

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

**Form 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 4, 2017

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-37867

**Dell Technologies Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**80-0890963**

(I.R.S. Employer Identification No.)

**One Dell Way, Round Rock, Texas 78682**

(Address of principal executive offices) (Zip Code)

**1-800-289-3355**

(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   
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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes   
No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of September 5, 2017, there were 772,774,772 shares of the registrant's common stock outstanding, consisting of 203,140,570 outstanding shares of Class V Common Stock, 409,659,013 outstanding shares of Class A Common Stock, 136,986,858 outstanding shares of Class B Common Stock, and 22,988,331 outstanding shares of Class C Common Stock.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "may," "will," "anticipate," "estimate," "expect," "intend," "plan," "aim," "seek," and similar expressions as they relate to us or our management are intended to identify these forward-looking statements. All statements by us regarding our expected financial position, revenues, cash flows and other operating results, business strategy, legal proceedings, and similar matters are forward-looking statements. Our expectations expressed or implied in these forward-looking statements may not turn out to be correct. Our results could be materially different from our expectations because of various risks, including the risks discussed in "Part I — Item 1A — Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017 and in our other periodic and current reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date as of which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement after the date as of which such statement was made, whether to reflect changes in circumstances or our expectations, the occurrence of unanticipated events, or otherwise.

**DELL TECHNOLOGIES INC.**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I — FINANCIAL INFORMATION</u></b>	
<a href="#">Item 1.</a>	<a href="#">Financial Statements (unaudited)</a> 4
<a href="#">Item 2.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> 60
<a href="#">Item 3.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a> 87
<a href="#">Item 4.</a>	<a href="#">Controls and Procedures</a> 87
<b><u>PART II — OTHER INFORMATION</u></b>	
<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a> 87
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a> 87
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a> 88
<a href="#">Item 6.</a>	<a href="#">Exhibits</a> 89
<a href="#">Signatures</a>	90

**PART I — FINANCIAL INFORMATION****ITEM 1 — FINANCIAL STATEMENTS****Index**

	<b>Page</b>
<a href="#">Condensed Consolidated Statements of Financial Position as of August 4, 2017 and February 3, 2017</a>	<a href="#">5</a>
<a href="#">Condensed Consolidated Statements of Income (Loss) for the three and six months ended August 4, 2017 and July 29, 2016</a>	<a href="#">6</a>
<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended August 4, 2017 and July 29, 2016</a>	<a href="#">7</a>
<a href="#">Condensed Consolidated Statements of Cash Flows for the six months ended August 4, 2017 and July 29, 2016</a>	<a href="#">8</a>
<a href="#">Condensed Consolidated Statements of Stockholders' Equity for the six months ended August 4, 2017 and July 29, 2016</a>	<a href="#">10</a>
<a href="#">Notes to the Condensed Consolidated Financial Statements</a>	
<a href="#">Note 1 — Basis of Presentation</a>	<a href="#">12</a>
<a href="#">Note 2 — Business Combinations</a>	<a href="#">16</a>
<a href="#">Note 3 — Discontinued Operations</a>	<a href="#">19</a>
<a href="#">Note 4 — Fair Value Measurements</a>	<a href="#">20</a>
<a href="#">Note 5 — Investments</a>	<a href="#">22</a>
<a href="#">Note 6 — Financial Services</a>	<a href="#">23</a>
<a href="#">Note 7 — Debt</a>	<a href="#">28</a>
<a href="#">Note 8 — Derivative Instruments and Hedging Activities</a>	<a href="#">32</a>
<a href="#">Note 9 — Goodwill and Intangible Assets</a>	<a href="#">37</a>
<a href="#">Note 10 — Warranty Liability</a>	<a href="#">39</a>
<a href="#">Note 11 — Severance Charges</a>	<a href="#">40</a>
<a href="#">Note 12 — Commitments and Contingencies</a>	<a href="#">41</a>
<a href="#">Note 13 — Income and Other Taxes</a>	<a href="#">45</a>
<a href="#">Note 14 — Accumulated Other Comprehensive Loss</a>	<a href="#">46</a>
<a href="#">Note 15 — Non-Controlling Interests</a>	<a href="#">48</a>
<a href="#">Note 16 — Earnings (Loss) Per Share</a>	<a href="#">49</a>
<a href="#">Note 17 — Capitalization</a>	<a href="#">52</a>
<a href="#">Note 18 — Redeemable Shares</a>	<a href="#">54</a>
<a href="#">Note 19 — Segment Information</a>	<a href="#">55</a>
<a href="#">Note 20 — Supplemental Consolidated Financial Information</a>	<a href="#">58</a>
<a href="#">Note 21 — Subsequent Events</a>	<a href="#">59</a>

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in millions; unaudited)

	<u>August 4, 2017</u>	<u>February 3, 2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,213	\$ 9,474
Short-term investments	2,015	1,975
Accounts receivable, net	9,716	9,420
Short-term financing receivables, net	3,473	3,222
Inventories, net	2,594	2,538
Other current assets	5,194	4,144
Total current assets	<u>32,205</u>	<u>30,773</u>
Property, plant, and equipment, net	5,400	5,653
Long-term investments	4,022	3,802
Long-term financing receivables, net	3,199	2,651
Goodwill	39,407	38,910
Intangible assets, net	31,580	35,053
Other non-current assets	1,681	1,364
Total assets	<u>\$ 117,494</u>	<u>\$ 118,206</u>
<b>LIABILITIES, REDEEMABLE SHARES, AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Short-term debt	\$ 7,686	\$ 6,329
Accounts payable	16,916	14,422
Accrued and other	6,798	7,119
Short-term deferred revenue	10,726	10,265
Total current liabilities	<u>42,126</u>	<u>38,135</u>
Long-term debt (Note 7)	41,374	43,061
Long-term deferred revenue	8,878	8,431
Other non-current liabilities	7,847	9,339
Total liabilities	<u>100,225</u>	<u>98,966</u>
Commitments and contingencies (Note 12)		
Redeemable shares (Note 18)	333	231
Stockholders' equity:		
Common stock and capital in excess of \$.01 par value (Note 17)	20,095	20,199
Treasury stock at cost	(1,136)	(752)
Accumulated deficit	(7,805)	(5,609)
Accumulated other comprehensive loss	(207)	(595)
Total Dell Technologies Inc. stockholders' equity	<u>10,947</u>	<u>13,243</u>
Non-controlling interests	5,989	5,766
Total stockholders' equity	<u>16,936</u>	<u>19,009</u>
Total liabilities, redeemable shares, and stockholders' equity	<u>\$ 117,494</u>	<u>\$ 118,206</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)**  
(in millions, except per share amounts; unaudited)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>	<b>August 4, 2017</b>	<b>July 29, 2016</b>
<i>Net revenue:</i>				
Products	\$ 14,355	\$ 10,961	\$ 27,323	\$ 21,144
Services	4,944	2,119	9,792	4,177
Total net revenue	19,299	13,080	37,115	25,321
<i>Cost of net revenue:</i>				
Products	12,378	9,495	23,837	18,294
Services	2,112	1,249	4,167	2,498
Total cost of net revenue	14,490	10,744	28,004	20,792
Gross margin	4,809	2,336	9,111	4,529
<i>Operating expenses:</i>				
Selling, general, and administrative	4,695	2,023	9,364	4,091
Research and development	1,093	246	2,226	510
Total operating expenses	5,788	2,269	11,590	4,601
Operating income (loss)	(979)	67	(2,479)	(72)
Interest and other, net	(545)	(349)	(1,118)	(568)
Loss from continuing operations before income taxes	(1,524)	(282)	(3,597)	(640)
Income tax provision (benefit)	(546)	(20)	(1,236)	46
Net loss from continuing operations	(978)	(262)	(2,361)	(686)
Income from discontinued operations, net of income taxes (Note 3)	—	834	—	1,313
Net income (loss)	(978)	572	(2,361)	627
Less: Net loss attributable to non-controlling interests	(32)	(1)	(81)	(1)
Net income (loss) attributable to Dell Technologies Inc.	\$ (946)	\$ 573	\$ (2,280)	\$ 628
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - basic:</i>				
Continuing operations - Class V Common Stock - basic	\$ 0.83	\$ —	\$ 1.40	\$ —
Continuing operations - DHI Group - basic	\$ (1.97)	\$ (0.64)	\$ (4.53)	\$ (1.69)
Discontinued operations - DHI Group - basic	\$ —	\$ 2.06	\$ —	\$ 3.24
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - diluted:</i>				
Continuing operations - Class V Common Stock - diluted	\$ 0.82	\$ —	\$ 1.38	\$ —
Continuing operations - DHI Group - diluted	\$ (1.97)	\$ (0.64)	\$ (4.54)	\$ (1.69)
Discontinued operations - DHI Group - diluted	\$ —	\$ 2.06	\$ —	\$ 3.24

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(in millions; unaudited)

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
Net income (loss)	\$ (978)	\$ 572	\$ (2,361)	\$ 627
<i>Other comprehensive income (loss), net of tax</i>				
Foreign currency translation adjustments	397	(37)	450	42
Available-for-sale investments:				
Change in unrealized gains	19	—	47	—
Reclassification adjustment for net losses realized in net income (loss)	2	—	3	—
Net change in market value of investments	21	—	50	—
Cash flow hedges:				
Change in unrealized gains (losses)	(141)	58	(157)	(107)
Reclassification adjustment for net losses included in net income (loss)	70	27	49	81
Net change in cash flow hedges	(71)	85	(108)	(26)
Total other comprehensive income (loss), net of tax expense (benefit) of \$0 and \$(6), respectively, and \$15 and \$5, respectively	347	48	392	16
Comprehensive income (loss), net of tax	(631)	620	(1,969)	643
Less: Net loss attributable to non-controlling interests	(32)	(1)	(81)	(1)
Less: Other comprehensive income attributable to non-controlling interests	1	—	4	—
Comprehensive income (loss) attributable to Dell Technologies Inc.	<u>\$ (600)</u>	<u>\$ 621</u>	<u>\$ (1,892)</u>	<u>\$ 644</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions; unaudited; continued on next page)

	<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ (2,361)	\$ 627
<b>Adjustments to reconcile net income (loss) to net cash provided by operating activities:</b>		
Depreciation and amortization	4,354	1,321
Stock-based compensation expense	409	34
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	42	47
Deferred income taxes	(1,556)	(1,619)
Provision for doubtful accounts — including financing receivables	77	45
Net gain on sale of businesses	(26)	—
Amortization of debt issuance costs	90	24
Other	173	26
<b>Changes in assets and liabilities, net of effects from acquisitions and dispositions:</b>		
Accounts receivable	(229)	(380)
Financing receivables	(657)	(74)
Inventories	(171)	171
Other assets	(1,136)	127
Accounts payable	2,444	1,232
Deferred revenue	898	286
Accrued and other liabilities	(295)	(52)
Change in cash from operating activities	<u>2,056</u>	<u>1,815</u>
<b>Cash flows from investing activities:</b>		
<b>Investments:</b>		
Purchases	(2,260)	(8)
Maturities and sales	2,058	18
Capital expenditures	(561)	(235)
Proceeds from sale of facilities, land, and other assets	—	19
Capitalized software development costs	(187)	—
Collections on purchased financing receivables	10	25
Acquisition of businesses, net	(223)	—
Asset acquisitions, net	(86)	—
Asset dispositions, net	(41)	—
Other	—	(40)
Change in cash from investing activities	<u>(1,290)</u>	<u>(221)</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(continued; in millions; unaudited)

	<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>
Cash flows from financing activities:		
Payment of dissenting shares obligation	—	(446)
Proceeds from the issuance of common stock of subsidiaries	80	100
Repurchases of DHI Group Common Stock	(2)	(2)
Repurchases of Class V Common Stock	(422)	—
Issuance of common stock under employee plans	1	—
Payments for debt issuance costs	(5)	(15)
Proceeds from debt	4,776	2,148
Repayments of debt	(5,309)	(2,638)
Repurchases for tax withholdings on vesting of equity awards	(194)	(2)
Other	—	6
Change in cash from financing activities	(1,075)	(849)
Effect of exchange rate changes on cash and cash equivalents	48	52
Change in cash and cash equivalents	(261)	797
Cash and cash equivalents at beginning of the period, including amounts held for sale	9,474	6,576
Cash and cash equivalents at end of the period	9,213	7,373
Less: Cash included in current assets held for sale	—	147
Cash and cash equivalents from continuing operations	\$ 9,213	\$ 7,226

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions; unaudited; continued on next page)

	Common Stock and Capital in Excess of Par Value				Treasury Stock				Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders' Equity	Non-Controlling Interests	Total Stockholders' Equity
	DHI Group		Class V Common Stock		DHI Group		Class V Common Stock						
	Issued Shares	Amount	Issued Shares	Amount	Shares	Amount	Shares	Amount					
<b>Balances as of February 3, 2017</b>	569	\$ 10,158	223	\$ 10,041	—	\$ (10)	14	\$ (742)	\$ (5,609)	\$ (595)	\$ 13,243	\$ 5,766	\$ 19,009
Adjustment for adoption of accounting standard (Note 1)	—	—	—	—	—	—	—	—	84	—	84	—	84
Net loss	—	—	—	—	—	—	—	—	(2,280)	—	(2,280)	(81)	(2,361)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	450	450	—	450
Investments, net change	—	—	—	—	—	—	—	—	—	46	46	4	50
Cash flow hedges, net change	—	—	—	—	—	—	—	—	—	(108)	(108)	—	(108)
Issuance of common stock	1	(14)	—	—	—	—	—	—	—	—	(14)	—	(14)
Stock-based compensation expense	—	58	—	—	—	—	—	—	—	—	58	353	411
Treasury stock repurchases	—	—	—	—	—	(2)	6	(382)	—	—	(384)	—	(384)
Revaluation of redeemable shares	—	(102)	—	—	—	—	—	—	—	—	(102)	—	(102)
Impact from equity transactions of non-controlling interests	—	(46)	—	—	—	—	—	—	—	—	(46)	(53)	(99)
<b>Balances as of August 4, 2017</b>	<u>570</u>	<u>\$ 10,054</u>	<u>223</u>	<u>\$ 10,041</u>	<u>—</u>	<u>\$ (12)</u>	<u>20</u>	<u>\$ (1,124)</u>	<u>\$ (7,805)</u>	<u>\$ (207)</u>	<u>\$ 10,947</u>	<u>\$ 5,989</u>	<u>\$ 16,936</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in millions; unaudited; continued)

	DHI Group Common Stock and Capital in Excess of Par Value		Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies' Equity	Non- Controlling Interests	Total Stockholders' Equity
	Issued Shares	Amount	Shares	Amount					
<b>Balances as of January 29, 2016</b>	405	\$ 5,727	—	\$ —	\$ (3,937)	\$ (324)	\$ 1,466	\$ —	\$ 1,466
Net loss	—	—	—	—	628	—	628	(1)	627
Foreign currency translation adjustments	—	—	—	—	—	42	42	—	42
Cash flow hedges, net change	—	—	—	—	—	(26)	(26)	—	(26)
Stock-based compensation expense	—	30	—	—	—	—	30	3	33
Treasury stock repurchases	—	—	—	(2)	—	—	(2)	—	(2)
Revaluation of redeemable shares	—	(73)	—	—	—	—	(73)	—	(73)
Impact from equity transactions of non-controlling interests	—	—	—	—	—	—	—	124	124
<b>Balances as of July 29, 2016</b>	<u>405</u>	<u>\$ 5,684</u>	<u>—</u>	<u>\$ (2)</u>	<u>\$ (3,309)</u>	<u>\$ (308)</u>	<u>\$ 2,065</u>	<u>\$ 126</u>	<u>\$ 2,191</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(unaudited)

**NOTE 1 — BASIS OF PRESENTATION**

*EMC Merger Transaction* — On September 7, 2016, EMC Corporation, a Massachusetts corporation ("EMC"), became a wholly-owned subsidiary of Dell Technologies Inc. (the "Company") as a result of the merger of Universal Acquisition Co., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), with and into EMC, with EMC surviving as a wholly-owned subsidiary of the Company (the "EMC merger transaction"). See Note 2 of the Notes to the Condensed Consolidated Financial Statements for additional information on the EMC merger transaction.

