EMC CORP
Form 10-Q
May 07, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For transition period from ______ to ______

Commission File Number 1-9853

EMC CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2680009**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

176 South Street

Hopkinton, Massachusetts	**01748**
(Address of principal executive offices)	(Zip Code)

(508) 435-1000

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The number of shares of common stock, par value $.01 per share, of the registrant outstanding as of March 31, 2010 was 2,055,608,355.

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EMC CORPORATION

FACTORS THAT MAY AFFECT FUTURE RESULTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of the Federal securities laws, about our business and prospects. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words believes, plans, intends, expects, goals and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Our future results may differ materially from our past results and from those projected in the forward-looking statements due to various uncertainties and risks, including those described in Item 1A of Part II (Risk Factors). The forward-looking statements speak only as of the date of this Quarterly Report and undue reliance should not be placed on these statements. We disclaim any obligation to update any forward-looking statements contained herein after the date of this Quarterly Report.

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PART I

FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

EMC CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share amounts)

	March 31, 2010 (unaudited)	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,256,626	$ 6,302,499
Short-term investments	641,576	392,839
Accounts and notes receivable, less allowance for doubtful accounts of $50,504 and $47,414	1,735,043	2,108,575
Inventories	851,501	886,289
Deferred income taxes	580,845	564,174
Other current assets	309,534	283,926
Total current assets	10,375,125	10,538,302
Long-term investments	3,254,641	2,692,323
Property, plant and equipment, net	2,226,238	2,224,346
Intangible assets, net	1,194,104	1,185,632
Goodwill	9,402,851	9,210,376
Other assets, net	1,015,004	961,024
Total assets	$ 27,467,963	$ 26,812,003
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 796,688	$ 899,298
Accrued expenses	1,896,188	1,944,210
Income taxes payable	49,595	41,691
Deferred revenue	2,502,646	2,262,968
Total current liabilities	5,245,117	5,148,167
Income taxes payable	240,004	235,976
Deferred revenue	1,495,602	1,373,798
Deferred income taxes	631,649	708,378
Long-term convertible debt	3,128,079	3,100,290
Other liabilities	183,445	184,920
Total liabilities	10,923,896	10,751,529
Commitments and contingencies (see Note 12)		
Shareholders equity:		
Preferred stock, par value $0.01; authorized 25,000 shares; none outstanding		

Common stock, par value $0.01; authorized 6,000,000 shares; issued and outstanding 2,055,608 and 2,052,441 shares	20,556	20,524
Additional paid-in capital	3,933,124	3,875,791
Retained earnings	12,131,993	11,759,289
Accumulated other comprehensive loss, net	(109,689)	(105,722)
Total EMC Corporation s shareholders equity	15,975,984	15,549,882
Non-controlling interest in VMware, Inc.	568,083	510,592
Total shareholders equity	16,544,067	16,060,474
Total liabilities and shareholders equity	$ 27,467,963	$ 26,812,003

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

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EMC CORPORATION

CONSOLIDATED INCOME STATEMENTS

(in thousands, except per share amounts)

(unaudited)

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009
Revenues:		
Product sales	$ 2,478,717	$ 1,969,120
Services	1,411,975	1,181,642
	3,890,692	3,150,762
Costs and expenses:		
Cost of product sales	1,161,922	1,013,330
Cost of services	510,251	454,177
Research and development	434,933	383,293
Selling, general and administrative	1,261,284	1,024,773
Restructuring and acquisition-related charges	18,502	15,572
Operating income	503,800	259,617
Non-operating income (expense):		
Investment income	31,532	39,844
Interest expense	(42,968)	(45,543)
Other expense, net	(9,021)	(10,758)
Total non-operating expense	(20,457)	(16,457)
Income before provision for income taxes	483,343	243,160
Income tax provision	95,653	37,815
Net income	387,690	205,345
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(14,986)	(11,276)
Net income attributable to EMC Corporation	$ 372,704	$ 194,069
Net income per weighted average share, basic attributable to EMC Corporation common shareholders	$ 0.18	$ 0.10
Net income per weighted average share, diluted attributable to EMC Corporation common shareholders	$ 0.17	$ 0.10
Weighted average shares, basic	2,051,030	2,008,915
Weighted average shares, diluted	2,119,192	2,021,062

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

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EMC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Three Months Ended March 31, 2010	For the Three Months Ended March 31, 2009
Cash flows from operating activities:		
Cash received from customers	$ 4,615,013	$ 3,860,223
Cash paid to suppliers and employees	(3,213,917)	(2,877,408)
Dividends and interest received	26,634	46,656
Interest paid	(4,670)	(4,007)
Income taxes paid	(105,714)	(161,773)
Net cash provided by operating activities	1,317,346	863,691
Cash flows from investing activities:		
Additions to property, plant and equipment	(114,048)	(95,320)
Capitalized software development costs	(93,161)	(87,627)
Purchases of short and long-term available-for-sale securities	(1,475,229)	(2,277,512)
Sales of short and long-term available-for-sale securities	628,504	2,077,730
Maturities of short and long-term available-for-sale securities	40,346	91,365
Business acquisitions, net of cash acquired	(288,246)	
Increase in strategic and other related investments	(5,240)	(1,960)
Other	(16,648)	1,054
Net cash used in investing activities	(1,323,722)	(292,270)
Cash flows from financing activities:		
Issuance of EMC s common stock from the exercise of stock options	130,338	8,637
Issuance of VMware s common stock from the exercise of stock options	109,775	4,503
EMC repurchase of EMC s common stock	(176,260)	
EMC purchase of VMware s common stock	(99,500)	
VMware repurchase of VMware s common stock	(31,348)	
Repayments of proceeds from securities lending		(65,179)
Excess tax benefits from stock-based compensation	35,248	776
Payment of long-term and short-term obligations	(2,327)	(19,257)
Proceeds from long-term and short-term obligations	1,116	1,038
Net cash used in financing activities	(32,958)	(69,482)
Effect of exchange rate changes on cash and cash equivalents	(6,539)	(22,172)
Net (decrease) increase in cash and cash equivalents	(45,873)	479,767
Cash and cash equivalents at beginning of period	6,302,499	5,843,685
Cash and cash equivalents at end of period	$ 6,256,626	$ 6,323,452
Reconciliation of net income to net cash provided by operating activities:		

Net income	$ 387,690	$ 205,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	281,580	255,798
Non-cash interest expense on convertible debt	25,921	26,299
Non-cash restructuring	162	2,072
Stock-based compensation expense	158,805	112,647
Increase in provision for doubtful accounts	7,226	5,388
Deferred income taxes, net	(28,766)	(4,527)
Excess tax benefits from stock-based compensation	(35,248)	(776)
Other	(820)	795
Changes in assets and liabilities, net of acquisitions:		
Accounts and notes receivable	380,790	550,917
Inventories	2,198	(2,226)
Other assets	(24,760)	(22,271)
Accounts payable	(102,803)	(80,021)
Accrued expenses	(83,164)	(222,591)
Income taxes payable	18,705	(119,431)
Deferred revenue	336,305	153,156
Other liabilities	(6,475)	3,117
Net cash provided by operating activities	$ 1,317,346	$ 863,691

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

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EMC CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(in thousands)

(unaudited)

For the three months ended March 31, 2010:

	Common Stock		Additional		Other	Non-controlling	Total
	Shares	Par Value	Paid-in Capital	Retained Earnings	Comprehensive Loss	Interest in VMware	Shareholders Equity
Balance, January 1, 2010	2,052,441	$ 20,524	$ 3,875,791	$ 11,759,289	$ (105,722)	$ 510,592	$ 16,060,474
Stock issued through stock option and stock purchase plans	12,238	122	130,216				130,338
Tax benefit from stock options exercised			57,321				57,321
Restricted stock grants, cancellations and withholdings, net	1,268	13	(29,096)				(29,083)
Repurchase of common stock	(10,339)	(103)	(176,157)				(176,260)
EMC purchase of VMware stock			(86,636)			(12,864)	(99,500)
Stock options issued in business acquisitions			38				38
Stock-based compensation			165,507				165,507
Impact from equity transactions of VMware, Inc.			(3,860)			55,289	51,429
Change in market value of investments					5,555	80	5,635
Change in market value of derivatives					(3,456)		(3,456)
Translation adjustment					(6,066)		(6,066)
Net income				372,704		14,986	387,690
Balance, March 31, 2010	2,055,608	$ 20,556	$ 3,933,124	$ 12,131,993	$ (109,689)	$ 568,083	$ 16,544,067

For the three months ended March 31, 2009:

	Common Stock		Additional		Other	Non-controlling	Total
	Shares	Par Value	Paid-in Capital	Retained Earnings	Comprehensive Loss	Interest in VMware	Shareholders Equity
Balance, January 1, 2009	2,012,938	$ 20,129	$ 2,817,054	$ 10,671,212	$ (179,952)	$ 327,507	$ 13,655,950
Stock issued through stock option and stock purchase plans	1,557	16	8,621				8,637
Tax shortfall from stock options exercised			(11,890)				(11,890)
Restricted stock grants, cancellations and withholdings, net	(1,492)	(15)	(35,459)				(35,474)
Stock-based compensation			119,351				119,351
Impact from equity transactions of VMware, Inc.			(7,798)			10,061	2,263
					4,426		4,426

Change in market value of investments							
Change in market value of derivatives					1,802		1,802
Translation adjustment					(26,735)		(26,735)
Net income				194,069		11,276	205,345
Balance, March 31, 2009	2,013,003	$ 20,130	$ 2,889,879	$ 10,865,281	$ (200,459)	$ 348,844	$ 13,923,675

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

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EMC CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	For the Three Months Ended	
	March 31, 2010	March 31, 2009
Net income	$ 387,690	$ 205,345
Other comprehensive income, net of taxes (benefit):		
Foreign currency translation adjustments	(6,066)	(26,735)
Changes in market value of investments, including unrealized gains and losses and reclassification adjustment to net income, net of taxes of $3,116 and $5,903	5,635	4,426
Changes in market value of derivatives, net of taxes (benefit) of $(1,631) and $681	(3,456)	1,802
Other comprehensive loss	(3,887)	(20,507)
Comprehensive income	383,803	184,838
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(14,986)	(11,276)
Less: Other comprehensive income attributable to the non-controlling interest in VMware, Inc.	(80)	
Comprehensive income attributable to EMC Corporation	$ 368,737	$ 173,562

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

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Company

EMC Corporation (EMC) and its subsidiaries develop, deliver and support the Information Technology (IT) industry s broadest range of information infrastructure and virtual infrastructure technologies and solutions.

EMC s Information Infrastructure business provides a foundation for customers to manage and secure their vast and ever-increasing quantities of information, automate their data center operations, reduce power and cooling costs, and leverage critical information for business agility and competitive advantage. EMC s Information Infrastructure business comprises three segments Information Storage, Content Management and Archiving and RSA Information Security.

EMC s VMware Virtual Infrastructure business, which is represented by EMC s majority equity stake in VMware, Inc. (VMware), is the leading provider of virtual infrastructure software solutions from the desktop to the data center and to the cloud. VMware s virtual infrastructure software solutions run on industry-standard desktop computers and servers and support a wide range of operating system and application environments, as well as networking and storage infrastructures.

General

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information. These consolidated financial statements include the accounts of EMC, its wholly owned subsidiaries and VMware, a company majority-owned by EMC. All intercompany transactions have been eliminated.

Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted. Accordingly, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009 which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2010.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year. The interim consolidated financial statements, in the opinion of management, reflect all adjustments necessary to fairly state the results as of and for the three-month periods ended March 31, 2010 and 2009.

