FIFTH THIRD BANCORP
Form 4
April 21, 2015

FORM 4

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

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

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

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Tanner Teresa J.
(Last) (First) (Middle)
38 FOUNTAIN SQUARE PLAZA, MD 10AT76
(Street)
CINCINNATI, OH 45263
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
FIFTH THIRD BANCORP [FITB]

3. Date of Earliest Transaction (Month/Day/Year)
04/17/2015

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

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
EVP and Chief HR Officer

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

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

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/17/2015		F[(1)]		861	D	$ 18.905	58,958.314	D	
Common Stock								2,751.0948	I	by 401(k)

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

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SEC 1474 (9-02)

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

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Tanner Teresa J. 38 FOUNTAIN SQUARE PLAZA MD 10AT76 CINCINNATI, OH 45263			EVP and Chief HR Officer	

Signatures

H. Samuel Lind, as Attorney-in-Fact for Teresa J. Tanner — 04/21/2015

**Signature of Reporting Person — Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares withheld for taxes upon the vesting of restricted stock granted to the reporting person on April 17, 2012.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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66,775

16,781

Cumulative effect of a change in accounting principle, net of tax of $0, $108, $108, $0 and $0

175

175

Net income

$41,080 $20,511 $85,890 $66,775 $16,781

Net income per weighted average share, basic for Class A and Class B (amounts for Class A and Class B shares are the same under the two-class method. See note A):

Income per share before cumulative effect of a change in accounting principle

$0.12 $0.06 $0.26 $0.20 $0.05

Cumulative effect of a change in accounting principle

Net income per share

$0.12 $0.06 $0.26 $0.20 $0.05

Net income per weighted average share, diluted for Class A and Class B (amounts for Class A and Class B shares are the same under the two-class method. See note A):

Income per share before cumulative effect of a change in accounting principle

$0.12 $0.06 $0.26 $0.20 $0.05

Cumulative effect of a change in accounting principle

Net income per share

$0.12 $0.06 $0.26 $0.20 $0.05

Weighted average shares, basic and diluted for Class A and Class B

332,500 332,500 332,500 332,500 332,500

Unaudited pro forma net income per weighted average share, basic for Class A and Class B (amounts for Class A and Class B shares are the same under the two-class method. See note A):

Income per share before cumulative effect of a change in accounting principle for Class A and Class B

$0.11

$

0.24

Cumulative effect of a change in accounting principle for Class A and Class B

Unaudited pro forma net income per share for Class A and Class B

$0.11

$

0.24

Unaudited pro forma net income per weighted average share, diluted for Class A and Class B (amounts for Class A and Class B shares are the same under the two-class method. See note A):

Income per share before cumulative effect of a change in accounting principle for Class A and Class B

$0.11

$

0.24

Cumulative effect of a change in accounting principle for Class A and Class B

Unaudited pro forma net income per share for Class A and Class B	$0.11	$ 0.24
Unaudited pro forma weighted average shares, basic and diluted for Class A and Class B	358,921	358,921

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

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VMware, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Three Months Ended March 31,		For the Year Ended December 31,		For the Period from January 9, 2004 to December 31, 2004
	2007	2006	2006	2005	
	(unaudited)				
Operating activities:					
Net income	$ 41,080	$ 20,511	$ 85,890	$ 66,775	$ 16,781
Adjustments to reconcile net income to net cash provided by operating activities:					
Cumulative effect of a change in accounting principle		(175)	(175)		
Depreciation and amortization	21,197	12,568	66,573	39,461	30,188
In-process research and development			3,700		15,200
Stock-based compensation	11,644	6,469	51,226	27,071	19,543
Provision for doubtful accounts	457	316	763	202	1,224
Loss on disposal of fixed assets	106	123	4,488		
Changes in assets and liabilities, net of acquisitions:					
Accounts receivable	46,361	13,878	(97,992)	(51,967)	(28,106)
Other assets	(606)	(1,019)	(9,076)	(2,120)	(718)
Due to (from) EMC	(56,178)	5,806	(48,365)	29,252	17,151
Accounts payable	(1,968)	3,516	31,762	7,751	(2,550)
Accrued expenses	960	(1,469)	60,904	20,909	6,237
Income taxes payable to EMC	14,696	5,527	(6,006)	44,062	10,943
Deferred income taxes, net	(6,591)	3,721	(21,888)	(22,683)	7,015
Deferred revenue	33,740	29,854	158,059	79,534	4,756
Other liabilities					(3,670)
Net cash provided by operating activities	104,898	99,626	279,863	238,247	93,994
Investing activities:					
Additions to furniture, fixtures and equipment	(16,584)	(10,440)	(52,574)	(20,652)	(5,987)
Capitalized software development costs	(6,672)	(12,342)	(32,523)	(21,558)	(8,155)
Business acquisitions, net of cash acquired	4	27	(46,541)	(2,163)	
Decrease (increase) in restricted cash	688	172	(10,744)	(1,280)	179
Net cash used in investing activities	(22,564)	(22,583)	(142,382)	(45,653)	(13,963)
Financing activities:					
Dividends paid to EMC				(190,000)	(92,920)
Net cash used in financing activities				(190,000)	(92,920)
Net increase in cash and cash equivalents	82,334	77,043	137,481	2,594	(12,889)
Cash and cash equivalents at beginning of the period	176,134	38,653	38,653	36,059	48,948
Cash and cash equivalents at end of the period	$ 258,468	$ 115,696	$ 176,134	$ 38,653	$ 36,059

Supplemental disclosures of cash flow information										
Cash paid for interest	$		$		$	481	$	512	$	
Cash paid for taxes	$	254	$	6	$	64,074	$	7,121	$	412
Non-cash items:										
Dividend declared in the form of a note payable to EMC (see Note M)	$		$		$	800,000	$		$	
Fair value of EMC stock options issued in acquisition	$		$		$	689	$		$	

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

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VMware, Inc.

CONSOLIDATED STATEMENTS OF STOCKHOLDER S EQUITY (DEFICIT)

(in thousands)

	Class A Common Stock		Class B Convertible Common Stock		Additional Paid-in			Stockholder s
	Shares	Par Value	Shares	Par Value	Capital	Deferred Compensation	(Accumulated Deficit)	Equity (Deficit)
Acquisition and capitalization of VMware, Inc.	32,500	$ 325	300,000	$ 3,000	$ 657,087	$ (47,300)	$	$ 613,112
Grants of EMC restricted stock, net of cancellations and withholdings					9,119	(9,119)		
Amortization of deferred compensation						19,543		19,543
Benefit from tax sharing arrangement (see Note A)					3,766			3,766
Dividends declared					(76,139)		(16,781)	(92,920)
Net income							16,781	16,781
Balance, December 31, 2004	32,500	325	300,000	3,000	593,833	(36,876)		560,282
Grants of EMC restricted stock, net of cancellations and withholdings					103,885	(103,885)		
Amortization of deferred compensation						30,616		30,616
Charge from tax sharing arrangement (see Note A)					(13,844)			(13,844)
Dividends declared					(123,225)		(66,775)	(190,000)
Net income							66,775	66,775
Balance, December 31, 2005	32,500	325	300,000	3,000	560,649	(110,145)		453,829
Cumulative effect of change in accounting principle (see Note I)					1,060			1,060
EMC stock options issued in acquisitions					689			689
Charge from tax sharing arrangement (see Note A)					(32,286)			(32,286)
Stock-based compensation expense					60,006			60,006
Reclassification of deferred compensation					(110,145)	110,145		
Dividends declared (see Note M)					(479,973)		(320,027)	(800,000)
Net income							85,890	85,890
Balance, December 31, 2006	32,500	325	300,000	3,000			(234,137)	(230,812)
Charge from tax sharing arrangement (see Note A) (unaudited)					(6,583)			(6,583)
Stock-based compensation expense (unaudited)					12,822			12,822
Net income (unaudited)							41,080	41,080
Balance, March 31, 2007 (unaudited)	32,500	$ 325	300,000	$ 3,000	$ 6,239	$	$ (193,057)	$ (183,493)

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

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. The Company and Summary of Significant Accounting Policies

Background

VMware, Inc. (VMware or the Company) is the leading provider of virtualization solutions. VMware s 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. VMware s 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.

On January 9, 2004, EMC Corporation (EMC) acquired all the outstanding capital stock of VMware. The acquisition was accounted for as a purchase. Accordingly, all assets and liabilities were adjusted to their fair market value. For financial statement purposes, the allocation of the purchase price paid by EMC for VMware has been reflected in VMware s stand-alone financial statements.

The purchase price paid by EMC, net of cash received, was $613.1 million, which consisted of $539.4 million of cash, $72.0 million in fair value of EMC s stock options and $1.7 million of transaction costs, which primarily consisted of fees paid for financial advisory, legal and accounting services. The fair value of EMC s stock options issued to VMware employees was estimated using a Black-Scholes option-pricing model. The fair value of the stock options was estimated assuming no expected dividends and the following EMC weighted-average assumptions:

Expected life (in years)	4.0
Expected volatility	60.0%
Risk-free interest rate	2.0%

The intrinsic value allocated to the unvested options issued in the acquisition that had yet to be earned as of the acquisition date was $47.3 million and was initially recorded as deferred compensation in the purchase price allocation. Deferred compensation which related to those earlier awards has been eliminated against additional paid-in capital in conjunction with the adoption of Financial Accounting Standards No. 123 R, Shared-Based Payments (FAS No. 123R).

The following represents the allocation of the initial purchase price (table in thousands):

Current assets	$ 18,659
Furniture, fixtures and equipment	2,472
Other long-term assets	1,520
Intangible assets:	
Goodwill	527,272
Developed technology (weighted-average useful life of 4.6 years)	93,610
Support and subscription contracts (weighted-average useful life of 9.0 years)	3,950
x86 system vendor contracts (weighted-average useful life of 5.0 years)	5,570
Trademarks and tradenames (weighted-average useful life of 5.0 years)	7,580
Non-solicitation agreements (weighted-average useful life of 3.0 years)	40
Acquired in-process research and development (IPR&D)	15,200
Total intangible assets	653,222
Deferred compensation	47,300
Current liabilities	(85,054)
Deferred income taxes	(21,337)
Long-term liabilities	(3,670)

Total purchase price	$ 613,112

VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In determining the purchase price allocation, EMC considered, among other factors, its intention to use the acquired assets, historical demand and estimates of future demand of VMware s products and services. The fair value of intangible assets was primarily based upon the income approach. The rate used to discount the net cash flows to their present values was based upon a weighted average cost of capital of 14%. The discount rate was determined after consideration of market rates of return on debt and equity capital, the weighted average return on invested capital and the risk associated with achieving forecast sales related to the technology and assets acquired from VMware.