*Divestitures* — On November 2, 2016, the Company completed substantially all of the divestiture of Dell Services. On October 31, 2016, the Company completed the divestiture of Dell Software Group ("DSG"). On January 23, 2017, the Company completed the divestiture of the Dell EMC Enterprise Content Division ("ECD"). In accordance with applicable accounting guidance, the results of Dell Services, DSG, and ECD are presented as discontinued operations in the Condensed Consolidated Statements of Income (Loss) and, as such, have been excluded from both continuing operations and segment results for the relevant periods. See Note 3 of the Notes to the Condensed Consolidated Financial Statements for additional information.

*SecureWorks Initial Public Offering* — On April 27, 2016, SecureWorks Corp. ("SecureWorks") completed a registered underwritten initial public offering ("IPO") of its Class A common stock. The results of the SecureWorks operations are included in other businesses. See Note 15 of the Notes to the Condensed Consolidated Financial Statements for more information.

*Basis of Presentation* — The accompanying unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes filed with the U.S. Securities and Exchange Commission ("SEC") in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2017. These Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature considered necessary to fairly state the financial position of Dell Technologies Inc. (individually and together with its consolidated subsidiaries, the "Company" or "Dell Technologies") as of August 4, 2017 and February 3, 2017, the results of its operations and corresponding comprehensive income (loss) for the three and six months ended August 4, 2017 and July 29, 2016, as well as its cash flows for the six months ended August 4, 2017 and July 29, 2016.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Condensed Consolidated Financial Statements and the accompanying Notes. Actual results could differ materially from those estimates. The results of operations and comprehensive income (loss) for the three and six months ended August 4, 2017 and July 29, 2016 and cash flows for the six months ended August 4, 2017 and July 29, 2016 are not necessarily indicative of the results to be expected for the full fiscal year or for any other fiscal period.

The Company's fiscal year is the 52- or 53-week period ending on the Friday nearest January 31. The fiscal year ended February 3, 2017 ("Fiscal 2017") was a 53-week period while the fiscal year ending February 2, 2018 ("Fiscal 2018") will be a 52-week period.

As a result of the EMC merger transaction completed on September 7, 2016, the Company's results of operations, comprehensive income (loss), and cash flows for the fiscal periods reflected in these Condensed Consolidated Financial Statements are not directly comparable. The results of the businesses acquired in the EMC merger transaction are included in the consolidated results of Dell Technologies for the three and six months ended August 4, 2017, but are not included in the consolidated results of Dell Technologies for the three and six months ended July 29, 2016. The Dell Technologies unaudited Condensed Consolidated Statements of Financial Position reflect the full consolidation of EMC's assets and liabilities as of both August 4, 2017 and February 3, 2017.

Unless the context indicates otherwise, references in these Notes to the Condensed Consolidated Financial Statements to "VMware" mean the VMware reportable segment, which reflects the operations of VMware, Inc. (NYSE: VMW) within Dell Technologies. See Exhibit 99.1 filed with the Company's quarterly report on Form 10-Q for the quarterly period ended August 4, 2017 for information on the differences between VMware reportable segment results and VMware, Inc. results.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Reclassifications* — The amounts presented for the three and six months ended July 29, 2016 are different from those previously reported on Form 10-Q for the quarterly period ended July 29, 2016 because the Company reclassified an immaterial amount of net income from discontinued operations to continuing operations to reflect the updated terms of the applicable divestitures referred to above as the result of continued negotiations and finalization of terms of the sale.

*Recently Issued Accounting Pronouncements*

*Revenue from Contracts with Customers* — In May 2014, the Financial Accounting Standards Board (the "FASB") issued amended guidance on the recognition of revenue from contracts with customers. The objective of the new standard is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede substantially all of the existing revenue recognition guidance, including industry-specific guidance. The new standard requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also provides guidance on the accounting for costs to fulfill or obtain a customer contract. Further, the new standard requires additional disclosures to help enable users of the financial statements to better understand the nature, amount, timing, risks, and judgments related to revenue recognition and related cash flows from contracts with customers.

In August 2015, the FASB approved a one-year deferral of the effective date of this standard. Public entities are required to adopt the new standard for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings (modified retrospective method). The Company currently expects to adopt this standard retrospectively to each prior period presented for the fiscal year beginning February 3, 2018.

While the Company is currently evaluating the financial and system impacts that the new standard will have on the Consolidated Financial Statements, the Company expects that unearned license revenue related to the sale of software licenses and related deliverables will decline upon adoption. Currently, the Company defers revenue for certain software arrangements due to the absence of vendor specific objective evidence ("VSOE") of fair value for all or a portion of the deliverables. Under the new standard, the Company will no longer be required to establish VSOE of fair value in order to account for elements in an arrangement as separate units of accounting, and will be able to record revenue upon satisfaction of each performance obligation. Additionally, the Company expects the new standard to have an impact on the way the transaction price is allocated for certain non-standard warranties. The new standard is expected to result in more of the aggregate transaction price related to the non-standard warranty being recorded as revenue upon delivery of the underlying product, because the Company will no longer defer revenue based on the separately stated price of the non-standard warranty provided under the contract. The Company continues to make progress in assessing the impacts of the standard on the Consolidated Financial Statements and will continue to evaluate the impact of any changes to the standard or interpretations should they become available.

*Recognition and Measurement of Financial Assets and Financial Liabilities* — In January 2016, the FASB issued amended guidance that addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Public entities must adopt the new guidance for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. The amended guidance requires changes in the fair value of equity investments to be recognized through net income, rather than other comprehensive income. Adoption of the standard will be applied through a cumulative one-time adjustment to retained earnings. For the Company's equity investments without readily determinable fair values, the Company expects to elect the measurement alternative to record those investments at cost, less impairment, and adjusted by observable price changes on a prospective basis. The impact of the standard on the Consolidated Statements of Income (Loss) will depend on the relative changes in market price of the equity investments, although the impact is currently expected to be immaterial.

*Leases* — In February 2016, the FASB issued amended guidance on the accounting for leasing transactions. The primary objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Public entities must adopt the new guidance for reporting periods beginning after December 15, 2018, with early adoption permitted. Companies are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is currently evaluating the impact that the standard will have on the Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Measurement of Credit Losses on Financial Instruments* — In June 2016, the FASB issued amended guidance which replaces the current incurred loss impairment methodology for measurement of credit losses on financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted for fiscal periods beginning after December 15, 2018. The Company is currently evaluating the impact that the standard will have on the Consolidated Financial Statements.

*Classification of Certain Cash Receipts and Cash Payments* — In August 2016, the FASB issued amended guidance on the presentation and classification of eight specific cash flow issues with the objective of reducing existing diversity in practice. Public entities must adopt the new guidance for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Companies should reflect any adjustments on a retrospective basis, if practicable; otherwise, adoption is required to be applied as of the earliest date practicable. The Company will adopt this standard during the fiscal quarter ending May 4, 2018, and will apply adjustments retrospectively to each prior period presented on the Condensed Consolidated Statements of Cash Flows for that period. The Company is currently evaluating the impact of the standard, and other than certain reclassifications on the Consolidated Statements of Cash Flows, it is not expected to have a material impact on the Consolidated Financial Statements.

*Simplifying the Test for Goodwill Impairment* — In January 2017, the FASB issued amended guidance to simplify the subsequent measurement of goodwill by removing Step 2 of the goodwill impairment test. Instead, under the amendments in the new guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Public entities must adopt the new guidance in fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of the new guidance, but does not expect that the standard will have an impact on its Consolidated Financial Statements.

*Derivatives and Hedging* — In August 2017, the FASB issued amended guidance that will make more financial and non-financial hedging strategies eligible for hedge accounting. The amended guidance changes how companies assess effectiveness, and also amends the presentation and disclosure requirements. The guidance is intended to simplify the application of hedge accounting and increase transparency as to the scope and results of hedging programs. Immediate early adoption is permitted in any interim or annual period. The mandatory effective date for calendar year-end public companies is January 1, 2019. The Company is currently evaluating the impact that the new guidance will have on the Consolidated Financial Statements.

*Recently Adopted Accounting Pronouncements*

*Improvements to Employee Share-Based Payment Accounting* — In March 2016, the FASB issued amended guidance on the accounting for employee share-based payments, including the accounting for income taxes and forfeitures, classification of awards as either equity or liabilities, and classification of cash flows. The Company adopted this guidance at the beginning of Fiscal 2018. In accordance with the new guidance, excess tax benefits or deficiencies for stock-based compensation are now reflected as a component of the provision for income taxes on the Consolidated Statements of Income (Loss), whereas they were previously recorded as additional paid-in capital. The Company has elected to continue to estimate expected forfeitures. Additionally, the Company now presents excess tax benefits as an operating activity rather than a financing activity on the Consolidated Statements of Cash Flows, while the cash flows related to employee taxes paid for withheld shares are presented as a financing activity with prior periods adjusted accordingly. The adoption of the amended guidance did not have a material impact on the Consolidated Financial Statements. The prospective impact of the new standard will depend on the Company's stock price at the vesting or exercise dates of the awards and the number of awards that vest or are exercised in each period, but the Company does not expect the impact to be material in future periods.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Intra-Entity Transfers of Assets Other Than Inventory* — In October 2016, the FASB issued amended guidance on the accounting for income taxes. The new guidance requires companies to recognize the income tax effects of intra-entity asset transfers, other than transfers of inventory, when the transfer occurs instead of when the asset is sold to a third party. The new guidance should be applied on a modified-retrospective basis with the cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company early adopted this guidance at the beginning of Fiscal 2018. At adoption, approximately \$84 million was reclassified from other non-current liabilities to retained earnings, resulting in a net credit to retained earnings.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 2 — BUSINESS COMBINATIONS***EMC Merger Transaction*

*Transaction Overview* — On September 7, 2016, EMC became a wholly-owned subsidiary of the Company as a result of the merger of Merger Sub with and into EMC, with EMC surviving as a wholly-owned subsidiary of the Company. Pursuant to the terms of the merger agreement, upon the completion of the EMC merger transaction, each issued and outstanding share of common stock, par value \$0.01 per share, of EMC (approximately 2.0 billion as of September 7, 2016) was converted into the right to receive (1) \$24.05 in cash, without interest, and (2) 0.11146 validly issued, fully paid and non-assessable shares of common stock of the Company designated as Class V Common Stock, par value \$0.01 per share (the "Class V Common Stock"), plus cash in lieu of any fractional shares. Shares of the Class V Common Stock were approved for listing on the New York Stock Exchange (the "NYSE") under the ticker symbol "DVMT" and began trading on September 7, 2016.

In connection with the EMC merger transaction, the Company authorized 343 million shares of Class V Common Stock. On September 7, 2016, Dell Technologies issued 223 million shares of Class V Common Stock to EMC shareholders at a purchase price of \$45.07 per share for an aggregate purchase price of approximately \$10.0 billion. The total fair value of consideration transferred to effect the EMC merger transaction was approximately \$64.0 billion, which primarily consisted of cash and such shares of Class V Common Stock, as well as the fair value of non-controlling interests in VMware, Inc. and Pivotal Software, Inc. ("Pivotal"), majority-owned consolidated subsidiaries of EMC. See Note 17 for more information on the Class V Common Stock.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Assets Acquired and Liabilities Assumed* — The EMC merger transaction has been accounted for as a business combination under the acquisition method of accounting. The cumulative impact of any subsequent changes resulting from the facts and circumstances that existed as of the transaction date will be adjusted in the reporting period in which the adjustment amount is determined. The Company's purchase accounting is substantially complete. The following table summarizes, as of August 4, 2017, the preliminary purchase price allocation to the assets acquired and the liabilities assumed in the EMC merger transaction (in millions):

Current assets:	
Cash and cash equivalents	\$ 10,080
Short-term investments	1,765
Accounts receivable	2,810
Short-term financing receivables	64
Inventories, net	1,993
Other current assets	903
Total current assets	17,615
Property, plant, and equipment	4,490
Long-term investments	4,317
Long-term financing receivables, net	65
Goodwill	31,539
Purchased intangibles	31,218
Other non-current assets	445
Total assets	\$ 89,689
Current liabilities:	
Short-term debt	\$ 905
Accounts payable	728
Accrued and other	3,259
Short-term deferred revenue	4,954
Total current liabilities	9,846
Long-term debt	5,474
Long-term deferred revenue	3,469
Deferred tax liabilities	6,625
Other non-current liabilities	324
Total liabilities	25,738
Total net assets	\$ 63,951

The table above includes amounts allocated to ECD, which was divested in the fiscal year ended February 3, 2017. See Note 3 of the Notes to the Condensed Consolidated Financial Statements for more information on discontinued operations.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Pro Forma Financial Information* — The following table provides unaudited pro forma results of operations for the periods presented as if the transaction date had occurred on January 31, 2015, the first day of the fiscal year ended January 29, 2016.

