VMWARE, INC.
Form 424B4
August 15, 2007
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Filed Pursuant to Rule 424(b)(4)
Commission File No. 333-142368

P R O S P E C T U S

33,000,000 Shares

VMware, Inc.

Class A Common Stock

$29.00 per share

We are selling 33,000,000 shares of Class A common stock. We have granted the underwriters an option to purchase up to 4,950,000 additional shares of Class A common stock from us to cover over-allotments.

This is the initial public offering of our Class A common stock. Our Class A common stock has been approved for listing on the New York Stock Exchange under the symbol VMW.

EMC Corporation, or EMC, currently owns in excess of 99.9% of our outstanding common stock, and following this offering EMC will continue to be our controlling stockholder. Following this offering, we will have two classes of authorized common stock: Class A common stock and Class B common stock. EMC will own 26,500,000 shares of Class A common stock and all 300,000,000 shares of Class B common stock, representing approximately 87% of our total outstanding shares of common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting, the election of directors, conversion, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this prospectus. The holders of Class B common stock shall be entitled to 10 votes per share and the holders of Class A common stock shall be entitled to one vote per share. Therefore, EMC will hold approximately 98% of the combined voting power of our outstanding common stock upon completion of this offering.

Investing in our Class A common stock involves risks. See Risk Factors beginning on page 16.

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

	Per Share	Total
Public Offering Price	$ 29.000	$ 957,000,000
Underwriting Discount	$ 1.595	$ 52,635,000
Proceeds to VMware	$ 27.405	$ 904,365,000

The underwriters expect to deliver the shares to purchasers on or about August 17, 2007.

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

August 13, 2007.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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Dealer Prospectus Delivery Obligation

Through and including September 7, 2007 (25 days after commencement of this offering), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to unsold allotments or subscriptions.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary sets forth the material terms of this offering, but does not contain all of the information that you should consider before investing in our Class A common stock. You should read the entire prospectus carefully before making an investment decision, especially the risks of investing in our Class A common stock discussed under Risk Factors. Unless the context otherwise requires, the terms we, us, our, our company and VMware refer to VMware, Inc. and its consolidated subsidiaries. Unless the context otherwise requires, the term EMC refers to our parent company, EMC Corporation, and its consolidated subsidiaries other than us.

Our Business

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

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

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

We have developed a multi-channel distribution model to expand our presence and reach various segments of the market. We derive a significant majority of our revenues from our large indirect sales channel of more than 4,000 channel partners that include distributors, resellers, x86 system vendors and systems integrators. We believe that our partners benefit greatly from the sale of our solutions through additional services, software and hardware sales opportunities. We have trained a large number of partners and end users to deploy and leverage our solutions.

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

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

Industry Background

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

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

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

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

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

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

Virtualization was first introduced in the 1970s to enable multiple business applications to share and fully harness the centralized computing capacity of mainframe systems. Virtualization was effectively abandoned during the 1980s and 1990s when client-server applications and inexpensive x86 servers and desktops established the model of distributed computing. Rather than sharing resources centrally in the mainframe model, organizations used the low cost of distributed systems to build up islands of computing capacity, providing some benefits but also introducing new challenges. In 1999, VMware introduced virtualization to x86 systems as a means to efficiently address many of these challenges and to transform x86 systems into general purpose, shared hardware infrastructure that offers full isolation, mobility and operating system choice for application environments.

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

Our Solution

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

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

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

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

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

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

Our Competitive Strengths

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

- leading technology and market position;

- broad product portfolio;

- open standards and choice of operating systems;

large installed base of customers;

strong partner network; and

robust global support operations and services.

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Our Growth Strategy

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

- broaden our product portfolio;
- enable choice for customers and drive standards;
- expand our network of technology and distribution partners;
- increase sales to existing customers and pursue new customers; and
- increase market awareness and drive adoption of virtualization.

Risks that We Face

You should carefully consider the risks described under Risk Factors and elsewhere in this prospectus. These risks could materially and adversely impact our business, financial condition, operating results and cash flow, which could cause the trading price of our Class A common stock to decline and could result in a partial or total loss of your investment.

Our Relationship with EMC

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

EMC Will Be Our Controlling Stockholder. Immediately following this offering and subject to the closing of the sales of our Class A common stock to Intel Capital Corporation and Cisco Systems, Inc. described below in Recent Developments, EMC will hold approximately 35% of our Class A common stock and 100% of our Class B common stock, representing approximately 87% of our outstanding common stock and 98% of the combined voting power of our outstanding common stock (approximately 86% of our outstanding common stock and 98% of the combined voting power of our outstanding common stock if the underwriters exercise in full their over-allotment option). As a result, EMC will continue to control us following the completion of this offering, and will be able to exercise control over all matters requiring stockholder approval, including the election of our directors and approval of significant corporate transactions.

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

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Exchange Offer

In connection with the offering, we conducted a voluntary exchange offer pursuant to which we offered our eligible employees the ability to exchange their existing EMC options and restricted stock awards for options to purchase our Class A common stock and restricted stock awards of our Class A common stock, respectively, at an exchange ratio based upon EMC s two-day weighted average trading price prior to the consummation of this offering and the initial public offering price of our Class A common stock. The exchange ratio was designed to preserve the intrinsic value of the tendered EMC awards. In this prospectus, we refer to this voluntary exchange offer as the exchange offer. We made the exchange offer to eligible employees for compensatory purposes. Our board of directors believes that ownership by our employees of options to purchase our Class A common stock and restricted stock awards of our Class A common stock received in the exchange offer will serve as an effective tool to encourage stock option and restricted stock recipients to act in the VMware stockholders interest by enabling the option recipients to have an economic stake in our success.

We and EMC commenced the exchange offer on July 9, 2007, prior to the effectiveness of our registration statement on Form S-4, in accordance with Rule 162 of the Securities Act of 1933, as amended, and Rule 13e-4(e)(2) of the Securities Exchange Act of 1934, as amended. We commenced the exchange offer on such date as was expected to cause the exchange offer to expire concurrently with the pricing of shares in this offering. We believe that the timing of the exchange offer relative to this offering, such that the initial value of the VMware options and restricted stock received by eligible employees in the exchange offer was based upon the initial offering price of shares in this offering, advanced the compensatory objectives of the exchange offer and that tying equity compensation to the initial offering price of shares provided eligible employees a strong incentive to participate in our potential growth from the time we become a public company. The exchange offer expired at 2:00 p.m. Eastern Time on August 13, 2007.