The total weighted-average amortization period for the intangible assets subject to amortization is 4.8 years. The intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized, which in general reflects the cash flows generated from such assets. None of the goodwill is deductible for income tax purposes.

IPR&D of $15.2 million was written off at the date of acquisition because the IPR&D had no alternative uses and had not reached technological feasibility. The value assigned to IPR&D was determined utilizing the income approach by determining cash flow projections relating to the IPR&D projects. The stage of completion of each in-process project was estimated to determine the discount rate to be applied to the valuation of the in-process technology. Based upon the level of completion and the risk associated with in-process technology, a discount rate of 50% was deemed appropriate for valuing the IPR&D.

Prior to the acquisition by EMC, VMware s fiscal year ended on January 31. In connection with the acquisition, VMware s fiscal year end was changed to December 31 to conform to EMC s year end. The results of operations of the predecessor for the first eight days of the new fiscal year ended December 31, 2004 have been excluded from the consolidated financial statements.

EMC currently owns in excess of 99.9% of our common stock. VMware s certificate of incorporation was amended to authorize shares of Class A and Class B common stock. After a conversion of existing common stock into Class A and Class B common stock, EMC holds 32.5 million shares of Class A common stock and 300.0 million shares of Class B common stock. The ownership rights of Class A and Class B common stockholders are the same except with respect to voting, conversion, certain actions that require the consent of holders of Class B and other protective provisions. Each share of Class B common stock has ten votes while each share of Class A common stock has one vote for all matters to be voted on by stockholders. The capitalization of the Company, including all share and per share data has been retroactively adjusted to reflect the recapitalization.

As discussed in Note M, in April 2007, the Company declared an $800.0 million dividend to EMC payable in the form of a note. The dividend has been given retroactive treatment in the December 31, 2006 consolidated balance sheet.

Basis of Presentation

The financial statements have been derived from the consolidated financial statements and accounting records of EMC using the historical results of operations and historical basis of assets and liabilities for VMware and its wholly owned subsidiaries. The financial statements include expense allocations for certain corporate functions provided to VMware by EMC, including general corporate expenses. These allocations were based on estimates of the level of effort or resources incurred on behalf of VMware. Additionally, certain other costs incurred by EMC for the direct benefit of VMware, such as rent, salaries and benefits have been included in VMware s financial statements.

Management believes the assumptions underlying the financial statements and the above allocations are reasonable. However, the financial statements included herein may not necessarily reflect results of operations,

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial position and cash flows as if VMware had operated as a stand-alone company during all periods presented. Accordingly, historical results of VMware should not be relied upon as an indicator of the future performance of VMware.

Accounting Principles

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

Principles of Consolidation

The consolidated financial statements include the accounts of VMware and its subsidiaries. All intercompany transactions and balances between VMware and its subsidiaries have been eliminated.

Unaudited Financial Information

The accompanying consolidated balance sheet as of March 31, 2007, the consolidated statements of income and cash flows for the three months ended March 31, 2007 and 2006 and the consolidated statements of stockholder s equity for the three months ended March 31, 2007 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the Company s financial position and results of operations and cash flows for the three months ended March 31, 2007 and 2006. The financial data and other information disclosed in the notes to the financial statements related to the three-month periods are also unaudited. The results of the three months ended March 31, 2007 are not necessarily indicative of the results to be expected for the year ended December 31, 2007 or for any other interim period or for any other future year.

Use of Accounting Estimates

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

Revenue Recognition

VMware derives revenue from the licensing of software and related services. VMware recognizes revenue for software products and related services in accordance with the American Institute of Certified Public Accountants Statement of Position (SOP) 97-2, *Software Revenue Recognition,* as amended. VMware recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectibility is probable.

The following summarizes the major terms of VMware s contractual relationships with customers and the manner in which VMware accounts for sales transactions.

License revenue.

VMware recognizes revenue from the sale of software when risk of loss transfers, which is generally upon shipment or electronic transfer.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VMware licenses its software under perpetual licenses through its direct sales force and through its channel of distributors, resellers, x86 system vendors and systems integrators. VMware defers revenue relating to products that have shipped to its channel until its products are sold through the channel. VMware obtains sell-through information from distributors and resellers on a monthly basis. For VMware s channel partners who do not report sell-through data, VMware determines sell-through based on such distributors and certain resellers accounts receivable balances and other relevant factors. For x86 system vendors, revenue is recognized in arrears upon the receipt of binding royalty reports.

For all sales, VMware uses either a purchase order or a license agreement and a purchase order as evidence of an arrangement. Sales through distributors and resellers are evidenced by a master license agreement, together with purchase orders on a transaction-by-transaction basis.

The Company s return policy does not allow end-users to return products for a refund. Certain distributors and resellers may rotate stock when new versions of a product are released. VMware estimates future product returns at the time of sale. VMware s estimate is based on historical return rates, levels of inventory held by distributors and resellers and other relevant factors.

VMware offers rebates to certain of its channel partners. When rebates are based on the set percentage of actual sales, VMware recognizes the cost of the rebates as a reduction of revenue when the underlying revenue is recognized. When rebates are earned only if a cumulative level of sales is achieved, VMware recognizes the cost of the rebates as a reduction of revenue proportionally for each sale that is required to achieve the target.

VMware also offers marketing development funds to its channel partners. VMware records the cost of the marketing development funds, based on the maximum potential liability, as a reduction of revenue.

Services revenue.

Services revenue consists of software maintenance and professional services.

VMware recognizes maintenance revenues ratably over the contract period.

Professional services include design, implementation and training. Professional services are not considered essential to the functionality of VMware s products as these services do not alter the product capabilities and may be performed by customers or other vendors. Professional services engagements that have durations of 90 days or less are recognized in revenue upon completion of the engagement. Professional services engagements of more than 90 days for which VMware is able to make reasonably dependable estimates of progress toward completion are recognized on a proportional performance basis based upon the hours incurred. Revenue on all other engagements is recognized upon completion.

Multiple element arrangements.

VMware s software products are sold with maintenance and/or professional services. VSOE of fair value of professional services is based upon the standard rates VMware charges for such services when sold separately. VSOE for maintenance services is established by the rates charged in stand-alone sales of maintenance contracts or the stated renewal rate for maintenance included in the license agreement. The revenue allocated to software license included in multiple element contracts represents the residual amount of the contract after the fair value of the other elements has been determined.

Customers under maintenance agreements are entitled to receive updates and upgrades on a when-and-if-available basis. In the event upgrades have been announced but not delivered, product revenue is deferred after

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the announcement date until delivery occurs unless the company has established VSOE of fair value for the upgrade. VSOE of fair value of upgrades is established based upon the price set by management. VMware has a history of selling upgrades on a stand-alone basis.

Deferred revenue includes unearned maintenance fees, professional services fees and license fees.

Foreign Currency Translation

The U.S. dollar is the functional currency of VMware s foreign subsidiaries. Gains and losses from foreign currency transactions are included in other expense, net, and consist of losses of $0.6 million in both 2006 and 2005.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of 90 days or less at the time of purchase. Cash equivalents consist of money market funds.

Under the terms of various agreements, VMware had restricted cash of $13.3 million and $2.5 million at December 31, 2006 and 2005, respectively. Of these amounts, $10.2 million and $2.5 million were included in other current assets at December 31, 2006 and 2005, respectively, and $3.1 million was included in other assets, net at December 31, 2006.

Allowance for Doubtful Accounts

VMware maintains an allowance for doubtful accounts for estimated probable losses on uncollectible accounts receivable. The allowance is based upon the creditworthiness of VMware s customers, historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are recorded at cost. Depreciation commences upon placing the asset in service and is recognized on a straight-line basis over the estimated useful lives of the assets, as follows:

Furniture and fixtures	5 years
Equipment	2 to 5 years
Leasehold improvements	Shorter of lease term or useful life

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

Research and Development and Capitalized Software Development Costs

Costs incurred in the research and development of new software products are expensed as incurred until technological feasibility is established. Technological feasibility is defined as the earlier of the completion of a detail program design or a working model. Such costs include salaries and benefits, including stock-based compensation, consultants, facilities-related costs, equipment costs, and depreciation. Software development costs incurred subsequent to establishing technological feasibility through the general release of the software

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

products are capitalized. Capitalized costs are amortized over periods ranging from 18 to 24 months, which represent the products estimated useful lives. Unamortized software development costs were $46.1 million (unaudited), $46.5 million and $25.8 million at March 31, 2007 and December 31, 2006 and 2005, respectively, and are included in other assets, net. Amortization expense was $8.0 million (unaudited), $2.8 million (unaudited), $22.3 million, $6.2 million and $1.3 million for the three months ended March 31, 2007 and 2006, and for the years ended December 31, 2006, 2005 and 2004, respectively. Amounts capitalized were $7.6 million (unaudited), $17.7 million (unaudited), $43.0 million, $25.1 million and $8.2 million for the three months ended March 31, 2007 and 2006, and for the years ended December 31, 2006, 2005 and 2004, respectively.

Long-lived Assets

Purchased intangible assets, other than goodwill, are amortized over their estimated useful lives which range from three to nine years. Goodwill is carried at its historical cost.

VMware periodically reviews long-lived assets for impairment in accordance with SFAS No. 144 Accounting for Impairment or Disposal of Long-Lived Assets . VMware initiates reviews for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable or that the useful lives of these assets are no longer appropriate. Each impairment test is based on a comparison of the undiscounted cash flows to the recorded value of the asset. If impairment is indicated, the asset is written down to its estimated fair value.