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>July 29, 2016</b>		<b>July 29, 2016</b>	
	(in millions, except per share amounts)			
Total net revenue	\$	18,562	\$	35,767
Net loss attributable to Dell Technologies Inc.	\$	(1,158)	\$	(2,542)
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - basic (a):</i>				
Continuing operations - Class V Common Stock	\$	0.66	\$	1.05
Continuing operations - DHI Group	\$	(2.28)	\$	(4.87)
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - diluted (a):</i>				
Continuing operations - Class V Common Stock	\$	0.66	\$	1.05
Continuing operations - DHI Group	\$	(2.28)	\$	(4.87)

(a) For purposes of calculating pro forma earnings (loss) per share, the Company used the two-class method. Earnings are allocated between the Class V Common Stock and the DHI Group on a basis consistent with historical earnings (loss) per share.

The pro forma information for the three and six months ended July 29, 2016 combines the Company's historical results for the three and six months ended July 29, 2016 and EMC's historical results for the three and six months ended June 30, 2016. The historical results have been adjusted in the pro forma information to give effect to items that are (a) directly attributable to the EMC merger transaction, (b) factually supportable, and (c) expected to have a continuing impact on the combined company's results. The pro forma information is presented for informational purposes only. The unaudited pro forma results include the elimination of non-recurring transaction and integration costs of \$81 million and \$144 million, respectively, for the three and six months ended July 29, 2016. The pro forma information does not purport to represent what the combined company's results of operations or financial condition would have been had the EMC merger transaction actually occurred on the date indicated, and does not purport to project the combined company's results of operations for any future period or as of any future date.

*Acquisitions by VMware, Inc.*

During the three months ended August 4, 2017, VMware, Inc. completed the acquisitions of Wavefront and Aptelligent, Inc., which were not material to the Condensed Consolidated Financial Statements. These acquisitions are a part of VMware's strategy to accelerate the development of VMware Inc.'s Cloud services and other technologies. The aggregate purchase price for the two acquisitions was \$323 million, inclusive of the fair value of the Company's existing investment in Wavefront of \$69 million and cash acquired of \$35 million. The aggregate purchase price included \$36 million of identifiable intangible assets and \$238 million of goodwill that is not expected to be deductible for tax purposes. The identifiable intangible assets primarily relate to purchased technology, with estimated useful lives of five years. The fair value of assumed unvested equity attributable to post-combination services was \$37 million and will be expensed over the remaining requisite service periods on a straight-line basis. The estimated fair value of the stock options assumed by the Company was determined using the Black-Scholes option pricing model.

Prior to the closing of the acquisition, Dell Technologies, including VMware, Inc., held an ownership interest in Wavefront. Upon completion of the step acquisition, Dell Technologies recognized a \$45 million gain in interest and other, net for the remeasurement of its ownership interest to fair value. The gain recognized on the step acquisition is not expected to be taxable.

The Company has not presented pro forma results of operations for the foregoing acquisitions because they are not material to the Company's consolidated results of operations, financial position, or cash flows.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 3 — DISCONTINUED OPERATIONS**

Dell Inc. ("Dell") entered into a definitive agreement with NTT Data International L.L.C. to divest substantially all of Dell Services, and on November 2, 2016, the parties closed substantially all of the transaction. Dell Inc. entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to divest substantially all of DSG, and on October 31, 2016, the parties closed the transaction. EMC, a subsidiary of the Company, entered into a definitive agreement with OpenText Corporation to divest the Dell EMC Enterprise Content Division, and on January 23, 2017, the parties closed the transaction. Upon closing of the respective transactions, the Company entered into transition services agreements with NTT Data International L.L.C., Francisco Partners and Elliot Management, and OpenText Corporation pursuant to which the Company provides various administrative services on an interim transitional basis. Transition services may be provided for up to one year, with an option to renew after that period. The Company also entered into various commercial agreements with NTT Data International L.L.C., Francisco Partners and Elliot Management, and OpenText Corporation that include reseller agreements for certain offerings.

In accordance with applicable accounting guidance, the Company reclassified the financial results of Dell Services, DSG, and ECD as discontinued operations in the Condensed Consolidated Statements of Income (Loss) for the relevant periods. The following table presents key financial results of Dell Services and DSG included in "Income from discontinued operations, net of income taxes" for the three and six months ended July 29, 2016:

	Three Months Ended July 29, 2016			Six Months Ended July 29, 2016		
	Dell Services (b)	DSG	Total	Dell Services (b)	DSG	Total
	(in millions)					
Net revenue	\$ 664	\$ 321	\$ 985	\$ 1,310	\$ 642	\$ 1,952
Cost of net revenue	513	85	598	1,032	175	1,207
Operating expenses	95	239	334	206	488	694
Interest and other, net	—	(7)	(7)	—	7	7
Income (loss) from discontinued operations before income taxes	56	(10)	46	72	(14)	58
Income tax benefit (a)	(455)	(333)	(788)	(918)	(337)	(1,255)
Income from discontinued operations, net of income taxes	\$ 511	\$ 323	\$ 834	\$ 990	\$ 323	\$ 1,313

- (a) The tax benefit for Dell Services and DSG for the three and six months ended July 29, 2016 was primarily due to the Company's determination that it could no longer assert permanent reinvestment in the outside basis of the entities that would be divested.
- (b) See Note 1 of the Notes to the Condensed Consolidated Financial Statements for additional information on reclassifications from previously reported amounts.

Cash flows from the Company's discontinued operations are included in the accompanying Condensed Consolidated Statements of Cash Flows. The significant cash flow items from Dell Services and DSG for the six months ended July 29, 2016 were as follows:

	Six Months Ended July 29, 2016		
	Dell Services	DSG	Total
	(in millions)		
Depreciation and amortization (a)	\$ 32	\$ 66	\$ 98
Capital expenditures	\$ 47	\$ 15	\$ 62

- (a) Depreciation and amortization ceased upon determination that Dell Services and DSG had met the criteria for discontinued operations reporting as of March 27, 2016 and June 19, 2016, respectively.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 4 — FAIR VALUE MEASUREMENTS**

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of August 4, 2017 and February 3, 2017:

	August 4, 2017 (a)				February 3, 2017			
	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
(in millions)								
<i>Assets:</i>								
Cash and cash equivalents:								
Money market funds	\$ 4,853	\$ —	\$ —	\$ 4,853	\$ 4,866	\$ —	\$ —	\$ 4,866
Municipal obligations	—	—	—	—	—	3	—	3
U.S. and foreign corporate debt securities	—	183	—	183	—	—	—	—
U.S. government and agencies	—	45	—	45	—	—	—	—
Foreign government and agencies	—	3	—	3	—	—	—	—
Debt securities:								
U.S. government and agencies	658	412	—	1,070	444	470	—	914
U.S. corporate	—	1,893	—	1,893	—	1,800	—	1,800
Foreign	—	2,332	—	2,332	—	2,083	—	2,083
Municipal obligations	—	—	—	—	—	352	—	352
Asset-backed securities	—	—	—	—	—	4	—	4
Equity and other securities	224	2	—	226	169	—	—	169
Derivative instruments	—	125	—	125	—	205	—	205
Total assets	\$ 5,735	\$ 4,995	\$ —	\$ 10,730	\$ 5,479	\$ 4,917	\$ —	\$ 10,396
<i>Liabilities:</i>								
Derivative instruments	\$ —	\$ 180	\$ —	\$ 180	\$ —	\$ 64	\$ —	\$ 64
Total liabilities	\$ —	\$ 180	\$ —	\$ 180	\$ —	\$ 64	\$ —	\$ 64

(a) The Company did not transfer any securities between levels during the six months ended August 4, 2017.

The following section describes the valuation methodologies the Company uses to measure financial instruments at fair value:

*Money Market Funds* — The Company's investment in money market funds that are classified as cash equivalents hold underlying investments with a weighted average maturity of 90 days or less and are recognized at fair value. The valuations of these securities are based on quoted prices in active markets for identical assets, when available, or pricing models whereby all significant inputs are observable or can be derived from or corroborated by observable market data. The Company reviews security pricing and assesses liquidity on a quarterly basis. As of August 4, 2017, the Company's U.S. portfolio had no material exposure to money market funds with a fluctuating net asset value.

*Equity and Other Securities* — The majority of the Company's investments in equity and other securities that are measured at fair value on a recurring basis consist of strategic investments in publicly traded companies. The valuation of these securities is based on quoted prices in active markets.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Debt Securities* — The majority of the Company's debt securities consist of various fixed income securities such as U.S. government and agencies, U.S. corporate, and foreign. Valuation is based on pricing models whereby all significant inputs, including benchmark yields, reported trades, broker-dealer quotes, issue spreads, benchmark securities, bids, offers, and other market related data, are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. Inputs are documented in accordance with the fair value measurements hierarchy. The Company reviews security pricing and assesses liquidity on a quarterly basis. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for additional information about investments.

*Derivative Instruments* — The Company's derivative financial instruments consist primarily of foreign currency forward and purchased option contracts and interest rate swaps. The fair value of the portfolio is determined using valuation models based on market observable inputs, including interest rate curves, forward and spot prices for currencies, and implied volatilities. Credit risk is also factored into the fair value calculation of the Company's derivative instrument portfolio. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for a description of the Company's derivative financial instrument activities.

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis* — Certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the recurring fair value table above. These assets consist primarily of non-financial assets such as goodwill and intangible assets. See Note 9 of the Notes to the Condensed Consolidated Financial Statements for additional information about goodwill and intangible assets.

As of August 4, 2017 and February 3, 2017, the Company held strategic investments of \$516 million and \$455 million, respectively. These investments are accounted for under the cost method and are not included in the recurring fair value table above. Investments accounted for under the cost method are recorded at cost initially, which approximates fair value. Subsequently, if there is an indicator of impairment, the impairment is recognized. In evaluating these investments for impairment, the Company uses inputs including pre- and post-money valuations of recent financing events and the impact of those on its fully diluted ownership percentages, as well as other available information regarding the issuer's historical and forecasted performance. As these investments are early-stage companies which are not publicly traded, it is not practicable for the Company to reliably estimate the fair value of these investments.

*Carrying Value and Estimated Fair Value of Outstanding Debt* — The following table summarizes the carrying value and estimated fair value of the Company's outstanding debt as described in Note 7 of the Notes to the Condensed Consolidated Financial Statements, including the current portion, as of the dates indicated:

	August 4, 2017		February 3, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in billions)			
Senior Secured Credit Facilities	\$ 10.9	\$ 11.2	\$ 11.4	\$ 11.7
First Lien Notes	\$ 19.7	\$ 22.3	\$ 19.7	\$ 21.8
Unsecured Notes and Debentures	\$ 2.3	\$ 2.5	\$ 2.3	\$ 2.5
Senior Notes	\$ 3.1	\$ 3.5	\$ 3.1	\$ 3.5
EMC Notes	\$ 5.5	\$ 5.3	\$ 5.5	\$ 5.4
Margin Loan Facility	\$ 2.0	\$ 2.0	\$ —	\$ —
Bridge Facilities	\$ 1.5	\$ 1.5	\$ 4.0	\$ 4.0

The fair values of the outstanding Senior Secured Credit Facilities, First Lien Notes, Unsecured Notes and Debentures, Senior Notes, EMC Notes, Margin Loan Facility, and Bridge Facilities were determined based on observable market prices in a less active market or based on valuation methodologies using observable inputs and were categorized as Level 2 in the fair value hierarchy. The fair values of the other short-term debt and the structured financing debt approximate their carrying values due to their short-term maturities.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 5 — INVESTMENTS**

The following table summarizes, by major security type, the carrying value and amortized cost of the Company's investments. All debt security investments with remaining effective maturities in excess of one year and substantially all equity and other securities are recorded as long-term investments in the Condensed Consolidated Statements of Financial Position.

	August 4, 2017				February 3, 2017			
	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value
(in millions)								
<i>Investments:</i>								
U.S. government and agencies	\$ 441	\$ —	\$ —	\$ 441	\$ 231	\$ —	\$ —	\$ 231
U.S. corporate debt securities	670	—	(1)	669	651	—	(1)	650
Foreign debt securities	906	—	(1)	905	743	—	(1)	742
Municipal obligations	—	—	—	—	348	—	—	348
Asset-backed securities	—	—	—	—	4	—	—	4
<b>Total short-term investments</b>	<b>2,017</b>	<b>—</b>	<b>(2)</b>	<b>2,015</b>	<b>1,977</b>	<b>—</b>	<b>(2)</b>	<b>1,975</b>
U.S. government and agencies	632	—	(3)	629	689	—	(6)	683
U.S. corporate debt securities	1,227	2	(5)	1,224	1,164	—	(14)	1,150
Foreign debt securities	1,430	2	(5)	1,427	1,356	—	(15)	1,341
Municipal obligations	—	—	—	—	4	—	—	4
Equity and other securities (a)	667	75	—	742	604	22	(2)	624
<b>Total long-term investments</b>	<b>3,956</b>	<b>79</b>	<b>(13)</b>	<b>4,022</b>	<b>3,817</b>	<b>22</b>	<b>(37)</b>	<b>3,802</b>
<b>Total investments</b>	<b>\$ 5,973</b>	<b>\$ 79</b>	<b>\$ (15)</b>	<b>\$ 6,037</b>	<b>\$ 5,794</b>	<b>\$ 22</b>	<b>\$ (39)</b>	<b>\$ 5,777</b>

(a) The majority of equity and other securities are strategic investments accounted for under the cost method, while the remainder are investments that are measured at fair value on a recurring basis. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for additional information on investments measured at fair value on a recurring basis.

The Company's investments in debt securities are classified as available-for-sale securities, which are carried at fair value. As of August 4, 2017, all investments in an unrealized loss position have been in a continuous unrealized loss position for less than 12 months.

The maturities of debt securities held at August 4, 2017 are as follows:

	Amortized Cost	Carrying Value
	(in millions)	
Due within one year	\$ 2,017	\$ 2,015
Due after 1 year through 5 years	3,219	3,209
Due after 5 years through 10 years	70	71
<b>Total</b>	<b>\$ 5,306</b>	<b>\$ 5,295</b>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 6 — FINANCIAL SERVICES**

The Company offers or arranges various financing options and services for its business and consumer customers in North America, Europe, Australia, and New Zealand through Dell Financial Services and its affiliates (collectively, "DFS"). The key activities of DFS include the origination, collection, and servicing of customer receivables primarily related to the purchase of Dell Technologies' products and services. New financing originations, which represent the amounts of financing provided by DFS to customers for equipment and related software and services, including third-party originations, were \$1.6 billion and \$1.0 billion for three months ended August 4, 2017 and July 29, 2016, respectively, and \$2.7 billion and \$1.9 billion for the six months ended August 4, 2017 and July 29, 2016, respectively.