Net Income Per Share

Basic net income per weighted average share has been computed using the weighted average number of shares of common stock outstanding during the period. Diluted net income per weighted average share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period. Common equivalent shares consist of stock options, restricted stock and restricted stock units, our $1.725 billion 1.75% convertible senior notes due 2011 and our $1.725 billion 1.75% convertible senior notes due 2013 (the Notes) and associated warrants. Additionally, for purposes of calculating diluted net income per weighted average share, net income is adjusted for the difference between VMware s reported diluted and basic net income per weighted average share, if any, multiplied by the number of shares of VMware held by EMC.

New Accounting Guidance Recently Adopted

In September 2009, the Financial Accounting Standards Board (FASB) amended the accounting standards for revenue recognition to exclude tangible products containing software components and non-software components that function together to deliver the product s essential functionality from the scope of industry specific software revenue recognition guidance. Additionally, the FASB also amended the accounting standards for multiple deliverable revenue arrangements to provide for how the deliverables in an arrangement should be separated and how the consideration should be allocated using the relative selling price method. This guidance requires an entity to allocate revenue in an arrangement using estimated selling prices (ESP) of deliverables if a vendor does not have vendor-specific objective evidence of selling price (VSOE) or third-party evidence of selling price (TPE) and effectively eliminates use of the residual method in such cases.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

We elected to early adopt this accounting guidance at the beginning of our first quarter of 2010 on a prospective basis for applicable transactions originating or materially modified after January 1, 2010.

For the year ended December 31, 2009, pursuant to the previous guidance of revenue arrangements with multiple deliverables, we allocated revenue to each undelivered element based upon their fair values and then allocated the residual revenue to the delivered elements. Where the fair value for an undelivered element could not be determined, we deferred revenue for the delivered elements until the undelivered elements were delivered or the fair value was determinable for the remaining undelivered elements. We limited the amount of revenue recognition for delivered elements to the amount that was not contingent on the future delivery of products or services.

The new accounting guidance did not have a material impact on our financial position or results of operations for the quarter ended March 31, 2010 and does not change the units of accounting for our revenue transactions. Specifically, for our product sales that contain software components and non-software components that function together to deliver the product s essential functionality, the difference of applying the relative selling price method to such transactions under the new guidance, as compared to the residual method under the previous guidance, was insignificant. Our undelivered elements are typically software-related services which we account for utilizing VSOE to determine fair value. Our assessment considered that the amounts recorded as revenue for delivered elements are limited to the amounts not contingent on the future delivery of products or services.

The new accounting guidance for revenue recognition is not expected to have a significant effect on revenue when applied to our multiple element arrangements based on our current go-to-market strategies due to the existence of VSOE of fair value for the typical undelivered elements in most of our product and service offerings.

The new accounting standards, if applied to the year ended December 31, 2009, would not have had a material impact on our revenue for that year.

Reclassifications

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

2. Revenue Recognition

We derive revenue from sales of information systems, software and services. We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collectability is reasonably assured. This policy is applicable to all sales, including sales to resellers and end users. Product is considered delivered to the customer once it has been shipped or electronically delivered and risk of loss has been transferred. For most of our product sales, these criteria are met at the time the product is shipped. The following summarizes the major terms of our contractual relationships with our customers and the manner in which we account for sales transactions.

Systems sales

Systems sales consist of the sale of hardware storage and hardware-related devices. Revenue for hardware is generally recognized upon shipment.

Software sales

Software sales consist of the sale of required storage operating systems and optional value-added software application programs. Our software application programs provide customers with resource management, backup and archiving, content management, information security and server virtualization capabilities. Revenue for software is generally recognized upon shipment or electronic delivery. License revenue from royalty payments is recognized upon either receipt of final royalty reports or payments from third parties.

Services revenue

Services revenue consists of installation services, professional services, software maintenance, hardware maintenance and training.

EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

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

Multiple element arrangements

When more than one element, such as hardware, software and services are contained in a single arrangement, we first allocate revenue based upon the relative selling price into two categories: (1) non-software components, such as hardware and any hardware related items, such as required software that functions with the hardware to deliver the essential functionality of the hardware and related post-contract customer support and other services and (2) software components, such as optional software application programs and related items, such as post-contract customer support and other services. We then allocate revenue within the non-software category to each element based upon their relative selling price using ESP, if VSOE or TPE does not exist. We allocate revenue within the software category to the undelivered elements based upon their fair value using VSOE with the residual revenue allocated to the delivered elements. If we cannot objectively determine the fair value of any undelivered element, we defer revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

We limit the amount of revenue recognition for delivered elements to the amount that is not contingent on the future delivery of products or services.

Shipping terms

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

Leases

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

Other

We accrue for the estimated costs of systems warranty at the time of sale. We reduce revenue for estimated sales returns at the time of sale. Systems warranty costs are estimated based upon our historical experience and specific identification of systems requirements. Sales returns are estimated based upon our historical experience and specific identification of probable returns. For our Iomega business we defer revenue and cost of sales for inventory sold through the channel that exceeds the channel s requirements.

3. Acquisitions

In the first quarter of 2010, we acquired all of the outstanding capital stock of Archer Technologies, LLC, a provider of governance, risk and compliance software. This acquisition complements and expands our Information Security segment. Additionally, VMware acquired two businesses, including Zimbra, a leading vendor of e-mail and collaboration software. The aggregate cash consideration for these three acquisitions was $288.2 million. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase. Pro forma results of operations have not been presented as the results of the acquired companies were not material, individually or in aggregate, to the Company s consolidated results of operations for the three months ended March 31, 2010 or 2009.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

4. Non-controlling Interest in VMware, Inc.

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

	March 31, 2010	March 31, 2009
Net income attributable to EMC Corporation	$ 372,704	$ 194,069
Transfers (to) from the non-controlling interest in VMware:		
Increase in EMC Corporation s additional paid-in-capital for VMware s equity issuances	38,496	1,730
Decrease in EMC Corporation s additional paid-in-capital for VMware s other equity activity	(42,356)	(9,528)
Net transfers (to) from non-controlling interest	(3,860)	(7,798)
Change from net income attributable to EMC Corporation and transfers from the non-controlling interest in VMware, Inc.	$ 368,844	$ 186,271

5. Investments

Our investments are comprised primarily of debt securities that are classified as available for sale and recorded at their fair market values. We determine fair value using the following hierarchy:

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

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

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

Most of our debt securities are classified as Level 2 securities, with the exception of some of our U.S. government and agency obligations, which are classified as Level 1 securities and all of our auction rate securities, which are classified as Level 3. At March 31, 2010, the vast majority of our Level 2 investments were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. In the event observable inputs are not available, we assess other factors to determine the security s market value, including broker quotes or model valuations. Each month, we perform independent price verifications of all of our holdings. In the event a price fails a pre-established tolerance check, it is researched so that we can assess the cause of the variance to determine what we believe is the appropriate fair market value.

In January 2010, the FASB issued authoritative guidance related to additional disclosures of fair value measurements. The guidance requires the gross presentation of activity within the Level 3 fair value measurement roll forward and details of transfers in and out of Level 1 and 2 fair value measurements. It also clarified two existing disclosure requirements on the level of disaggregation of fair value measurements and disclosures on inputs and valuation techniques. We adopted all of this guidance in the first quarter of 2010.

Hierarchy of an investment from its current level could change in the period that the pricing methodology of that investment changes. Disclosure of the transfer of securities from Level 1 to Level 2 or Level 3 will be made in the event that the related security is significant to total cash and investments.

In general, investments with remaining effective maturities of 12 months or less from the balance sheet date are classified as short-term investments. Investments with remaining effective maturities of more than 12 months from the balance sheet date are classified as long-term investments. As a result of the lack of liquidity for auction rate securities, we have classified these as long-term investments as of March 31, 2010. At March 31, 2010, all of our available for sale, short- and long-term investments, excluding auction rate securities, were recognized at fair value, which was determined based upon observable inputs from our

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

pricing vendors for identical or similar assets. At March 31, 2010 and December 31, 2009, auction rate securities were valued using a discounted cash flow model.

The following tables summarize the composition of our investments at March 31, 2010 and December 31, 2009 (tables in thousands):

	March 31, 2010				
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value	Other-than-Temporary Impairments
U.S. government and agency obligations	$ 1,441,158	$ 9,877	$ (1,802)	$ 1,449,233	$
U.S. corporate debt securities	998,338	16,695	(1,794)	1,013,239	
Asset-backed securities	10,091	226	(1)	10,316	
Municipal obligations	767,984	5,556	(567)	772,973	
Auction rate securities	251,755		(17,291)	234,464	
Foreign debt securities	412,509	3,690	(207)	415,992	
Total	$ 3,881,835	$ 36,044	$ (21,662)	$ 3,896,217	$

	December 31, 2009				
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value	Other-than-Temporary Impairments
U.S. government and agency obligations	$ 1,086,773	$ 8,021	$ (2,982)	$ 1,091,812	$
U.S. corporate debt securities	866,353	13,128	(1,236)	878,245	
Asset-backed securities	14,119	356	(1)	14,474	
Municipal obligations	583,690	6,902	(118)	590,474	
Auction rate securities	253,617		(19,165)	234,452	
Foreign debt securities	274,312	1,931	(538)	275,705	
Total	$ 3,078,864	$ 30,338	$ (24,040)	$ 3,085,162	$

The following table represents our fair value hierarchy for our financial assets and liabilities measured at fair value as of March 31, 2010 (table in thousands):

	Level 1	Level 2	Level 3	Total
Cash	$ 1,133,927	$	$	$ 1,133,927
Cash equivalents	5,106,337	16,362		5,122,699
U.S. government and agency obligations	871,891	577,342		1,449,233
U.S. corporate debt securities		1,013,239		1,013,239
Asset-backed securities		10,316		10,316
Municipal obligations		772,973		772,973
Auction rate securities			234,464	234,464
Foreign debt securities		415,992		415,992

Total cash and investments	$ 7,112,155	$ 2,806,224	$ 234,464	$ 10,152,843
Other items:				
Foreign exchange derivative assets	$	$ 28,504	$	$ 28,504
Foreign exchange derivative liabilities		(34,787)		(34,787)

Our auction rate securities are predominantly rated AAA and are primarily collateralized by student loans. The underlying loans of all but two of our auction rate securities, with a market value of $18.8 million, have partial guarantees by the U.S. government as part of the Federal Family Education Loan Program (FFELP) through the U.S. Department of Education. FFELP guarantees at least 95% of the loans which collateralize the auction rate securities. The two securities whose underlying loans are not guaranteed by the U.S. government have credit enhancements and are insured by third party agencies. We believe the quality of the collateral underlying all of our auction rate securities will enable us to recover our principal balance in full.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

To determine the estimated fair value of our investment in auction rate securities, we used a discounted cash flow model. The assumptions used in preparing the discounted cash flow model include an incremental discount rate for the lack of liquidity in the market (liquidity discount margin) for an estimated period of time. The discount rate we selected was based on AA-rated banks as the majority of our portfolio is invested in student loans where EMC acts as a financier to these lenders. The liquidity discount margin represents an estimate of the additional return an investor would require for the lack of liquidity of these securities over an estimated five-year holding period. The rate used for the discount margin was 1% at both March 31, 2010 and December 31, 2009 as credit spreads on AA-rated banks remained constant.