VMware tests goodwill for impairment in accordance with SFAS No. 142 Goodwill and other Intangible Assets, in the fourth quarter of each year or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Advertising

Advertising production costs are expensed as incurred. Advertising expense was $1.6 million, $0.9 million and $0.3 million in 2006, 2005 and 2004, respectively.

Income Taxes

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

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

The difference between the income taxes payable that is calculated on a separate return basis and the amount actually paid to EMC pursuant to VMware s tax sharing agreement is presented as a component of additional paid-in capital.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Sales Taxes

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

Earnings Per Share

Through March 31, 2007, VMware had 32.5 million shares of Class A common stock and 300.0 million shares of Class B common stock outstanding. There is no difference between basic and diluted earnings per share because there were no outstanding options to purchase shares of VMware common stock or other potentially dilutive securities outstanding. For purposes of calculating earnings per share, the Company uses the two-class method. Because both classes share the same rights in dividends, basic and diluted earnings per share was the same for both classes. In connection with the IPO, eligible employees will be offered the right to exchange equity instruments held in EMC s common stock for equity instruments of VMware s common stock, and certain employees will be awarded stock option grants to purchase shares of VMware s common stock.

Unaudited pro forma per share data gives effect, in the weighted average shares used in the calculation, to the additional 26.4 million shares, which, when multiplied by the assumed offering price of $28.00 per share (the midpoint of the range set forth on the cover page of this prospectus), 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 $800.0 million dividend declared in April 2007 (see Note M) that exceeded the most recent twelve months earnings.

Comprehensive Income

Comprehensive income is equal to net income.

Concentrations of Risks

Financial instruments which potentially subject VMware to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. VMware places cash and cash equivalents in money market funds and limit the amount of investment with any one issuer.

VMware provides credit to distributors, resellers and certain end-user customers in the normal course of business. Credit is generally extended to new customers based upon industry reputation or a credit evaluation. Credit is extended to existing customers based on ongoing credit evaluations, prior payment history and demonstrated financial stability.

Two distributors accounted for 28% and 11%, respectively, of VMware s accounts receivable balance as of December 31, 2006. Two distributors accounted for 30% and 11%, respectively, of VMware s accounts receivable balance as of December 31, 2005. One of these distributors accounted for 29%, 30% and 27% of revenues in 2006, 2005 and 2004, respectively.

Accounting for Stock-Based Compensation

VMware employees have been granted stock options for and restricted stock awards of EMC s common stock. On January 1, 2006, FAS No. 123R became effective. The standard requires recognizing compensation

VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

costs for all share-based payment awards made to employees based upon the awards estimated grant date fair value. The standard covers employee stock options, restricted stock and employee stock purchases related to employee stock purchase plans. Additionally, VMware applied the provisions of the SEC s Staff Accounting Bulletin No. 107 on Share-Based Payment to VMware s adoption of FAS No. 123R. Previously, VMware elected to account for these share-based payment awards under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). Although the equity awards have been made for grants in EMC s common stock, for purposes of presentation within these financial statements, the compensation related to these equity grants has been included as a component of stockholder s equity.

FAS No. 123R was adopted using the modified prospective transition method which does not result in the restatement of results from prior periods, and, accordingly, the results of operations for the year ended December 31, 2006 and future periods will not be comparable to the historical results of operations of VMware.

Under the modified prospective transition method, FAS No. 123R applies to new equity awards and to equity awards modified, repurchased or canceled after the adoption date. Additionally, compensation cost for the portion of awards granted prior to the adoption date for which the requisite service has not been rendered as of the adoption date is recognized as the requisite service is rendered. The compensation cost for that portion of awards is based on the grant-date fair value of those awards as calculated in the prior period pro forma disclosures under FAS No. 123, Accounting for Stock-Based Compensation (FAS No. 123) as reported by EMC. The compensation cost for those earlier awards is attributed to periods beginning on or after the adoption date using the attribution method that was used under FAS No. 123, which was the straight-line method. Instead of recognizing forfeitures only as they occur, VMware now estimates an expected forfeiture rate which is utilized to determine VMware s expense. Deferred compensation which related to those earlier awards has been eliminated against additional paid-in capital in conjunction with the adoption of FAS No. 123R.

For stock options, VMware has utilized the Black-Scholes option-pricing model to determine the fair value of VMware s stock option awards. For stock options and restricted stock, VMware recognizes compensation cost on a straight-line basis over the awards vesting periods for those awards which contain only a service vesting feature.

In connection with the IPO, VMware and EMC are conducting an exchange offer enabling eligible VMware employees to exchange their options to acquire EMC common stock for options to acquire VMware common stock and to exchange restricted stock awards of EMC s common stock for restricted stock awards of VMware s common stock based on a formulaic exchange ratio which will be determined by dividing the two-day volume-weighted average price of EMC s common stock for the last two full days of the exchange offer by the initial public offering price of VMware s Class A common stock. The Company expects the exchange offer will expire on the date of the pricing of the offering. The exchange offer is structured to generally retain the intrinsic value of the tendered EMC securities. The number of VMware options received in exchange for EMC options will be determined by multiplying the number of tendered EMC options by the exchange ratio. The exercise price of the VMware options received in exchange will be the exercise price of the tendered EMC options divided by the exchange ratio. The number of shares of VMware restricted stock received in exchange for EMC restricted stock will be determined by multiplying the number of tendered EMC restricted shares by the exchange ratio. The exchange offer will likely result in a reduction in diluted earnings per share due to the future inclusion of the potential VMware common shares.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revision of Financial Statement Presentation

The Company has revised its prior presentation of the cumulative effect of adopting the provisions of FAS No. 123R to now present the impact of recording the pro forma balance sheet amounts related to capitalized software costs as a credit to additional paid-in capital at January 1, 2006 as opposed to as a cumulative effect of accounting change that impacted net income. The effect of this change was immaterial to the consolidated financial statements and reduced net income for the full year 2006 and the three-months ended March 31, 2006 by $1,060,000 and increased additional paid-in capital at January 1, 2006 by the same amount. This change had no impact on the previously reported income before cumulative effect of a change in accounting principle or on cash flows from operating, financing or investing activities.

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN No. 48). FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FAS No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. VMware adopted FIN No. 48 on January 1, 2007, and it did not have a material impact on our financial statements.

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements (FAS No. 157), which addresses how companies should measure fair value when they are required to use a fair value measure for recognition or disclosure purposes under generally accepted accounting principles. FAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and should be applied prospectively, except in the case of a limited number of financial instruments that require retrospective application. VMware is currently evaluating the potential impact of FAS No. 157 on VMware s financial position and results of operations.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FAS 115 (FAS No. 159). The new statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item s fair value in subsequent reporting periods must be recognized in current earnings. FAS No. 159 is effective for fiscal years beginning after November 15, 2007. VMware is currently evaluating the potential impact of FAS No. 159 on VMware s financial position and results of operations.

B. Business Acquisitions, Goodwill and Intangible Assets

In June 2006, VMware acquired all of the outstanding capital stock of Akimbi Systems, Inc. (Akimbi), a developer of software that builds upon and leverages virtualization technology to improve the efficiency and effectiveness of enterprise application development operations and the IT organizations that support them. Through the acquisition of Akimbi, VMware s capabilities for virtualizing information by providing virtualization solutions to the development and test environments have been enhanced.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The purchase price, net of cash received, was $47.3 million, which consisted of $45.9 million of cash, $0.7 million in fair value of EMC s stock options and $0.7 million of transaction costs, which primarily consisted of fees incurred by VMware for financial advisory, legal and accounting services. The fair value of EMC s stock options issued to employees of Akimbi was estimated using a Black-Scholes option-pricing model. The fair value of the stock options was estimated assuming no expected dividends and the following weighted-average assumptions:

Expected life (in years)	2.5
Expected volatility	35.0%
Risk-free interest rate	5.0%

The consolidated financial statements include the results of Akimbi from the date of acquisition. The purchase price has been allocated to the tangible and identifiable intangible assets acquired and the liabilities assumed based on estimated fair values as of the acquisition date.

The following represents the allocation of the purchase price (table in thousands):

Current assets	$ 410
Furniture, fixtures and equipment	527
Other long-term assets	24
Intangible assets:	
Goodwill	34,254
Developed technology (weighted-average useful life of 5.0 years)	9,300
IPR&D	3,700
Total intangible assets	47,254
Current liabilities	(546)
Deferred income tax liability	(380)
Total purchase price	$ 47,289

In determining the purchase price allocation, VMware considered, among other factors, VMware s intention to use the acquired assets and historical and estimated future demand of Akimbi s products. The fair value of intangible assets was primarily based upon the income approach. The rate used to discount the net cash flows to their present values was based upon a weighted average cost of capital of 25%. The discount rate was determined after consideration of market rates of return on debt and equity capital, the weighted average return on invested capital and the risk associated with achieving forecasted sales related to the technology and assets acquired from Akimbi.

The amortization period for the developed technology is 5.0 years. The developed technology is being amortized based upon the pattern in which the economic benefits of the asset is being utilized, which in general reflects the cash flows generated from the asset. None of the goodwill is deductible for income tax purposes.