In June 2017, as part of the global expansion of Dell Technologies' captive financing model, the Company purchased a portfolio of customer fixed-term financing receivables totaling approximately \$89 million from Bank of Queensland. Bank of Queensland was previously the Company's preferred financing partner in Australia and New Zealand.

The Company's financing receivables are aggregated into the following categories:

- *Revolving loans* — Revolving loans offered under private label credit financing programs provide qualified customers with a revolving credit line for the purchase of products and services offered by Dell Technologies. These private label credit financing programs are referred to as Dell Preferred Account ("DPA") and Dell Business Credit ("DBC"). The DPA product is primarily offered to individual consumer customers, and the DBC product is primarily offered to small and medium-sized commercial customers. Revolving loans in the United States bear interest at a variable annual percentage rate that is tied to the prime rate. Based on historical payment patterns, revolving loan transactions are typically repaid within twelve months on average.
- *Fixed-term sales-type leases and loans* — The Company enters into sales-type lease arrangements with customers who seek lease financing. Leases with business customers have fixed terms of generally two to four years. Future maturities of minimum lease payments as of August 4, 2017 were as follows: Fiscal 2018 (remaining six months) - \$1,121 million; Fiscal 2019 - \$1,552 million; Fiscal 2020 - \$949 million; Fiscal 2021 - \$354 million; Fiscal 2022 and beyond - \$96 million. The Company also offers fixed-term loans to qualified small businesses, large commercial accounts, governmental organizations, educational entities, and certain individual consumer customers. These loans are repaid in equal payments including interest and have defined terms of generally three to five years.

The following table summarizes the components of the Company's financing receivables segregated by portfolio segment as of August 4, 2017 and February 3, 2017:

	August 4, 2017			February 3, 2017		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
	(in millions)					
<i>Financing receivables, net:</i>						
Customer receivables, gross	\$ 899	\$ 5,385	\$ 6,284	\$ 1,009	\$ 4,530	\$ 5,539
Allowances for losses	(81)	(54)	(135)	(91)	(52)	(143)
Customer receivables, net	818	5,331	6,149	918	4,478	5,396
Residual interest	—	523	523	—	477	477
Financing receivables, net	\$ 818	\$ 5,854	\$ 6,672	\$ 918	\$ 4,955	\$ 5,873
Short-term	\$ 818	\$ 2,655	\$ 3,473	\$ 918	\$ 2,304	\$ 3,222
Long-term	\$ —	\$ 3,199	\$ 3,199	\$ —	\$ 2,651	\$ 2,651

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following tables summarize the changes in the allowance for financing receivable losses for the respective periods:

	<b>Three Months Ended</b>					
	<b>August 4, 2017</b>			<b>July 29, 2016</b>		
	<b>Revolving</b>	<b>Fixed-term</b>	<b>Total</b>	<b>Revolving</b>	<b>Fixed-term</b>	<b>Total</b>
	(in millions)					
<i>Allowance for financing receivable losses:</i>						
Balances at beginning of period	\$ 85	\$ 51	\$ 136	\$ 107	\$ 58	\$ 165
Charge-offs, net of recoveries	(20)	(5)	(25)	(23)	(2)	(25)
Provision charged to income statement	16	8	24	16	—	16
Balances at end of period	<u>\$ 81</u>	<u>\$ 54</u>	<u>\$ 135</u>	<u>\$ 100</u>	<u>\$ 56</u>	<u>\$ 156</u>

	<b>Six Months Ended</b>					
	<b>August 4, 2017</b>			<b>July 29, 2016</b>		
	<b>Revolving</b>	<b>Fixed-term</b>	<b>Total</b>	<b>Revolving</b>	<b>Fixed-term</b>	<b>Total</b>
	(in millions)					
<i>Allowance for financing receivable losses:</i>						
Balances at beginning of period	\$ 91	\$ 52	\$ 143	\$ 118	\$ 58	\$ 176
Charge-offs, net of recoveries	(42)	(8)	(50)	(48)	(5)	(53)
Provision charged to income statement	32	10	42	30	3	33
Balances at end of period	<u>\$ 81</u>	<u>\$ 54</u>	<u>\$ 135</u>	<u>\$ 100</u>	<u>\$ 56</u>	<u>\$ 156</u>

The following table summarizes the aging of the Company's customer financing receivables, gross, including accrued interest, as of August 4, 2017 and February 3, 2017, segregated by class:

	<b>August 4, 2017</b>				<b>February 3, 2017</b>			
	<b>Current</b>	<b>Past Due 1 — 90 Days</b>	<b>Past Due &gt; 90 Days</b>	<b>Total</b>	<b>Current</b>	<b>Past Due 1 — 90 Days</b>	<b>Past Due &gt; 90 Days</b>	<b>Total</b>
		(in millions)						
Revolving — DPA	\$ 639	\$ 58	\$ 23	\$ 720	\$ 715	\$ 66	\$ 27	\$ 808
Revolving — DBC	154	20	5	179	175	22	4	201
Fixed-term — Consumer and Commercial	4,539	787	59	5,385	3,994	506	30	4,530
Total customer receivables, gross	<u>\$ 5,332</u>	<u>\$ 865</u>	<u>\$ 87</u>	<u>\$ 6,284</u>	<u>\$ 4,884</u>	<u>\$ 594</u>	<u>\$ 61</u>	<u>\$ 5,539</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

Credit Quality

The following table summarizes customer receivables, gross, including accrued interest, by credit quality indicator segregated by class, as of August 4, 2017 and February 3, 2017. The categories shown in the table below segregate customer receivables based on the relative degrees of credit risk. The credit quality indicators for DPA revolving accounts are measured primarily as of each quarter-end date, while all other indicators are generally updated on a periodic basis.

For DPA revolving receivables shown in the table below, the Company makes credit decisions based on proprietary scorecards, which include the customer's credit history, payment history, credit usage, and other credit agency-related elements. The higher quality category includes prime accounts generally of a higher credit quality that are comparable to U.S. customer FICO scores of 720 or above. The mid-category represents the mid-tier accounts that are comparable to U.S. customer FICO scores from 660 to 719. The lower category is generally sub-prime and represents lower credit quality accounts that are comparable to U.S. customer FICO scores below 660. For the DBC revolving receivables and fixed-term commercial receivables shown in the table below, an internal grading system is utilized that assigns a credit level score based on a number of considerations, including liquidity, operating performance, and industry outlook. The grading criteria and classifications for the fixed-term products differ from those for the revolving products as loss experience varies between these product and customer groups. The credit quality categories cannot be compared between the different classes as loss experience varies substantially between the classes.

	August 4, 2017				February 3, 2017			
	Higher	Mid	Lower	Total	Higher	Mid	Lower	Total
	(in millions)							
Revolving — DPA	\$ 132	\$ 220	\$ 368	\$ 720	\$ 136	\$ 244	\$ 428	\$ 808
Revolving — DBC	\$ 46	\$ 56	\$ 77	\$ 179	\$ 61	\$ 60	\$ 80	\$ 201
Fixed-term — Consumer and Commercial (a)	\$ 2,770	\$ 1,668	\$ 947	\$ 5,385	\$ 2,232	\$ 1,428	\$ 870	\$ 4,530

- (a) During the three months ended May 5, 2017, the Company modified its credit scoring methodology for fixed-term financing receivables in response to changes in its go-to-market strategy. This methodology has been modified to a single, consistent, and comparable model across all fixed-term product customers. In connection with this change, the Company has recategorized existing fixed-term customers and has recast prior period credit quality categories to align with the current period presentation.

Structured Financing Debt

The Company maintains programs which facilitate the funding of financing receivables in the capital markets in the United States, Canada, and Europe. The Company's total structured financing debt, which is collateralized by financing receivables, was \$4.1 billion and \$3.5 billion as of August 4, 2017 and February 3, 2017, respectively, under the following programs:

- *Securitization Programs* — The Company maintains securitization programs in the United States and Europe. The securitization programs in the United States include the fixed-term lease and loan securitization program and the revolving loan securitization program. The outstanding balance of debt under these U.S. programs was \$1.4 billion and \$1.5 billion as of August 4, 2017 and February 3, 2017, respectively. This debt is collateralized solely by the U.S. financing receivables in the programs. The debt has a variable interest rate and the duration of this debt is based on the terms of the underlying financing receivables. As of August 4, 2017, the total debt capacity related to the U.S. securitization programs was \$2.1 billion. The Company enters into interest swap agreements to effectively convert the portion of its structured financing debt from a floating rate to a fixed rate. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for additional information about interest rate swaps.

The Company's U.S. securitization programs became effective on October 29, 2013. The revolving program, which was extended during the third quarter of Fiscal 2017, is effective for four and one-half years beginning October 29, 2013. The fixed-term program, which was extended during the second quarter of Fiscal 2018, is effective for four and one-half years beginning October 29, 2013.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The Company established a securitization program in Europe for fixed-term leases and loans. This program became effective on January 13, 2017, and is effective for two years. The outstanding balance of debt under this program was \$373 million as of August 4, 2017, and the total debt capacity related to the securitization program was \$712 million.

The securitization programs contain standard structural features related to the performance of the securitized receivables which include defined credit losses, delinquencies, average credit scores, and minimum collection requirements. In the event one or more of these criteria are not met and the Company is unable to restructure the program, no further funding of receivables will be permitted and the timing of the Company's expected cash flows from over-collateralization will be delayed. As of August 4, 2017, these criteria were met.

- *Fixed-Term Securitization Programs* — The Company periodically issues asset-backed debt securities under fixed-term securitization programs to private investors. As of August 4, 2017 and February 3, 2017, the associated debt balance of these securities was \$1.8 billion and \$1.4 billion, respectively. The asset-backed debt securities are collateralized solely by the U.S. fixed-term financing receivables in the offerings, which are held by SPEs, as discussed below. The interest rate on these securities is fixed and ranges from 0.42% to 3.61%, and the duration of these securities is based on the terms of the underlying financing receivables.
- *Other Structured Financing Programs* — In connection with the Company's international financing operations, the Company has entered into revolving structured financing debt programs related to its fixed-term lease and loan products sold in Canada and Europe. The aggregate outstanding balances of the Canadian and European revolving structured loans as of August 4, 2017 and February 3, 2017 were \$446 million and \$382 million, respectively. As of August 4, 2017, the Canadian program, which was extended during the fiscal year ended February 3, 2017, had a total debt capacity of \$175 million. This program is effective for two years, beginning on April 15, 2016, and is collateralized solely by the Canadian financing receivables. The European program, which was extended during the first quarter of Fiscal 2016, is now effective for four years, beginning on December 23, 2013. The program is collateralized solely by the European financing receivables and had a total debt capacity of \$356 million as of August 4, 2017.

Variable Interest Entities

In connection with the securitization programs discussed above, the Company transfers certain U.S. and European customer financing receivables to Special Purpose Entities ("SPEs") that meet the definition of a Variable Interest Entity ("VIE") and are consolidated, along with the associated debt, into the Condensed Consolidated Financial Statements, as the Company is the primary beneficiary of those VIEs. These SPEs are bankruptcy-remote legal entities with separate assets and liabilities. The purpose of these SPEs is to facilitate the funding of customer receivables in the capital markets.

The following table shows financing receivables held by the consolidated VIEs as of the respective dates:

	<b>August 4, 2017</b>	<b>February 3, 2017</b>
	(in millions)	
<i>Financing receivables held by consolidated VIEs, net:</i>		
Short-term, net	\$ 2,440	\$ 2,227
Long-term, net	1,790	1,381
Financing receivables held by consolidated VIEs, net	<u>\$ 4,230</u>	<u>\$ 3,608</u>

Financing receivables transferred via securitization through SPEs were \$1.0 billion and \$0.8 billion for the three months ended August 4, 2017 and July 29, 2016, respectively, and \$1.9 billion and \$1.4 billion for the six months ended August 4, 2017 and July 29, 2016, respectively.

Some of the SPEs have entered into financing arrangements with multi-seller conduits that, in turn, issue asset-backed debt securities in the capital markets. The structured financing debt outstanding, which is collateralized by the financing receivables held by the consolidated VIEs, was \$3.6 billion and \$3.1 billion as of August 4, 2017 and February 3, 2017, respectively. The Company's risk of loss related to securitized receivables is limited to the amount by which the Company's right to receive collections for assets securitized exceeds the amount required to pay interest, principal, and fees and expenses related to the asset-backed securities. The Company provides credit enhancement to the securitization in the form of over-collateralization.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Financing Receivable Sales*

To manage certain concentrations of customer credit exposure, the Company may sell selected fixed-term financing receivables to unrelated third parties on a periodic basis. The amount of financing receivables sold was \$228 million and \$98 million for the six months ended August 4, 2017 and July 29, 2016, respectively.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 7 — DEBT**

The following table summarizes the Company's outstanding debt as of the dates indicated:

	August 4, 2017	February 3, 2017
	(in millions)	
<b>Secured Debt</b>		
Structured financing debt	\$ 4,050	\$ 3,464
Senior Secured Credit Facilities:		
3.74% Term Loan B Facility due September 2023	5,460	4,987
3.24% Term Loan A-1 Facility due December 2018	69	600
3.49% Term Loan A-2 Facility due September 2021	3,778	3,876
3.24% Term Loan A-3 Facility due December 2018	1,800	1,800
2.78% Revolving Credit Facility due September 2021	—	375
First Lien Notes:		
3.48% due June 2019	3,750	3,750
4.42% due June 2021	4,500	4,500
5.45% due June 2023	3,750	3,750
6.02% due June 2026	4,500	4,500
8.10% due June 2036	1,500	1,500
8.35% due June 2046	2,000	2,000
<b>Unsecured Debt</b>		
Unsecured Notes and Debentures:		
5.65% due April 2018	500	500
5.875% due June 2019	600	600
4.625% due April 2021	400	400
7.10% due April 2028	300	300
6.50% due April 2038	388	388
5.40% due September 2040	265	265
Senior Notes:		
5.875% due June 2021	1,625	1,625
7.125% due June 2024	1,625	1,625
EMC Notes:		
1.875% due June 2018	2,500	2,500
2.650% due June 2020	2,000	2,000
3.375% due June 2023	1,000	1,000
<b>Other</b>		
3.56% Margin Loan Facility due April 2022	2,000	—
2.53% Margin Bridge Facility due September 2017	—	2,500
2.99% VMware Note Bridge Facility due September 2017	1,500	1,500
Other	86	51
<b>Total debt, principal amount</b>	<b>\$ 49,946</b>	<b>\$ 50,356</b>
Unamortized discount, net of unamortized premium	(281)	(284)
Debt issuance costs	(605)	(682)
<b>Total debt, carrying value</b>	<b>\$ 49,060</b>	<b>\$ 49,390</b>
<b>Total short-term debt, carrying value</b>	<b>\$ 7,686</b>	<b>\$ 6,329</b>
<b>Total long-term debt, carrying value</b>	<b>\$ 41,374</b>	<b>\$ 43,061</b>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

During the three months ended May 5, 2017, the Company refinanced the Term Loan B Facility to reduce the interest rate margin by 0.75% and to increase the outstanding principal amount by \$500 million. The Company applied the proceeds from the Term Loan B Facility refinancing to repay \$500 million principal amount of the Margin Bridge Facility, without premium or penalty, and accrued and unpaid interest thereon. Additionally, during the three months ended May 5, 2017, the Company issued the Margin Loan Facility in the principal amount of \$2.0 billion, and used the proceeds of the new facility to repay the Margin Bridge Facility, without premium or penalty. Further, during the six months ended August 4, 2017, the Company repaid approximately \$0.6 billion principal amount of its term loan facilities, repaid \$0.4 billion, net, under the Revolving Credit Facility, and issued an additional \$0.6 billion, net, in structured financing debt to support the expansion of its financing receivables portfolio.