The following table provides a summary of changes in fair value of our Level 3 financial assets for the quarter ended March 31, 2010 (table in thousands):

	Three Months Ended March 31, 2010
Beginning balance	$ 234,452
Transfers in from Level 1	
Transfers in from acquisitions	
Sales	
Calls	(1,862)
Decrease in previously recognized unrealized losses included in other comprehensive loss	1,874
Balance at March 31	$ 234,464

Unrealized losses on investments at March 31, 2010 by investment category and length of time the investment has been in a continuous unrealized loss position are as follows (table in thousands):

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agency obligations	$ 602,568	$ (1,770)	$ 1,374	$ (32)	$ 603,942	$ (1,802)
U.S. corporate debt securities	138,164	(1,791)	997	(3)	139,161	(1,794)
Asset-backed securities			5	(1)	5	(1)
Municipal obligations	126,039	(567)			126,039	(567)
Auction rate securities			234,464	(17,291)	234,464	(17,291)
Foreign debt securities	105,184	(207)			105,184	(207)
Total	$ 971,955	$ (4,335)	$ 236,840	$ (17,327)	$ 1,208,795	$ (21,662)

Investment Losses

For all of our securities where the amortized cost basis was greater than the fair value at March 31, 2010, we have concluded that currently we neither plan to sell the security nor is it more likely than not that we would be required to sell the security before its anticipated recovery. In making the determination as to whether the unrealized loss is other-than-temporary, we considered the length of time and extent the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuers, the issuers credit rating, the underlying value and performance of the collateral, third party guarantees and the time to maturity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Contractual Maturities

The contractual maturities of investments held at March 31, 2010 are as follows (table in thousands):

	March 31, 2010	
	Amortized Cost Basis	Aggregate Fair Value
Due within one year	$ 422,958	$ 425,876
Due after 1 year through 5 years	2,579,942	2,602,589
Due after 5 years through 10 years	281,613	285,538
Due after 10 years	597,322	582,214
Total	$ 3,881,835	$ 3,896,217

6. Inventories

Inventories consist of (table in thousands):

	March 31, 2010	December 31, 2009
Purchased parts	$ 40,111	$ 73,612
Work-in-process	485,830	469,901
Finished goods	325,560	342,776
	$ 851,501	$ 886,289

7. Property, Plant and Equipment

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

	March 31, 2010	December 31, 2009
Furniture and fixtures	$ 230,917	$ 229,006
Equipment	3,527,815	3,447,209
Buildings and improvements	1,427,119	1,427,656
Land	121,839	122,260
Building construction in progress	100,023	91,501
	5,407,713	5,317,632
Accumulated depreciation and amortization	(3,181,475)	(3,093,286)

	$ 2,226,238	$ 2,224,346

Building construction in progress at March 31, 2010 includes $65.6 million for facilities not yet placed in service that we are holding for future use.

8. Accrued Expenses

Accrued expenses consist of (table in thousands):

	March 31, 2010	December 31, 2009
Salaries and benefits	$ 669,364	$ 742,748
Product warranties	269,567	271,594
Restructuring (see Note 11)	88,844	105,760
Other	868,413	824,108
	$ 1,896,188	$ 1,944,210

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Product Warranties

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

	For the Three Months Ended	
	March 31, 2010	March 31, 2009
Balance, beginning of the period	$ 271,594	$ 269,218
Current period provision	36,960	25,435
Amounts charged to the accrual	(38,987)	(32,398)
Balance, end of the period	$ 269,567	$ 262,255

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

9. Income Taxes

Our effective income tax rates were 19.8% and 15.6% for the three months ended March 31, 2010 and 2009, respectively. The effective income tax rate is based upon the estimated income for the year, the composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits or resolutions of tax audits or other tax contingencies. For the three months ended March 31, 2010 and 2009, the effective tax rate varied from the statutory tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States. The increase in the effective tax rate in 2010 compared to 2009 was primarily attributable to the expiration of the U.S. federal research and development tax credit for 2010.

We have substantially concluded all U.S. federal income tax matters for years through 2006 and are currently under audit for U.S. federal income taxes for 2007 and 2008. We also have income tax audits in process in numerous state, local and international jurisdictions. Based on the timing and outcome of examinations of EMC, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our statement of financial position. We anticipate that several of these audits may be finalized within the next 12 months. Based on the status of these examinations, and the protocol of finalizing such audits, it is not possible to estimate the impact of the amount of such changes, if any, to our previously recorded uncertain tax positions.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

10. Shareholders Equity

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

	For the Three Months Ended	
	March 31, 2010	March 31, 2009
Numerator:		
Net income attributable to EMC Corporation, basic	$ 372,704	$ 194,069
Incremental dilution from VMware	(1,883)	(188)
Net income attributable to EMC Corporation, diluted	$ 370,821	$ 193,881
Denominator:		
Basic weighted average common shares outstanding	2,051,030	2,008,915
Weighted average common stock equivalents	47,835	12,147
Assumed conversion of the Notes	20,327	
Diluted weighted average shares outstanding	2,119,192	2,021,062

Due to the cash settlement feature of the principal amount of the Notes, we only include the impact of the premium feature in our diluted earnings per share calculation when the stock price equals or exceeds the conversion price of the Notes. Conversion of the Notes may occur upon the occurrence of specified events at a conversion price of approximately $16.08 per share of our common stock. The conversion price is subject to adjustment in some events.

Options to acquire 74.6 million and 214.9 million of common stock for the three months ended March 31, 2010 and 2009, respectively, were excluded from the calculation of diluted earnings per share because they were antidilutive. The incremental dilution from VMware represents the impact of VMware s dilutive securities on EMC s consolidated diluted net income per share and is calculated by multiplying the difference between VMware s basic and diluted earnings per share by the number of VMware shares owned by EMC.

Repurchases of Common Stock

We utilize authorized and unissued shares (including repurchased shares) to satisfy all shares issued under our equity plans. In 2008, our Board of Directors authorized the repurchase of 250.0 million shares of our common stock. For the three months ended March 31, 2010, we spent $176.3 million to repurchase 10.3 million shares of our common stock and plan to spend up to $1.0 billion for the year on common stock repurchases. Of the 250.0 million shares authorized for repurchase, we have repurchased 71.7 million shares at a cost of $884.5 million, leaving a remaining balance of 178.3 million shares.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, which is presented net of tax, consists of the following (table in thousands):

	March 31, 2010	December 31, 2009

Foreign currency translation adjustments	$ (8,415)	$ (2,349)
Unrealized losses on temporarily impaired investments, net of tax benefits of $(7,858) and $(8,679)	(13,804)	(15,361)
Unrealized gains on investments, net of taxes of $16,624 and $14,329	27,695	23,617
Unrealized gains (losses) on derivatives, net of taxes (benefits) of $(1,032) and $599	(1,245)	2,211
Recognition of actuarial net loss from pension and other postretirement plans, net of tax benefits of $(68,996) and $(68,996)	(113,001)	(113,001)
	(108,770)	(104,883)
Less: Accumulated other comprehensive income attributable to the non-controlling interest in VMware, Inc.	(919)	(839)
	$ (109,689)	$ (105,722)

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

11. Restructuring and Acquisition-Related Charges

For the three months ended March 31, 2010, we incurred restructuring and acquisition-related charges of $18.5 million compared to $15.6 million of restructuring charges for the three months ended March 31, 2009. For the three months ended March 31, 2010, we incurred $17.0 million of restructuring charges, primarily related to our 2008 restructuring program and $1.5 million of charges in connection with acquisitions for financial advisory, legal and accounting services.

In the fourth quarter of 2008, to further improve the competitiveness and efficiency of our global business in response to a challenging global economy, we implemented a restructuring program to further streamline the costs related to our Information Infrastructure business. The plan included the following components:

A reduction in force resulting in the elimination of approximately 2,400 positions which was substantially completed by the end of 2009 and will be fully completed in 2010.

The consolidation of facilities and the termination of contracts. These actions are expected to be completed by 2015.

The write-off of certain assets for which EMC has determined it will no longer derive any benefit. These actions were completed in the fourth quarter of 2008.

The total charge resulting from these actions is expected to be approximately $400.0 million, with $247.9 million recognized in 2008, $87.0 million recognized in 2009, $35.0 million expected to be recognized in 2010 and the remainder expected to be recognized in 2011 through 2015.

The activity for the December 2008 restructuring program for the three months ended March 31, 2010 and 2009 is presented below (table in thousands):

2010

Category	Balance as of December 31, 2009	2010 Charges Relating to the 2008 Plan	Utilization	Balance as of March 31, 2010
Workforce reductions	$ 84,266	$	$ (28,294)	$ 55,972
Consolidation of excess facilities and other contractual obligations	4,885	16,967	(2,871)	18,981
Total	$ 89,151	$ 16,967	$ (31,165)	$ 74,953

In the first quarter of 2010, we recognized $17.0 million of lease termination costs for facilities vacated in the quarter in accordance with our plan as part of our 2008 restructuring program.

2009

Category	Balance as of December 31, 2008	2009 Charges Relating to the 2008 Plan	Utilization	Balance as of March 31, 2009
Workforce reductions	$ 184,440	$ 6,809	$ (51,924)	$ 139,325
Consolidation of excess facilities and other contractual obligations	2,376	9,089	(7,299)	4,166
Total	$ 186,816	$ 15,898	$ (59,223)	$ 143,491

12. Commitments and Contingencies

Line of Credit

We have available for use a credit line of $50.0 million in the United States. As of March 31, 2010, we had no borrowings outstanding on the line of credit. The credit line bears interest at the bank s base rate and requires us, upon utilization of the credit line, to meet certain financial covenants with respect to limitations on losses. In the event the covenants are not met, the lender may require us to provide collateral to secure the outstanding balance. At March 31, 2010, we were in compliance with the covenants.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Litigation

We are involved in a variety of claims, demands, suits, investigations, and proceedings, including those identified below, that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, product liability, employment, benefits and securities matters. As required by authoritative guidance, we have estimated the amount of probable losses that may result from any such pending matters, and such amounts are reflected in our consolidated financial statements. We have disclosed the specific amount recorded for a particular matter where required by authoritative guidance. Because litigation is inherently unpredictable, however, the actual amounts of loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

United States ex rel. Rille and Roberts v. EMC Corporation. Effective as of May 4, 2010, EMC entered into a settlement agreement (the Agreement) with the United States of America, acting through the Civil Division of the United States Department of Justice (the DoJ). The Agreement relates to a previously disclosed qui tam action that followed an investigation conducted by the DoJ regarding (i) EMC s fee arrangements with systems integrators and other partners in federal government transactions, and (ii) EMC s compliance with the terms and conditions of certain agreements pursuant to which we sold products and services to the federal government, primarily a schedule agreement we entered into with the General Services Administration in November 1999. Pursuant to the Agreement, EMC will pay the United States $87.5 million. In consideration of this payment, the United States has agreed to release EMC with respect to the matters investigated and the claims alleged by the DoJ in the civil action. As set forth in the Agreement, EMC expressly denies any liability or wrongdoing in connection with such matters and claims, and the settlement represents a compromise to avoid the costs, distraction, and uncertainty of continued litigation. As previously disclosed, EMC recorded an $87.5 million accrual for this contingency as of December 31, 2009.

Derivative Demand Letters. We have received derivative demand letters sent on behalf of purported EMC shareholders. The letters contain allegations to the effect that the existence of the matter captioned *United States ex rel. Rille and Roberts v. EMC Corporation* serves as evidence that certain Company officers and directors failed to exercise due care and/or failed to oversee compliance with the laws identified in the *Roberts* matter. The matters relating to the demand letters were referred to a Special Committee of independent directors of the Board of Directors, which investigated and made a determination regarding such allegations. At the conclusion of their investigation, the Special Committee determined in good faith that commencing or maintaining derivative proceedings based on the allegations would not be in the best interests of EMC. In October 2009, one of the purported shareholders filed a complaint in the Superior Court for Middlesex County in Massachusetts alleging claims for breach of fiduciary duty against EMC directors and certain officers based on the same allegations set forth in the demand letter. We are defending this matter vigorously.