The IPR&D of $3.7 million was written off at the date of acquisition because it was determined that the IPR&D had no alternative uses and had not reached technological feasibility. The value assigned to IPR&D was determined utilizing the income approach by determining cash flow projections relating to the identified IPR&D project. The stage of completion for the in-process project was estimated to determine the discount rates to be applied to the valuation of the in-process technology. Based upon the level of completion and the risk associated with in-process technology, VMware applied a discount rate of 35% to value the project.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Intangible Assets

Intangible assets, excluding goodwill as of December 31, 2006 and 2005, consist of (tables in thousands):

2006 Category	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	$ 102,910	$ (70,684)	$ 32,226
Trademarks and tradenames	7,580	(3,200)	4,380
Customer relationships and customer lists	5,290	(1,774)	3,516
Other	5,660	(2,267)	3,393
Total intangible assets, excluding goodwill	$ 121,440	$ (77,925)	$ 43,515

2005 Category	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Purchased technology	$ 93,610	$ (48,845)	$ 44,765
Trademarks and tradenames	7,580	(1,736)	5,844
Customer relationships and customer lists	5,290	(809)	4,481
Other	5,660	(1,013)	4,647
Total intangible assets, excluding goodwill	$ 112,140	$ (52,403)	$ 59,737

Amortization expense on intangibles was $25.5 million, $26.1 million and $26.3 million in 2006, 2005 and 2004, respectively. As of December 31, 2006, amortization expense on intangible assets for the next five years is expected to be as follows (table in thousands):

2007	$ 25,150
2008	12,344
2009	3,465
2010	1,807
2011	397
Total	$ 43,163

Changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2005 consist of the following (table in thousands):

	2006	2005
Balance, beginning of the year	$ 526,252	$ 525,479
Goodwill acquired	34,258	4,644
Finalization of purchase price allocations	(28)	(3,871)

Balance, end of the year	$ 560,482	$ 526,252

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

C. Other Current Assets

Other current assets consists of (table in thousands):

	March 31, 2007 (unaudited)	December 31, 2006	December 31, 2005
Restricted cash	$ 10,002	$ 10,173	$ 2,515
Prepaid expenses	6,975	7,337	2,522
Other receivables	4,232	4,950	492
Other	187	226	444
	$ 21,396	$ 22,686	$ 5,973

D. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment consists of (table in thousands):

	March 31, 2007 (unaudited)	December 31, 2006	December 31, 2005
Furniture and fixtures	$ 5,139	$ 1,338	$ 99
Equipment	71,256	57,321	23,677
Improvements	16,721	11,456	2,758
Construction in progress	3,602	9,942	5,660
	96,718	80,057	32,194
Accumulated depreciation	(38,240)	(31,382)	(12,853)
	$ 58,478	$ 48,675	$ 19,341

Depreciation expense was $6.9 million (unaudited), $3.5 million (unaudited), $18.7 million, $7.2 million and $2.6 million for the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004, respectively.

E. Accrued Expenses

Accrued expenses consist of (table in thousands):

	March 31, 2007	December 31,	December 31, 2005

		2006	
	(unaudited)		
Salaries and benefits	$ 42,256	$ 45,576	$ 20,720
Accrued rebates	31,365	28,655	7,891
Other	30,660	29,090	13,806
	$ 104,281	$ 103,321	$ 42,417

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

F. Income Taxes

VMware s provision for income taxes consists of (table in thousands):

	Years Ended December 31, 2006	Years Ended December 31, 2005	Period from January 9, 2004 to December 31, 2004
Federal:			
Current	$ 53,101	$ 47,088	$ 11,021
Deferred	(20,083)	(20,840)	5,957
	33,018	26,248	16,978
State:			
Current	3,096	2,942	(214)
Deferred	(2,184)	(1,653)	1,058
	912	1,289	844
Foreign:			
Current	2,902	1,028	547
Deferred			
	2,902	1,028	547
Total provision for income taxes	$ 36,832	$ 28,565	$ 18,369

A reconciliation of VMware s income tax provision to the statutory federal tax rate is as follows:

	Years Ended December 31, 2006	Years Ended December 31, 2005	Period from January 9, 2004 to December 31, 2004
Statutory federal tax rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	0.7%	1.4%	2.4%
Tax rate differential for international jurisdictions	(21.0%)	(16.7%)	(12.4%)
U.S. tax credits	(4.9%)	(3.9%)	(8.0%)
	20.8%	16.1%	38.7%

Permanent items, including Subpart F Income, non-deductible stock-based compensation expenses and IPR&D charges			
Other	(0.5%)	(1.9%)	(3.4%)
Effective tax rate	30.1%	30.0%	52.3%

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the current and non-current deferred tax assets are as follows (table in thousands):

	December 31, 2006		December 31, 2005	
	Deferred Tax Asset	Deferred Tax Liability	Deferred Tax Asset	Deferred Tax Liability
Current:				
Accounts receivable	$ 630	$	$ 604	$
Accrued expenses	9,402		3,460	
Deferred revenue	16,778		16,740	
Net operating loss carryforwards	846		63	
Total current	27,656		20,867	
Non-current:				
Property, plant and equipment, net	2,749		1,007	
Intangible and other assets, net		(30,579)		(31,150)
Deferred revenue	15,698		5,400	
Credit carryforwards	612			
Net operating loss carryforwards	1,876			
Total non-current	20,935	(30,579)	6,407	(31,150)
Total deferred tax assets and liabilities	$ 48,591	$ (30,579)	$ 27,274	$ (31,150)

VMware has federal net operating loss carryforwards of $7.0 million from acquisitions in 2005 and 2006. These carryforwards expire at different periods through 2026. Portions of these carryforwards are subject to annual limitations, including Section 382 of the Internal Revenue Code of 1986, as amended (the Code), for U.S. tax purposes. VMware expects to be able to fully use these net operating losses against future income.

Deferred income taxes have not been provided on basis differences related to investments in foreign subsidiaries. These basis differences were approximately $12.9 million and $0.5 million at December 31, 2006 and 2005, respectively, and consisted of undistributed earnings permanently invested in these entities. The unrecognized deferred tax liability associated with these unremitted earnings is approximately $4.4 million and $0.1 million as of December 31, 2006 and 2005, respectively. Income before income taxes from foreign operations for 2006, 2005 and 2004 was $82.0 million, $48.5 million and $14.0 million, respectively.

The difference between the income taxes payable that is calculated on a separate return basis and the amount actually paid to EMC pursuant to VMware s tax sharing agreement is presented as a component of additional paid-in capital. These differences resulted in an increase of additional paid-in capital of $3.8 million in 2004 and a decrease in additional paid-in capital of $13.8 million and $32.3 million in 2005 and 2006, respectively.

VMware adopted FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (FIN No. 48), at the beginning of fiscal year 2007. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with FAS No. 109, Accounting for Income Taxes. FIN No. 48 prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50 percent likelihood of being realized upon ultimate settlement. VMware had no changes to the amount of its income tax payable as a result of implementing FIN No. 48. Prior to

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the adoption of FIN No. 48, VMware s policy was to classify accruals for uncertain positions as a current liability unless it was highly probable that there would not be a payment or settlement for such identified risks for a period of at least a year. VMware reclassified $4.5 million of income tax liabilities from current to non-current liabilities because a cash settlement of these liabilities is not anticipated within one year of the balance sheet date.

As of January 1, 2007, we had $4.4 million of unrecognized tax benefits; if recognized, all of this amount would be recognized as a reduction of income tax expense impacting the effective income tax rate. This amount did not change significantly during the three months ended March 31, 2007. We are subject to U.S. federal income tax and various state, local and international income taxes in numerous jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file.

We have substantially concluded all U.S. federal income tax matters for years through 2004. The U.S. federal income tax audit for 2005 and 2006 is scheduled to commence in June 2007, and we have income tax audits in progress in numerous state, local and international jurisdictions in which we operate. In our international jurisdictions that comprise a significant portion of our operations, the years that may be examined vary, with the earliest year being 2003. Based on the outcome of examinations of VMware, the result of the expiration of statutes of limitations for specific jurisdictions or the result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our statement of financial position. It is possible that one or more of these audits may be finalized within the next 12 months. However, based on the status of examinations, and the protocol of finalizing audits, it is not possible to estimate the impact of such changes, if any, to our previously recorded uncertain tax positions.

We recognize interest expense and penalties related to income tax matters in income tax expense. In addition to the unrecognized tax benefits noted above, we had accrued $0.1 million of interest as of January 1, 2007. The amount did not change significantly during the three months ended March 31, 2007.

G. 401(k) Plan

VMware employees participate in EMC s 401(k) plan. VMware matches pre-tax employee contributions up to 6% of eligible compensation during each pay period (subject to the $750 maximum match each quarter). Matching contributions are immediately 100% vested. VMware contributions for employees were $3.1 million in 2006, $2.0 million in 2005 and $0.9 million in 2004.

Employees may elect to invest their contributions in a variety of funds, including an EMC stock fund. The 401(k) plan limits an employee s maximum investment allocation in the EMC stock fund to 30% of his or her total contribution. The matching contribution mirrors the investment allocation of the employee s contribution.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

H. Commitments and Contingencies

Operating Lease Commitments

VMware leases office facilities and equipment under various operating leases. Facility leases generally include renewal options. Rent expense for 2006, 2005 and 2004 was $14.0 million, $5.8 million and $3.8 million, respectively.

VMware s future lease commitments are as follows (table in thousands):

2007	$ 13,562
2008	8,966
2009	7,864
2010	7,617
2011	6,632
Thereafter	253,442
Total minimum lease payments	$ 298,083

Outstanding Obligations

At December 31, 2006 VMware had outstanding purchase orders aggregating $46.7 million. While the purchase orders are generally cancelable without penalty, certain vendor agreements provide for percentage-based cancellation fees or minimum restocking charges based on the nature of the product or service. In addition, VMware had outstanding construction contracts for VMware s new headquarter facilities aggregating $77.6 million at December 31, 2006. EMC currently reimburses VMware for the costs VMware incurs under these contracts and will continue to do so through the date of VMware s initial public offering, at which time VMware will purchase the facilities from EMC. Total costs incurred through December 31, 2006 were $63.5 million. There will be additional costs incurred through the initial public offering date.

Guarantees and Indemnification Obligations

VMware enters into agreements in the ordinary course of business with, among others, customers, distributors, resellers, x86 system vendors and systems integrators. Most of these agreements require VMware to indemnify the other party against third-party claims alleging that a VMware product infringes or misappropriates a patent, copyright, trademark, trade secret and/or other intellectual property right. Certain of these agreements require VMware to indemnify the other party against certain claims relating to property damage, personal injury or the acts or omissions of VMware, its employees, agents or representatives.

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

VMware has procurement or license agreements with respect to technology that is used in VMware s products and agreements in which VMware obtains rights to a product from an x86 system vendor. Under some of these agreements, VMware has agreed to indemnify the supplier for certain claims that may be brought against such party with respect to VMware s acts or omissions relating to the supplied products or technologies.