*Senior Secured Credit Facilities* — At the closing of the EMC merger transaction on September 7, 2016, the Company entered into a credit agreement that provides for senior secured credit facilities (the "Senior Secured Credit Facilities") in the aggregate principal amount of \$17.6 billion comprising (a) term loan facilities and (b) a senior secured Revolving Credit Facility, which includes capacity for up to \$0.5 billion of letters of credit and for borrowings of up to \$0.4 billion under swing-line loans. As of August 4, 2017, available borrowings under the Revolving Credit Facility totaled \$3.1 billion. The Senior Secured Credit Facilities provide that the borrowers have the right at any time, subject to customary conditions, to request incremental term loans or incremental revolving commitments.

Borrowings under the Senior Secured Credit Facilities bear interest at a rate per annum equal to an applicable margin, plus, at the borrowers' option, either (a) a base rate, which, under the Term Loan B Facility, is subject to an interest rate floor of 1.75% per annum, and under all other borrowings is subject to an interest rate floor of 0% per annum, or (b) a London interbank offered rate ("LIBOR"), which, under the Term Loan B Facility, is subject to an interest rate floor of 0.75% per annum, and under all other borrowings is subject to an interest rate floor of 0% per annum. Interest is payable, in the case of loans bearing interest based on LIBOR, at the end of each interest period (but at least every three months), in arrears and, in the case of loans bearing interest based on the base rate, quarterly in arrears.

The Term Loan A-1 Facility, the Term Loan A-3 Facility, and the Revolving Credit Facility have no amortization. The Term Loan A-2 Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 5% of the original principal amount in each of the first two years after the closing date of the EMC merger transaction, 10% of the original principal amount in each of the third and fourth years after the closing date of the EMC merger transaction, and 70% of the original principal amount in the fifth year after the closing date of the EMC merger transaction. The Term Loan B Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount. The Term Loan A-1 and Term Loan A-3 Facilities require the borrowers to prepay outstanding borrowings under these facilities with 100% of the net cash proceeds of certain non-ordinary course asset sales or dispositions. The borrowers may voluntarily repay outstanding loans under the term loan facilities and the Revolving Credit Facility at any time without premium or penalty, other than customary "breakage" costs.

All obligations of the borrowers under the Senior Secured Credit Facilities and certain swap agreements, cash management arrangements, and certain letters of credit provided by any lender or agent party to the Senior Secured Credit Facilities or any of its affiliates and certain other persons are secured by (a) a first-priority security interest in certain tangible and intangible assets of the borrowers and the guarantors and (b) a first-priority pledge of 100% of the capital stock of the borrowers, Dell Inc., an indirect wholly-owned subsidiary of Dell Technologies ("Dell"), and each wholly-owned material restricted subsidiary of the borrowers and the guarantors, in each case subject to certain thresholds, exceptions, and permitted liens.

*First Lien Notes* — The senior secured notes (collectively, the "First Lien Notes") were issued on June 1, 2016 in an aggregate principal amount of \$20.0 billion. Interest on these borrowings is payable semiannually. The First Lien Notes are secured, on a pari passu basis with the Senior Secured Credit Facilities, on a first-priority basis by substantially all of the tangible and intangible assets of the issuers and guarantors that secure obligations under the Senior Secured Credit Facilities, including pledges of all capital stock of the issuers, of Dell, and of certain wholly-owned material subsidiaries of the issuers and the guarantors, subject to certain exceptions.

The Company has agreed to use commercially reasonable efforts to register with the SEC notes having terms substantially identical to the terms of the First Lien Notes as part of an offer to exchange such registered notes for the First Lien Notes. The Company will be obligated to pay additional interest on the First Lien Notes if it fails to consummate such an exchange offer within five years after the closing date of the EMC merger transaction.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Senior Notes* — The senior unsecured notes (collectively, the "Senior Notes") were issued on June 22, 2016 in an aggregate principal amount of \$3.25 billion. Interest on these borrowings is payable semiannually.

*EMC Notes* — On September 7, 2016, EMC had outstanding \$2.5 billion aggregate principal amount of its 1.875% Notes due June 2018, \$2.0 billion aggregate principal amount of its 2.650% Notes due June 2020, and \$1.0 billion aggregate principal amount of its 3.375% Notes due June 2023 (collectively, the "EMC Notes"). Interest on these borrowings is payable semiannually. The EMC Notes remain outstanding following the closing of the EMC merger transaction.

*Margin Loan Facility* — During the three months ended May 5, 2017, the Company issued the Margin Loan Facility in an aggregate principal amount of \$2.0 billion. VMW Holdco LLC, a wholly-owned subsidiary of EMC, is the borrower under the Margin Loan Facility, which is secured by 60 million shares of Class B common stock of VMware, Inc. and 20 million shares of Class A common stock of VMware, Inc. Loans under the Margin Loan Facility bear interest at a rate per annum payable, at the borrower's option, either at (a) a base rate plus 1.25% per annum or (b) a LIBOR-based rate plus 2.25% per annum. Interest under the Margin Loan Facility is payable quarterly.

The Margin Loan Facility will mature in April 2022. The borrower may voluntarily repay outstanding loans under the Margin Loan Facility at any time without premium or penalty, other than customary "breakage" costs, subject to certain minimum threshold amounts for prepayment.

*Margin Bridge Facility* — On September 7, 2016, Merger Sub and EMC entered into a credit agreement providing for a senior secured margin bridge facility in an aggregate principal amount of \$2.5 billion (the "Margin Bridge Facility").

During the three months ended May 5, 2017, the Company separately applied the proceeds from the Term Loan B Facility refinancing and the issuance of the Margin Loan Facility to repay the Margin Bridge Facility, without premium or penalty.

*VMware Note Bridge Facility* — On September 7, 2016, Merger Sub and EMC entered into a credit agreement providing for a senior secured note bridge facility in an aggregate principal amount of \$1.5 billion (the "VMware Note Bridge Facility"). The VMware Note Bridge Facility is secured solely by certain intercompany notes in an aggregate principal amount of \$1.5 billion issued by VMware, Inc. that are payable to EMC, and the proceeds thereof.

Interest under the VMware Note Bridge Facility is payable, at the borrower's option, either at (a) a base rate plus 0.75% per annum or (b) a LIBOR-based rate plus 1.75% per annum. Interest is payable, in the case of loans bearing interest based on LIBOR, at the end of each interest period (but at least every three months), in arrears and, in the case of loans bearing interest based on the base rate, quarterly in arrears.

The VMware Note Bridge Facility has no amortization. The borrower is required to prepay outstanding borrowings under the VMware Note Bridge Facility with 100% of the net cash proceeds of any asset sale or other disposition of the pledged VMware, Inc. promissory notes. The borrower may voluntarily repay outstanding loans under the VMware Note Bridge Facility at any time without premium or penalty, other than customary "breakage" costs, subject to certain minimum threshold amounts for prepayment. For more information regarding the VMware Note Bridge Facility see Note 21 of the Notes to the Condensed Consolidated Financial Statements.

*Structured Financing Debt* — As of August 4, 2017 and February 3, 2017, the Company had \$4.1 billion and \$3.5 billion, respectively, in outstanding structured financing debt, which was primarily related to the fixed-term lease and loan securitization programs and the revolving loan securitization programs. See Note 6 and Note 8 of the Notes to the Condensed Consolidated Financial Statements for further discussion of the structured financing debt and the interest rate swap agreements that hedge a portion of that debt.

*Unsecured Notes and Debentures* — The Company has unsecured notes and debentures (collectively, the "Unsecured Notes and Debentures") that were issued prior to the acquisition of Dell by Dell Technologies Inc. Interest on these borrowings is payable semiannually.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Aggregate Future Maturities* — As of August 4, 2017, aggregate future maturities of the Company's debt were as follows:

	<b>Maturities by Fiscal Year</b>						<b>Total</b>
	<b>2018 (remaining six months)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Thereafter</b>	
	(in millions)						
Structured Financing Debt	\$ 1,653	\$ 1,827	\$ 422	\$ 117	\$ 30	\$ 1	\$ 4,050
Senior Secured Credit Facilities and First Lien Notes	125	2,169	4,198	336	7,302	16,977	31,107
Unsecured Notes and Debentures	—	500	600	—	400	953	2,453
Senior Notes and EMC Notes	—	2,500	—	2,000	1,625	2,625	8,750
Margin Loan Facility	—	—	—	—	—	2,000	2,000
Bridge Facility	1,500	—	—	—	—	—	1,500
Other	18	10	5	27	—	26	86
Total maturities, principal amount	3,296	7,006	5,225	2,480	9,357	22,582	49,946
Associated carrying value adjustments	(3)	(29)	(45)	(1)	(217)	(591)	(886)
Total maturities, carrying value amount	<u>\$ 3,293</u>	<u>\$ 6,977</u>	<u>\$ 5,180</u>	<u>\$ 2,479</u>	<u>\$ 9,140</u>	<u>\$ 21,991</u>	<u>\$ 49,060</u>

*Covenants and Unrestricted Net Assets* — The credit agreement for the Senior Secured Credit Facilities contain customary negative covenants that generally limit the ability of Denali Intermediate Inc., a wholly-owned subsidiary of Dell Technologies ("Dell Intermediate"), Dell, and Dell's and Denali Intermediate's other restricted subsidiaries to incur debt, create liens, make fundamental changes, enter into asset sales, make certain investments, pay dividends or distribute or redeem certain equity interests, prepay or redeem certain debt, and enter into certain transactions with affiliates. The indenture governing the Senior Notes contains customary negative covenants that generally limit the ability of Denali Intermediate, Dell, and Dell's and Denali Intermediate's other restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of capital stock or make other restricted payments, make certain investments, sell or transfer certain assets, create liens on certain assets to secure debt, consolidate, merge, sell, or otherwise dispose of all or substantially all assets, enter into certain transactions with affiliates, and designate subsidiaries as unrestricted subsidiaries. The negative covenants under such credit agreements and indenture are subject to certain exceptions, qualifications, and "baskets." The indentures governing the First Lien Notes, the Unsecured Notes and Debentures, and the EMC Notes variously impose limitations, subject to specified exceptions, on creating certain liens, entering into sale and lease-back transactions, and entering into certain asset sales. As of August 4, 2017, the Company had certain consolidated subsidiaries that were designated as unrestricted subsidiaries for all purposes of the applicable credit agreements and the indentures governing the First Lien Notes and the Senior Notes. The foregoing credit agreements and indentures contain customary events of default, including failure to make required payments, failure to comply with covenants, and the occurrence of certain events of bankruptcy and insolvency.

The Term Loan A-1 Facility, the Term Loan A-2 Facility, the Term Loan A-3 Facility, and the Revolving Credit Facility are subject to a first lien net leverage ratio covenant that is tested at the end of each fiscal quarter of Dell with respect to Dell's preceding four fiscal quarters. The Company was in compliance with all financial covenants as of August 4, 2017.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 8 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES***Derivative Instruments*

As part of its risk management strategy, the Company uses derivative instruments, primarily foreign currency forward and option contracts and interest rate swaps, to hedge certain foreign currency and interest rate exposures, respectively.

The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge the exposures, thereby reducing volatility of earnings and protecting the fair values of assets and liabilities. For derivatives designated as cash flow hedges, the Company assesses hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative and recognizes any ineffective portion of the hedge in earnings as a component of interest and other, net. Hedge ineffectiveness recognized in earnings was not material during the three and six months ended August 4, 2017 and July 29, 2016.

*Foreign Exchange Risk*

The Company uses foreign currency forward and option contracts designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in its forecasted transactions denominated in currencies other than the U.S. dollar. Hedge accounting is applied based upon the criteria established by accounting guidance for derivative instruments and hedging activities. The risk of loss associated with purchased options is limited to premium amounts paid for the option contracts. The risk of loss associated with forward contracts is equal to the exchange rate differential from the time the contract is entered into until the time it is settled. The majority of these contracts typically expire in twelve months or less.

During the three and six months ended August 4, 2017 and July 29, 2016, the Company did not discontinue any cash flow hedges related to foreign exchange contracts that had a material impact on the Company's results of operations due to the probability that the forecasted cash flows would not occur.

The Company uses forward contracts to hedge monetary assets and liabilities denominated in a foreign currency. These contracts generally expire in three months or less, are considered economic hedges, and are not designated for hedge accounting. The change in the fair value of these instruments represents a natural hedge as their gains and losses offset the changes in the underlying fair value of the monetary assets and liabilities due to movements in currency exchange rates.

In connection with the expanded offerings of DFS in Europe, forward contracts are used to hedge financing receivables denominated in foreign currencies. These contracts are not designated for hedge accounting and most expire within three years or less.

*Interest Rate Risk*

The Company uses interest rate swaps to hedge the variability in cash flows related to the interest rate payments on structured financing debt. The interest rate swaps economically convert the variable rate on the structured financing debt to a fixed interest rate to match the underlying fixed rate being received on fixed-term customer leases and loans. These contracts are not designated for hedge accounting and most expire within three years or less.