All of our employees in the United States who held EMC options and EMC restricted stock were eligible to participate in the exchange offer. Of the approximately 1,900 employees eligible to participate as of June 30, 2007, approximately 1,700 participated in the exchange. Eligible employees tendered approximately 4.7 million EMC restricted stock awards and approximately 11.0 million of EMC stock options in the exchange offer. Based on an initial public offering price of $29.00 per share and an EMC two-day weighted average trading price of $17.74 (the average of the volume-weighted average price per share of EMC stock for the two days ended August 10, 2007), approximately 2.9 million shares of our Class A common stock in the form of restricted stock awards and approximately 6.7 million shares of our Class A common stock underlying options were granted in exchange for the tendered EMC awards. The unamortized fair value of the exchanged awards is approximately $96.0 million which will be recognized over their vesting periods.

To assist potential investors in understanding the potential impact of the exchange offer on earnings per share, we note that supplemental pro forma basic and supplemental pro forma diluted earnings per share amounts would have been $0.23 and $0.22 for the year ended December 31, 2006 and $0.11 and $0.11 for the three months ended March 31, 2007, respectively, assuming the following:

Supplemental pro forma basic and diluted earnings per share data assumes actual pre-tax income and net income are reduced by $89,000 and $56,000, respectively, for the year ended December 31, 2006, to reflect the impact of the amortization of the incremental stock compensation expense resulting from the exchange offer.

Supplemental pro forma basic weighted average shares data assumes the issuance and sale of the full 37,950,000 shares of our Class A common stock (assuming the over-allotment option is exercised in full) had occurred January 1, 2006. Supplemental pro forma basic weighted average shares also assumes the issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital (described

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below under Recent Developments) had occurred January 1, 2006. (This differs from the basic pro forma per share data presented under Summary Consolidated Financial Data, Selected Consolidated Financial Data and the consolidated financial statements. That presentation includes only the incremental number of shares necessary to be sold to fund the amount of the April 2007 dividend to EMC in excess of the most recent twelve month s earnings.) The calculation includes the exercise of the over-allotment option to provide potential investors the ability to understand the maximum amount of dilution that may occur as a result of this offering and the exchange offer. This assumption varies from other pro forma amounts shown in other parts of the prospectus that give effect to the offering in which the over-allotment option is not assumed to be exercised.

Supplemental pro forma diluted earnings per share amounts assume (1) the issuance and sale of the Class A common stock (pursuant to this offering and to the Intel investment) on the terms described above and (2) the consummation of the exchange offer on the terms described above.

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

Recent Developments

VMware and Intel Corporation, or Intel, have had an ongoing strategic relationship. VMware s base virtualization platform virtualizes Intel architecture. Intel Capital Corporation, or Intel Capital, the global investment arm of Intel, has agreed to invest $218.5 million in our Class A common stock at $23.00 per share, subject to the expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, and the satisfaction of other customary closing conditions. Upon the closing of the investment, Intel Capital will own 9.5 million shares, or approximately 12.6%, of our Class A common stock to be outstanding after this offering and approximately 2.5% of our total common stock which will then be outstanding, which shares will represent less than 1% of the combined voting power of our outstanding common stock. Pursuant to Intel Capital s proposed investment, at the later of the closing of the investment, and the earlier of the completion of this offering and September 30, 2007, our board of directors will appoint a new board member, an Intel executive to be designated by Intel and acceptable to our board. We have also entered into an investor rights agreement with Intel Capital pursuant to which Intel Capital will have certain registration and other rights as a holder of our Class A common stock. See Description of Capital Stock. In addition, we and Intel have entered into a routine and customary collaboration partnering agreement that expresses the parties intent to continue to expand their cooperative efforts around joint development, marketing and industry initiatives. Intel s investment is intended to foster strengthened intercompany collaboration towards accelerating VMware virtualization product adoption on Intel architecture and reinforcing the value of virtualization technology for customers.

In July 2007, Cisco Systems, Inc., or Cisco, agreed to purchase 6.0 million shares of our Class A common stock from EMC at $25.00 per share for an aggregate purchase price of $150.0 million, subject to the expiration of the applicable waiting period under the HSR Act, the closing of this offering and the satisfaction of other customary closing conditions. We will not receive any proceeds from this sale. Upon the closing of the purchase, the shares owned by Cisco will represent approximately 8.0% of our Class A common stock to be outstanding after this offering and approximately 1.6% of our total common stock which will then be outstanding, which shares will represent less than 1% of the combined voting power of our outstanding common stock. We have agreed to consider the appointment of a Cisco executive to our board of directors at a future date. We have also entered into an investor rights agreement with Cisco pursuant to which Cisco will have certain registration rights as a holder of our Class A common stock. In addition, we and Cisco have entered into a routine and customary collaboration partnering agreement that expresses the parties intent to expand cooperative efforts around joint development, marketing, customer and industry initiatives. Cisco s purchase is intended to strengthen intercompany collaboration towards accelerating customer adoption of VMware virtualization products with

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Cisco networking infrastructure and the development of customer solutions that address the intersection of virtualization and networking technologies. Through improved coordination and integration of networking and virtualized infrastructure, the companies intend to foster solutions that deliver enhanced data center optimization and extend the benefits of virtualization beyond the data center to remote offices and end-user desktops.

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

In June 2007, VMware adopted the 2007 Equity and Incentive Plan, which provides for the granting of stock options or other stock-based awards, including awards of restricted stock. Through August 13, 2007, VMware s Compensation and Corporate Governance Committee made broad-based grants to issue approximately 37.1 million stock options and approximately 538,000 restricted stock units. These awards have a fair value of approximately $272.0 million, which will be recognized over the awards vesting periods, resulting in incremental equity-based compensation expense through 2011. See Management s Discussion and Analysis of Financial Condition and Results of Operations Equity-based Compensation.

