you will be entitled receive VMware Restricted Stock equal to the number of shares of VMware Restricted Stock that you exchange multiplied by the Exchange Ratio.

An example of how the exchange of restricted stock would work under the same set of assumptions as to the VWAP and the IPO Price set forth above is as follows (some numbers have been rounded): If you exchanged an EMC Restricted Stock award with respect to 200 shares of EMC Stock (with a value immediately prior to the initial public offering of $2800), the number of shares would be multiplied by the Exchange Ratio, resulting in a restricted stock award, after rounding fractional results as described below, of 116 VMware shares with a value of $27.84 (such amount does not equal $28.00 due to rounding down of the number of shares of VMware Restricted Stock).

VMware Option awards and VMware Restricted Stock awards will be rounded down to the nearest whole share on an award-by-award basis and, accordingly, neither VMware Options for fractional shares nor fractional

Table of Contents

shares of VMware Restricted Stock will be granted, and you will not be compensated for any fractional shares you otherwise would have received. 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.

Of the outstanding EMC Options held by eligible employees as of June 30, 2007, the maximum number of shares of EMC Stock underlying those options which could be tendered for exchange pursuant to this Offer is approximately 12.3 million. Assuming that EMC shares have a VWAP of $19.54 (the average of the volume-weighted average price per share of EMC Stock for the two days ended July 20, 2007) and that the IPO Price is $24.00 per share (the midpoint of the estimated range set forth in the IPO Registration Statement), the maximum number of shares of VMware Stock underlying the VMware Options which could be granted pursuant to this Offer is approximately 10.0 million. All VMware executive officers are eligible to participate in this Offer and hold collectively as a group EMC Options to purchase approximately 1,532,079 shares of EMC Stock, representing approximately 12.5% of the maximum number of shares of EMC Stock underlying EMC Options held by eligible employees as of June 30, 2007 which could be tendered for exchange pursuant to this Offer. These EMC Options, if validly tendered for exchange in this Offer, with the assumed VWAP and IPO Price above, would be exchanged for VMware Options to purchase approximately 1,247,419 shares of VMware Stock.

As of June 30, 2007, there were a maximum of approximately 5.8 million outstanding shares of EMC Restricted Stock held by eligible employees which could be tendered for exchange pursuant to this Offer. Assuming the same VWAP and IPO Price as above, the maximum number of shares of VMware Restricted Stock which could be granted pursuant to this Offer is approximately 4.7 million. VMware s executive officers hold collectively as a group approximately 540,416 shares of EMC Restricted Stock, representing approximately 9.3% of the maximum number of shares of EMC Restricted Stock held by eligible employees as of June 30, 2007 which could be tendered for exchange pursuant to this Offer. These shares of EMC Restricted Stock, if validly tendered for exchange in this Offer, with the assumed VWAP and IPO Price above, would be exchanged for approximately 440,007 shares of VMware Restricted Stock.

The below table sets forth an example of what the Exchange Ratio would be at a range of different hypothetical VWAPs and IPO Prices. The Exchange Ratio represents the portion of a share of VMware Stock subject to a VMware Option that you would receive for each share of EMC Stock subject to an EMC Option that you exchange and, alternatively, the portion of a share of VMware Restricted Stock that you would receive for each share of EMC Restricted Stock that you exchange.

EXCHANGE RATIO EXAMPLE*

	VWAP					
IPO Price	$15	$16	$17	$18	$19	$20
$26	0.5769	0.6154	0.6538	0.6923	0.7308	0.7692
$25	0.6000	0.6400	0.6800	0.7200	0.7600	0.8000
$24	0.6250	0.6667	0.7083	0.7500	0.7917	0.8333
$23	0.6522	0.6957	0.7391	0.7826	0.8261	0.8696
$22	0.6818	0.7273	0.7727	0.8182	0.8636	0.9091

* Numbers have been rounded.