Interest rate swaps are utilized to manage the interest rate risk, at a portfolio level, associated with DFS operations in Europe. The interest rate swaps economically convert the fixed rate on financing receivables to a three-month Euribor floating rate basis in order to match the floating rate nature of the banks' funding pool. These contracts are not designated for hedge accounting and most expire within three years or less.

The Company utilizes cross currency amortizing swaps to hedge the currency and interest rate risk exposure associated with the securitization program that was established in Europe in January 2017. The cross currency swaps combine a Euro-based interest rate swap with a British Pound or U.S. Dollar foreign exchange forward contract in which the Company pays a fixed British Pound or U.S. Dollar amount and receives a floating amount in Euro linked to the one-month Euribor. The notional value of the swaps amortizes in line with the expected cash flows and run-off of the securitized assets. The swaps mature within five years or less and are not designated for hedge accounting.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Notional Amounts of Outstanding Derivative Instruments*

The notional amounts of the Company's outstanding derivative instruments were as follows as of the dates indicated:

	<u>August 4, 2017</u>	<u>February 3, 2017 (a)</u>
	(in millions)	
<i>Foreign exchange contracts:</i>		
Designated as cash flow hedging instruments	\$ 4,181	\$ 3,781
Non-designated as hedging instruments	6,601	5,146
Total	<u>\$ 10,782</u>	<u>\$ 8,927</u>
<i>Interest rate contracts:</i>		
Non-designated as hedging instruments	\$ 1,519	\$ 1,251

(a) During the three months ended May 5, 2017, the notional amount calculation methodology was enhanced to reflect the sum of the absolute value of derivative instruments netted by currency. Prior period amounts have been updated to conform with the current period presentation.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Effect of Derivative Instruments on the Condensed Consolidated Statements of Financial Position and the Condensed Consolidated Statements of Income (Loss).*

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI, Net of Tax, on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
(in millions)					
<i>For the three months ended August 4, 2017</i>					
		Total net revenue	\$ (49)		
Foreign exchange contracts	\$ (141)	Total cost of net revenue	(21)		
Interest rate contracts	—	Interest and other, net	—	Interest and other, net	\$ —
Total	<u>\$ (141)</u>		<u>\$ (70)</u>		<u>\$ —</u>
<i>For the three months ended July 29, 2016</i>					
		Total net revenue	\$ (21)		
Foreign exchange contracts	\$ 58	Total cost of net revenue	(6)		
Interest rate contracts	—	Interest and other, net	—	Interest and other, net	\$ —
Total	<u>\$ 58</u>		<u>\$ (27)</u>		<u>\$ —</u>
<i>For the six months ended August 4, 2017</i>					
		Total net revenue	\$ (32)		
Foreign exchange contracts	\$ (157)	Total cost of net revenue	(17)		
Interest rate contracts	—	Interest and other, net	—	Interest and other, net	\$ —
Total	<u>\$ (157)</u>		<u>\$ (49)</u>		<u>\$ —</u>
<i>For the six months ended July 29, 2016</i>					
		Total net revenue	\$ (66)		
Foreign exchange contracts	\$ (107)	Total cost of net revenue	(14)		
Interest rate contracts	—	Interest and other, net	—	Interest and other, net	\$ (1)
Total	<u>\$ (107)</u>		<u>\$ (80)</u>		<u>\$ (1)</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Fair Value of Derivative Instruments in the Condensed Consolidated Statements of Financial Position*

The Company presents its foreign exchange derivative instruments on a net basis in the Condensed Consolidated Statements of Financial Position due to the right of offset by its counterparties under master netting arrangements. The fair value of those derivative instruments presented on a gross basis as of each date indicated below was as follows:

	<b>August 4, 2017</b>				
	<b>Other Current Assets</b>	<b>Other Non- Current Assets</b>	<b>Other Current Liabilities</b>	<b>Other Non- Current Liabilities</b>	<b>Total Fair Value</b>
	(in millions)				
<i>Derivatives designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	\$ 19	\$ —	\$ 23	\$ —	\$ 42
Foreign exchange contracts in a liability position	(23)	—	(57)	—	(80)
Net asset (liability)	(4)	—	(34)	—	(38)
<i>Derivatives not designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	179	2	68	—	249
Foreign exchange contracts in a liability position	(59)	—	(214)	—	(273)
Interest rate contracts in an asset position	—	7	—	—	7
Interest rate contracts in a liability position	—	—	—	—	—
Net asset (liability)	120	9	(146)	—	(17)
Total derivatives at fair value	<u>\$ 116</u>	<u>\$ 9</u>	<u>\$ (180)</u>	<u>\$ —</u>	<u>\$ (55)</u>

	<b>February 3, 2017</b>				
	<b>Other Current Assets</b>	<b>Other Non- Current Assets</b>	<b>Other Current Liabilities</b>	<b>Other Non- Current Liabilities</b>	<b>Total Fair Value</b>
	(in millions)				
<i>Derivatives designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	\$ 41	\$ —	\$ 17	\$ —	\$ 58
Foreign exchange contracts in a liability position	(19)	—	(6)	—	(25)
Net asset (liability)	22	—	11	—	33
<i>Derivatives not designated as hedging instruments:</i>					
Foreign exchange contracts in an asset position	309	2	31	—	342
Foreign exchange contracts in a liability position	(131)	—	(103)	—	(234)
Interest rate contracts in an asset position	—	3	—	—	3
Interest rate contracts in a liability position	—	—	—	(3)	(3)
Net asset (liability)	178	5	(72)	(3)	108
Total derivatives at fair value	<u>\$ 200</u>	<u>\$ 5</u>	<u>\$ (61)</u>	<u>\$ (3)</u>	<u>\$ 141</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following table presents the gross amounts of the Company's derivative instruments, amounts offset due to master netting agreements with the Company's counterparties, and the net amounts recognized in the Condensed Consolidated Statements of Financial Position.

<b>August 4, 2017</b>							
Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position		Net Amount		
			Financial Instruments	Cash Collateral Received or Pledged			
(in millions)							
<i>Derivative instruments:</i>							
Financial assets	\$ 298	\$ (173)	\$ 125	\$ —	\$ —	\$ 125	
Financial liabilities	(353)	173	(180)	—	—	(180)	
Total derivative instruments	\$ (55)	\$ —	\$ (55)	\$ —	\$ —	\$ (55)	

<b>February 3, 2017</b>							
Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position		Net Amount		
			Financial Instruments	Cash Collateral Received or Pledged			
(in millions)							
<i>Derivative instruments:</i>							
Financial assets	\$ 403	\$ (198)	\$ 205	\$ —	\$ —	\$ 205	
Financial liabilities	(262)	198	(64)	—	—	(64)	
Total derivative instruments	\$ 141	\$ —	\$ 141	\$ —	\$ —	\$ 141	

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 9 — GOODWILL AND INTANGIBLE ASSETS**Goodwill

The following table presents goodwill allocated to the Company's business segments as of August 4, 2017 and February 3, 2017, and changes in the carrying amount of goodwill for the respective periods:

	<b>Client Solutions Group</b>	<b>Infrastructure Solutions Group</b>	<b>VMware</b>	<b>Other Businesses (a)</b>	<b>Total</b>
	(in millions)				
Balances as of February 3, 2017	\$ 4,237	\$ 15,607	\$ 15,070	\$ 3,996	\$ 38,910
Goodwill acquired during the period	—	—	238	9	247
Goodwill divested	—	(13)	—	—	(13)
Impact of foreign currency translation	—	220	—	43	263
Balances as of August 4, 2017	<u>\$ 4,237</u>	<u>\$ 15,814</u>	<u>\$ 15,308</u>	<u>\$ 4,048</u>	<u>\$ 39,407</u>

(a) Other Businesses consists of offerings by RSA Information Security, SecureWorks, Pivotal, and Boomi.

Goodwill and indefinite-lived intangible assets are tested for impairment annually during the third fiscal quarter and whenever events or circumstances may indicate that an impairment has occurred. Based on the results of the annual impairment test, which was a qualitative test, no impairment of goodwill or indefinite-lived intangible assets existed for any reporting unit as of October 28, 2016. No events or circumstances transpired subsequent to the annual impairment test that would indicate a potential impairment of goodwill as of August 4, 2017. Further, the Company did not have any accumulated goodwill impairment charges as of August 4, 2017.

Management exercised significant judgment related to the above assessment, including the identification of goodwill reporting units, assignment of assets and liabilities to goodwill reporting units, assignment of goodwill to reporting units, and determination of the fair value of each goodwill reporting unit. The fair value of each goodwill reporting unit is generally estimated using a discounted cash flow methodology. This analysis requires significant judgment, including estimation of future cash flows, which is dependent on internal forecasts, the estimation of the long-term growth rate of the Company's business, and the determination of the Company's weighted average cost of capital. Changes in these estimates and assumptions could materially affect the fair value of the goodwill reporting unit, potentially resulting in a non-cash impairment charge.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

Intangible Assets

The Company's intangible assets as of August 4, 2017 and February 3, 2017 were as follows:

	August 4, 2017			February 3, 2017		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Customer relationships	\$ 22,715	\$ (7,095)	\$ 15,620	\$ 22,708	\$ (5,552)	\$ 17,156
Developed technology	15,494	(4,375)	11,119	14,569	(2,510)	12,059
Trade names	1,270	(308)	962	1,268	(201)	1,067
Leasehold assets (liabilities)	128	(4)	124	128	(1)	127
Definite-lived intangible assets	39,607	(11,782)	27,825	38,673	(8,264)	30,409
In-process research and development	—	—	—	890	—	890
Indefinite-lived trade names	3,755	—	3,755	3,754	—	3,754
Total intangible assets	\$ 43,362	\$ (11,782)	\$ 31,580	\$ 43,317	\$ (8,264)	\$ 35,053

Amortization expense related to definite-lived intangible assets was approximately \$1,740 million and \$491 million during the three months ended August 4, 2017 and July 29, 2016, respectively, and \$3,516 million and \$982 million during the six months ended August 4, 2017 and July 29, 2016, respectively. There were no material impairment charges related to intangible assets during the three and six months ended August 4, 2017 and July 29, 2016.

Estimated future annual pre-tax amortization expense of definite-lived intangible assets as of August 4, 2017 over the next five fiscal years and thereafter is as follows:

Fiscal Years	(in millions)
2018 (remaining six months)	\$ 3,463
2019	6,059
2020	4,274
2021	3,333
2022	2,616
Thereafter	8,080
Total	\$ 27,825

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 10 — WARRANTY LIABILITY**

The Company records a liability for its standard limited warranties at the time of sale for the estimated costs that may be incurred. The liability for standard warranties is included in accrued and other current liabilities and other non-current liabilities in the Condensed Consolidated Statements of Financial Position.

Changes in the Company's liability for standard limited warranties are presented in the following table for the periods indicated.

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
<i>Warranty liability:</i>				
Warranty liability at beginning of period	\$ 607	\$ 561	\$ 604	\$ 574
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties (a) (b)	223	182	463	382
Service obligations honored	(242)	(178)	(479)	(391)
Warranty liability at end of period	\$ 588	\$ 565	\$ 588	\$ 565
Current portion	\$ 412	\$ 385	\$ 412	\$ 385
Non-current portion	\$ 176	\$ 180	\$ 176	\$ 180

- (a) Changes in cost estimates related to pre-existing warranties are aggregated with accruals for new standard warranty contracts. The Company's warranty liability process does not differentiate between estimates made for pre-existing warranties and new warranty obligations.
- (b) Includes the impact of foreign currency exchange rate fluctuations.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 11 — SEVERANCE CHARGES**

In connection with the transformation of the Company's business model, the Company incurs costs related to employee severance. The Company records a liability for these costs when it is probable that employees will be entitled to termination benefits and the amounts can be reasonably estimated. The liability related to these actions is included in accrued and other current liabilities in the Condensed Consolidated Statements of Financial Position.

The following table sets forth the activity related to the Company's severance liability for the respective periods:

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
Balance at beginning of period	\$ 257	\$ 29	\$ 416	\$ 26
Severance charges to provision	14	9	44	26
Cash paid and other	(85)	(16)	(274)	(30)
Balance at end of period	\$ 186	\$ 22	\$ 186	\$ 22

Severance costs are included in cost of net revenue, selling, general, and administrative expenses, and research and development expense in the Condensed Consolidated Statements of Income (Loss) as follows:

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
<i>Severance charges:</i>				
Cost of net revenue	\$ (1)	\$ 1	\$ 4	\$ 5
Selling, general, and administrative	7	6	14	13
Research and development	8	2	26	8
Total	\$ 14	\$ 9	\$ 44	\$ 26

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 12 — COMMITMENTS AND CONTINGENCIES**Legal Matters

The Company is involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time to time in the ordinary course of its business, including those identified below, consisting of matters involving consumer, antitrust, tax, intellectual property, and other issues on a global basis. The Company accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. The Company reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and the Company's views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in the Company's accrued liabilities would be recorded in the period in which such a determination is made. For some matters, the amount of liability is not probable or the amount cannot be reasonably estimated and therefore accruals have not been made. The following is a discussion of the Company's significant legal matters and other proceedings:

*EMC Merger Litigation* — The Company, Dell, and Universal Acquisition Co. ("Universal") were named as defendants in fifteen putative class-action lawsuits brought by purported EMC shareholders and VMware, Inc. stockholders challenging the proposed merger between the Company, Dell, and Universal on the one hand, and EMC on the other (the "EMC merger"). Those suits are captioned as follows:

<b>Case</b>	<b>Court</b>	<b>Filing Date</b>
1. <u>IBEW Local No. 129 Benefit Fund v. Tucci</u> , Civ. No. 1584-3130-BLS1	Mass. Superior Court, Suffolk County	10/15/2015
2. <u>Barrett v. Tucci</u> , Civ. No. 15-6023-A	Mass. Superior Court, Middlesex County	10/16/2015
3. <u>Graulich v. Tucci</u> , Civ. No. 1584-3169-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
4. <u>Vassallo v. EMC Corp.</u> , Civ. No. 1584-3173-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
5. <u>City of Miami Police Relief &amp; Pension Fund v. Tucci</u> , Civ. No. 1584-3174-BLS1	Mass. Superior Court, Suffolk County	10/19/2015
6. <u>Lasker v. EMC Corp.</u> , Civ. No. 1584-3214-BLS1	Mass. Superior Court, Suffolk County	10/23/2015
7. <u>Walsh v. EMC Corp.</u> , Civ. No. 15-13654	U.S. District Court, District of Massachusetts	10/27/2015
8. <u>Local Union No. 373 U.A. Pension Plan v. EMC Corp.</u> , Civ. No. 1584-3253-BLS1	Mass. Superior Court, Suffolk County	10/28/2015
9. <u>City of Lakeland Emps.' Pension &amp; Ret. Fund v. Tucci</u> , Civ. No. 1584-3269-BLS1	Mass. Superior Court, Suffolk County	10/28/2015
10. <u>Ma v. Tucci</u> , Civ. No. 1584-3281-BLS1	Mass. Superior Court, Suffolk County	10/29/2015
11. <u>Stull v. EMC Corp.</u> , Civ. No. 15-13692	U.S. District Court, District of Massachusetts	10/30/2015
12. <u>Jacobs v. EMC Corp.</u> , Civ. No. 15-6318-H	Mass. Superior Court, Middlesex County	11/12/2015
13. <u>Ford v. VMware, Inc.</u> , C.A. No. 11714-VCL	Delaware Chancery Court	11/17/2015
14. <u>Pancake v. EMC Corp.</u> , Civ. No. 16-10040	U.S. District Court, District of Massachusetts	1/11/2016
15. <u>Booth Family Trust v. EMC Corp.</u> , Civ. No. 16-10114	U.S. District Court, District of Massachusetts	1/26/2016

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The fifteen lawsuits sought, among other things, injunctive relief enjoining the EMC merger, rescission of the EMC merger if consummated, an award of fees and costs, and/or an award of damages.