Our second quarter ended on June 30, 2007. Although our financial statements for the quarter ended June 30, 2007 are not yet complete and it is possible that the actual results may vary from the information set forth below, the data below reflects our results based on currently available information. Set forth below is a summary and discussion of our unaudited results for the three and six months ended June 30, 2007 and 2006. The unaudited financial information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of this information. The results of operations for the three and six months ended June 30, 2007 and 2006 are not necessarily indicative of the results to be expected for the entire fiscal year.

All dollar amounts below in this Recent Developments section are in millions.

	For the Three Months Ended		**For the Six Months Ended**	
	June 30, 2007	**June 30, 2006**	**June 30, 2007**	**June 30, 2006**
Revenues:				
License	$ 204.0	$ 113.3	$ 373.6	$ 203.6
Services	92.8	43.1	181.9	81.9
Total revenues	296.8	156.4	555.5	285.5
Gross profit(1)	248.0	129.8	462.7	236.9
Operating income(2)	46.7	25.8	93.1	56.1
Net income	34.2	15.2	75.3	35.7
Deferred revenue (current and non-current)	415.6	198.9	415.6	198.9

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Gross profit				
Stock-based compensation	$ 1.0	$ 0.6	$1.5	$1.0
Acquisition-related intangible amortization	5.2	5.4	10.4	10.8
Capitalized software development costs amortization	8.7	3.6	16.7	6.4

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2007	June 30, 2006	June 30, 2007	June 30, 2006
Operating Income				
Stock-based compensation not capitalized	$ 16.0	$12.0	$27.6	$18.4
Acquisition-related intangible amortization	6.3	6.3	12.6	12.6
Capitalized software development costs amortization	8.7	3.6	16.7	6.4
Total capitalized software development costs	(4.4)	(13.4)	(12.0)	(31.1)
Stock-based compensation included in total capitalized software development costs above	0.5	3.4	1.5	8.7

Total revenues for the three months ended June 30, 2007 were $296.8 compared to $156.4 for the three months ended June 30, 2006, representing an increase of $140.4 or 90%. Total revenues for the six months ended June 30, 2007 were $555.5 compared to $285.5 for the six months ended June 30, 2006, representing an increase of $270.0 or 95%.

License revenues for the three months ended June 30, 2007 were $204.0 compared to $113.3 for the three months ended June 30, 2006, representing an increase of $90.7 or 80%. License revenues for the six months ended June 30, 2007 were $373.6 compared to $203.6 for the six months ended June 30, 2006, representing an increase of $170.0 or 83%. The increase in license revenues for both periods was the result of an increase in sales volume resulting from greater demand for our virtualization product offerings, driven primarily by greater acceptance of virtualization as part of an organization s IT infrastructure and expansion of our indirect channel partner network, which grew by over 600 new partners in the second quarter of 2007 and 1,000 new partners in the first half of 2007.

Service revenues for the three months ended June 30, 2007 were $92.8 compared to $43.1 for the three months ended June 30, 2006, representing an increase of $49.7 or 115%. Service revenues for the six months ended June 30, 2007 were $181.9 compared to $81.9 for the six months ended June 30, 2006, representing an increase of $100.0 or 122%. The increase in service revenues for both periods relates to the increase in our software maintenance contracts, which increased in response to our increase in license revenues, and also growth in our professional service offerings from increasing demand for design and implementation services resulting from the broadening usage of our products in our end-user customers organizations.

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Operating income for the three months ended June 30, 2007 was $46.7 compared to $25.8 for the three months ended June 30, 2006, representing an increase of $20.9 or 81%. Operating income for the six months ended June 30, 2007 was $93.1 compared to $56.1 for the six months ended June 30, 2006, representing an increase of $37.0 or 66%. The increase in operating income for the three and six months ended June 30, 2007 was due primarily to our revenue growth in 2007, partially offset by higher operating expenses. The higher operating expenses for the three and six months ended June 30, 2007 primarily arose from increases in headcount to support the growth of the business and associated costs such as travel, occupancy costs and equity-related compensation. In addition, increased amortization of software development costs contributed to the expense increase.

Net income for the three months ended June 30, 2007 was $34.2 compared to $15.2 for the three months ended June 30, 2006, representing an increase of $19.0 or 125%. Net income for the six months ended June 30, 2007 was $75.3 compared to $35.7 for the six months ended June 30, 2007, representing an increase of $39.6 or 111%. The increase in net income for both periods was primarily attributable to higher operating income and reduced income tax rates, partially offset by increased interest expense.

Corporate Facts

We were incorporated in Delaware in 1998 and have operated, in large part, as an independent entity since our inception. Since our acquisition by EMC in January 2004, we have been operated as a wholly owned subsidiary of EMC. Our headquarters are located at 3401 Hillview Avenue, Palo Alto, California 94304 and our phone number is (650) 427-5000. Our website is www.vmware.com. Information contained on, or that can be accessed through, our website does not constitute part of this prospectus.

VMware is our registered trademark. The VMware logo is our trademark. This prospectus also includes tradenames, trademarks and service marks of other companies and organizations. Throughout this prospectus, references to desktops refer to various common types of personal computers, including desktops, laptops, and notebooks among others, and references to business client PCs refer to desktops used by business users.