During this Offer certain updated pricing-related information will be available to all eligible employees of VMware and its subsidiaries via 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 (unless the Offer is extended), at no later than 2:30 p.m., Pacific Time, the Election Site for the EMC VMware Exchange Program will be updated to show what the VWAP would be if that day were the final trading day prior Expiration Date and what the Exchange Ratio would be based on that VWAP (assuming that the IPO Price was equal to the midpoint of the range of the estimated initial offering price reflected in the IPO Registration Statement). You may also contact 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.) to obtain this information.

During the last two full trading days of this Offer, August 2 and August 3, 2007 (unless this Offer is extended), the Election Site for the EMC VMware Exchange Program will display the ongoing calculation of the actual VWAP and the Exchange Ratio as it then stands. Thus, on the next-to-last full trading day during this Offer (the first day of the calculation period), the actual daily volume-weighted average price of EMC common stock during the elapsed portion of that first day will be used in the calculation and, on the final full trading day, the calculations will use the average of the daily VWAP of EMC common stock for the next-to-last full trading day and the actual daily volume-weighted average price 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 final two-day calculation period. The information set forth on the Election Site for the EMC VMware Exchange Program may not be an accurate predictor of what the Exchange Ratio will be as finally determined. The information set forth on Election Site for the EMC VMware Exchange Program is only a part of the information you should use to determine whether to tender your EMC Options or EMC Restricted Stock. You should also consider the information set forth in this Prospectus Offer to Exchange and the other documents to which we refer, as well as the historic trading prices of EMC Stock, the historic volatility of EMC Stock and historic volatility of other companies in the sectors in which VMware and EMC operate.

Neither EMC s nor VMware s boards of directors makes any recommendation as to whether you should tender some or all of your EMC Options or shares of EMC Restricted Stock for exchange in the Offer, nor is any person authorized to make any such recommendation. Depending on the VWAP and the IPO Price, the number of VMware Options or shares of VMware Restricted Stock that you receive in exchange may be higher or lower than the estimates that appear in this Prospectus Offer to Exchange and the exercise price of the VMware Options that you receive may be higher or lower than the exercise price of your current EMC Options or the estimates that appear in this Prospectus Offer to Exchange. Your decision as to whether or not to tender your EMC Options or EMC Restricted Stock for exchange may be affected by the particular EMC Options (and option agreements) and shares of EMC Restricted Stock (and restricted stock agreements) which you hold.

Early Commencement

We and EMC commenced the Offer on July 9, 2007, prior to the effectiveness of our registration statement on Form S-4 of which this Prospectus Offer to Exchange is a part, in accordance with Rule 162 of the Securities Act and Rule 13e-4(e)(2) of the Exchange Act.

Expiration Date

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. See The Exchange Offer Extension; Termination; Amendment for a description of VMware s rights to extend, delay, terminate or amend this Offer.

Lock-Up

VMware has agreed with the underwriters 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 or effectively

Table of Contents

dispose of (e.g., by hedging) any restricted stock or shares of the common stock underlying these options for a period of 180 days from the date the SEC declares the IPO Registration Statement effective. If you make an election to tender online through the Election Site for the EMC VMware Exchange Program at https://www.corp-action.net/vmware or by completing and signing the enclosed Letter of Transmittal, you must agree to the lock-up restrictions, which are set forth on the accompanying Letter of Transmittal, or your tender will not be accepted. Therefore, you will not be able to sell or dispose of restricted stock or shares underlying options received in the exchange until after the 180-day period.

Fractional Shares

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.

Certain Differences between the EMC Plans and the 2007 Equity and Incentive Plan

Please see the description of the 2007 Equity and Incentive Plan set forth under VMware s Compensation Discussion and Analysis 2007 Equity and Incentive Plan in this Prospectus Offer to Exchange. While VMware Options and VMware Restricted Stock granted in exchange for EMC Options and EMC Restricted Stock granted under the EMC Plans will be granted under the 2007 Equity and Incentive Plan, the 2007 Equity and Incentive Plan allows VMware to grant the VMware Options and VMware Restricted Stock with the same terms and conditions as set forth in the EMC Plans, which VMware intends to do, 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.