The complaints in the IBEW, Barrett, Graulich, Vassallo, City of Miami, Lasker, Local Union No. 373, City of Lakeland, and Ma actions generally allege that the EMC directors breached their fiduciary duties to EMC shareholders in connection with the EMC merger by, among other things, failing to maximize shareholder value and agreeing to provisions in the EMC merger agreement that discouraged competing bids. After consolidating the nine complaints, by decision dated December 7, 2015, the Business Litigation Session of the Suffolk County Superior Court in Massachusetts dismissed all nine complaints for failure to make a demand on the EMC board of directors. Three of the nine plaintiffs in the consolidated actions appealed the judgment dismissing their complaints. The Massachusetts Supreme Judicial Court granted an application for direct appellate review, and heard oral argument on the appeal on November 7, 2016. On March 6, 2017, the Supreme Judicial Court issued a decision affirming the dismissal. This decision terminated the consolidated actions.

The complaints in the Walsh, Stull, Pancake, and Booth actions allege that the EMC directors breached their fiduciary duties to EMC shareholders in connection with the EMC merger by, among other things, failing to maximize shareholder value and agreeing to provisions in the EMC merger agreement that discouraged competing bids. The complaints generally further allege that the preliminary registration statement on Form S-4 filed by the Company on December 14, 2015 in connection with the transaction contained material misstatements and omissions, in violation of Section 14(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and SEC Rule 14a-9 promulgated thereunder and/or that the Company, Dell, and Universal acted as controlling persons of EMC under Section 20(a) of the Exchange Act. On June 6, 2016, the Securities and Exchange Commission declared effective the Company's registration statement on Form S-4 relating to the EMC merger (the "SEC Form S-4"), including the amendments thereto. On June 17, 2016, the parties to the Walsh, Stull, Pancake, and Booth actions submitted to the Court a Stipulation and Proposed Order Dismissing Action and Retaining Jurisdiction to Determine Plaintiffs' Counsel's Application for an Award of Attorneys' Fees and Reimbursement of Expenses. In the stipulation, the plaintiffs represented to the Court that they believe sufficient information had been disclosed to warrant dismissal of the actions as moot in light of the disclosures in the SEC Form S-4, including the amendments thereto. On October 25, 2016, following an agreement between the parties with respect to attorneys' fees and expenses, the Court entered an order terminating the four actions for all purposes.

The amended complaints in the Jacobs and Ford actions allege that EMC, as the majority stockholder of VMware, Inc., and the individual defendants, who were directors of EMC, VMware, Inc., or both, breached their fiduciary duties to minority stockholders of VMware, Inc. in connection with the proposed EMC merger by allegedly entering into or approving a merger that favors the interests of EMC and Dell at the expense of the minority stockholders. The plaintiffs in the Jacobs action also brought suit against the Company, Dell, and Universal as alleged aiders and abettors. Effective December 2, 2016, the parties entered into an agreement to resolve the Jacobs action, pursuant to which the plaintiff voluntarily dismissed the action with prejudice. Under the operative amended complaint in the Ford action, the plaintiffs also brought suit against the Company and Dell for alleged breach of fiduciary duties to VMware, Inc. and its stockholders, and against the Company, Dell, and Universal for aiding and abetting the alleged breach of fiduciary duties by EMC's and VMware, Inc.'s directors. Certain defendants filed motions to dismiss the amended complaint on June 21, 2016. A hearing on those motions was held on February 3, 2017. On May 2, 2017, the Court dismissed the amended complaint for failure to state a claim upon which relief could be granted and no appeal was taken. All fifteen EMC merger-related lawsuits are now fully and finally resolved.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

*Appraisal Proceedings* — On October 29, 2013, Dell Technologies acquired Dell in a transaction referred to as the going-private transaction. Holders of shares of Dell common stock who did not vote on September 12, 2013 in favor of the proposal to adopt the amended going-private transaction agreement and who properly demanded appraisal of their shares and who otherwise comply with the requirements of Section 262 of the Delaware General Corporate Law ("DGCL") are entitled to seek appraisal for, and obtain payment in cash for the judicially determined "fair value" (as defined pursuant to Section 262 of the DGCL) of, their shares in lieu of receiving the going-private transaction consideration. Dell initially recorded a liability of \$13.75 for each share with respect to which appraisal has been demanded and as to which the demand has not been withdrawn, together with interest at the statutory rate discussed below. This liability was approximately \$129 million as of both August 4, 2017 and February 3, 2017. The Court of Chancery ruled that the fair value of the appraisal shares as of October 29, 2013, the date on which the going-private transaction became effective, was \$17.62 per share. This ruling would entitle the holders of the remaining 5,505,730 shares subject to the appraisal proceedings to \$17.62 per share, plus interest at a statutory rate, compounded quarterly. On November 21, 2016, the Court of Chancery entered final judgment in the appraisal action. On November 22, 2016, Dell filed a notice of appeal to the Delaware Supreme Court, and a hearing is scheduled on that appeal for September 27, 2017. The Company believes it was adequately reserved for the appraisal proceedings as of August 4, 2017.

*Securities Litigation* — On May 22, 2014, a securities class action seeking compensatory damages was filed in the United States District Court for the Southern District of New York, captioned the City of Pontiac Employee Retirement System vs. Dell Inc. et. al. (Case No. 1:14-cv-03644). The action names as defendants Dell Inc. and certain current and former executive officers, and alleges that Dell made false and misleading statements about Dell's business operations and products between February 22, 2012 and May 22, 2012, which resulted in artificially inflated stock prices. The case was transferred to the United States District Court for the Western District of Texas, where the defendants filed a motion to dismiss. On September 16, 2016, the Court denied the motion to dismiss and the case is proceeding with discovery. The defendants believe the claims asserted are without merit and the risk of material loss is remote.

*Copyright Levies* — The Company's obligation to collect and remit copyright levies in certain European Union ("EU") countries may be affected by the resolution of legal proceedings pending in Germany and other EU member states against various companies, including Dell subsidiaries. The plaintiffs in those proceedings generally seek to impose or modify the levies with respect to sales of such equipment as multifunction devices, phones, personal computers, storage devices, and printers, alleging that such products enable the copying of copyrighted materials. Some of the proceedings also challenge whether the levy schemes in those countries comply with EU law. Certain EU member countries that do not yet impose levies on digital devices are expected to implement legislation to enable them to extend existing levy schemes, while some other EU member countries are expected to limit the scope of levy schemes and their applicability in the digital hardware environment. Dell, other companies, and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders. The Company continues to collect levies in certain EU countries where it has determined that based on local laws it is probable that it has a payment obligation. The amount of levies is generally based on the number of products sold and the per-product amounts of the levies, which vary. The Company accrues a liability when it believes that it is both probable that a loss has been incurred and when it can reasonably estimate the amount of the loss.

*Other Litigation* — The various legal proceedings in which Dell is involved include commercial litigation and a variety of patent suits. In some of these cases, Dell is the sole defendant. More often, particularly in the patent suits, Dell is one of a number of defendants in the electronics and technology industries. Dell is actively defending a number of patent infringement suits, and several pending claims are in various stages of evaluation. While the number of patent cases varies over time, Dell does not currently anticipate that any of these matters will have a material adverse effect on its business, financial condition, results of operations, or cash flows.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

As of August 4, 2017, the Company does not believe there is a reasonable possibility that a material loss exceeding the amounts already accrued for these or other proceedings or matters has been incurred. However, since the ultimate resolution of any such proceedings and matters is inherently unpredictable, the Company's business, financial condition, results of operations, or cash flows could be materially affected in any particular period by unfavorable outcomes in one or more of these proceedings or matters. Whether the outcome of any claim, suit, assessment, investigation, or legal proceeding, individually or collectively, could have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows will depend on a number of variables, including the nature, timing, and amount of any associated expenses, amounts paid in settlement, damages, or other remedies or consequences.

Indemnifications

In the ordinary course of business, the Company enters into contractual arrangements under which it may agree to indemnify the third party to such arrangements from any losses incurred relating to the services it performs on behalf of the Company or for losses arising from certain events as defined in the particular contract, such as litigation or claims relating to past performance. Such indemnification obligations may not be subject to maximum loss clauses. Historically, payments related to these indemnifications have not been material to the Company.

In connection with the divestitures discussed in Note 3 of the Notes to the Condensed Consolidated Financial Statements, the Company has indemnified the purchasers of businesses for the occurrence of specified events. The Company does not currently believe that contingent obligations to provide indemnification in connection with these divestitures will have a material adverse effect on the Company.

Purchase Obligations

The Company has contractual obligations to purchase goods or services, which specify significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. As of August 4, 2017, the Company had \$2,724 million, \$267 million, and \$448 million in purchase obligations for Fiscal 2018 (remaining six months), Fiscal 2019, and Fiscal 2020 and thereafter, respectively.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 13 — INCOME AND OTHER TAXES**

For the three and six months ended August 4, 2017, the Company's effective income tax rates for continuing operations were 35.8% and 34.4%, respectively, on pre-tax losses from continuing operations of \$1,524 million and \$3,597 million, respectively. For the three and six months ended July 29, 2016, the Company's effective income tax rates for continuing operations were 7.1% and (7.2)%, respectively, on pre-tax losses from continuing operations of \$282 million and \$640 million, respectively. The change in the Company's effective income tax rate was primarily attributable to prior year tax charges recognized during the three and six months ended July 29, 2016 related to the divestiture of Dell Services and DSG, as well as tax benefits from charges associated with the EMC merger transaction incurred during the six months ended August 4, 2017, including purchase accounting adjustments, interest charges, and stock-based compensation expense. For more information regarding the EMC merger transaction, see Note 2 of the Notes to the Condensed Consolidated Financial Statements. The income tax rate for future quarters of Fiscal 2018 will be impacted by the actual mix of jurisdictions in which income is generated.

The differences between the estimated effective income tax rates and the U.S. federal statutory rate of 35% principally result from the Company's geographical distribution of income and differences between the book and tax treatment of certain items. A portion of the Company's operations is subject to a reduced tax rate or is free of tax under various tax holidays. A significant portion of these income tax benefits relate to a tax holiday that expires in January 2019. The Company's other tax holidays will expire in whole or in part during fiscal years 2019 through 2023. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met.

The Company's U.S. federal income tax returns for fiscal years 2007 through 2009 are currently under consideration by the Office of Appeals of the Internal Revenue Service (the "IRS"). The IRS issued a Revenue Agent's Report ("RAR") related to those years during the fiscal year ended February 3, 2017. The IRS has proposed adjustments primarily relating to transfer pricing matters with which the Company disagrees and will contest through the IRS administrative appeals procedures. In May 2017, the IRS commenced a federal income tax audit for fiscal years 2010 through 2014, which could take several years to complete. Prior to the EMC merger transaction, EMC received a RAR for its tax years 2009 and 2010, and during the three months ended May 5, 2017, EMC received an RAR for its tax year 2011. The Company also disagrees with certain proposed adjustments in these RARs and is currently contesting the proposed adjustments through the IRS administrative appeals process.

The Company is also currently under income tax audits in various state and foreign jurisdictions. The Company is undergoing negotiations, and in some cases contested proceedings, relating to tax matters with the taxing authorities in these jurisdictions. The Company believes that it has provided adequate reserves related to all matters contained in tax periods open to examination. Although the Company believes it has made adequate provisions for the uncertainties surrounding these audits, should the Company experience unfavorable outcomes, such outcomes could have a material impact on its results of operations, financial position, and cash flows. With respect to major U.S. state and foreign taxing jurisdictions, the Company is generally not subject to tax examinations for years prior to fiscal year 2007.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. The Company's net unrecognized tax benefits were \$3.2 billion and \$3.1 billion as of August 4, 2017 and February 3, 2017, respectively, and are included in other non-current liabilities in the Condensed Consolidated Statements of Financial Position. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

The Company takes certain non-income tax positions in the jurisdictions in which it operates and has received certain non-income tax assessments from various jurisdictions. The Company believes that a material loss in these matters is not probable and that it is not reasonably possible that a material loss exceeding amounts already accrued has been incurred. The Company believes its positions in these non-income tax litigation matters are supportable and that it ultimately will prevail in the matters. In the normal course of business, the Company's positions and conclusions related to its non-income taxes could be challenged and assessments may be made. To the extent new information is obtained and the Company's views on its positions, probable outcomes of assessments, or litigation change, changes in estimates to the Company's accrued liabilities would be recorded in the period in which such a determination is made. In the resolution process for income tax and non-income tax audits, the Company may be required to provide collateral guarantees or indemnification to regulators and tax authorities until the matter is resolved.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss is presented in stockholders' equity in the Condensed Consolidated Statements of Financial Position and consists of amounts related to foreign currency translation adjustments, unrealized net gains (losses) on investments, unrealized net gains (losses) on cash flow hedges, and actuarial net gains (losses) from pension and other postretirement plans.