13. Segment Information

We manage our business in two broad categories: EMC Information Infrastructure and VMware Virtual Infrastructure. EMC Information Infrastructure operates in three segments: Information Storage, Content Management and Archiving and RSA Information Security, while VMware Virtual Infrastructure operates in a single segment. Our management measures are designed to assess performance of these operating segments excluding certain items. As a result, the corporate reconciling items are used to capture the items excluded from the segment operating performance measures, including stock-based compensation expense and acquisition-related intangible asset amortization expense. Additionally, in certain instances, restructuring and acquisition-related charges, transition costs and infrequently occurring gains or losses are also excluded from the measures used by management in assessing segment performance. The VMware Virtual Infrastructure amounts represent the revenues and expenses of VMware as reflected within EMC s consolidated financial statements. Research and development expenses, selling, general and administrative and other income associated with the EMC Information Infrastructure business are not allocated to the segments within the EMC Information Infrastructure business, as they are managed centrally at the business unit level. For the three segments within the EMC Information Infrastructure business, gross profit is the segment operating performance measure.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our segment information for the three months ended March 31, 2010 and 2009 is as follows (tables in thousands, except percentages):

	EMC Information Infrastructure						
	Information Storage	Content Management and Archiving	RSA Information Security	EMC Information Infrastructure	VMware Virtual Infrastructure within EMC	Corp Reconciling Items	Consolidated
Three Months Ended: March 31, 2010							
Revenues:							
Product revenues	$ 2,017,314	$ 63,662	$ 85,814	$ 2,166,790	$ 311,927	$	$ 2,478,717
Services revenues	901,781	114,502	75,654	1,091,937	320,038		1,411,975
Total consolidated revenues	2,919,095	178,164	161,468	3,258,727	631,965		3,890,692
Cost of sales	1,401,514	63,332	52,256	1,517,102	95,504	59,567	1,672,173
Gross profit	$ 1,517,581	$ 114,832	$ 109,212	1,741,625	536,461	(59,567)	2,218,519
Gross profit percentage	52.0%	64.5%	67.6%	53.4%	84.9%		57.0%
Research and development				266,876	101,975	66,082	434,933
Selling, general and administrative				879,157	257,115	125,012	1,261,284
Restructuring and acquisition-related charges						18,502	18,502
Total costs and expenses				1,146,033	359,090	209,596	1,714,719
Operating income				595,592	177,371	(269,163)	503,800
Other income (expense), net				10,878	(5,213)	(26,122)	(20,457)
Income before tax				606,470	172,158	(295,285)	483,343
Income tax provision				140,800	34,440	(79,587)	95,653
Net income				465,670	137,718	(215,698)	387,690
Net income attributable to the non-controlling interest in VMware, Inc.					(26,184)	11,198	(14,986)
Net income attributable to EMC Corporation				$ 465,670	$ 111,534	$ (204,500)	$ 372,704

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

	EMC Information Infrastructure						
	Information Storage	**Content Management and Archiving**	**RSA Information Security**	**EMC Information Infrastructure**	**VMware Virtual Infrastructure within EMC**	**Corp Reconciling Items**	**Consolidated**
Three Months Ended:							
March 31, 2009							
Revenues:							
Product revenues	$ 1,572,408	$ 58,710	$ 80,671	$ 1,711,789	$ 257,331	$	$ 1,969,120
Services revenues	790,932	115,605	62,035	968,572	213,070		1,181,642
Total consolidated revenues	2,363,340	174,315	142,706	2,680,361	470,401		3,150,762
Cost of sales	1,234,490	71,698	43,655	1,349,843	66,264	51,400	1,467,507
Gross profit	$ 1,128,850	$ 102,617	$ 99,051	1,330,518	404,137	(51,400)	1,683,255
Gross profit percentage	47.8%	58.9%	69.4%	49.6%	85.9%		53.4%
Research and development				257,584	80,864	44,845	383,293
Selling, general and administrative				760,663	178,865	85,245	1,024,773
Restructuring and acquisition-related charges						15,572	15,572
Total costs and expenses				1,018,247	259,729	145,662	1,423,638
Operating income				312,271	144,408	(197,062)	259,617
Other income (expense), net				12,791	(2,949)	(26,299)	(16,457)
Income before tax				325,062	141,459	(223,361)	243,160
Income tax provision				72,959	27,212	(62,356)	37,815
Net income				252,103	114,247	(161,005)	205,345
Net income attributable to the non-controlling interest in VMware, Inc.					(18,293)	7,017	(11,276)
Net income attributable to EMC Corporation				$ 252,103	$ 95,954	$ (153,988)	$ 194,069

Our revenues are attributed to the geographic areas according to the location of the customers. Revenues by geographic area are included in the following table (table in thousands):

	For the Three Months Ended	
	March 31, 2010	**March 31, 2009**
United States	$ 2,118,730	$ 1,638,911
Europe, Middle East and Africa	1,148,847	986,640

Asia Pacific	416,696	374,319
Latin America, Mexico and Canada	206,419	150,892
Total	$ 3,890,692	$ 3,150,762

No country other than the United States accounted for 10% or more of revenues during the three months ended March 31, 2010 or 2009.

Long-lived assets, excluding financial instruments and deferred tax assets, in the United States were $11,380.0 million at March 31, 2010 and $11,285.8 million at December 31, 2009. No country other than the United States accounted for 10% or more of these assets at March 31, 2010 or December 31, 2009. Internationally, long-lived assets, excluding financial instruments and deferred tax assets, were $2,458.2 million at March 31, 2010 and $2,295.6 million at December 31, 2009.

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EMC CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

14. Subsequent Event

In April 2010, we consummated the transaction contemplated by the agreement that we entered into with VMware in the first quarter of 2010 to transfer assets for a total cash purchase price of up to $200.0 million. Pursuant to the terms of the agreement, EMC transferred certain technology and intellectual property of EMC s Ionix IT management business to VMware. These products and expertise will complement VMware s existing development efforts and expand their vCenter product family. As the transfer relates to entities under common control, there will be no change to the accounting basis of the transferred net assets.

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Item 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q. The following discussion contains forward-looking statements and should also be read in conjunction with the risk factors set forth in Item 1A of Part II. The forward-looking statements do not include the potential impact of any mergers, acquisitions, divestitures, securities offerings or business combinations that may be announced or closed after the date hereof.

All dollar amounts expressed numerically in this MD&A are in millions.

Certain tables may not add due to rounding.

INTRODUCTION

We manage our business in two broad categories: EMC Information Infrastructure and VMware Virtual Infrastructure.

EMC Information Infrastructure

Our EMC Information Infrastructure business consists of three of our segments: Information Storage, Content Management and Archiving and RSA Information Security.

Our objective for our EMC Information Infrastructure business is to grow faster than the markets we serve by investing in the business for sustainable advantage. Through a continued focus on enhancing and expanding our portfolio of systems, software, services and solutions to meet our customers needs, we believe we will be able to profitably increase revenues. We intend to enhance and expand our portfolio by accelerating our internal research and development (R&D) efforts and through acquisitions.

Concurrent with these efforts, we will continue to focus on our cost structure. In the fourth quarter of 2008, we implemented a restructuring program to further streamline the costs related to our Information Infrastructure business. The program s focus is to consolidate back office functions, field and campus offices, rebalance investments towards higher-growth products and markets, reduce management layers, and further reduce indirect spending on contractors, third-party services and travel. Additionally, in 2009, we restructured the ownership of some of our subsidiaries to streamline our operations. These programs have favorably impacted our cost of sales, selling, general & administrative (SG&A) and R&D expenses. We expect to incur $65 of costs related to this effort in 2010 and beyond.

The program s savings are from both cost reductions and the transformation of several areas of our operational cost structure. As part of these efforts, we are undertaking several initiatives to transform the structural efficiency of our worldwide operations. These initiatives, which began in 2009, include the consolidation and movement of various facilities and processes. As part of these transformation efforts, we expect to incur $50 of transition costs during 2010. These investments are necessary to implement the new, more efficient capabilities ahead of transitioning from the existing cost structure.

Through a combined focus on revenue growth, accelerated investment in R&D and continued cost containment efforts, we believe we will be able to increase 2010 earnings at a faster rate than the rate at which we will grow our revenues.

Since mid-2008 and through most of 2009, we observed that customers responded to the economic downturn with reductions in their IT spending. In the first quarter of 2010, the overall macroeconomic environment appeared to be improving, based on the marketplace IT spending trends, customer activity in the first quarter and forecasted IT spending trends for the remainder of the year. However, we believe that the continuation of some pent-up demand that we saw in the fourth quarter of 2009 impacted the quarter s results. We believe our addressable market will grow approximately 6% to 8% in 2010 compared to 2009.

VMware Virtual Infrastructure

VMware s current financial focus is on long-term revenue growth to generate cash flows to fund its expansion of industry segment share and evolve their virtualization-based products for data centers, desktop computers and cloud computing through a combination of internal development and acquisitions. VMware expects to grow their business by broadening their virtualization infrastructure software solutions technology and product portfolio, increasing product awareness, promoting the adoption of

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS - (Continued)

virtualization and building long-term relationships with its customers through the adoption of enterprise license agreements (ELAs). Since the introduction in 2009 of VMware vSphere, the next generation of VMware infrastructure and VMware View 4, which is integrated with VMware vSphere, VMware has introduced, and plans to continue to introduce, more products that build on the vSphere foundation though 2010 and beyond.

Since mid-2008, and through most of 2009, VMware observed that customers have responded to the economic downturn with reductions in budgets for IT spending. As a result, customers were subjecting larger orders, such as ELAs, to a longer review process and in certain cases were purchasing products to meet their immediate needs, foregoing larger discounts offered under ELAs. While the overall macroeconomic environment appears to be improving, they believe that they have benefited from previously pent-up demand and that it is unclear whether their recent improved sales results reflect an improving trend or a short-term occurrence. Therefore, VMware remains conservative in their planning and expects to continue to manage their resources strategically.

Although VMware is currently the leading provider of virtualization infrastructure software solutions, they face competitive threats to their leadership position from a number of companies, some of which have significantly greater resources than VMware, which could result in increased pressure to reduce prices on their offerings. As a result, VMware believes it is important to continue to invest in strategic initiatives related to product research and development, market expansion and associated support functions to expand their industry leadership. VMware believes that they will be able to continue to meet its product development objectives through continued investment in its business, supplemented with strategic hires and acquisitions, funded through the operating cash flows generated from the sale of products and services. VMware believes this is the appropriate priority for the long-term health and growth of their business.

RESULTS OF OPERATIONS

Revenues

The following table presents revenue by our segments:

	For the Three Months Ended March 31, 2010	March 31, 2009	$ Change	% Change
Information Storage	$ 2,919.1	$ 2,363.3	$ 555.8	23.5%
Content Management and Archiving	178.2	174.3	3.9	2.2
RSA Information Security	161.5	142.7	18.8	13.2
VMware Virtual Infrastructure	631.9	470.4	161.5	34.3
Total revenues	$ 3,890.7	$ 3,150.8	$ 739.9	23.5%

Consolidated product revenues increased 25.9% from $1,969.1 for the three months ended March 31, 2009 to $2,478.7 for the three months ended March 31, 2010. The Information Storage segment s product revenues increased 28.3% to $2,017.3 for the three months ended March 31, 2010. The Content Management and Archiving segment s product revenues increased 8.4% to $63.7 and the RSA Information Security segment s product revenues increased 6.4% to $85.8 for the three months ended March 31, 2010. The increase in our product revenues was primarily driven by the Information Storage product revenue, which reflected a higher demand for IT infrastructure offerings to address the storage needs generated by continued information growth, particularly as customers start migrating to virtual data center infrastructures and from previously pent-up demand that we saw in the fourth quarter of 2009. Additionally, the revenue for our collective back-up recovery systems offerings grew over 100% with the addition of Data Domain s portfolio of offerings in the third quarter of 2009.

The VMware Virtual Infrastructure segment s product revenues increased 21.2% to $311.9 for the three months ended March 31, 2010. The increase in VMware product revenues in the first quarter of 2010 was due to the improvements in the overall macroeconomic environment and from previously pent-up demand. Additionally, product revenues in our VMware Virtual Infrastructure segment benefited from the effect of its international expansion, as international revenues increased as a percentage of revenue from 48.1% in the first three months ended March 31, 2009 to 49.9% in the first three months ended March 31, 2010.