Proper Tender of EMC Options and EMC Restricted Stock

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.**

Table of Contents

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, prior to 11:00 a.m., Pacific Time, on the Expiration Date, 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, prior to 11:00 a.m., Pacific Time, on the Expiration Date, 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, 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 subject to a particular award or all shares of EMC Restricted Stock subject to a particular award.

If you deliver a Letter of Transmittal with respect to some but not all EMC Options or 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, as applicable. You may request additional copies of the Letter of Transmittal by contacting 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.).

The method of delivery of all documents, including the Letter of Transmittal, is at your election and risk. If delivery is by mail, EMC and VMware recommend that you use registered mail with return receipt requested. In all cases, you should allow sufficient time to ensure timely delivery. If you tender through the Election Site for the EMC VMware Exchange Program, your EMC Options or EMC Restricted Stock will not be considered tendered unless you receive confirmation on the Election Site for the EMC VMware Exchange Program that your elections have been made or until we receive the necessary documentation.

Determination of Validity; Rejection; Waiver of Defects; No Obligation to Give Notice of Defects

EMC and VMware will determine, in our sole discretion, all questions as to form of documents and the validity, form, eligibility, including time of receipt and acceptance of any tender of EMC Options or EMC Restricted Stock for exchange in this Offer. EMC s and VMware s determination of these matters will be final and binding on all parties. **EMC and VMware reserve the right to reject any or all tenders of EMC Options or EMC Restricted Stock that they determine are not in appropriate form or that they determine are unlawful to accept.** Otherwise, we and EMC expect to accept for exchange and cancellation all properly and timely tendered EMC Options and EMC Restricted Stock which are not validly withdrawn. Subject to applicable law, including Rule 13e-4 of the Exchange Act, we and EMC may also waive any of the conditions of this Offer or any defect or irregularity in any tender with respect to any particular eligible EMC Option or any particular shares of EMC Restricted Stock. Your tender of options will not be deemed to have been properly made until all defects or irregularities have been cured by you or waived by us. Neither we nor any other persons are obligated to give notice of any defects or irregularities in tenders, and no one will be liable for failing to give notice of any defects or irregularities.

This is a one-time offer to exchange your EMC Options and EMC Restricted Stock. This Offer will expire at 11:00 a.m., Pacific Time, on August 6, 2007, unless we extend this Offer. EMC and VMware currently have no plans to repeat the same or a similar offer in the future.

Table of Contents

EMC s and VMware s Acceptance Constitutes an Agreement

Your tender of EMC Options or EMC Restricted Stock for exchange pursuant to the procedures described above constitutes your acceptance of the terms and conditions of this Offer. Our acceptance for exchange of your EMC Options or EMC Restricted Stock tendered by you pursuant to this Offer will constitute a binding agreement between you and EMC and VMware upon the terms and subject to the conditions of this Offer.

Subject to our rights to extend, terminate and amend this Offer, EMC and VMware expect that we will accept for exchange on, and in any event promptly after, the Expiration Date, all EMC Options and shares of EMC Restricted Stock validly tendered and not validly withdrawn by eligible employees.

The award of VMware Options and VMware Restricted Stock pursuant to the Offer will not create any contractual or other right of the recipients to receive any future awards of stock options, restricted stock, other stock rights or any right of continued employment.

Partial Tenders

EMC and VMware will not accept partial tenders of an individual option or restricted stock awards.

Withdrawal Rights

You may only withdraw your EMC Options and EMC Restricted Stock tendered for exchange in accordance with the provisions discussed below.

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. If you deliver a Notice of Withdrawal with respect to only some but not all of the EMC Options or EMC Restricted Stock subject to a particular award, EMC and VMware may, in our sole discretion, determine that you have elected to withdraw all or none of the EMC Options or EMC Restricted Stock, as applicable, underlying such award. You may request copies of the Notice of Withdrawal by contacting 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.).