VMware has agreed to indemnify the directors and officers of VMware and VMware s subsidiaries, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which such individual may be involved by reason of such individual being or having been a director or officer.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with certain acquisitions, VMware has agreed to indemnify the current and former directors, officers and employees of the acquired company in accordance with the acquired company s by-laws and charter in effect immediately prior to the acquisition or in accordance with indemnification or similar agreements entered into by the acquired company and such persons. VMware has maintained the acquired company s directors and officers insurance, which should enable VMware to recover a portion of any future amounts paid.

Based upon VMware s historical experience and information known as of December 31, 2006, VMware believes liability on the above guarantees and indemnities at December 31, 2006 is insignificant.

Litigation

VMware is a party to various legal proceedings which VMware considers routine and incidental to VMware s business. Management does not expect the results of any of these proceedings to have a material adverse effect on VMware s business, results of operations or financial condition.

I. Stockholder s Equity

Common Stock

Following this offering, VMware will have two classes of authorized common stock: Class A common stock and Class B common stock.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of VMware s Class A common stock and Class B common stock are entitled to receive dividends, out of assets legally available, sharing equally in all such dividends on a per share basis, at the times and in the amounts that VMware s board of directors may determine from time to time.

Conversion Rights

Each share of Class B common stock is convertible while held by EMC or its successor-in-interest at the option of EMC or its successor-in-interest into one share of Class A common stock. If VMware s Class B common stock is distributed to security holders of EMC in a transaction (including any distribution in exchange for shares of EMC s or its successor-in-interest s common stock or other securities) intended to qualify as a distribution under Section 355 of the Code, or any corresponding provision of any successor statute, shares of VMware s Class B common stock will no longer be convertible into shares of Class A common stock. Prior to any such distribution, all shares of Class B common stock will automatically be converted into shares of Class A common stock upon the transfer of such shares of Class B common stock by EMC other than to any of EMC s successors or any of its subsidiaries (excluding VMware). If such a distribution has not occurred, each share of Class B common stock will also automatically convert at such time as the number of shares of common stock owned by EMC or its successor-in-interest falls below 20% of the outstanding shares of VMware s common stock. Following any such distribution, VMware may submit to its stockholders a proposal to convert all outstanding shares of Class B common stock into shares of Class A common stock, provided that VMware has received a favorable private letter ruling from the Internal Revenue Service satisfactory to EMC to the effect that the conversion will not affect the intended tax treatment of the distribution. In a meeting of VMware stockholders called for this purpose, the holders of VMware Class A common stock and VMware Class B common stock will be entitled to one vote per share and, subject to applicable law, will vote together as a single class and neither class of common stock will be entitled to a separate class vote. All conversions will be effected on a share-for-share basis.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Voting Rights

Except that holders of Class A common stock are entitled to one vote per share while holders of Class B common stock are entitled to 10 votes per share on all matters to be voted on by VMware s stockholders and except with respect to 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 A common stock and Class B common stock have identical rights. The holders of VMware Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on VMware s board of directors which it would have if there were no vacancies on the board of directors at the time. Subject to any rights of any series of preferred stock to elect directors, the holders of VMware Class A common stock and the holders of VMware Class B common stock, voting together as a single class, are entitled to elect the remaining directors, which at no time will be less than one director. In any such election, the holders of Class A common stock and the holders of Class B common stock are entitled to one vote per share. In the event that the rights of any series of preferred stock would preclude the holders of VMware Class A common stock and the holders of VMware Class B common stock, voting together as a single class, from electing at least one director, the board of directors will increase the number of directors prior to the issuance of that preferred stock to the extent necessary to allow these stockholders to elect at least one director. Generally, all other matters to be voted on by stockholders must be approved by a majority of the votes entitled to be cast at a meeting by all shares of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock. Additionally, following a distribution of VMware Class B common stock to security holders of EMC, any person or group that beneficially owns 10% or more of the Class B common stock will not have any right to vote their shares of Class B common stock in the election of directors unless that person or group of persons also beneficially owns at least an equivalent percentage of VMware Class A common stock with two exceptions:

- where such person or group obtains the consent of VMware s board of directors prior to acquiring beneficial ownership of at least 5% of VMware s common stock; or

- where such person or group acquires beneficial ownership of at least 5% of VMware s common stock solely as a result of a distribution of Class B common stock to EMC stockholders and, prior to acquiring one additional share of Class B common stock, such person or group obtains the consent of VMware s board of directors.

No Preemptive or Redemption Rights

VMware s Class A common stock and Class B common stock are not entitled to preemptive rights and are not subject to redemption or sinking fund provisions.

Right to Receive Liquidation Distributions

Upon VMware s liquidation, dissolution or winding-up, the holders of VMware s Class A common stock and Class B common stock are entitled to share equally in all of VMware s assets remaining after payment of all liabilities and the liquidation preferences of any outstanding preferred stock.

Approval Rights of Holders of Class B Common Stock

In addition to any other vote required by law or by VMware s certificate of incorporation, until the first date on which EMC ceases to beneficially own 20% or more of the outstanding shares of VMware s common stock, the prior affirmative vote or written consent of EMC as the holder of the Class B common stock is required (subject in each case to certain exceptions) in order to authorize VMware to:

- consolidate or merge with any other entity;

acquire the stock or assets of another entity in excess of $100 million;

VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

issue any stock or securities except to VMware s subsidiaries or pursuant to this offering or VMware s employee benefit plans;

dissolve, liquidate or wind VMware up;

declare dividends on VMware s 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 VMware s certificate of incorporation or bylaws.

Preferred Stock

Subject to the approval of the Class B stockholders, and subject to any requirements of the New York Stock Exchange, or any applicable national securities exchange, VMware s series preferred stock may be issued from time to time in one or more series, with such terms as VMware s board of directors may determine.

Equity Plans

VMware employees participate in the EMC Corporation 2003 Stock Plan (the 2003 Plan) which provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units. The exercise price for a stock option shall not be less than 100% of the fair market value of EMC s common stock on the date of grant. Options generally become exercisable in annual installments over a period of three to five years after the date of grant and expire ten years after the date of grant. Incentive stock options will expire no later than ten years after the date of grant. Restricted stock is common stock that is subject to a risk of forfeiture or other restrictions that will lapse upon satisfaction of specified conditions. Awards of restricted stock that vest only by the passage of time will not vest fully in less than three years after the date of grant.

In addition to the 2003 Plan, VMware employees have participated in EMC s three employee stock option plans (the 1985 Plan, the 1993 Plan and the 2001 Plan). Under the terms of each of the three plans, the exercise price of incentive stock options issued must be equal to at least the fair market value of EMC s common stock on the date of grant. In the event that non-qualified stock options are granted under the 1985 Plan, the exercise price may be less than the fair market value at the time of grant, but in the case of employees not subject to Section 16 of the Securities Exchange Act of 1934, not less than par value (which is $0.01 per share), and in the case of employees subject to Section 16, not less than 50% of the fair market value on the date of grant. In the event that non-qualified stock options are granted under the 1993 Plan or the 2001 Plan, the exercise price may be less than the fair market value at the time of grant but not less than par value.

Employee Stock Purchase Plan

Under EMC s 1989 Employee Stock Purchase Plan (the 1989 Plan), eligible VMware employees may purchase shares of EMC s common stock through payroll deductions at the lower of 85% of the fair market value of the stock at the time of grant or 85% of the fair market value at the time of exercise. Options to purchase shares are granted twice yearly, on January 1 and July 1, and are exercisable on the succeeding June 30 or December 31. In 2006, 2005 and 2004, 1.0 million shares, 0.5 million shares and 0.3 million shares, respectively, were purchased under the 1989 Plan by VMware employees at a weighted-average purchase price per share of $9.32, $11.61 and $9.58, respectively. Total cash proceeds to EMC from the purchase of shares under the 1989 Plan by VMware employees in 2006, 2005 and 2004 were $9.0 million, $5.3 million and $3.2 million, respectively.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Stock Options

The following tables summarize option activity for VMware employees in EMC stock options (shares in thousands):

	Number of Shares	Wtd. Avg. Exercise Price
VMware options exchanged for EMC options at January 8, 2004 (see Note A)	6,311	$ 1.59
Options relating to employees transferred from EMC	122	24.10
Granted	4,917	11.69
Forfeited	(469)	6.46
Expired	(39)	13.08
Exercised	(1,467)	1.22
Outstanding, December 31, 2004	9,375	6.95
Options relating to employees transferred from EMC	128	22.04
Granted	3,442	13.84
Forfeited	(1,021)	9.26
Expired	(11)	9.42
Exercised	(1,328)	3.41
Outstanding, December 31, 2005	10,585	9.59
Options relating to employees transferred from EMC	293	23.59
Options exchanged in a business acquisition	265	0.40
Granted	4,941	12.51
Forfeited	(847)	12.22
Expired	(114)	14.80
Exercised	(1,298)	2.35
Outstanding, December 31, 2006	13,825	11.23
Options relating to employees transferred from EMC (unaudited)	354	25.22
Granted (unaudited)	879	13.91
Forfeited (unaudited)	(207)	12.71
Expired (unaudited)	(14)	13.06
Exercised (unaudited)	(291)	3.79
Outstanding, March 31, 2007 (unaudited)	14,546	11.86

The total pre-tax intrinsic values of options exercised for the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004 were $3.0 million (unaudited), $3.6 million (unaudited), $13.2 million, $13.6 million and $17.3 million, respectively. Cash proceeds from the exercise of stock options paid to EMC were $1.1 million (unaudited), $1.0 million (unaudited), $3.0 million, $4.5 million and $1.8 million for the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005 and 2004, respectively.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Summarized information about stock options outstanding that are expected to vest and stock options exercisable at March 31, 2007 (unaudited) is as follows (shares and intrinsic values in thousands):

	Options Outstanding and Expected to Vest				Options Exercisable			
Range of Exercise Price	Number of Options	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Aggregate Intrinsic Value	Number of Options	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Aggregate Intrinsic Value
$ 0.01 - $ 5.00	1,887	5.90	$ 1.29	$ 23,699	1,724	5.68	$ 1.37	$ 21,514
$ 5.01 - $10.00	932	8.63	9.22	4,313	159	4.81	6.47	1,172
$10.01 - $15.00	9,112	8.33	12.98	8,852	2,197	7.35	12.55	3,104
$15.01 - $20.00	61	4.42	16.73		61	4.42	16.73	
$20.01 - $30.00	25	2.38	27.49		25	2.38	27.49	
$30.01 - $50.00	139	3.25	34.77		139	3.25	34.77	
$50.01 - $70.00	72	3.01	60.61		72	3.01	60.61	
$70.01 - $90.00	49	3.49	82.91		49	3.49	82.91	
	12,277	7.84	11.75	$ 36,864	4,426	6.30	10.37	$ 25,790
Expected forfeitures	2,269							
Total options outstanding	14,546							

The aggregate intrinsic values in the preceding table represent the total pre-tax intrinsic values based on EMC s closing stock price of $13.85 as of March 31, 2007 which would have been received by the option holders had all in-the-money options been exercised as of that date.