Consolidated services revenues increased 19.5% from $1,181.6 for the quarter ended March 31, 2009 to $1,412.0 for the quarter ended March 31, 2010. The Information Storage segment s services revenues increased 14.0% to $901.8, RSA Information

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Security segment s services revenues increased 22.0% to $75.7 and the Content Management and Archiving segment s services revenues decreased 1.0% to $114.5 for the three months ended March 31, 2010. The increase in services revenues in the first quarter of 2010 was due to an increase in maintenance revenues resulting from continued demand for support from our installed base. Additionally, our professional services continued to grow due to additional demand for infrastructure and security solutions. The decline in the Content Management and Archiving segment s services revenues was attributable to a reduction in demand for professional services revenues, partially offset by an increase in maintenance revenues.

The VMware Virtual Infrastructure segment s services revenues increased 50.2% to $320.0 for the three months ended March 31, 2010. The increase was due to strong maintenance renewals, the carry-over effect of multi-year software maintenance contracts sold in previous periods and additional maintenance contracts sold in conjunction with new software license sales. In addition, the growth in services revenues benefited from customers becoming current on their maintenance agreements in order to receive VMware s vSphere as part of those arrangements. As VMware focused on recovering back maintenance beginning in 2009, they anticipate revenue from back maintenance to decline through 2010 as customers become current.

Consolidated revenues by geography were as follows:

	For the Three Months Ended		
	March 31, 2010	**March 31, 2009**	**% Change**
United States	$ 2,118.7	$ 1,638.9	29.3%
Europe, Middle East and Africa	1,148.8	986.6	16.4
Asia Pacific	416.7	374.3	11.3
Latin America, Mexico and Canada	206.4	150.9	36.8

Revenues increased for the three months ended March 31, 2010 compared to the same period in 2009 in all of our markets due to greater demand for our products and services offerings. Changes in exchange rates positively impacted revenues by 2.4% for the three months ended March 31, 2010 and negatively impacted revenues by 3.5% for the three months ended March 31, 2009. The impact of the change in rates between 2010 and 2009 was most significant in Australia, Canada and Brazil, and in European markets, including the United Kingdom.

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Costs and Expenses

The following table presents our costs and expenses, other income and net income attributable to EMC Corporation.

	For the Three Months Ended March 31, 2010	March 31, 2009	$ Change	% Change
Cost of revenue:				
Information Storage	$ 1,401.5	$ 1,234.5	$ 167.0	13.5%
Content Management and Archiving	63.3	71.7	(8.4)	(11.7)
RSA Information Security	52.3	43.7	8.6	19.7
VMware Virtual Infrastructure	95.5	66.3	29.2	44.0
Corporate reconciling items	59.6	51.4	8.2	16.0
Total cost of revenue	1,672.2	1,467.5	204.7	13.9
Gross margins:				
Information Storage	1,517.6	1,128.9	388.7	34.4
Content Management and Archiving	114.8	102.6	12.2	11.9
RSA Information Security	109.2	99.1	10.1	10.2
VMware Virtual Infrastructure	536.5	404.1	132.4	32.8
Corporate reconciling items	(59.6)	(51.4)	(8.2)	(16.0)
Total gross margin	2,218.5	1,683.3	535.2	31.8
Operating expenses:				
Research and development (1)	434.9	383.3	51.6	13.5
Selling, general and administrative (2)	1,261.3	1,024.8	236.5	23.1
Restructuring and acquisition-related charges	18.5	15.6	2.9	18.6
Total operating expenses	1,714.7	1,423.6	291.1	20.4
Operating income	503.8	259.6	244.2	94.1
Investment income, interest expense and other expense, net	(20.5)	(16.5)	(4.0)	(24.2)
Income before income taxes	483.3	243.2	240.1	98.7
Income tax provision	95.7	37.8	57.9	153.2
Net income	387.7	205.3	182.4	88.8
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(15.0)	(11.3)	(3.7)	(32.7)
Net income attributable to EMC Corporation	$ 372.7	$ 194.1	$ 178.6	92.0%

(1) Amount includes corporate reconciling items of $66.1 and $44.8 for the three months ended March 31, 2010 and 2009, respectively.

(2) Amount includes corporate reconciling items of $125.0 and $85.2 for the three months ended March 31, 2010 and 2009, respectively.

Gross Margins

Overall, our gross margin percentages were 57.0% and 53.4% for the three months ended March 31, 2010 and 2009, respectively. The increase in the gross margin percentage in the first quarter of 2010 compared to the first quarter of 2009 was attributable to the Information Storage segment, which increased overall gross margins by 232 basis points, the VMware Virtual Infrastructure segment, which increased overall gross margins by 124 basis points, and the Content Management and Archiving segment, which increased overall gross margins by 29 basis points. These increases were partially offset by gross margin declines in the RSA Information Security segment, which decreased overall gross margins by 1 basis point. The increase in corporate reconciling items, consisting of stock-based compensation, acquisition-related intangible asset amortization and transition costs, decreased the consolidated gross margin percentage by 24 basis points.

For segment reporting purposes, stock-based compensation, acquisition-related intangible asset amortization and transition costs are recognized as corporate expenses and are not allocated among our various operating segments. The increase of $8.2 in the

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corporate reconciling items for the quarter ended March 31, 2010 was attributable to a $6.9 increase in stock-based compensation expense and a $1.6 increase in intangible asset amortization expense, partially offset by a $0.3 decrease in transition costs. The transition costs represent the incremental costs incurred to transform our current cost structure to a more streamlined cost structure.

The gross margin percentages for the Information Storage segment were 52.0% and 47.8% for the three months ended March 31, 2010 and 2009, respectively. The increase in the gross margin percentage for the three months ended March 31, 2010 compared to the same period in 2009 was primarily attributable to improved product gross margins. Improvements in the mix to higher margin product revenues, partially attributable to the acquisition of Data Domain in the third quarter of 2009, increased sales volume and an improved cost structure contributed to the improved product gross margins.

The gross margin percentages for the Content Management and Archiving segment were 64.5% and 58.9% for the three months ended March 31, 2010 and 2009, respectively. The increase in the gross margin percentage for the three months ended March 31, 2010 compared to the same period in 2009 was primarily attributable to an increase in the mix of product revenues as a percentage of total segment revenues. Product revenues as a percentage of total revenues increased to 35.7% for the three months ended March 31, 2010 from 33.7% for the three months ended March 31, 2009.

The gross margin percentages for the RSA Information Security segment were 67.6% and 69.4% for the three months ended March 31, 2010 and 2009, respectively. The decrease in the gross margin percentage for the three months ended March 31, 2010 compared to the same period in 2009 was attributable to lower margins for both product and services. Product margins declined due to a shift in the product mix resulting in a greater portion of product revenues containing systems which have a lower gross margin. Service margins declined due to a greater proportion of professional services revenues, which have a lower margin than maintenance revenues.

The gross margin percentages for the VMware Virtual Infrastructure segment were 84.9% and 85.9% for the three months ended March 31, 2010 and 2009, respectively. The decrease in the gross margin percentage for the three months ended March 31, 2010 compared to the same period in 2009 was primarily attributable to a decrease in the mix of license revenues as a percentage of total segment revenues. License revenues as a percentage of total revenues decreased to 49.4% for the quarter ended March 31, 2010 from 54.7% for the quarter ended March 31, 2009. License revenues generally provide a higher gross margin percentage than services revenues.

Research and Development

As a percentage of revenues, R&D expenses were 11.2% and 12.2% for the first quarters of 2010 and 2009, respectively. R&D expenses increased $51.6 for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to an increase in personnel-related costs, depreciation expense and travel costs, partially offset by greater levels of software capitalization and a decrease in the cost of materials to support new product development. Personnel-related costs increased by $54.0, depreciation expense increased by $3.4 and travel-related costs increased by $2.5. Capitalized software development costs, which reduce R&D expense, increased by $5.5 and the cost of materials to support new product development decreased by $2.8.

Corporate reconciling items within R&D, which consist of stock-based compensation, intangible asset amortization and transition costs, increased $21.3 to $66.1 for the three months ended March 31, 2010 when compared to the same period in 2009. Stock-based compensation expense increased $18.6, intangible asset amortization increased $1.4 and transition costs increased by $1.3 for the three months ended March 31, 2010. Stock-based compensation expense increased primarily due to options related to the Data Domain acquisition, which was consummated in the third quarter of 2009. For segment reporting purposes, corporate reconciling items are not allocated to our various operating segments.

R&D expenses within EMC s Information Infrastructure business, as a percentage of EMC s Information Infrastructure business revenues, were 8.2% and 9.6% for the three months ended March 31, 2010 and 2009, respectively. R&D expenses increased $9.3 primarily due to increases in personnel-related costs, depreciation and travel costs. Personnel-related costs increased by $20.6, depreciation increased by $5.3 and the cost of travel increased by $1.9. Partially offsetting these increased costs was an increase in capitalized software development costs of $13.6, which reduce R&D expense, and a decrease in the costs of materials to support new product development of $2.9.

R&D expenses within the VMware Virtual Infrastructure business, as a percentage of VMware s revenues, were 16.1% and 17.2% for the three months ended March 31, 2010 and 2009, respectively. R&D expenses increased $21.1 for the three months

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ended March 31, 2010 compared to the same period in 2009 primarily due to the decrease of capitalized software development costs by $8.1, which reduce R&D expense. The decrease in capitalized software development costs in the first quarter of 2010 as compared with the first quarter of 2009 was primarily the result of lower costs capitalized on products that build on the VMware vSphere foundation in the first quarter of 2010, as compared with the more significant costs capitalized for VMware vSphere in the first quarter of 2009. VMware vSphere had reached technological feasibility and costs were capitalized for this product during the first quarter of 2009.

Selling, General and Administrative

SG&A expenses, as a percentage of revenues, were 32.4% and 32.5% for the three months ended March 31, 2010 and 2009, respectively. SG&A expenses increased by $236.5 for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to increases in personnel-related costs, commissions, travel costs, cost of facilities, depreciation expense and professional services related costs. Personnel-related costs increased by $118.9, commissions increased by $43.5, travel costs increased by $17.6, cost of facilities increased by $14.7, depreciation expense increased by $13.4 and professional services related costs increased by $11.9.

EMC s corporate reconciling items within SG&A, which consist of stock-based compensation, intangible asset amortization and transition costs, increased $39.8 to $125.0 for the three months ended March 31, 2010 when compared to the same period in 2009. Stock-based compensation expense increased $28.3, intangible asset amortization increased $7.4 and transition costs increased by $4.1 for the three months ended March 31, 2010. Stock-based compensation expense increased primarily due to options related to the Data Domain acquisition, which was consummated in the third quarter of 2009. For segment reporting purposes, corporate reconciling items are not allocated to our various operating segments.

As a percentage of EMC s Information Infrastructure revenues, SG&A expenses within EMC s Information Infrastructure business were 27.0% and 28.4% for the three months ended March 31, 2010 and 2009, respectively. SG&A expenses increased by $118.5 in the first quarter of 2010 when compared to the same period of 2009 primarily due to increases in personnel-related costs, commissions, cost of facilities, travel costs, business development costs and professional services related costs. Personnel-related costs increased by $51.2, commissions increased by $22.7, cost of facilities increased by $10.4, travel costs increased by $13.1 and professional services related costs increased by $6.8.

SG&A expenses within the VMware Virtual Infrastructure business, as a percentage of VMware s revenues, were 40.7% and 38.0% for the three months ended March 31, 2010 and 2009, respectively. SG&A expenses increased $78.3 for the three months ended March 31, 2010 compared with the same period in 2009 primarily due to commission expense on higher sales volume and increased salaries and benefits expenses resulting from incremental head count added to support the sales and marketing function. Also contributing was increased spending on sales and marketing systems infrastructures and marketing programs. Personnel-related costs increased by $35.3 and commissions increased by $20.8.