You may withdraw your tendered EMC Options or EMC Restricted Stock at any time before 11:00 a.m., Pacific Time, on August 6, 2007, the currently scheduled Expiration Date of this Offer. If this Offer is extended by EMC and VMware beyond that time, you may withdraw your tendered options at any time until the extended Expiration Date of this Offer. In addition, if EMC and VMware have not accepted your EMC Options or EMC Restricted Stock tendered for exchange before 9:00 p.m., Pacific Time, on August 31, 2007, the 40th business day following the commencement of this Offer, you may withdraw your EMC Options or EMC Restricted Stock at any time thereafter. For purposes of this Offer, a business day means any day other than a Saturday, Sunday or U.S. Federal holiday and consists of the time period from 12:01 a.m. through 12:00 midnight, Eastern Time.

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 sent to the information and exchange agent, by the means and at the applicable address set forth above.

Table of Contents

You may not rescind any withdrawal, and any EMC Options or EMC Restricted Stock you withdraw will thereafter be deemed not properly tendered for purposes of this Offer, unless you properly re-tender those options before the Expiration Date by following the procedures described above in The Exchange Offer Proper Tender of EMC Options and EMC Restricted Stock.

Neither EMC, VMware nor any other persons are obligated to give you notice of any defects or irregularities in any notice of withdrawal, nor will anyone incur any liability for failure to give you any such notice. EMC and VMware will determine, in our discretion, all questions as to the form and validity, including time of receipt of Notices of Withdrawal. EMC s and VMware s determination of these matters will be final and binding.

Delivery of VMware Restricted Shares, Options to Purchase VMware Common Stock

EMC and VMware reserve the right to extend, postpone, amend or terminate this Offer. However, EMC and VMware expect that, upon the terms and subject to the conditions of this Offer, on, and in any event promptly after, the Expiration Date, we will accept for exchange and cancel all validly tendered EMC Options and shares of EMC Restricted Stock that have not been validly withdrawn. 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. You will only receive VMware Options or shares of VMware Restricted Stock for EMC Options or shares of EMC Restricted Stock, as applicable, properly tendered and not withdrawn which have been accepted for exchange and cancellation pursuant to this Offer, and which are outstanding as of the Grant Date.

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.

For purposes of this Offer, EMC and VMware will be deemed to have accepted for exchange EMC Options and shares of EMC Restricted Stock that are validly tendered for exchange and not properly withdrawn if and when we give written notice of our acceptance for exchange of such EMC Options and shares of EMC Restricted Stock, which may be by press release or other permitted means. VMware Options and shares of VMware Restricted Stock will be granted pursuant to this Offer on or promptly after the date of such acceptance, which EMC and VMware expect will be on, and in any event promptly after, the Expiration Date. Promptly following the Expiration Date, EMC and VMware will publicly disclose the approximate aggregate number of shares underlying EMC Options and shares of EMC Restricted Stock accepted and canceled in this Offer, the Grant Date, the approximate aggregate number of shares of VMware Stock subject to VMware Options and the approximate aggregate number of shares of VMware Restricted Stock granted in the exchange.

EMC Options or EMC Restricted Stock that you choose not to tender for exchange or that EMC and VMware do not accept for exchange will remain outstanding until they are exercised or expire by their terms and will retain their current exercise price, term, vesting schedule and other rights and benefits. For so long as EMC continues to hold shares of VMware Stock representing 50% or more of the total outstanding voting power of VMware, service with VMware will be considered service with EMC for purposes of vesting and determining timing of the lapse of restrictions for EMC Restricted Stock. However, from such time as EMC ceases to hold shares of VMware stock representing 50% or more of the total outstanding voting power of VMware, any EMC

Table of Contents

Options and EMC Restricted Stock then held by you will be terminated in accordance with the terms of the applicable award.

Extension; Termination; Amendment

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. If this Offer is extended, EMC and VMware will provide appropriate notice of the extension no later than 6:00 a.m., Pacific Time, on the next business day following the previously scheduled Expiration Date.

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 any of the conditions specified in The Exchange Offer Conditions to Completion of the Offer 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. EMC s and VMware s reservation of the right to delay acceptance and cancellation of EMC Options and EMC Restricted Stock tendered for exchange is limited by Rule 13e-4(f)(5) under the Exchange Act, which requires payment of the consideration offered or return of the EMC Options and EMC Restricted Stock tendered promptly after termination or withdrawal of the tender offer.