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THE OFFERING

Class A common stock offered by us	33,000,000 shares
Class A common stock to be outstanding after this offering	75,120,000 shares, including 9,500,000 shares to be issued to Intel Capital, subject to the closing of the Intel investment, 120,000 shares of restricted Class A common stock held by our non-employee directors and 26,500,000 shares to be held by EMC[(1)]
Class B common stock to be outstanding after this offering	300,000,000 shares, all of which are held by EMC[(1)]
Total common stock to be outstanding after this offering	375,120,000 shares
Voting rights	Following this offering, we will have two classes of authorized common stock: Class A common stock and Class B common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting, conversion, the election of directors, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this prospectus. The holders of Class B common stock are entitled to 10 votes per share, and the holders of Class A common stock are entitled to one vote per share. The holders of Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of the directors on our board of directors which we would have if there were no vacancies on our board of directors at the time. Subject to any rights of any series of preferred stock to elect directors, the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect the remaining directors on our board of directors, which at no time will be less than one director. Each share of Class B common stock is convertible into one share of Class A common stock at any time. See Description of Capital Stock.
Use of proceeds	We estimate that our net proceeds from this offering will be approximately $897.4 million ($1,033.0 million if the underwriters exercise in full their over-allotment option), based on the initial public offering price of $29.00 per share. We intend to use these net proceeds to repay approximately $350.0 million of intercompany indebtedness owed to EMC incurred to fund a dividend to EMC, to purchase from EMC our new headquarter facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127.0 million as of June 30, 2007, and for working capital and other general corporate purposes, including to finance our growth, develop new products, fund capital expenditures and potential acquisitions. See Use of Proceeds.
Listing	Our Class A common stock has been authorized for listing on the New York Stock Exchange.
Proposed symbol	VMW

(1) EMC s ownership of our Class A and Class B common stock will represent approximately 87% of our total outstanding shares of common stock and 98% of the combined voting power of our outstanding common stock following this offering. Subject to the closing of the sale of

Class A common stock to Cisco by EMC, 6,000,000 shares will be held by Cisco.

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Unless otherwise stated, the number of shares of Class A and Class B common stock outstanding immediately after this offering is based upon the offering of 33,000,000 shares of Class A common stock pursuant to this offering, 9,500,000 shares of Class A common stock to be acquired by Intel Capital (as described above under Recent Developments), 6,000,000 shares of Class A common stock to be acquired by Cisco from EMC (as described under Recent Developments), 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options, 26,500,000 shares of Class A common stock and 300,000,000 shares of Class B common stock held by EMC and excludes 79,880,000 shares of Class A common stock reserved for issuance under our 2007 Equity and Incentive Plan, including:

- 35,679,411 shares of Class A common stock issuable upon the exercise of stock option awards granted in June and July 2007 with an exercise price of $23.00 per share, 365,740 shares of Class A common stock issuable upon the exercise of stock option awards granted in July 2007 with an exercise price of $25.00 per share, 975,590 shares of Class A common stock issuable upon the exercise of stock option awards granted in August 2007 with an exercise price of $29.00 per share and 537,676 shares of our Class A common stock deliverable upon the vesting of restricted stock units;

- 6,731,619 shares of Class A common stock with a weighted average exercise price of $19.94 issuable upon the exercise of stock option awards granted pursuant to the exchange offer; and

- 2,872,107 shares of Class A common stock deliverable upon the vesting of restricted stock units granted pursuant to the term of the exchange offer.

Unless otherwise stated, all information in this prospectus assumes the underwriters do not exercise their over-allotment option.

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SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary consolidated historical financial information. You should read this information together with the consolidated financial statements and related notes and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

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

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

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

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	Successor Company					Predecessor Company	
	Three Months Ended March 31,		Years Ended December 31,		Period from January 9, 2004 to	Period from February 1, 2003 to	
	2007	2006	2006[1]	2005	December 31, 2004	January 8, 2004	Year Ended January 31, 2003
	(in thousands, except per share amounts)					(in thousands)	
Summary of Operations:							
Revenues:							
License[2]	$ 169,557	$ 90,300	$ 491,902	$ 287,006	$ 178,873	$ 61,980	$ 31,216
Services[2]	89,138	38,777	212,002	100,068	39,883	12,220	
Total revenues	258,695	129,077	703,904	387,074	218,756	74,200	31,216
Costs of revenues:							
Cost of license revenues[2][3]	20,556	12,405	59,202	40,340	32,811	3,449	5,596
Cost of services revenues[2][3]	23,468	9,599	64,180	24,852	12,625	4,770	
	44,024	22,004	123,382	65,192	45,436	8,219	5,596
Gross profit	214,671	107,073	580,522	321,882	173,320	65,981	25,620
Operating expenses:							
Research and development[3]	54,958	22,335	148,254	72,561	43,900	25,382	15,788
Sales and marketing[3]	86,707	42,566	238,327	124,964	59,976	23,028	12,457
General and administrative[3]	26,624	11,847	69,602	30,762	19,037	11,539	4,168
In-process research and development			3,700		15,200		
Operating income (loss)	46,382	30,325	120,639	93,595	35,207	6,032	(6,793)
Investment income	2,977	340	3,271	3,077	53	463	554
Other income (expense), net	59	(348)	(1,363)	(1,332)	(110)	(27)	
Income (loss) before taxes	49,418	30,317	122,547	95,340	35,150	6,468	(6,239)
Income tax provision[4]	8,338	9,981	36,832	28,565	18,369	1,848	145
Income (loss) before cumulative effect of change in accounting principle	41,080	20,336	85,715	66,775	16,781	4,620	(6,384)
Cumulative effect of a change in accounting principle (net of tax)		175	175				
Net income (loss)	$ 41,080	$ 20,511	$ 85,890	$ 66,775	$ 16,781	$ 4,620	$ (6,384)
Net income per weighted average share, basic and diluted for Class A and Class B	$ 0.12	$ 0.06	$ 0.26	$ 0.20	$ 0.05	N/A	N/A
Weighted average shares, basic and diluted for Class A and Class B	332,500	332,500	332,500	332,500	332,500	N/A	N/A
Pro forma basic and diluted earnings per share for Class A and Class B [5]	$ 0.11		$ 0.24				
Pro forma weighted average shares, basic and diluted for Class A and Class B	358,003		358,003				

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	As of March 31, 2007		
	Actual	Pro Forma (6)	Pro Forma As Adjusted(7)
	(in thousands)		
Balance Sheet Data:			
Cash and cash equivalents	$ 258,468	$ 479,728	$ 900,093
Working capital	3,448	221,948	642,313
Total assets	1,244,317	1,465,577	2,012,942
Total debt	800,000	800,000	450,000
Redeemable common stock		218,500	
Total stockholders equity (deficit)(8)	(183,493)	(183,493)	932,372

(1) In June 2006, we acquired all of the outstanding shares of Akimbi Systems, Inc. See Note B to the consolidated financial statements included elsewhere in this prospectus.