Summarized information about stock options outstanding that are expected to vest and stock options exercisable at December 31, 2006 is as follows (shares and intrinsic values in thousands):

	Options Outstanding and Expected to Vest				Options Exercisable			
Range of Exercise Price	Number of Options	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Aggregate Intrinsic Value	Number of Options	Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Aggregate Intrinsic Value
$ 0.01 - $ 5.00	2,100	6.00	$ 1.29	$ 25,021	1,913	5.77	$ 1.37	$ 22,641
$ 5.01 - $10.00	893	9.17	9.34	3,451	136	4.87	6.56	902
$10.01 - $15.00	8,700	8.48	12.89	5,368	2,026	7.58	12.45	2,081
$15.01 - $20.00	39	5.01	16.46		38	4.61	16.57	
$20.01 - $30.00	25	2.63	27.49		25	2.63	27.49	
$30.01 - $50.00	68	3.58	35.52		68	3.58	35.52	

$50.01 - $70.00	12	3.17	59.59		12	3.17	59.59	
$70.01 - $90.00	45	3.71	83.85		45	3.71	83.85	
	11,882	8.02	11.06	$ 33,840	4,263	6.51	8.67	$ 25,624
Expected forfeitures	1,943							
Total options outstanding	13,825							

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate intrinsic values in the preceding table represent the total pre-tax intrinsic values based on EMC s closing stock price of $13.20 as of December 31, 2006 which would have been received by the option holders had all in-the-money options been exercised as of that date.

Restricted Stock

The following tables summarize restricted stock activity for grants to VMware employees of EMC restricted stock in 2006, 2005 and 2004 (shares in thousands):

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock at January 8th, 2004		$
Granted	978	12.33
Outstanding, December 31, 2004	978	12.33
Granted	7,718	14.04
Vested	(622)	12.76
Forfeited	(172)	13.40
Outstanding, December 31, 2005	7,902	13.94
Granted	3,303	12.19
Vested	(1,967)	13.70
Forfeited	(425)	13.94
Restricted stock at December 31, 2006	8,813	13.34
Granted (unaudited)	48	13.93
Vested (unaudited)	(1,901)	14.01
Forfeited (unaudited)	(59)	13.16
Restricted stock at March 31, 2007 (unaudited)	6,901	13.16

The total fair values of EMC restricted stock that vested in the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006 and 2005 were $26.6 million (unaudited), $8.7 million (unaudited), $26.9 million and $7.9 million, respectively.

The EMC restricted stock awards have various vesting terms, including pro rata vesting over three years and cliff vesting at the end of five years from the date of grant with acceleration in each of the first three or four years for achieving specified performance criteria.

As of December 31, 2006, 8.8 million shares of EMC restricted stock were outstanding and unvested, with an aggregate intrinsic value of $117.6 million and a weighted average remaining contractual life of approximately 3.7 years. These shares are scheduled to vest through 2011. As of March 31, 2007, 6.9 million (unaudited) shares of EMC restricted stock were outstanding and unvested, with an aggregate intrinsic value of $90.8 million (unaudited) and a weighted average remaining contractual life of approximately 3.6 years (unaudited). These shares are scheduled to vest through 2011.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impact of Adopting FAS No. 123R

The following table summarizes the components of total stock-based compensation expense included in VMware s consolidated income statement for the three months ended March 31, 2007 (table in thousands):

	Three Months Ended March 31, 2007 (unaudited)		
	Stock Options	Restricted Stock	Total Stock-Based Compensation
Cost of license sales	$ 25	$ 11	$ 36
Cost of services revenues	260	234	494
Research and development	1,274	5,118	6,392
Sales and marketing	1,259	1,685	2,944
General and administrative	435	1,343	1,778
Stock-based compensation expense before income taxes	3,253	8,391	11,644
Income tax benefit	1,062	1,862	2,924
Total stock-based compensation, net of tax	$ 2,191	$ 6,529	$ 8,720

Stock option expense includes $0.7 million (unaudited) of expense associated with the EMC employee stock purchase plan.

The following table summarizes the components of total stock-based compensation expense included in VMware s consolidated income statement in 2006 (table in thousands):

	Year Ended December 31, 2006		
	Stock Options	Restricted Stock	Total Stock-Based Compensation
Cost of license sales	$ 80	$ 19	$ 99
Cost of services revenues	1,248	1,136	2,384
Research and development	4,095	22,247	26,342
Sales and marketing	4,704	7,316	12,020
General and administrative	2,500	7,881	10,381
Stock-based compensation expense before income taxes	12,627	38,599	51,226
Income tax benefit	2,327	9,902	12,229
Total stock-based compensation, net of tax	$ 10,300	$ 28,697	$ 38,997

Stock option expense includes $2.5 million of expense associated with the EMC employee stock purchase plan.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the adoption of FAS No. 123R, VMware recorded to the income statement, a cumulative effect adjustment, net of taxes, of $0.2 million to record an amount for the reversal of the previously recognized compensation expense related to outstanding restricted stock awards that are not expected to vest based on an estimate of forfeitures as of the date of adoption of FAS No. 123R. Additionally, VMware recorded to stockholder s equity, a cumulative effect adjustment, net of taxes, of $1.1 million to capitalize amounts associated with software development costs that were previously capitalized in VMware s pro forma compensation disclosures.

For the three months ended March 31, 2007 and 2006, and for the years ended December 31, 2006 and December 31, 2005 VMware capitalized $0.9 million (unaudited), $5.3 million (unaudited), $8.8 million and $3.5 million, respectively, of equity-based compensation expense associated with capitalized software development. For the three months ended March 31, 2007, VMware capitalized $0.3 million (unaudited) of equity-based compensation expense associated with software developed for internal use.

As of December 31, 2006, the total unrecognized after-tax compensation cost for stock options, restricted stock and options under the employee stock purchase plan was $97.6 million. This non-cash expense will be recognized through 2011 with a weighted average remaining period of 1.4 years.

As a result of adopting FAS No. 123R, VMware s income before taxes and net income in 2006 were $4.9 million and $1.5 million lower, respectively, than if VMware had continued to account for share-based compensation under APB No. 25. Basic and diluted earnings per share in 2006 would have been $0.01 higher if VMware had not adopted FAS No. 123R.

For the periods prior to 2006, VMware elected to apply APB No. 25 and related interpretations in accounting for VMware s stock-based compensation plans. For the acquisition of VMware by EMC, VMware exchanged the options held by VMware employees for EMC options as of the acquisition date. In accordance with APB No. 25, VMware recognized the fair value of the exchanged options as part of the purchase price. VMware also recorded the intrinsic value of the unvested options as compensation expense over the remaining service period subsequent to the acquisition.

For purposes of determining the pro forma impact of FAS No. 123 for 2005 and 2004, the Company s policy was to record the amount by which the fair value of the vested and unvested EMC stock awards exceeded the value of the acquirees options that were being exchanged. The difference in the fair value of the EMC options exchanged as compared to the fair value of the options held by VMware s employees was insignificant.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a reconciliation of net income per weighted average share had VMware adopted the fair value recognition provisions of FAS No. 123 in 2005 and 2004 (table in thousands, except per share amounts):

	For the Year Ended December 31, 2005	For the Period from January 9, 2004 to December 31, 2004
Net income	$ 66,775	$ 16,781
Add back: Stock compensation costs, net of tax, on stock-based awards	21,423	16,458
Less: Stock compensation costs, net of taxes, had stock compensation expense been measured at fair value	(15,133)	(3,645)
Adjusted stock compensation expense per FAS No. 123, net of taxes	6,290	12,813
Adjusted net income	$ 73,065	$ 29,594
Net income per weighted average share, basic and diluted as reported	$ 0.20	$ 0.05
Adjusted net income per weighted average share, basic and diluted	$ 0.22	$ 0.09

The fair value of each option granted during the three months ended March 31, 2007, and for the years ended December 31, 2006, 2005 and 2004 is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Three Months Ended March 31,	For the Year Ended December 31,		For the Period from January 9, 2004 to December 31,
	2007	2006	2005	2004
	(unaudited)			
Stock Options				
Dividend yield	None	None	None	None
Expected volatility	30.1%	34.4%	40.8%	52.8%
Risk-free interest rate	4.7%	4.8%	4.0%	3.6%
Expected life (in years)	4.2	4.0	4.0	4.8
Weighted-average fair value at grant date	$ 4.45	$ 4.28	$ 5.22	$ 5.71

	Three Months Ended March 31,	For the	For the Period from January 9, 2004

	2007	Year Ended December 31, 2006	2005	to December 31, 2004
	(unaudited)			
Employee Stock Purchase Plan				
Dividend yield	None	None	None	None
Expected volatility	25.2%	27.6%	42.1%	49.5%
Risk-free interest rate	5.04%	4.9%	3.0%	1.4%
Expected life (in years)	0.5	0.5	0.5	0.5
Weighted-average fair value at grant date	$ 3.03	$ 2.86	$ 3.95	$ 3.48

Expected volatilities are based on historical and implied volatilities from traded options in EMC s stock. VMware uses EMC historical data to estimate the expected term of options granted within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

J. Related Party Transactions

For the three months ended March 31, 2007 and the year ended December 31, 2006, VMware recognized professional service revenue of $4.1 million (unaudited), and $1.4 million for services provided to EMC pursuant to contractual agreements with EMC.