Subject to compliance with applicable law, EMC and VMware further reserve the right, in their 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. 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 or permitted by applicable law.

If EMC and VMware materially change the terms of this Offer or the information concerning this Offer, or if they waive a material condition of this Offer, we 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.

If EMC and VMware decide to take any of the following actions, they will publish notice or otherwise inform you in writing of such action and keep this Offer open for at least ten (10) business days after the date of such notification:

(1) EMC and VMware change the consideration offered for the EMC Options or EMC Restricted Stock (while the Exchange Ratio will not be set during the period that this Offer is open, the determination of the Exchange Ratio pursuant to the terms of this Offer will not be considered a change in the consideration offered); or

(2) EMC and VMware decrease the number of options or shares of EMC Restricted Stock eligible to be tendered in this Offer.

Automatic Extension

This Offer will be automatically extended 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.

Table of Contents

Conditions to Completion of the Offer

EMC and VMware will not be required to accept any options tendered for exchange, and EMC or VMware may terminate or amend this Offer, or postpone the acceptance and cancellation of any options tendered for exchange, in each case subject to Rule 13e-4(f)(5) under the Exchange Act, if (a) on or prior to the expiration of this Offer, if the IPO Registration Statement or this Exchange Offer Registration Statement shall not have been declared effective by the SEC or (b) at any time prior to the expiration of this Offer, EMC or VMware determines that any of the following events has occurred and, in our reasonable judgment, the occurrence of the event makes it inadvisable for us to proceed with this Offer or to accept for exchange options tendered for exchange pursuant to this Offer:

- the IPO Registration Statement shall have been withdrawn by the Company;

- any stop order suspending the effectiveness of the IPO Registration Statement or this Exchange Offer Registration Statement has been issued and not withdrawn;

- any instituted or pending action or proceeding by any government or governmental, regulatory or administrative agency, authority or tribunal or any other person, domestic or foreign, before any court, authority, agency or tribunal that directly or indirectly challenges the making of this Offer, the cancellation of some or all of the EMC Options or EMC Restricted Stock tendered for exchange, the issuance of VMware Options or VMware Restricted Stock, or otherwise relates in any substantial manner to this Offer;

- any action is pending or taken, or any approval, exemption or consent is withheld, or any statute, rule, regulation, judgment, order or injunction is proposed, sought, promulgated, enacted, entered, amended, enforced or deemed to be applicable to this Offer, EMC or VMware, by or from any court or any regulatory or administrative authority, agency or tribunal or any other event has occurred that would, in the reasonable judgment of EMC or VMware:

(i) make the acceptance of or exchange of some or all of the tendered EMC Options or EMC Restricted Stock, or make the award of VMware Options and VMware Restricted Stock, illegal;

(ii) require that VMware or EMC obtain shareholder approval in respect of this Offer;

(iii) delay or restrict EMC s or VMware s ability, or render EMC or VMware unable, to accept for exchange, or grant VMware Options for some or all of the tendered EMC Options or VMware Restricted Stock for some or all of the tendered VMware Restricted Stock; or otherwise restrict or prohibit consummation of this Offer or the transactions contemplated by this Offer; or

(iv) materially and adversely affect the business, condition (financial or other), income, operations or prospects of the Company or EMC, or otherwise materially impair in any way the contemplated future conduct of VMware s or EMC s businesses;

- any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the over-the-counter market;

- the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, whether or not mandatory; or

- a tender or exchange offer with respect to some or all of VMware s capital stock or that of EMC s, or a merger or acquisition proposal for VMware or EMC, is proposed, announced or made by another person or entity or is publicly disclosed.