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

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

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

Acquisition-related intangible amortization	493	374	1,494	1,000	773

(4) The income tax effect of stock-based compensation, acquisition-related intangible amortization, capitalized software development costs and amortization of capitalized software development costs was $5,144, $(167), $18,042, $9,567, $9,083, $ and $ for the three months ended March 31, 2007 and 2006, the years ended

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December 31, 2006 and 2005, the period from January 9, 2004 to December 31, 2004, the period from February 1, 2003 to January 8, 2004 and 2003, respectively.

(5) Unaudited pro forma per share data gives effect, in the weighted average shares used in the calculation, to the additional 25.5 million shares, which, when multiplied by the offering price of $29.00 per share, and after giving effect to a pro rata allocation of offering costs, would have been required to be issued to generate proceeds sufficient to pay the portion of the $800,000 dividend declared in April 2007 (see Note M to the consolidated financial statements included elsewhere in this prospectus) that exceeded the most recent twelve months net earnings.

(6) The pro forma balance sheet data gives effect to (i) the issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital for proceeds of $218,500. Pursuant to the terms of the investor rights agreement with Intel Capital, in the event we do not complete an underwritten public offering with an aggregate price to the public of at least $250,000 on or before December 31, 2007, Intel Capital may require us to repurchase the Class A common stock that it holds. The pro forma balance sheet data gives effect to the investment as redeemable common stock due to this repurchase feature and (ii) 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options for proceeds of $2,760. For accounting purposes, the 120,000 shares of restricted Class A common stock held by our non-employee directors are not considered to be outstanding as the shares have not yet vested. Therefore, they are not included in total stockholders equity (deficit).

(7) The pro forma as adjusted balance sheet data gives effect to (i) the issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital for proceeds of $218,500, (ii) 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options for proceeds of $2,760. For accounting purposes, the 120,000 shares of restricted Class A common stock held by our non-employee directors are not considered to be outstanding as the shares have not yet vested. Therefore, they are not included in total stockholders equity (deficit), (iii) the reclassification of the capital proceeds of $218,500 from the Intel sale from redeemable common stock to permanent equity since the redemption feature described above lapses upon completion of this offering, (iv) the issuance and sale of 33,000,000 shares of our Class A common stock in this offering at an initial public offering price of $29.00 per share, (v) the repayment of $350,000 of principal amount of the $800,000 intercompany note we incurred to fund a dividend to EMC, (vi) the purchase from EMC of our new headquarters facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127,000 as of June 30, 2007, and (vii) the deduction of estimated underwriting discounts and offering expenses payable by us.

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

RISK FACTORS

You should carefully consider the risks described below before making a decision to buy our Class A common stock. If any of the following risks actually occur, our business, financial condition and results of operations could be harmed. In that case, the trading price of our Class A common stock could decline and you might lose all or part of your investment in our Class A common stock. You should also refer to the other information set forth in this prospectus, including Forward-Looking Statements and our consolidated financial statements and the related notes.

Risks Related to Our Business

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

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

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

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

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

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

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Industry alliances or consolidation may result in increased competition.

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

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

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

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

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

general economic conditions in our domestic and international markets.

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

Our products interoperate with Windows, Linux and other operating systems and the hardware devices of numerous manufacturers. Developing products that interoperate properly requires substantial partnering, capital investment and employee resources, as well as the cooperation of the vendors or developers of the operating

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

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

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

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

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

As of December 31, 2006, approximately 28% and 11%, and as of December 31, 2005, approximately 30% and 11%, of our total accounts receivable outstanding were from two distributors. We anticipate that sales of our

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

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

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

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

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

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

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

Detecting and protecting against the unauthorized use of our products, technology and proprietary rights is expensive, difficult and, in some cases, impossible. Litigation may be necessary in the future to enforce or defend

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

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

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

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

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

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

A significant portion of the products or technologies acquired, licensed or developed by us may incorporate so-called open source software, and we may incorporate open source software into other products in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses, including, for example, the GNU General Public License, the GNU Lesser General Public License, Apache-style licenses, Berkeley Software Distribution, BSD-style licenses and other open source licenses. We monitor our use of open source software in an effort to avoid subjecting our products to conditions we do not

intend. Although we believe that we have complied with our obligations under the various applicable licenses for open source software that we use such that we have not triggered any such conditions, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses, and therefore the potential impact of these terms on our business is somewhat unknown and may result in unanticipated obligations regarding our products and technologies. For example, we may be subjected to certain conditions, including requirements that we offer our products that use the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and/or that we license such modifications or derivative works under the terms of the particular open source license.

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

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

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

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

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

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

The markets for our software solutions are characterized by rapid technological changes, changing customer needs, frequent new software product introductions and evolving industry standards. The introduction of third- party solutions embodying new technologies and the emergence of new industry standards could make our existing and future software solutions obsolete and unmarketable. We may not be able to develop updated

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Relationship with EMC

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

After this offering and subject to the closing of the Intel investment and the sale of Class A common stock to Cisco by EMC, EMC will own 26,500,000 shares of Class A common stock and all 300,000,000 shares of Class B common stock, representing approximately 87% of the total outstanding shares of common stock or 98% of the voting power of outstanding common stock. The holders of our Class A common stock and our Class B common stock have identical rights, preferences and privileges except with respect to voting and conversion rights, the election of directors, certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in this prospectus. Holders of our Class B common stock will be entitled to 10 votes per share of Class B common stock, and the holders of our Class A common stock will be entitled to one vote per share of Class A common stock. The holders of Class B common stock, voting separately as a class, are entitled to elect 80% of the total number of directors on our board of directors which we would have if there were no vacancies on our board of directors at the time. Subject to any rights of any series of preferred stock to elect directors, the holders of Class A common stock and the holders of Class B common stock, voting together as a single class, are entitled to elect our remaining directors, which at no time will be less than one director. If EMC transfers shares of our Class B common stock to any party other than a successor-in-interest or a subsidiary of EMC (other than in a distribution to its stockholders under Section 355 of the Internal Revenue Code of 1986, as amended, or the Code, or in transfers following such a distribution), those shares would automatically convert into Class A common stock. For so long as EMC or its successor-in-interest beneficially owns shares of our common stock representing at least a majority of the votes entitled to be cast by the holders of outstanding voting stock, EMC will be able to elect all of the members of our board of directors.