For the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006 and 2005, VMware purchased $0.6 million (unaudited), $0.7 million (unaudited), $2.9 million and $0.6 million, respectively, of storage systems from EMC. The purchase amounts represent EMC s cost.

The financial statements include expense allocations for certain corporate functions provided by EMC, including accounting, treasury, tax, legal and human resources. These allocations were based on estimates of the level of effort or resources incurred on VMware s behalf. The total costs allocated from EMC were $2.3 million (unaudited) and $1.3 million (unaudited) for the three months ended March 31, 2007 and 2006, respectively, and $5.1 million in 2006, $5.3 million in 2005 and $4.5 million in 2004. Additionally, certain other costs incurred by EMC for VMware s direct benefit, such as rent, salaries and benefits have been included as expenses in VMware s financial statements. The total of these other costs were $20.2 million (unaudited) and $10.5 million (unaudited) for the three months ended March 31, 2007 and 2006, respectively, and $63.7 million in 2006, $27.1 million in 2005 and $7.3 million in 2004. As part of VMware s tax sharing arrangement, VMware paid EMC income taxes of $63.1 million and $6.6 million in 2006 and 2005, respectively, which differed from the amounts owed on a separate return basis. The difference between these amounts is presented as a component of stockholder s equity. VMware earned interest income on VMware s intercompany balance from EMC in the amount of $1.3 million (unaudited), $0.8 million and $2.6 million for the three months ended March 31, 2007 and the years ended December 31, 2006 and 2005, respectively. For the three months ended March 31, 2006, VMware incurred interest expense on VMware s intercompany balance to EMC in the amount of $0.1 million (unaudited). VMware s interest income and VMware s expenses as a separate, stand-alone company may be higher or lower than the amounts reflected in the financial statements.

K. Risks and Uncertainties

VMware s future results of operations involve a number of risks and uncertainties. Factors that could affect VMware s future operating results and cause actual results to vary materially from expectations include, but are not limited to: uncertainty in the potential market for VMware s products; increasing competition; the need for cooperation of operating system and hardware vendors; restrictions imposed upon VMware by EMC; reliance on distributors, resellers, x86 system vendors and systems integrators, dependence on VMware s existing management and key personnel; and protection of VMware s intellectual property rights.

L. Segment Information

VMware operates in one reportable segment in accordance with the provisions of SFAS No. 131 Disclosures about Segments of an Enterprise and Related Information. Operating segments are defined as components of an enterprise about which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The chief operating decision maker is the President and Chief Executive Officer. VMware operates in one segment, therefore all financial segment information required by SFAS No. 131 can be found in the condensed consolidated financial statements.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenues by geographic area are as follows (table in thousands):

	Three Months Ended March 31,		Year Ended December 31,		For the Period from January 9, 2004 to December 31,
	2007	2006	2006	2005	2004
	(unaudited)				
United States	$ 136,443	$66,683	$ 391,614	$ 209,600	$ 119,304
International	122,252	62,394	312,290	177,474	99,452
Total	$ 258,695	$ 129,077	$ 703,904	$ 387,074	$ 218,756

Long-lived assets, excluding financial instruments and deferred tax assets in the United States were $685.5 million (unaudited) at March 31, 2007, $694.0 million at December 31, 2006 and $628.9 million at December 31, 2005. No country other than the United States accounted for 10% or more of these assets at March 31, 2007, December 31, 2006 or 2005. Long-lived assets, excluding financial instruments and deferred tax assets, internationally were $18.8 million (unaudited) at March 31, 2007, $5.5 million at December 31, 2006 and $1.0 million at December 31, 2005.

VMware groups its products into portfolios that are categorized into the following classes:

Virtualization Platforms Products. The Company s virtualization platforms include a hypervisor for system partitioning that provides the capability to safely, securely and efficiently run multiple operating systems simultaneously on the same physical machine. The platforms products include VMware Player, VMware Workstation, VMware Server, VMware ESX Server, VMware Virtual SMP, and VMware VMFS products.

Virtual Infrastructure Management and Automation Products. The Company s virtual infrastructure management and automation products utilize the unique benefits of its virtualization platforms to automate system infrastructure services, such as resource management, availability, mobility and security, manage a virtualized environment and automate the interaction between various IT constituencies and the virtual infrastructure for a specific set of point solutions. They include VMware ACE, VMware VCB, VMware HA, VMware DRS, VMware VMotion, VMware VirtualCenter, VMware Lab Manager, VMware VDI, VMware Converter, VMware Capacity Planner.

Revenues by class of products or services were as follows:

	Year Ended December 31,		For the Period from January 9, 2004 to December 31,
	2006	2005	2004
Virtualization platform products	$ 281,336	$ 204,697	$ 147,960
Virtual infrastructure automation and management products	210,566	82,309	30,913

License revenues	491,902	287,006	178,873
Services revenues	212,002	100,068	39,883
Total	$ 703,904	$ 387,074	$ 218,756

One distributor accounted for 23% (unaudited), 28% (unaudited), 29%, 30%, and 27% of revenues in the three months ended March 31, 2007 and 2006, and the years ended December 31, 2006, 2005, and 2004, respectively. One channel partner accounted for 11% (unaudited) of revenue in the three months ended March 31, 2007.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

M. Subsequent Events

In April 2007, VMware acquired all of the capital stock of a privately-held company for $24.2 million. Through the acquisition VMware advanced VMware s desktop virtualization efforts. The acquired company provides software that connects users to their desktop deployed on VMware Infrastructure.

In April 2007, VMware declared an $800.0 million dividend to EMC. The dividend was paid 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, with interest payable quarterly in arrears commencing June 30, 2007. The note may be repaid, without penalty, at any time commencing July 2007. This dividend has been given retroactive effect as of December 31, 2006 in the accompanying consolidated balance sheet. The dividend was first applied against retained earnings until that was reduced to zero, then applied against additional paid-in-capital until that was reduced to zero, with the remainder then allocated using a reduction of retained earnings.

In April 2007, VMware 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. VMware entered into the acquisition as part of its efforts to expand its software development operations.

In June 2007, VMware adopted the 2007 Equity and Incentive Plan. Awards under the 2007 Plan may be in the form of stock options or other stock-based awards including awards of restricted stock. The maximum number of shares of the VMware s Class A common stock reserved for the grant or settlement of awards under the 2007 Plan is 80 million. The exercise price for a stock option awarded under the 2007 Plan shall not be less than 100% of the fair market value of our common stock on the date of the grant. Most options granted under the 2007 Plan vest 25% after the first year and then monthly thereafter over the following three years. In June and July 2007, VMware s Compensation and Corporate Governance Committee made broad-based grants of these options to purchase 35,679,411 shares of Class A common stock with an exercise price of $23.00 per share and, in July 2007, made grants of these options to purchase 365,740 shares of Class A common stock with an exercise price of $25.00 per share. Certain options that may be granted to non-employee directors under the 2007 Plan are exercisable immediately, terminate if not exercised within one year and vest one-third on the first three anniversaries of the grant. In June 2007, VMware s Compensation and Corporate Governance Committee made grants of these options to purchase 120,000 shares of Class A common stock with an exercise price of $23.00 per share. All options expire six years from the date of grant. VMware s Compensation and Corporate Governance Committee also issued 537,676 restricted stock units under the 2007 Plan, 433,216 of which have terms that provide for 3-year cliff vesting, with performance acceleration in each of the first three years following achievement of certain performance goals, and 85,000 of which will vest (or not vest) based upon VMware s achievement of certain performance goals. The remaining restricted stock units will vest ratably over four years from the date of the grant. The fair value of these awards is approximately $263.5 million which will be recognized over the awards vesting periods.

VMware performed a contemporaneous valuation each time an equity grant of common stock was made. In determining the fair value of the equity, VMware analyzed general market data, including economic, governmental and environmental factors; considered its historic, current and future state of its operations; analyzed its operating and financial results; analyzed its forecasts; gathered and analyzed available financial data for publicly traded companies engaged in the same or similar lines of business to develop appropriate valuation multiples and operating comparisons, and analyzed other facts and data considered pertinent to the valuation to arrive at an estimated fair value.

VMware utilized both the income approach and the market approach in estimating the value of the equity. The market approach estimates the fair value of a company by applying to the company s historical and/or

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

projected financial metrics market multiples of the corresponding financial metrics of publicly traded firms in similar lines of business. The use of the market approach requires judgments regarding the comparability of companies that are similar to VMware. If different comparable companies had been used, the market multiples and resulting estimates of the fair value of our stock also would have been different. The income approach involves applying appropriate risk-adjusted discount rates to estimated debt-free cash flows, based on forecasted revenue and costs. The projections used in connection with this valuation were based on our expected operating performance over the forecast period. There is inherent uncertainty in these estimates. If different discount rates or other assumptions had been used, the resulting estimates of the fair value of our stock would have been different. Due to the prospect of an imminent public offering, VMware did not apply a marketability discount in carrying out either approach. Further, VMware did not apply a minority interest discount in concluding on fair value.

In reaching its estimated valuation range, VMware considered the indicated values derived from each valuation approach in relation to the relative merits of each approach, the suitability of the information used, and the uncertainties involved. The results of the approaches overlapped, with the income approach results falling within a narrower range, which VMware ultimately relied on in its concluding estimate of value.

In addition to the aforementioned analysis, with respect to grants of options to purchase Class A common stock with a per share exercise price of $23.00, the Company believes that the fair value of its equity at that time was further substantiated by the arm s-length transaction with Intel Capital (described below) whereby Intel agreed to purchase 9.5 million shares of VMware s Class A common stock at $23.00 per share, subject to adjustment if the price in the offering is below $23.00 per share. VMware believes that the fair value of its equity at the time of the grant of options at $25.00 per share was substantiated by the contemporaneous arm s-length transaction whereby Cisco (described below) agreed to purchase 6.0 million shares of VMware s Class A common stock from EMC at $25.00 per share.