These conditions are for VMware s and EMC s benefit. EMC and VMware may assert any of these conditions in their sole discretion regardless of the circumstances giving rise to them prior to the expiration of this Offer. EMC and VMware may in their discretion waive any of the above conditions, in whole or in part, at any time and from time to time, prior to the expiration of 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. The waiver of any of these rights with respect to particular facts and

Table of Contents

circumstances is not a waiver with respect to any other facts and circumstances. Any determination EMC and VMware make concerning the events described above will be final and binding upon everyone.

Fees and Expenses

EMC and VMware will not pay any fees or commissions to any broker, dealer or other person (other than fees to the information and exchange agent, Mellon Investor Services, as described below) for soliciting tenders of EMC Options or EMC Restricted Stock pursuant to this Offer.

EMC and VMware have retained Mellon Investor Services to act as the information and exchange agent in connection with this Offer. The information and exchange agent may contact holders of shares of EMC Options and EMC Restricted Stock by mail, e-mail, telephone, facsimile transmission and personal interviews and may request brokers, dealers, commercial banks, trust companies and similar institutions and other nominee shareholders to forward materials relating to this Offer to beneficial owners. The information and exchange agent will receive reasonable compensation for its services, will be reimbursed for reasonable out-of-pocket expenses and will be indemnified against liabilities in connection with its services, including liabilities under the federal securities laws.

The information and exchange agent has not been retained to make solicitations or recommendations. The fees it receives will not be based on the number of shares of EMC Options and EMC Restricted Stock tendered under this Offer.

No broker, dealer, commercial bank, trust company or similar institution shall be deemed to be the agent of EMC, VMware or the information and exchange agent for purposes of this Offer.

Legal and Other Limitations

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 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 learns of any jurisdiction in the United States 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 and VMware s behalf by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Table of Contents

MARKET PRICES AND DIVIDEND INFORMATION

Shares of EMC s Common Stock and Dividends

EMC stock is quoted on the New York Stock Exchange under the symbol EMC. The following table shows, for the periods indicated, the range of high and low sales prices per share of EMC Stock as reported by the New York Stock Exchange.

	High	Low
Fiscal Year ended December 31, 2005		
First Quarter	$ 15.09	$ 11.79
Second Quarter	14.88	11.10
Third Quarter	14.78	12.05
Fourth Quarter	14.55	12.70
Fiscal Year ended December 31, 2006		
First Quarter	$ 14.75	$ 13.05
Second Quarter	13.99	10.11
Third Quarter	12.09	9.44
Fourth Quarter	13.79	11.69
Fiscal Year ending December 31, 2007		
First Quarter	$ 14.89	$ 12.74
Second Quarter	18.16	13.85
Third Quarter (through July 6, 2007)	18.86	18.02

On July 6, 2007, the last reported sale price of EMC Stock on the New York Stock Exchange before the filing of this Prospectus Offer to Exchange was $18.66 per share. **We recommend that you obtain current market quotations for EMC Stock before deciding whether to tender your EMC Options or EMC Restricted Stock.**

EMC has never paid cash dividends on its common stock.

Shares of VMware s Common Stock and Dividends

There is currently no public market for VMware s Class A common stock. VMware s Class A common stock has been authorized for listing on the New York Stock Exchange under the symbol VMW.

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. We currently do not anticipate declaring any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to the consent of the holders of our Class B common stock pursuant to our certificate of incorporation. Holders of our Class A common stock and our Class B common stock will share equally on a per share basis in any dividend declared on our common stock by our board of directors. See Description of Capital Stock of VMware Common Stock Dividend Rights.

Table of Contents

USE OF THE IPO PROCEEDS

We estimate that our net proceeds from the sale of the Class A common stock in the IPO will be approximately $741.4 million, at an assumed initial public offering price of $24.00 per share (the midpoint of the range reflected in the IPO Registration Statement) and after deducting estimated underwriting discounts and offering expenses that we must pay in connection with the IPO. If the underwriters over-allotment option in the IPO is exercised in full, we estimate that our net proceeds will be approximately $853.7 million. A $1.00 increase (decrease) in the assumed initial public offering price of $24.00 per share would increase (decrease) the net proceeds to us from the IPO by $31.2 million, assuming the underwriters do not exercise their over-allotment option and assuming that the number of shares offered by us in the IPO, as reflected in the IPO Registration Statement, remains the same and after deducting the estimated underwriting discounts and offering expenses payable by us.