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

- the composition of our board of directors and, through our board of directors, any determination with respect to our business plans and policies;

any determinations with respect to mergers, acquisitions and other business combinations;

our acquisition or disposition of assets;

our financing activities;

certain changes to our certificate of incorporation;

changes to the agreements providing for our transition to becoming a public company;

corporate opportunities that may be suitable for us and EMC;

determinations with respect to enforcement of rights we may have against third parties, including with respect to intellectual property rights;

the payment of dividends on our common stock; and

the number of shares available for issuance under our stock plans for our prospective and existing employees.

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

consolidate or merge with any other entity;

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

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

dissolve, liquidate or wind us up;

declare dividends on our stock;

enter into any exclusive or exclusionary arrangement with a third party involving, in whole or in part, products or services that are similar to EMC s; and

amend, terminate or adopt any provision inconsistent with certain provisions of our certificate of incorporation or bylaws.

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

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

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

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

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

EMC and we are both IT infrastructure companies providing products related to storage management, back-up, disaster recovery, security, system management and automation, provisioning and resource management. There can be no assurance that EMC will not engage in increased competition with us in the future. In addition, the intellectual property agreement that we have entered into with EMC will provide EMC the ability to use our source code and intellectual property, which, subject to limitations, it may use to produce certain products that compete with ours. EMC s rights in this regard extend to its majority owned subsidiaries, which could include joint ventures where EMC holds a majority position and one or more of our competitors hold minority positions.

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

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

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

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

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

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

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

As a subsidiary of EMC, we have relied on administrative and other resources of EMC to operate our business. In connection with this offering, we have entered into various service agreements to retain the ability

for specified periods to use these EMC resources. See Certain Relationships and Related Person Transactions. These services may not be provided at the same level as when we were a wholly owned subsidiary of EMC, and we may not be able to obtain the same benefits that we received prior to this offering. These services may not be sufficient to meet our needs, and after our agreements with EMC expire, we may not be able to replace these services at all or obtain these services at prices and on terms as favorable as we currently have with EMC. We will need to create our own administrative and other support systems or contract with third parties to replace EMC s systems. In addition, we have received informal support from EMC which may not be addressed in the agreements we have entered into with EMC; the level of this informal support may diminish as we become a more independent company. Any failure or significant downtime in our own administrative systems or in EMC s administrative systems during the transitional period could result in unexpected costs, impact our results and/or prevent us from paying our suppliers or employees and performing other administrative services on a timely basis. See Certain Relationships and Related Person Transactions Relationship with EMC Corporation for a description of these services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under a pending investment by Intel Capital, Intel will have an ownership relationship with us and a representative of Intel is expected to become a member of our board of directors. Under a pending stock purchase

by Cisco from EMC, Cisco will also have an ownership relationship with us, and we have agreed to consider the appointment of a Cisco executive to our board of directors at a future date. These relationships may create actual or potential conflicts of interest and the best interests of Intel or Cisco may not reflect your best interests. The terms of these relationships are discussed in the sections entitled Recent Developments and Certain Relationships and Related Person Transactions.

Risks Related to this Offering

Our stock price may be volatile, and you may not be able to resell shares of our Class A common stock at or above the price you paid.

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

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

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

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

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

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

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

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

Sales of substantial amounts of our Class A common stock in the public market after this offering, or the perception that these sales could occur, could cause the market price of our Class A common stock to decline and impede our ability to raise capital through the issuance of additional equity securities. Upon completion of this offering, and subject to the closing of the Intel investment and the sale of Class A common stock to Cisco by EMC, we will have 75,120,000 shares of Class A common stock outstanding, and EMC will own 26,500,000 shares of our Class A common stock and 300,000,000 shares of our Class B common stock, representing approximately 87% of the outstanding shares of our common stock. All shares sold in this offering will be freely transferable, subject, in the case of affiliates, to applicable volume and other restrictions under Rule 144 under the Securities Act, and subject to the lock-up arrangements described in Underwriting and Shares Eligible for Future Sale. Our Class B common stock may be converted into Class A common stock at any time. EMC has no contractual obligation to retain these shares, other than the lock-up arrangement. In addition, EMC has the right to cause us to register the sale of its shares of our common stock under the Securities Act. Registration of these shares under the Securities Act would result in these shares, other than shares purchased by our affiliates, becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration.

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

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

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

The closing of Intel Capital s purchase of 9.5 million shares of our Class A common stock is subject to expiration of the applicable waiting period under the HSR Act and the satisfaction of other customary closing conditions, including the absence of a material adverse change. The closing of Cisco s purchase of 6.0 million shares of our Class A common stock from EMC is subject to the expiration of the applicable waiting period under the HSR Act, the closing of this offering and other customary closing conditions. We cannot assure you that these transactions will close. This offering is not conditioned on the closing of either transaction, and if these transactions do not close, our stock price may be negatively impacted.

Purchasers in this offering will immediately experience substantial dilution in net tangible book value.

The initial public offering price of our Class A common stock is substantially higher than the net tangible book value per outstanding share of our common stock. Purchasers of our Class A common stock in this offering will incur immediate and substantial dilution of $28.11 per share in the net tangible book value of our common stock based on the initial public offering price of $29.00 per share. This dilution is due in large part to the fact that EMC paid substantially less than the initial public offering price when they purchased their shares of common stock. The grant of options and restricted stock pursuant to the exchange offer will result in further dilution to the extent these options are ultimately exercised or the restricted stock vests. In addition, we have

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issued options to acquire our Class A common stock at $23.00, $25.00, and $29.00 per share. To the extent these outstanding options are ultimately exercised, there will be further dilution to investors in this offering. In addition, if the underwriters exercise their option to purchase additional shares from us or if we issue additional equity securities, investors in this offering will experience additional dilution.