Restructuring and Acquisition-Related Charges

For the three months ended March 31, 2010, we incurred restructuring and acquisition-related charges of $18.5 compared to $15.6 of restructuring charges for the three months ended March 31, 2009. For the three months ended March 31, 2010, we incurred $17.0 of restructuring charges, primarily related to our 2008 restructuring program and $1.5 of charges in connection with acquisitions for financial advisory, legal and accounting services.

Investment Income

Investment income was $31.5 and $39.8 for the three months ended March 31, 2010 and 2009, respectively. Investment income decreased for the three months ended March 31, 2010 compared to the same period in 2009 primarily due to lower weighted average returns on investments. The weighted average return on investments, excluding realized losses and gains, was 1.2% and 1.8% for the first quarters of 2010 and 2009, respectively. Net realized gains were $2.0 and $6.5 for the three months ended March 31, 2010 and 2009, respectively.

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Interest Expense

Interest expense was $43.0 and $45.5 for the three months ended March 31, 2010 and 2009, respectively. Interest expense consists primarily of interest on the Notes. Included in interest expense are non-cash interest charges of $25.9 and $26.3 for the three months ended March 31, 2010 and 2009, respectively, as we are accreting our Notes to their stated values over their term.

Other Expense, Net

Other expense, net remained relatively consistent at $9.0 and $10.8 for the three months ended March 31, 2010 and 2009, respectively.

Provision for Income Taxes

Our effective income tax rates were 19.8% and 15.6% for the three months ended March 31, 2010 and 2009, respectively. The effective income tax rate is based upon the estimated income for the year, the composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for the potential tax consequences, benefits or resolutions of tax audits or other tax contingencies. For the three months ended March 31, 2010 and 2009, the effective tax rate varied from the statutory tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States. The increase in the effective tax rate in 2010 compared to 2009 was primarily attributable to the expiration of the U.S. federal research and development tax credit for 2010.

We have substantially concluded all U.S. federal income tax matters for years through 2006 and are currently under audit for U.S. federal income taxes for 2007 and 2008. We also have income tax audits in process in numerous state, local and international jurisdictions. Based on the timing and outcome of examinations of EMC, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our statement of financial position. We anticipate that several of these audits may be finalized within the next 12 months. Based on the status of these examinations, and the protocol of finalizing such audits, it is not possible to estimate the impact of the amount of such changes, if any, to our previously recorded uncertain tax positions.

Non-controlling Interest in VMware, Inc.

The net income attributable to the non-controlling interest in VMware was $15.0 and $11.3 for the three months ended March 31, 2010 and 2009, respectively. The $3.7 increase was due to an increase in VMware s net income and an increase in the weighted average percentage ownership by the non-controlling interest in VMware. VMware s net income was $78.4 and $69.9 for the three months ended March 31, 2010 and 2009, respectively. The weighted average non-controlling interest in VMware was approximately 19% and 16% for the three months ended March 31, 2010 and 2009, respectively. In the first quarter of 2010, we announced a stock purchase program of VMware s Class A Common Stock to maintain an approximately 80% majority ownership in VMware over the long term.

Financial Condition

Cash provided by operating activities was $1,317.3 and $863.7 for the three months ended March 31, 2010 and 2009, respectively. Cash received from customers was $4,615.0 and $3,860.2 for the three months ended March 31, 2010 and 2009, respectively. The increase in cash received from customers was attributable to an increase in sales volume and higher cash proceeds from the sale of maintenance contracts, which are typically billed and paid in advance of services being rendered. Cash paid to suppliers and employees was $3,213.9 and $2,877.4 for the three months ended March 31, 2010 and 2009, respectively. The increase was primarily attributable to a general growth in the business to support the increased revenue base. Cash received from dividends and interest declined to $26.6 for the quarter ended March 31, 2010 compared with $46.7 for the quarter ended March 31, 2009, due to lower yields on our investments. For the quarters ended March 31, 2010 and 2009, we paid $105.7 and $161.8, respectively, in income taxes. These payments are comprised of estimated taxes for the current year, extension payments for the prior year and refunds or payments associated with income tax filings and tax audits.

Cash used in investing activities was $1,323.7 and $292.3 for the three months ended March 31, 2010 and 2009, respectively. Cash used for acquisitions, strategic and other related investments were $293.5 and $2.0 for the three months ended March 31,

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2010 and 2009, respectively. Capital additions were $114.0 and $95.3 for the three months ended March 31, 2010 and 2009, respectively. The higher level of capital additions was primarily attributable to an increase of spending to support the growth of the business. Capitalized software development costs were $93.2 and $87.6 for the three months ended March 31, 2010 and 2009, respectively. The increase was primarily attributable to EMC Information Infrastructure s efforts on its software development activities, partially offset by the decrease in capitalized software costs within our VMware Virtual Infrastructure segment. Net purchases of investments were $806.4 and $108.4 for the three months ended March 31, 2010 and 2009, respectively. This activity varies from period to period based upon our cash collections, cash requirements and maturity dates of our investments.

Cash used in financing activities was $33.0 and $69.5 for the three months ended March 31, 2010 and 2009, respectively. For the three months ended March 31, 2010, we spent $176.3 to repurchase 10.3 million shares of our common stock and $99.5 to purchase 1.9 million shares of VMware s common stock. Additionally, VMware spent $31.3 to repurchase 0.6 million shares of its common stock. We generated $240.1 and $13.1 during the three months ended March 31, 2010 and 2009, respectively, from the exercise of stock options.

We have a credit line of $50.0 in the United States. As of March 31, 2010, we had no borrowings outstanding on the line of credit. The credit line bears interest at the bank s base rate and requires us, upon utilization of the credit line, to meet certain financial covenants with respect to limitations on losses. In the event the covenants are not met, the lender may require us to provide collateral to secure the outstanding balance. At March 31, 2010, we were in compliance with the covenants. As of March 31, 2010, the aggregate amount of liabilities of our subsidiaries was approximately $4,091.8.

At March 31, 2010, our total cash, cash equivalents, and short-term and long-term investments were $10,152.8. This balance includes approximately $2,756.5 held by VMware and $2,873.1 held by EMC in overseas entities.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk affecting us, see Item 7A Quantitative and Qualitative Disclosures About Market Risk in our Annual Report on Form 10-K filed with the SEC on February 26, 2010. Our exposure to market risks has not changed materially from that set forth in our Annual Report.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

We are involved in a variety of claims, demands, suits, investigations, and proceedings, including those identified below, that arise from time to time relating to matters incidental to the ordinary course of our business, including actions with respect to contracts, intellectual property, product liability, employment, benefits and securities matters. As required by authoritative guidance, we have estimated the amount of probable losses that may result from any such pending matters, and such amounts are reflected in our consolidated financial statements. We have disclosed the specific amount recorded for a particular matter where required by authoritative guidance. Because litigation is inherently unpredictable, however, the actual amounts of loss may prove to be larger or smaller than the amounts reflected in our consolidated financial statements, and we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period.

United States ex rel. Rille and Roberts v. EMC Corporation. Effective as of May 4, 2010, EMC entered into a settlement agreement (the Agreement) with the United States of America, acting through the Civil Division of the United States Department of Justice (the DoJ). The Agreement relates to a previously disclosed qui tam action that followed an investigation conducted by the DoJ regarding (i) EMC s fee arrangements with systems integrators and other partners in federal government transactions, and (ii) EMC s compliance with the terms and conditions of certain agreements pursuant to which we sold products and services to the federal government, primarily a schedule agreement we entered into with the General Services Administration in November 1999. Pursuant to the Agreement, EMC will pay the United States $87.5 million. In consideration of this payment, the United States has agreed to release EMC with respect to the matters investigated and the claims alleged by the DoJ in the civil action. As set forth in the Agreement, EMC expressly denies any liability or wrongdoing in connection with such matters and claims, and the settlement represents a compromise to avoid the costs, distraction, and uncertainty of continued litigation. As previously disclosed, EMC recorded an $87.5 million accrual for this contingency as of December 31, 2009.

Derivative Demand Letters. We have received derivative demand letters sent on behalf of purported EMC shareholders. The letters contain allegations to the effect that the existence of the matter captioned *United States ex rel. Rille and Roberts v. EMC Corporation* serves as evidence that certain Company officers and directors failed to exercise due care and/or failed to oversee compliance with the laws identified in the *Roberts* matter. The matters relating to the demand letters were referred to a Special Committee of independent directors of the Board of Directors, which investigated and made a determination regarding such allegations. At the conclusion of their investigation, the Special Committee determined in good faith that commencing or maintaining derivative proceedings based on the allegations would not be in the best interests of EMC. In October 2009, one of the purported shareholders filed a complaint in the Superior Court for Middlesex County in Massachusetts alleging claims for breach of fiduciary duty against EMC directors and certain officers based on the same allegations set forth in the demand letter. We are defending this matter vigorously.

Item 1A. RISK FACTORS

The risk factors that appear below could materially affect our business, financial condition and results of operations. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. The risks and uncertainties described below are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect many other companies.

Our business could be materially adversely affected as a result of general economic and market conditions, including the current economic crisis.

We are subject to the effects of general global economic and market conditions. If these conditions remain uncertain or persist, spread or deteriorate further, our business, results of operations or financial condition could be materially adversely affected. In addition, the financial crisis in the banking sector and financial markets have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets, and extreme volatility in fixed income, credit and equity markets. Possible consequences from the financial crisis on our business, including insolvency of key suppliers resulting in product delays, inability of customers to obtain credit to finance purchases of our products, customer insolvencies, increased risk that customers may delay payments, fail to pay or default on credit extended to them, and counterparty failures negatively impacting our treasury operations, could have a material adverse effect on our results of operations or financial condition.

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Our business could be materially adversely affected as a result of a lessening demand in the information technology market.

Our revenue and profitability depend on the overall demand for our products and services. Delays or reductions in IT spending, domestically or internationally, could materially adversely affect demand for our products and services which could result in decreased revenues or earnings.

Our customers operate in a variety of markets, including the financial services, credit and housing, automotive and construction markets. Any adverse effects to such markets could materially adversely affect demand for our products and services which could result in decreased revenues or earnings.

Competitive pricing, sales volume, mix and component costs could materially adversely affect our revenues, gross margins and earnings.

Our gross margins are impacted by a variety of factors, including competitive pricing, component and product design costs as well as the volume and relative mixture of product and services revenues. Increased component costs, increased pricing pressures, the relative and varying rates of increases or decreases in component costs and product price, changes in product and services revenue mixture or decreased volume could have a material adverse effect on our revenues, gross margins or earnings.

The costs of third-party components comprise a significant portion of our product costs. While we generally have been able to manage our component and product design costs, we may have difficulty managing such costs if supplies of certain components become limited or component prices increase. Any such limitation could result in an increase in our component costs. An increase in component or design costs relative to our product prices could have a material adverse effect on our gross margins and earnings. Moreover, certain competitors may have advantages due to vertical integration of their supply chain, which may include disk drives, microprocessors, memory components and servers.

The markets in which we do business are highly competitive, and we may encounter aggressive price competition for all of our products and services from numerous companies globally. There also has been and may continue to be a willingness on the part of certain competitors to reduce prices or provide information infrastructure and virtual infrastructure products or services, together with other IT products or services, at minimal or no additional cost in order to preserve or gain market share. Such price competition may result in pressure on our product and service prices, and reductions in product and service prices may have a material adverse effect on our revenues, gross margins and earnings. We currently believe that pricing pressures will continue.

If our suppliers are not able to meet our requirements, we could have decreased revenues and earnings.