We currently intend to use the net proceeds:

- to repay $350.0 million of our intercompany indebtedness owed to EMC;

- to purchase from EMC our new headquarters facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127.0 million, which purchase will be effected through the transfer of the equity interests of the EMC entity which holds the rights to the facilities; and

- for working capital and other general corporate purposes, including to finance our growth, develop new products and fund capital expenditures and potential acquisitions.

The intercompany indebtedness was incurred in April 2007 to fund an $800 million dividend paid to EMC in the form of a note. The note matures in April 2012 and bears an interest rate of the 90-day LIBOR plus 55 basis points (5.91% as of June 30, 2007), with interest payable quarterly in arrears commencing June 30, 2007. The note may be repaid, without penalty, at any time commencing July 2007. The dividend was declared to allow EMC to realize the increased value of its investment in us from the time of our acquisition by EMC. The amount of the dividend was determined by reference to EMC s tax basis in our common stock through the end of 2007 so that the dividend would not result in the recognition of any income by EMC for U.S. federal income tax purposes. The terms of the note were determined by considering our then-existing cash position, our historic and future ability to generate cash flows from operations and the likelihood that we would be able to pay the note pursuant to its terms while still having sufficient cash to meet our operating needs. We currently do not anticipate declaring cash dividends in the future. We have chosen to use a portion of the proceeds from the IPO to repay $350.0 of our intercompany indebtedness owed to EMC because our expected cash position following the IPO will allow us to pay down a portion of the note without incurring interest while still having sufficient cash to meet our anticipated operating needs. The purchase price of our headquarters facilities was determined as a means to compensate EMC for costs it expended on our behalf in the construction of the facilities.

We may pursue the acquisition of companies with complementary products and technologies that we believe will enhance our suite of offerings. In April 2007, we entered into an agreement to acquire all of the capital stock of a privately-held offshore software development company for aggregate cash consideration of less than $10 million. Other than this agreement, we do not have agreements or commitments for any specific acquisitions at this time. Pending the use of proceeds from the IPO, we intend to invest the proceeds in a variety of capital preservation investments, generally government securities and cash.

Table of Contents

CAPITALIZATION OF VMWARE

The following table sets forth our capitalization as of March 31, 2007:

- on an actual basis;

- on a pro forma basis to give effect to our pending issuance and sale of 9,500,000 shares of Class A common stock to Intel Capital for proceeds of $218.5 million. Pursuant to the terms of our investor rights agreement with Intel Capital, in the event the Company does not complete an underwritten public offering on or before December 31, 2007 with an aggregate price to the public of at least $250.0 million, Intel Capital may require the Company to repurchase the Class A common stock that it holds. The pro forma data gives effect to the adjustment as redeemable common stock due to this repurchase feature; and

- on a pro forma as adjusted basis to give effect to (i) our issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital for proceeds of $218.5 million, (ii) the reclassification of the capital proceeds of $218.5 million from the Intel sale from redeemable common stock to permanent equity since the redemption feature described above lapses upon completion of the IPO, (iii) our issuance and sale of 33,000,000 shares of Class A common stock in the IPO at a public offering price of $24.00 per share (the midpoint of the range reflected in the IPO Registration Statement), (iv) the repayment of $350.0 million of principal amount on the $800.0 million note we incurred to fund a dividend to EMC, (v) the purchase from EMC of our new headquarter facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127.0 million as of June 30, 2007, and (vi) the deduction of estimated IPO underwriting discounts and IPO offering expenses payable by us. See Use of the IPO Proceeds.

This table contains unaudited information and should be read in conjunction with VMware s Selected Consolidated Financial Data, VMware Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes that appear elsewhere in this Prospectus Offer to Exchange.

	As of March 31, 2007		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands)		
Cash	$ 258,468	$ 476,968	$ 741,408
Long-term debt:			
Total deb			