The fair value of each VMware option granted at $23.00 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	5.0%
Expected dividend yield	0%
Expected life	3.4 years
Expected volatility	39.2%

The fair value of each VMware option granted at $25.00 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	4.8%
Expected dividend yield	0%
Expected life	3.4 years
Expected volatility	38.2%

The computation of expected volatility was based on the historical and implied volatility of comparable companies, considering factors such as industry, stage of life cycle, size and financial leverage. The expected term was calculated based on the historical experience of VMware employees have had with EMC stock option grants, as well as the expected term of similar grants of comparable companies. The risk free interest rate was based on a treasury instrument whose term is consistent with the expected life of the stock options.

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VMWARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In July 2007, VMware entered into a stock purchase agreement with Intel Capital, pursuant to which Intel Capital has agreed to purchase 9.5 million shares of our Class A common stock at $23.00 per share for an aggregate offering price of $218.5 million, subject to the 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. If VMware does not complete an underwritten public offering with an aggregate price to the public of at least $250.0 million on or before December 31, 2007, Intel Capital will have the right to exchange its Class A common stock for shares of Series A redeemable preferred stock, the terms of which will be designated prior to the closing of the Intel investment. VMware has 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 VMware s Class A common stock.

In July 2007, VMware was a party to a stock purchase agreement with Cisco and EMC, pursuant to which Cisco has agreed to purchase 6.0 million shares of our Class A common stock from EMC at $25.00 per share for an aggregate offering price of $150.0 million, subject to the expiration of the applicable waiting period under the HSR Act, the completion of the initial public offering of VMware s Class A common stock and the satisfaction of other customary closing conditions. VMware will receive no proceeds from this transaction. If the closing conditions are not satisfied before December 31, 2007, Cisco and EMC will each have the right to terminate this stock purchase agreement. VMware has also entered into an investor rights agreement with Cisco pursuant to which Cisco will have certain registration rights as a holder of VMware s Class A common stock. VMware has also agreed to consider the appointment of a Cisco executive to its board of directors at a future date.

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VMWARE, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(in thousands)

Allowance for Bad Debts	Balance at Beginning of Period	Allowance for Bad Debts Charged to Selling, General and Administrative Expenses	Charged to Other Accounts	Bad Debts Write-Offs	Balance at End of Period
Year ended December 31, 2006 allowance for doubtful accounts	$ 1,589	$ 763	$	$ (213)	$ 2,139
Year ended December 31, 2005 allowance for doubtful accounts	1,477	202		(90)	1,589
Period from January 9, 2004 to December 31, 2004 allowance for doubtful accounts	355	1,224		(102)	1,477

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33,000,000 Shares

VMware, Inc.

Class A Common Stock

PROSPECTUS

, 2007

Citi	**JPMorgan**	**Lehman Brothers**
Credit Suisse	**Merrill Lynch & Co.**	**Deutsche Bank Securities**

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INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

SEC registration fee	$ 29,126.63
NASD fee	$ 75,500.00
Exchange listing fee	$ 195,900.00
Printing and engraving expenses	$ 650,000.00
Legal fees and expenses	$ 4,800,000.00
Accounting fees and expenses	$ 2,000,000.00
Transfer agent fees and expenses	$ 3,500.00
Total	$ 7,754,026.63

Item 14. Indemnification of Directors and Officers.

Delaware law permits a corporation to adopt a provision in its certificate of incorporation eliminating or limiting the personal liability of a director, but not an officer in his or her capacity as such, to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except that such provision shall not eliminate or limit the liability of a director for (1) any breach of the director s duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) liability under section 174 of the Delaware General Corporation Law (the DGCL) for unlawful payment of dividends or stock purchases or redemptions or (4) any transaction from which the director derived an improper personal benefit. Our certificate of incorporation will provide that, to the fullest extent of Delaware law, none of our directors will be liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director.

Under Delaware law, a corporation may indemnify any person who was or is a party or is threatened to be made a party to any type of proceeding, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other entity, against expenses, including attorneys fees, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such proceeding if: (1) he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation and (2) with respect to any criminal proceeding, he or she had no reasonable cause to believe that his or her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that a person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, had reasonable cause to believe that his or her conduct was unlawful. A corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit brought by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other entity, against expenses, including attorneys fees, actually and reasonably incurred in connection with such action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification will be made if the person is found liable to the corporation unless, in such a case, the court determines the person is nonetheless entitled to indemnification for such expenses. A corporation must also indemnify a present or former director or officer who has been successful on the merits or otherwise in defense of any proceeding, or in defense of any claim, issue or matter therein, against expenses, including attorneys fees, actually and reasonably incurred by him or her. Expenses, including attorneys fees, incurred by a director, officer, employee or agent, in

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defending civil or criminal proceedings may be paid by the corporation in advance of the final disposition of such proceedings upon, in the case of a current director or officer, receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. The Delaware law regarding indemnification and the advancement of expenses is not exclusive of any other rights a person may be entitled to under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time, may avoid liability by causing his or her dissent to such actions to be entered in the books containing the minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

Our certificate of incorporation and bylaws generally provide for mandatory indemnification of directors and officers to the fullest extent permitted by law. We also intend to enter into indemnification agreements with our directors in the form filed as an exhibit to this Registration Statement that will generally provide for mandatory indemnification to the fullest extent permitted by law.

Delaware law also provides that a corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or other entity, against any liability asserted against and incurred by such person, whether or not the corporation would have the power to indemnify such person against such liability. We will maintain, at our expense, an insurance policy that insures our officers and directors, subject to customary exclusions and deductions, against specified liabilities that may be incurred in those capacities.

Item 15. Recent Sales of Unregistered Securities.

The following relates to sales of securities that have occurred since June 1, 2004 that have not been registered under the Securities Act:

In June and July 2007, the registrant made broad-based equity awards under its 2007 Equity and Incentive Plan to its employees and non-employee directors, including grants of options to purchase an aggregate of 35,799,411 shares of Class A common stock with an exercise price of $23.00 per share, grants of options to purchase an aggregate of 365,740 shares of Class A common stock with an exercise price of $25.00 per share and awards of 104,460 restricted stock units. These option grants and awards of restricted stock units did not require registration under the Securities Act because the grants and awards either did not involve a sale of securities as such term is used in Section 2(3) of the Securities Act or were exempt from registration in reliance on Rule 701 promulgated under Section 3(b) of the Securities Act.

On June 8, 2007, the registrant made an award of 433,216 restricted stock units to Mark Peek, its Chief Financial Officer. This award of restricted stock units was exempt from registration under the Securities Act pursuant to the exemption from registration provided by Rule 701 promulgated thereunder.

Item 16. Exhibits and Financial Statement Schedules.

(A) Exhibits:

Exhibit Number	Description
1.1	Form of Underwriting Agreement**
3.1	Amended and Restated Certificate of Incorporation**

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Exhibit Number	Description
3.2	Amended and Restated Bylaws**
4.1	Form of specimen common stock certificate**
5.1	Opinion of Skadden, Arps, Slate, Meagher & Flom LLP**
10.1	Form of Master Transaction Agreement between the Registrant and EMC**
10.2	Form of Administrative Services Agreement between the Registrant and EMC**
10.3	Form of Tax Sharing Agreement between the Registrant and EMC**
10.4	Form of Intellectual Property Agreement between the Registrant and EMC**
10.5	Form of Employee Benefits Agreement between the Registrant and EMC**
10.6	Form of Real Estate License Agreement between the Registrant and EMC**
10.7	Letter Agreement between the Registrant and Mark Peek+**
10.8	Form of Indemnification Agreement for directors and executive officers+**
10.9	2007 Equity and Incentive Plan+
10.10	Promissory Note between the Registrant and EMC Corporation**
10.11	Form of Insurance Matters Agreement between the Registrant and EMC**
10.12	Form of Option Agreement+**
10.13	Form of Restricted Stock Unit Agreement+**
10.14	2007 Employee Stock Purchase Plan+
10.15	Letter Agreement between the Registrant and Thomas J. Jurewicz+**
10.16	Distribution Agreement between the Registrant and Ingram Micro**,***
10.17	Form of Real Estate Purchase and Sale Agreement between the Registrant and EMC**
10.18	Class A Common Stock Purchase Agreement between the Registrant and Intel Capital**
10.19	Investor Rights Agreement between the Registrant and Intel Capital**
10.20	Form of Early Exercise Option Agreement+**
10.21	Class A Common Stock Purchase Agreement among the Registrant, EMC Corporation and Cisco Systems, Inc.**
10.22	Investor Rights Agreement between the Registrant and Cisco Systems, Inc.**
10.23	Employment Agreement between the Registrant and Diane Greene+**
21.1	List of subsidiaries**
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Skadden, Arps, Slate, Meagher & Flom LLP (included in Exhibit 5.1)**
24.1	Power of Attorney (included on signature page hereto)

+ Management contract or compensatory plan or arrangement.
** Previously filed.
*** Confidential treatment requested for certain portions of this Exhibit pursuant to Rule 406 promulgated under the Securities Act, which portions are omitted and filed separately with the Securities and Exchange Commission.

(B) Financial Statement Schedules:

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements or notes thereto.

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Item 17. Undertakings.

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 14, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(c) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 6 to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Palo Alto, State of California, on August 9, 2007.

VMWARE, INC.

By:	/s/ Mark S. Peek
Name:	**Mark S. Peek**
Title:	**Chief Financial Officer**

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, the undersigned hereby constitute and appoint David I. Goulden and Paul T. Dacier and each of them, his or her true and lawful attorney-in-fact and agent, each with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, or any related registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact and agents, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 6 has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* **Diane B. Greene**	President and Chief Executive Officer (principal executive officer), and Director	August 9, 2007
/s/ Mark S. Peek **Mark S. Peek**	Chief Financial Officer (principal financial officer, principal accounting officer)	August 9, 2007
* **Joseph M. Tucci**	Chairman of the Board of Directors	August 9, 2007
* **Michael W. Brown**	Director	August 9, 2007
* **John R. Egan**	Director	August 9, 2007
* **David I. Goulden**	Director	August 9, 2007
*	Director	August 9, 2007

David N. Strohm

*By:	/s/ PAUL T. DACIER **Paul T. Dacier**	Attorney-in-Fact	August 9, 2007

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