We purchase or license many sophisticated components and products from one or a limited number of qualified suppliers, including some of our competitors. These components and products include disk drives, high density memory components, power supplies and software developed and maintained by third parties. We have experienced delivery delays from time to time because of high industry demand or the inability of some vendors to consistently meet our quality or delivery requirements. If any of our suppliers were to cancel or materially change contracts or commitments with us or fail to meet the quality or delivery requirements needed to satisfy customer orders for our products, we could lose time-sensitive customer orders, be unable to develop or sell certain products cost-effectively or on a timely basis, if at all, and have significantly decreased quarterly revenues and earnings, which would have a material adverse effect on our business, results of operations and financial condition. Additionally, we periodically transition our product line to incorporate new technologies. The importance of transitioning our customers smoothly to new technologies, along with our historically uneven pattern of quarterly sales, intensifies the risk that the failure of a supplier to meet our quality or delivery requirements will have a material adverse impact on our revenues and earnings. The current economic crisis may also negatively affect our suppliers solvency, which could, in turn, result in product delays or otherwise materially adversely affect our business, results of operations or financial condition.

Our financial performance may be impacted by the financial performance of VMware.

Because we consolidate VMware s financial results in our results of operations, our financial performance will be impacted by the financial performance of VMware. VMware s financial performance may be affected by a number of factors, including, but not limited to:

- general economic conditions in their domestic and international markets;
- fluctuations in demand, adoption rates, sales cycles and pricing levels for VMware s products and services;

fluctuations in foreign currency exchange rates;

changes in customers budgets for information technology purchases and in the timing of their purchasing decisions;

VMware s ability to compete with existing or increased competition;

the timing of recognizing revenues in any given quarter, which, as a result of software revenue recognition policies, can be affected by a number of factors, including product announcements and beta programs;

the sale of VMware s products in the timeframes anticipated, including the number and size of orders in each quarter;

VMware s 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 upgrades or new products by VMware or by its competitors;

VMware s ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;

VMware s ability to control costs, including its operating expenses;

changes to VMware s effective tax rate;

the increasing scale of VMware s business and its effect on VMware s ability to maintain historical rates of growth;

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

VMware s ability to conform to emerging industry standards and to technological developments by its competitors and customers;

renewal rates for enterprise license agreements, or ELA s, held by VMware s customers as original ELA terms expire;

the timing and amount of capitalized software development costs beginning when technological feasibility has been established and ending when the product is available for general release; and

the recoverability of benefits from goodwill and intangible assets and the potential impairment of these assets.

Our stock price is volatile and may be affected by the trading price of VMware Class A common stock and/or speculation about the possibility of future actions we might take in connection with our VMware stock ownership.

Our stock price, like that of other technology companies, is subject to significant volatility because of factors such as:

- the announcement of acquisitions, new products, services or technological innovations by us or our competitors;
- quarterly variations in our operating results;
- changes in revenue or earnings estimates by the investment community; and
- speculation in the press or investment community.

The trading price of our common stock has been and likely will continue to be affected by various factors related to VMware, including:

- the trading price for VMware Class A common stock;
- actions taken or statements made by us, VMware, or others concerning the potential separation of VMware from us, including by spin-off, split-off or sale; and
- factors impacting the financial performance of VMware, including those discussed in the prior risk factor.

In addition, although we own a majority of VMware and consolidate their results, our stock price may not reflect our pro rata ownership interest of VMware.

We may be unable to keep pace with rapid industry, technological and market changes.

The markets in which we compete are characterized by rapid technological change, frequent new product introductions, evolving industry standards and changing needs of customers. There can be no assurance that our existing products will be properly positioned in the market or that we will be able to introduce new or enhanced products into the market on a timely basis, or at all.

We spend a considerable amount of money on research and development and introduce new products from time to time. There can be no assurance that enhancements to existing products and solutions or new products and solutions will receive customer acceptance. As competition in the IT industry increases, it may become increasingly difficult for us to maintain a technological advantage and to leverage that advantage toward increased revenues and profits.

Risks associated with the development and introduction of new products include delays in development and changes in data storage, networking virtualization, infrastructure management, information security and operating system technologies which could require us to modify existing products. Risks inherent in the transition to new products include:

- the difficulty in forecasting customer preferences or demand accurately;
- the inability to expand production capacity to meet demand for new products;
- the impact of customers demand for new products on the products being replaced, thereby causing a decline in sales of existing products and an excessive, obsolete supply of inventory; and
- delays in initial shipments of new products.

Further risks inherent in new product introductions include the uncertainty of price-performance relative to products of competitors, competitors responses to the introductions and the desire by customers to evaluate new products for extended periods of time. Our failure to introduce new or enhanced products on a timely basis, keep pace with rapid industry, technological or market changes or effectively manage the transitions to new products or new technologies could have a material adverse effect on our business, results of operations or financial condition.

The markets we serve are highly competitive and we may be unable to compete effectively.

We compete with many companies in the markets we serve, certain of which offer a broad spectrum of IT products and services and others which offer specific information storage, content management, security or virtualization products or services. Some of these companies (whether independently or by establishing alliances) may have substantially greater financial, marketing and technological resources, larger distribution capabilities, earlier access to customers and greater opportunity to address customers various IT requirements than us. In addition, as the IT industry consolidates, companies may improve their competitive position and ability to compete against us. We compete on the basis of our products features, performance and price as well as our services. Our failure to compete on any of these bases could affect demand for our products or services, which could have a material adverse effect on our business, results of operations or financial condition.

Companies may develop new technologies or products in advance of us or establish business models or technologies disruptive to us. Our business may be materially adversely affected by the announcement or introduction of new products, including hardware and software products and services by our competitors, and the implementation of effective marketing or sales strategies by our competitors. The material adverse effect to our business could include a decrease in demand for our products and services and an increase in the length of our sales cycle due to customers taking longer to compare products and services and to complete their purchases.

We may have difficulty managing operations.

Our future operating results will depend on our overall ability to manage operations, which includes, among other things:

- retaining and hiring, as required, the appropriate number of qualified employees;
- managing, protecting and enhancing, as appropriate, our infrastructure, including but not limited to, our information systems and internal controls;

accurately forecasting revenues;

training our sales force to sell more software and services;

successfully integrating new acquisitions;

managing inventory levels, including minimizing excess and obsolete inventory, while maintaining sufficient inventory to meet customer demands;

controlling expenses;

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- managing our manufacturing capacity, real estate facilities and other assets; and
- executing on our plans.

An unexpected decline in revenues without a corresponding and timely reduction in expenses or a failure to manage other aspects of our operations could have a material adverse effect on our business, results of operations or financial condition.

Our investment portfolio could experience a decline in market value which could adversely affect our financial results.

We held $3.9 billion in short and long-term investments as of March 31, 2010. The investments are invested primarily in investment grade debt securities, and we limit the amount of investment with any one issuer. A further deterioration in the economy, including a continuing credit crisis, increased defaults by issuers, or significant volatility in interest rates, could cause the investments to decline in value or could impact the liquidity of the portfolio. If market conditions deteriorate significantly, our results of operations or financial condition could be materially adversely affected.

Our business may suffer if we are unable to retain or attract key personnel.

Our business depends to a significant extent on the continued service of senior management and other key employees, the development of additional management personnel and the hiring of new qualified employees. There can be no assurance that we will be successful in retaining existing personnel or recruiting new personnel. The loss of one or more key or other employees, our inability to attract additional qualified employees or the delay in hiring key personnel could have a material adverse effect on our business, results of operations or financial condition.

Our quarterly revenues and earnings could be materially adversely affected by uneven sales patterns and changing purchasing behaviors.

Our quarterly sales have historically reflected an uneven pattern in which a disproportionate percentage of a quarter s total sales occur in the last month and weeks and days of each quarter. This pattern makes prediction of revenues, earnings and working capital for each financial period especially difficult and uncertain and increases the risk of unanticipated variations in quarterly results and financial condition. We believe this uneven sales pattern is a result of many factors including:

- the relative dollar amount of our product and services offerings in relation to many of our customers budgets, resulting in long lead times for customers budgetary approval, which tends to be given late in a quarter;
- the tendency of customers to wait until late in a quarter to commit to purchase in the hope of obtaining more favorable pricing from one or more competitors seeking their business;
- the fourth quarter influence of customers spending their remaining capital budget authorization prior to new budget constraints in the first nine months of the following year; and
- seasonal influences.

Our uneven sales pattern also makes it extremely difficult to predict near-term demand and adjust manufacturing capacity or our supply chain accordingly. If predicted demand is substantially greater than orders, there will be excess inventory. Alternatively, if orders substantially exceed predicted demand, the ability to assemble, test and ship orders received in the last weeks and days of each quarter may be limited, which could materially adversely affect quarterly revenues and earnings.

In addition, our revenues in any quarter are substantially dependent on orders booked and shipped in that quarter and our backlog at any particular time is not necessarily indicative of future sales levels. This is because:

- we assemble our products on the basis of our forecast of near-term demand and maintain inventory in advance of receipt of firm orders from customers;
- we generally ship products shortly after receipt of the order; and
- customers may generally reschedule or cancel orders with little or no penalty.

Loss of infrastructure, due to factors such as an information systems failure, loss of public utilities, natural disasters or extreme weather conditions, could impact our ability to ship products in a timely manner. Delays in product shipping or an unexpected decline in revenues without a corresponding and timely slowdown in expenses, could intensify the impact of these factors on our business, results of operations and financial condition.

In addition, unanticipated changes in our customers purchasing behaviors such as customers taking longer to negotiate and complete their purchases or making smaller, incremental purchases based on their current needs, also make the prediction of revenues, earnings and working capital for each financial period difficult and uncertain and increase the risk of unanticipated variations in our quarterly results and financial condition.

Risks associated with our distribution channels may materially adversely affect our financial results.

In addition to our direct sales force, we have agreements in place with many distributors, systems integrators, resellers and original equipment manufacturers to market and sell our products and services. We may, from time to time, derive a significant percentage of our revenues from such distribution channels. Our financial results could be materially adversely affected if our contracts with channel partners were terminated, if our relationship with channel partners were to deteriorate, if the financial condition of our channel partners were to weaken, if our channel partners are not able to timely and effectively implement their planned actions or if the level of demand for our channel partners products and services decreases. In addition, as our market opportunities change, we may have an increased reliance on channel partners, which may negatively impact our gross margins. There can be no assurance that we will be successful in maintaining or expanding these channels. If we are not successful, we may lose sales opportunities, customers and market share. Furthermore, the partial reliance on channel partners may materially reduce the visibility to our management of potential customers and demand for products and services, thereby making it more difficult to accurately forecast such demand. In addition, there can be no assurance that our channel partners will not develop, market or sell products or services or acquire other companies that develop, market or sell products or services in competition with us in the future.

In addition, as we focus on new market opportunities and additional customers through our various distribution channels, including small-to-medium sized businesses, we may be required to provide different levels of service and support than we typically provided in the past. We may have difficulty managing directly or indirectly through our channels these different service and support requirements and may be required to incur substantial costs to provide such services which may adversely affect our business, results of operations or financial condition.

Due to the international nature of our business, changes in foreign conditions or other factors could impair our international operations, future revenue or financial condition.

A substantial portion of our revenues is derived from sales outside the United States. In addition, a substantial portion of our products is manufactured outside of the United States. Accordingly, our future results could be materially adversely affected by a variety of factors, including changes in foreign currency exchange rates, changes in a specific country s or region s political or economic conditions, trade restrictions, import or export licensing requirements, the overlap of different tax structures or changes in international tax laws, changes in regulatory requirements, compliance with a variety of foreign laws and regulations and longer payment cycles in certain countries. In addition, we hold a significant portion of our cash and investments in our international subsidiaries. Potential regulations could impact our ability to transfer the cash and investments to the United States. Additionally, should we desire to repatriate cash, we may incur a significant tax obligation.