The difference in the voting rights of our Class A and our Class B common stock may harm the value and liquidity of our Class A common stock.

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

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

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

the division of our board of directors into three classes, with each class serving for a staggered three-year term, which would prevent stockholders from electing an entirely new board of directors at any annual meeting;

the right of the board of directors to elect a director to fill a vacancy created by the expansion of the board of directors;

following a distribution of Class B common stock by EMC to its stockholders, the restriction that a beneficial owner of 10% or more of our Class B common stock may not vote in any election of directors unless such person or group also owns at least an equivalent percentage of Class A common stock or obtains approval of our board of directors prior to acquiring beneficial ownership of at least 5% of Class B common stock;

the prohibition of cumulative voting in the election of directors or any other matters, which would otherwise allow less than a majority of stockholders to elect director candidates;

- the requirement for advance notice for nominations for election to the board of directors or for proposing matters that can be acted upon at a stockholders meeting;

- the ability of the board of directors to issue, without stockholder approval, up to 100,000,000 shares of preferred stock with terms set by the board of directors, which rights could be senior to those of common stock; and

- in the event that EMC or its successor-in-interest no longer owns shares of our common stock representing at least a majority of the votes entitled to be cast in the election of directors, stockholders may not act by written consent and may not call special meetings of the stockholders.

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

- amend certain provisions of our bylaws or certificate of incorporation;

- make certain acquisitions or dispositions;

- declare dividends, or undertake a recapitalization or liquidation;

- adopt any stockholder rights plan, poison pill or other similar arrangement;

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

- undertake certain other actions.

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

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

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

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

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

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FORWARD-LOOKING STATEMENTS

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

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we may have anticipated. Any forward-looking statements you read in this prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. You should specifically consider the factors identified in this prospectus that could cause our actual results to differ before making an investment decision.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of the Class A common stock that we are offering will be approximately $897.4 million, at an initial public offering price of $29.00 per share and after deducting estimated underwriting discounts and offering expenses that we must pay. If the underwriters over-allotment option in this offering is exercised in full, we estimate that our net proceeds will be approximately $1,033.0 million.

We currently intend to use the net proceeds:

- to repay $350.0 million of our intercompany indebtedness owed to EMC;
- to purchase from EMC our new headquarters facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127.0 million, which purchase will be effected through the transfer of the equity interests of the EMC entity which holds the rights to the facilities; and
- for working capital and other general corporate purposes, including to finance our growth, develop new products and fund capital expenditures and potential acquisitions.

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

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

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DIVIDEND POLICY

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

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CAPITALIZATION

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

- on an actual basis;
- on a pro forma basis to give effect to (i) our pending issuance and sale of 9,500,000 shares of Class A common stock to Intel Capital for proceeds of $218.5 million. Pursuant to the terms of our investor rights agreement with Intel Capital, in the event the Company does not complete an underwritten public offering on or before December 31, 2007 with an aggregate price to the public of at least $250.0 million, Intel Capital may require the Company to repurchase the Class A common stock that it holds. The pro forma data gives effect to the adjustment as redeemable common stock due to this repurchase feature and (ii) 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options; and
- on a pro forma as adjusted basis to give effect to (i) our issuance and sale of 9,500,000 shares of our Class A common stock to Intel Capital for proceeds of $218.5 million, (ii) 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options, (iii) the reclassification of the capital proceeds of $218.5 million from the Intel sale from redeemable common stock to permanent equity since the redemption feature described above lapses upon completion of this offering, (iv) our issuance and sale of 33,000,000 shares of Class A common stock in this offering at a public offering price of $29.00 per share, (v) the repayment of $350.0 million of principal amount on the $800.0 million note we incurred to fund a dividend to EMC, (vi) the purchase from EMC of our new headquarter facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled approximately $127.0 million as of June 30, 2007, and (vii) the deduction of estimated underwriting discounts and offering expenses payable by us. See Use of Proceeds.

This table contains unaudited information and should be read in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the accompanying notes that appear elsewhere in this prospectus. For accounting purposes, the 120,000 shares of restricted Class A common stock held by our non-employee directors are not considered to be outstanding as the shares have not yet vested. Therefore, they are not included in total stockholders equity (deficit).

	As of March 31, 2007		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands)		
Cash	$258,468	$ 479,728	$ 900,093
Long-term debt:			
Total debt	$ 800,000	$ 800,000	$ 450,000
Redeemable common stock		218,500	
Stockholders Equity:			
Preferred Stock, par value $0.01 per share, 100,000,000 shares authorized, no shares outstanding actual, pro forma and pro forma as adjusted			
Class A common stock, par value $0.01 per share, 2,500,000,000 shares authorized and 32,500,000 shares outstanding, actual and 2,500,000,000 shares authorized, 32,500,000 shares outstanding, pro forma and 2,500,000,000 shares authorized, 75,000,000 shares outstanding pro forma as adjusted	325	325	750
Class B common stock, par value $0.01 per share, 1,000,000,000 shares authorized and 300,000,000 shares outstanding, actual, pro forma and pro forma as adjusted	3,000	3,000	3,000
Additional paid-in-capital	6,239	6,239	1,121,679
Accumulated deficit	(193,057)	(193,057)	(193,057)

Total stockholders equity (deficit)	(183,493)	(183,493)	932,372
Total capitalization	$ 616,507	$ 835,007	$ 1,382,372

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DILUTION

If you invest in our Class A common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the net tangible book value per share of our common stock immediately after the completion of this offering.

Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of common shares then outstanding. Our net tangible book value as of March 31, 2007 was approximately ($781.2) million for a net tangible book value per common share of ($2.35). After giving effect to the sale of 9.5 million shares of our Class A common stock to Intel Capital for $23.00 per share and 120,000 shares of restricted Class A common stock held by our non-employee directors from the exercise of options at $23.00 per share, our pro forma net tangible book value would have been ($562.7) million, or ($1.65) per common share. For accounting purposes, the 120,000 shares of restricted Class A common stock held by our non-employee directors are not considered to be outstanding as the shares have not yet vested. Therefore, they are not included as outstanding shares in calculating dilution per share. After giving effect to our sale of shares of our Class A common stock in this offering at an initial public offering price of $29.00 per share, the repayment of $350.0 million of principal amount on the $800.0 million note we incurred to fund a dividend to EMC, the purchase from EMC of our new headquarter facilities for an amount equal to the cost expended by EMC to date in constructing the facilities, which totaled $127.0 million as of June 30, 2007, and deducting estimated underwriting discounts and offering expenses, our pro forma net tangible book value would have been $334.7 million, or $0.89 per common share (assuming no exercise of the underwriters over-allotment option). This represents an immediate increase in the net tangible book value of $2.54 per share and an immediate and substantial dilution of $28.11 per share to new investors purchasing shares of our Class A common stock in this offering. The following table illustrates this dilution per share:

Initial public offering price per share		$ 29.00
Net tangible book value per share as of March 31, 2007	($2.35)	
Increase in net tangible book value per share attributable to the Intel Investment and non-employee directors option exercises	$0.70	
Pro forma net tangible book value per share before this offering	($1.65)	
Increase in net tangible book value per share attributable to this offering	$2.54	
Net tangible book value per share after giving effect to this offering		$ 0.89
Dilution per share to new investors		$ 28.11

The foregoing discussion and tables assume no exercise of any stock options or issuance of restricted shares that will be outstanding immediately following this offering. As of August 13, 2007, there were options outstanding to purchase 35,679,411 shares of our Class A common stock with an exercise price per share of $23.00, options to purchase 365,740 shares of our Class A common stock with an exercise price per share of $25.00, options to purchase 975,590 shares of our Class A common stock with an exercise price of $29.00 and 537,676 shares of our Class A common stock deliverable upon the vesting of restricted stock units. In addition, we granted 6,731,619 options to purchase shares of our Class A common stock with a weighted average exercise price of $19.94 and 2,872,107 restricted shares of our Class A common stock pursuant to the exchange offer. To the extent that any of these options are exercised, there may be further dilution to investors in this offering.

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The following table sets forth, as of March 31, 2007, on the pro forma basis as described above, the difference between the number of shares of common stock purchased from us and the total consideration paid by our existing stockholder, EMC, by Intel Capital in its pending investment of $218.5 million for 9.5 million shares of our Class A common stock, by our non-employee directors from the exercise of options, and by the new investors in this offering at an initial public offering price of $29.00 per share and prior to deducting the estimated underwriting discounts and offering expenses.

	Shares Purchased (in millions)		Total Consideration		
	Number	Percentage	Amount ($ in millions)	Percentage	Avg. Price Per Share
EMC(1)	332.50	88.6%	$ 613.1	34.2%	$ 1.84
Intel Capital	9.50	2.5	218.5	12.2	23.00
Non-employee directors	0.12	0.0	2.8	0.2	23.00
New investors	33.00	8.9	957.0	53.4	29.00
Total	375.12	100.0%	$ 1,791.4	100.0%	

(1) Includes 6.0 million shares of Class A common stock to be acquired by Cisco.

If the underwriters over-allotment option is exercised in full, the following will occur:

- the percentage of shares of our common stock held by EMC will decrease to approximately 87.5% of the total number of shares of our common stock outstanding; and

- the number of shares of our common stock held by new investors in this offering will be increased to approximately 38.0 million shares, or approximately 10% of the total number of shares of our common stock outstanding.

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SELECTED CONSOLIDATED FINANCIAL DATA

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

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

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

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

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	Successor Company					Predecessor Company	
	Three Months Ended March 31,		Years Ended December 31,		Period from January 9, 2004 to December 31,	Period from February 1, 2003 to January 8,	Year Ended January 31,
	2007	2006	2006[1]	2005	2004	2004	2003
	(in thousands, except per share amounts)					(in thousands)	
Summary of Operations:							
Revenues:							
License[2]	$ 169,557	$ 90,300	$ 491,902	$ 287,006	$ 178,873	$ 61,980	$ 31,216
Services[2]	89,138	38,777	212,002	100,068	39,883	12,220	
Total revenues	258,695	129,077	703,904	387,074	218,756	74,200	31,216
Costs of revenues:							
Cost of license revenues[2][3]	20,556	12,405	59,202	40,340	32,811	3,449	5,596
Cost of services revenues[2][3]	23,468	9,599	64,180	24,852	12,625	4,770	
	44,024	22,004	123,382	65,192	45,436	8,219	5,596
Gross profit	214,671	107,073	580,522	321,882	173,320	65,981	25,620
Operating expenses:							
Research and development[3]	54,958	22,335	148,254	72,561	43,900	25,382	15,788
Sales and marketing[3]	86,707	42,566	238,327	124,964	59,976	23,028	12,457
General and administrative[3]	26,624	11,847	69,602	30,762	19,037	11,539	4,168
In-process research and development			3,700		15,200		
Operating income (loss)	46,382	30,325	120,639	93,595	35,207	6,032	(6,793)
Investment income	2,977	340	3,271	3,077	53	463	554
Other income (expense), net	59	(348)	(1,363)	(1,332)	(110)	(27)	
Income (loss) before taxes	49,418	30,317	122,547	95,340	35,150	6,468	(6,239)
Income tax provision[4]	8,338	9,981	36,832	28,565	18,369	1,848	145
Income (loss) before cumulative effect of a change in accounting principle	41,080	20,336	85,715	66,775	16,781	4,620	(6,384)
Cumulative effect of a change in accounting principle (net of tax)		175	175				
Net income (loss)	$ 41,080	$ 20,511	$ 85,890	$ 66,775	$ 16,781	$ 4,620	$ (6,384)
Net income per weighted average share, basic and diluted for Class A and Class B	$ 0.12	$ 0.06	$ 0.26	$ 0.20	$ 0.05	N/A	N/A
Weighted average shares, basic and diluted for Class A and Class B	332,500	332,500	332,500	332,500	332,500	N/A	N/A
Pro forma basic and diluted earnings per share for Class A and Class B [5]	$ 0.11						