We operate a Venezuelan sales subsidiary in which the Bolivar is the functional currency. Due to limitations in accessing the dollar at the official exchange rate, we have utilized the parallel exchange rate available in the country to translate the foreign currency denominated balance sheet. Our operations in Venezuela include U.S. dollar-denominated assets and liabilities which we remeasure to Bolivars. The remeasurement may result in transaction gains or losses. We have used either the official exchange rate or the parallel exchange rate to remeasure these balances based upon the expected rate at which we believe the items will be settled. As a result of continued hyper-inflation in Venezuela, effective in 2010, we have modified the functional currency to be the U.S. dollar. As a result of this change, Bolivar-denominated transactions will be subject to exchange gains and losses that may impact our earnings. While we do not believe this change will have a material impact on our financial position, results of operations or cash flows, these items could be adversely affected if there is a significant change in exchange rates.

Undetected problems in our products could directly impair our financial results.

If flaws in design, production, assembly or testing of our products (by us or our suppliers) were to occur, we could experience a rate of failure in our products that would result in substantial repair, replacement or service costs and potential damage to our reputation. Continued improvement in manufacturing capabilities, control of material and manufacturing quality and costs and product testing are critical factors in our future growth. There can be no assurance that our efforts to monitor, develop, modify and implement appropriate test and manufacturing processes for our products will be sufficient to permit us to avoid a rate of failure in our products that results in substantial delays in shipment, significant repair or replacement costs or potential damage to our reputation, any of which could have a material adverse effect on our business, results of operations or financial condition.

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Our business could be materially adversely affected as a result of the risks associated with alliances.

We have alliances with leading information technology companies and we plan to continue our strategy of developing key alliances in order to expand our reach into markets. There can be no assurance that we will be successful in our ongoing strategic alliances or that we will be able to find further suitable business relationships as we develop new products and strategies. Any failure to continue or expand such relationships could have a material adverse effect on our business, results of operations or financial condition.

There can be no assurance that companies with which we have strategic alliances, certain of which have substantially greater financial, marketing or technological resources than us, will not develop or market products in competition with us in the future, discontinue their alliances with us or form alliances with our competitors.

Our business may suffer if we cannot protect our intellectual property.

We generally rely upon patent, copyright, trademark and trade secret laws and contract rights in the United States and in other countries to establish and maintain our proprietary rights in our technology and products. However, there can be no assurance that any of our proprietary rights will not be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect our proprietary rights to the same extent as do the laws of the United States. Therefore, there can be no assurance that we will be able to adequately protect our proprietary technology against unauthorized third-party copying or use, which could adversely affect our competitive position. Further, there can be no assurance that we will be able to obtain licenses to any technology that we may require to conduct our business or that, if obtainable, such technology can be licensed at a reasonable cost.

From time to time, we receive notices from third parties claiming infringement by our products of third-party patent or other intellectual property rights. Responding to any such claim, regardless of its merit, could be time-consuming, result in costly litigation, divert management s attention and resources and cause us to incur significant expenses. In the event there is a temporary or permanent injunction entered prohibiting us from marketing or selling certain of our products or a successful claim of infringement against us requiring us to pay royalties to a third party, and we fail to develop or license a substitute technology, our business, results of operations or financial condition could be materially adversely affected.

We may become involved in litigation that may materially adversely affect us.

From time to time, we may become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including patent, commercial, product liability, employment, class action, whistleblower and other litigation and claims, and governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management s attention and resources and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, there can be no assurance that the results of any of these actions will not have a material adverse effect on our business, results of operations or financial condition.

We may have exposure to additional income tax liabilities.

As a multinational corporation, we are subject to income taxes in both the United States and various foreign jurisdictions. Our domestic and international tax liabilities are subject to the allocation of revenues and expenses in different jurisdictions and the timing of recognizing revenues and expenses. Additionally, the amount of income taxes paid is subject to our interpretation of applicable tax laws in the jurisdictions in which we file and changes to tax laws. From time to time, we are subject to income tax audits. While we believe we have complied with all applicable income tax laws, there can be no assurance that a governing tax authority will not have a different interpretation of the law and assess us with additional taxes. Should we be assessed with additional taxes, there could be a material adverse effect on our results of operations or financial condition.

The renewal of the U.S. research and development tax credit which benefited our tax rate in 2009 is uncertain from year to year. It currently is repealed for 2010.

In January 2010, the IRS announced its intent to require certain taxpayers to disclose uncertain tax positions (UTPs) on a new schedule as a part of their federal tax returns. The schedule will require annual disclosure of some UTPs in the form of a concise description of those positions and the maximum exposure attributable to each position. If implemented, such proposal could increase the amount of taxes paid.

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In February 2010, President Obama, as part of the Administration s FY 2011 budget, proposed changing certain of the U.S. tax rules for U.S. corporations doing business outside the United States. The proposed changes include limiting the ability of U.S. corporations to deduct certain expenses attributable to offshore earnings, modifying the foreign tax credit rules and taxing currently certain transfers of intangibles offshore. Although the scope of the proposed changes is unclear, it is possible that these or other changes in the U.S. tax laws could increase the Company s effective tax rate and adversely affect our profitability.

Changes in regulations could materially adversely affect us.

Our business, results of operations or financial condition could be materially adversely affected if laws, regulations or standards relating to us or our products are newly implemented or changed. In addition, our compliance with existing regulations may have a material adverse impact on us. Under applicable federal securities laws, including the Sarbanes-Oxley Act of 2002, we are required to evaluate and determine the effectiveness of our internal control structure and procedures for financial reporting. Should we or our independent auditors determine that we have material weaknesses in our internal controls, our results of operations or financial condition may be materially adversely affected or our stock price may decline. In March 2010, President Obama signed into law a comprehensive health care reform package. We cannot currently determine the impact that such legislation could have on our business, results of operations or financial condition.

Changes in generally accepted accounting principles may adversely affect us.

From time to time, the Financial Accounting Standards Board (FASB) promulgates new accounting principles that could have a material adverse impact on our results of operations or financial condition. The FASB is currently contemplating a number of new accounting pronouncements which, if approved, could materially change our reported results. Such changes could have a material adverse impact on our results of operations and financial position.

Our business could be materially adversely affected as a result of the risks associated with acquisitions and investments.

As part of our business strategy, we seek to acquire businesses that offer complementary products, services or technologies. These acquisitions are accompanied by the risks commonly encountered in an acquisition of a business, which may include, among other things:

- the effect of the acquisition on our financial and strategic position and reputation;
- the failure of an acquired business to further our strategies;
- the failure of the acquisition to result in expected benefits, which may include benefits relating to enhanced revenues, technology, human resources, cost savings, operating efficiencies and other synergies;
- the difficulty and cost of integrating the acquired business, including costs and delays in implementing common systems and procedures and costs and delays caused by communication difficulties or geographic distances between the two companies sites;
- the assumption of liabilities of the acquired business, including litigation-related liability;
- the potential impairment of acquired assets;
- the lack of experience in new markets, products or technologies or the initial dependence on unfamiliar supply or distribution partners;

the diversion of our management s attention from other business concerns;

the impairment of relationships with customers or suppliers of the acquired business or our customers or suppliers;

the potential loss of key employees of the acquired company; and

the potential incompatibility of business cultures.

These factors could have a material adverse effect on our business, results of operations or financial condition. To the extent that we issue shares of our common stock or other rights to purchase our common stock in connection with any future acquisition, existing shareholders may experience dilution. Additionally, regardless of the form of consideration issued, acquisitions could negatively impact our net income and our earnings per share.

In addition to the risks commonly encountered in the acquisition of a business as described above, we may also experience risks relating to the challenges and costs of closing a transaction. Further, the risks described above may be exacerbated as a result of managing multiple acquisitions at the same time.

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We also seek to invest in businesses that offer complementary products, services or technologies. These investments are accompanied by risks similar to those encountered in an acquisition of a business.

Our pension plan assets are subject to market volatility.

We have a noncontributory defined benefit pension plan assumed as part of our Data General acquisition. The plan s assets are invested in common stocks, bonds and cash. The expected long-term rate of return on the plans assets is 8.25%. This rate represents the average of the expected long-term rates of return weighted by the plan s assets as of December 31, 2009. As of December 31, 2009, the ten-year historical rate of return on plan assets was 2.8%, and the inception to date return on plan assets was 9.7%. In 2009, we experienced a 25.1% gain on plan assets. Given current market conditions, should we not achieve the expected rate of return on our plans assets or if our plans experience a decline in the fair value of their assets, we may be required to contribute assets to the plans which could materially adversely affect our results of operations or financial condition.

Our business could be materially adversely affected by changes in regulations or standards regarding energy use of our products.

We continually seek ways to increase the energy efficiency of our products. Recent analyses have estimated the amount of global carbon emissions that are due to information technology products. As a result, governmental and non-governmental organizations have turned their attention to development of regulations and standards to drive technological improvements and reduce such amount of carbon emissions. There is a risk that the rush to development of these standards will not fully address the complexity of the technology developed by the IT industry or will favor certain technological approaches. Depending on the regulations or standards that are ultimately adopted, compliance could adversely affect our business, results of operations or financial condition.

Our business could be materially adversely affected as a result of war or acts of terrorism.

Terrorist acts or acts of war may cause damage or disruption to our employees, facilities, customers, partners, suppliers, distributors and resellers, which could have a material adverse effect on our business, results of operations or financial condition. Such conflicts may also cause damage or disruption to transportation and communication systems and to our ability to manage logistics in such an environment, including receipt of components and distribution of products.

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Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

ISSUER PURCHASES OF EQUITY SECURITIES IN THE FIRST QUARTER OF 2010

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2010 January 31, 2010	2,408,892	$ 16.87	1,947,800	186,701,802
February 1, 2010 February 28, 2010	7,818,822	$ 16.83	6,595,725	180,106,077
March 1, 2010 March 31, 2010	1,799,695	$ 17.98	1,795,946	178,310,131
Total	12,027,409[2]	$ 17.01	10,339,471	178,310,131

(1) *Except as noted in note (2), all shares were purchased in open-market transactions pursuant to our previously announced authorization by our Board of Directors in April 2008 to repurchase 250.0 million shares of our common stock. This repurchase authorization does not have a fixed termination date.*

(2) *Includes an aggregate of 1,687,938 shares withheld from employees for the payment of taxes.*

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. RESERVED

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS

(a) Exhibits

See index to Exhibits on page 42 of this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	EMC CORPORATION
Date: May 7, 2010	By: /s/ DAVID I. GOULDEN David I. Goulden *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

EXHIBIT INDEX

3.1	Restated Articles of Organization of EMC Corporation. (1)
3.2	Amended and Restated Bylaws of EMC Corporation. (2)
4.1	Form of Stock Certificate. (3)
10.1	Archer Technologies, LLC 2008 Class B Common Unit Option Plan. (filed herewith)
10.2*	EMC Corporation 2001 Stock Option Plan, as amended April 29, 2010. (filed herewith)
10.3*	EMC Corporation Amended and Restated 2003 Stock Plan, as amended and restated as of April 29, 2010. (filed herewith)
10.4	Settlement Agreement dated as of May 4, 2010, by and between the United States of America, acting through the United States Department of Justice, and EMC Corporation. (filed herewith)
31.1	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
31.2	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (filed herewith)
101.INS	XBRL Instance Document. (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema. (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase. (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase. (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase. (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase. (filed herewith)

* Identifies an exhibit that is a management contract or compensatory plan or arrangement.
(1) Incorporated by reference to EMC Corporation s Annual Report on Form 10-K filed February 27, 2009 (No. 1-9853).
(2) Incorporated by reference to EMC Corporation s Quarterly Report on Form 10-Q filed August 5, 2009 (No. 1-9853).
(3) Incorporated by reference to EMC Corporation s Annual Report on Form 10-K filed February 29, 2008 (No. 1-9853).