The following table presents changes in accumulated other comprehensive loss, net of tax, by the following components for the periods indicated:

	Foreign Currency Translation Adjustments	Investments	Cash Flow Hedges	Pension and Other Postretirement Plans	Accumulated Other Comprehensive Loss
	(in millions)				
Balances as of February 3, 2017	\$ (612)	\$ (13)	\$ 11	\$ 19	\$ (595)
Other comprehensive income (loss) before reclassifications	450	47	(157)	—	340
Amounts reclassified from accumulated other comprehensive loss	—	3	49	—	52
Total change for the period	450	50	(108)	—	392
Less: Change in comprehensive income attributable to non-controlling interests	—	4	—	—	4
Balances as of August 4, 2017	<u>\$ (162)</u>	<u>\$ 33</u>	<u>\$ (97)</u>	<u>\$ 19</u>	<u>\$ (207)</u>

Amounts related to investments are reclassified to net income when gains and losses are realized. See Note 4 and Note 5 of the Notes to the Condensed Consolidated Financial Statements for more information on the Company's investments. Amounts related to the Company's cash flow hedges are reclassified to net income during the same period in which the items being hedged are recognized in earnings. In addition, any hedge ineffectiveness related to cash flow hedges is recognized currently in net income. See Note 8 of the Notes to the Condensed Consolidated Financial Statements for more information on the Company's derivative instruments.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following tables present reclassifications out of accumulated other comprehensive loss, net of tax, to net income (loss) for the periods presented:

	<b>Three Months Ended</b>					
	<b>August 4, 2017</b>			<b>July 29, 2016</b>		
	<b>Investments</b>	<b>Cash Flow Hedges</b>	<b>Total</b>	<b>Investments</b>	<b>Cash Flow Hedges</b>	<b>Total</b>
	(in millions)					
<i>Total reclassifications, net of tax:</i>						
Net revenue	\$ —	\$ (49)	\$ (49)	\$ —	\$ (21)	\$ (21)
Cost of net revenue	—	(21)	(21)	—	(6)	(6)
Interest and other, net	(2)	—	(2)	—	—	—
<b>Total reclassifications, net of tax</b>	<b>\$ (2)</b>	<b>\$ (70)</b>	<b>\$ (72)</b>	<b>\$ —</b>	<b>\$ (27)</b>	<b>\$ (27)</b>

	<b>Six Months Ended</b>					
	<b>August 4, 2017</b>			<b>July 29, 2016</b>		
	<b>Investments</b>	<b>Cash Flow Hedges</b>	<b>Total</b>	<b>Investments</b>	<b>Cash Flow Hedges</b>	<b>Total</b>
	(in millions)					
<i>Total reclassifications, net of tax:</i>						
Net revenue	\$ —	\$ (32)	\$ (32)	\$ —	\$ (66)	\$ (66)
Cost of net revenue	—	(17)	(17)	—	(14)	(14)
Interest and other, net	(3)	—	(3)	—	(1)	(1)
<b>Total reclassifications, net of tax</b>	<b>\$ (3)</b>	<b>\$ (49)</b>	<b>\$ (52)</b>	<b>\$ —</b>	<b>\$ (81)</b>	<b>\$ (81)</b>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 15 — NON-CONTROLLING INTERESTS**

*VMware, Inc.* — The non-controlling interests' share of equity in VMware, Inc. is reflected as a component of the non-controlling interests in the accompanying Condensed Consolidated Statements of Financial Position and was \$5.4 billion and \$5.2 billion as of August 4, 2017 and February 3, 2017, respectively. As of August 4, 2017 and February 3, 2017, the Company held approximately 81.4% and 82.5%, respectively, of the outstanding equity interest in VMware, Inc.

*SecureWorks* — On April 27, 2016, SecureWorks completed a registered underwritten IPO of its Class A common stock. The non-controlling interests' share of equity in SecureWorks is reflected as a component of the non-controlling interests in the accompanying Condensed Consolidated Statements of Financial Position and was \$87 million and \$86 million as of August 4, 2017 and February 3, 2017, respectively. As of August 4, 2017 and February 3, 2017, the Company held approximately 87.1% and 87.5%, respectively, of the outstanding equity interest in SecureWorks.

*Pivotal* — A portion of the non-controlling interests in Pivotal is held by third parties in the form of preferred equity instruments. Due to the terms of such instruments, Pivotal's results of operations and equity activity are not attributable to such interests in Pivotal in the Condensed Consolidated Statements of Income (Loss) and Condensed Consolidated Statements of Financial Position. The preferred equity instruments are convertible into common shares at the non-controlling owner's election at any time. The remaining portion of the non-controlling interests in Pivotal is held by third parties in the form of common stock. Pivotal's results of operations and equity activity are attributable to such interests in Pivotal in the Condensed Consolidated Statements of Income (Loss) and Condensed Consolidated Statements of Financial Position. The non-controlling interests' share of equity in Pivotal, including both preferred equity instruments and common stock, is reflected as a component of the non-controlling interests in the accompanying Condensed Consolidated Statements of Financial Position and was \$477 million and \$472 million as of August 4, 2017 and February 3, 2017, respectively. As of August 4, 2017 and February 3, 2017, the Company held approximately 77.4% and 77.8%, respectively, of the outstanding equity interest in Pivotal.

The effect of changes in the Company's ownership interest in VMware, Inc., SecureWorks, and Pivotal on the Company's equity for the period presented was as follows:

	<b>Six Months Ended</b>
	<b>August 4, 2017</b>
	(in millions)
Net loss attributable to Dell Technologies Inc.	\$ (2,280)
Transfers (to) from the non-controlling interests:	
Increase in Dell Technologies Inc. additional paid-in-capital for equity issuances and other equity activity	305
Decrease in Dell Technologies Inc. additional paid-in-capital for equity issuances and other equity activity	(351)
Net transfers to non-controlling interests	(46)
Change from net loss attributable to Dell Technologies Inc. and transfers to/from the non-controlling interests	\$ (2,326)

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 16 — EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is based on the weighted-average effect of all common shares issued and outstanding and is calculated by dividing net income (loss) by the weighted-average shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares used in the basic earnings (loss) per share calculation plus the number of common shares that would be issued assuming exercise or conversion of all potentially dilutive instruments. The Company excludes equity instruments from the calculation of diluted earnings (loss) per share if the effect of including such instruments is antidilutive.

The Company has two groups of common stock, denoted as the DHI Group Common Stock and the Class V Common Stock. The DHI Group Common Stock consists of four classes of common stock, referred to as Class A Common Stock, Class B Common Stock, Class C Common Stock, and Class D Common Stock. The DHI Group generally refers to the direct and indirect interest of Dell Technologies in all of Dell Technologies' business, assets, properties, liabilities, and preferred stock other than those attributable to the Class V Group, as well as its retained interest in the Class V Group equal to approximately 38% of the Company's economic interest in the Class V Group as of August 4, 2017. The Class V Common Stock is intended to track the economic performance of approximately 62% of the Company's economic interest in the Class V Group as of such date. As of August 4, 2017, the Class V Group consisted solely of approximately 333 million shares of VMware, Inc. common stock held by the Company. See Note 17 of the Notes to the Condensed Consolidated Financial Statements and Exhibit 99.1 to the Company's quarterly report on Form 10-Q for the quarterly period ended August 4, 2017 for more information regarding the allocation of earnings from Dell Technologies' interest in VMware, Inc. between the DHI Group and the Class V Common Stock.

For purposes of calculating earnings (loss) per share, the Company used the two-class method. As all classes of DHI Group Common Stock share the same rights in dividends, basic and diluted earnings (loss) per share are the same for each class of DHI Group Common Stock.

The following table sets forth basic and diluted earnings (loss) per share for each of the periods presented:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>	<b>August 4, 2017</b>	<b>July 29, 2016</b>
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - basic:</i>				
Continuing operations - Class V Common Stock - basic	\$ 0.83	\$ —	\$ 1.40	\$ —
Continuing operations - DHI Group - basic	\$ (1.97)	\$ (0.64)	\$ (4.53)	\$ (1.69)
Discontinued operations - DHI Group - basic	\$ —	\$ 2.06	\$ —	\$ 3.24
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - diluted:</i>				
Continuing operations - Class V Common Stock - diluted	\$ 0.82	\$ —	\$ 1.38	\$ —
Continuing operations - DHI Group - diluted	\$ (1.97)	\$ (0.64)	\$ (4.54)	\$ (1.69)
Discontinued operations - DHI Group - diluted	\$ —	\$ 2.06	\$ —	\$ 3.24

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following table sets forth the computation of basic and diluted earnings (loss) per share for each of the periods presented:

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
<i>Numerator: Continuing operations - Class V Common Stock</i>				
Net income from continuing operations attributable to Class V Common Stock - basic	\$ 168	\$ —	\$ 286	\$ —
Incremental dilution from VMware, Inc. attributable to Class V Common Stock (a)	(2)	—	(4)	—
Net income from continuing operations attributable to Class V Common Stock - diluted	\$ 166	\$ —	\$ 282	\$ —
<i>Numerator: Continuing operations - DHI Group</i>				
Net loss from continuing operations attributable to DHI Group - basic	\$ (1,114)	\$ (261)	\$ (2,566)	\$ (685)
Incremental dilution from VMware, Inc. attributable to DHI Group (a)	(1)	—	(2)	—
Net loss from continuing operations attributable to DHI Group - diluted	\$ (1,115)	\$ (261)	\$ (2,568)	\$ (685)
<i>Numerator: Discontinued operations - DHI Group</i>				
Income from discontinued operations, net of income taxes - basic and diluted	\$ —	\$ 834	\$ —	\$ 1,313
<i>Denominator: Class V Common Stock weighted-average shares outstanding</i>				
Weighted-average shares outstanding - basic	203	—	205	—
Dilutive effect of options, restricted stock units, restricted stock, and other (b)	—	—	—	—
Weighted-average shares outstanding - diluted	203	—	205	—
Weighted-average shares outstanding - antidilutive (b)	—	—	—	—
<i>Denominator: DHI Group weighted-average shares outstanding</i>				
Weighted-average shares outstanding - basic	566	405	566	405
Dilutive effect of options, restricted stock units, restricted stock, and other	—	—	—	—
Weighted-average shares outstanding - diluted	566	405	566	405
Weighted-average shares outstanding - antidilutive (c)	36	53	37	54

- (a) The incremental dilution from VMware, Inc. represents the impact of VMware, Inc.'s dilutive securities on the diluted earnings (loss) per share of the DHI Group and the Class V Common Stock, respectively, and is calculated by multiplying the difference between VMware, Inc.'s basic and diluted earnings (loss) per share by the number of shares of VMware, Inc. Class A common stock owned by the Company.
- (b) The dilutive effect of Class V Common Stock-based incentive awards was not material to the calculation of the weighted-average Class V Common Stock shares outstanding. The antidilutive effect of these awards was also not material.
- (c) Stock-based incentive awards have been excluded from the calculation of the DHI Group's diluted earnings (loss) per share because their effect would have been antidilutive, as the Company had a net loss from continuing operations attributable to the DHI Group for the periods presented.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following table presents a reconciliation to the consolidated net income (loss) attributable to Dell Technologies Inc.:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>	<b>August 4, 2017</b>	<b>July 29, 2016</b>
	(in millions)			
Net income from continuing operations attributable to Class V Common Stock	\$ 168	\$ —	\$ 286	\$ —
Net loss from continuing operations attributable to DHI Group	(1,114)	(261)	(2,566)	(685)
Net loss from continuing operations attributable to Dell Technologies Inc.	(946)	(261)	(2,280)	(685)
Income from discontinued operations, net of income taxes (Note 3)	—	834	—	1,313
Net income (loss) attributable to Dell Technologies Inc.	<u>\$ (946)</u>	<u>\$ 573</u>	<u>\$ (2,280)</u>	<u>\$ 628</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 17 — CAPITALIZATION**

On June 26, 2017, the stockholders of the Company voted at the Company's 2017 annual meeting of stockholders to adopt an amendment to the Company's certificate of incorporation to increase (1) the total authorized number of shares of the Company's capital stock, including preferred stock, from 2,144,025,308 shares to 9,144,025,308 shares, (2) the total authorized number of shares of the Company's common stock from 2,143,025,308 shares to 9,143,025,308 shares and (3) the total authorized number of shares of the Company's Class C Common Stock from 900,000,000 shares to 7,900,000,000 shares, in each case representing an increase of seven billion shares. A certificate of amendment to the Company's certificate of incorporation effectuating the amendment was filed with the Secretary of State of the State of Delaware on June 29, 2017 and became effective on that date.

The following table summarizes the Company's authorized, issued, and outstanding common stock as of the dates indicated:

	Authorized	Issued	Outstanding
	(in millions of shares)		
<i>Common stock as of February 3, 2017</i>			
Class A	600	410	410
Class B	200	137	137
Class C	900	22	22
Class D	100	—	—
Class V	343	223	209
	<u>2,143</u>	<u>792</u>	<u>778</u>
<i>Common stock as of August 4, 2017</i>			
Class A	600	410	410
Class B	200	137	137
Class C	7,900	23	23
Class D	100	—	—
Class V	343	223	203
	<u>9,143</u>	<u>793</u>	<u>773</u>

*Preferred Stock* — The Company is authorized to issue one million shares of preferred stock, par value \$.01 per share. As of August 4, 2017, no shares of preferred stock were issued or outstanding.

*Class V Common Stock and Class V Group* — In connection with the EMC merger transaction, the Company authorized 343 million shares of Class V Common Stock. The Class V Common Stock is a type of common stock commonly referred to as a tracking stock, which is a class of common stock that is intended to track the economic performance of a defined set of assets and liabilities. As of August 4, 2017, the 203 million shares of outstanding Class V Common Stock were intended to track the economic performance of approximately 62% of Dell Technologies' economic interest in the Class V Group. The Class V Group as of such date consisted solely of approximately 333 million shares of VMware, Inc. common stock held by the Company. The remaining 38% economic interest in the Class V Group as of August 4, 2017 was represented by the approximately 127 million retained interest shares held by the DHI Group. The DHI Group generally refers, in addition to such retained interest, to the direct and indirect interest of Dell Technologies in all of Dell Technologies' business, assets, properties, liabilities, and preferred stock other than those attributable to the Class V Group.

*Repurchases of Common Stock; Treasury Stock*

*Class V Common Stock Repurchases* — On December 13, 2016, the board of directors approved a stock repurchase program (the "Class V Group Repurchase Program") which authorized the Company to use assets of the Class V Group to repurchase up to \$500 million of shares of Class V Common Stock over a period of six months. During the three months ended May 5, 2017, the Company repurchased 1.3 million shares of Class V Common Stock for \$82 million pursuant to this initial authorization.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

On March 27, 2017, the board of directors approved an amendment of the Class V Group Repurchase Program (the "March 2017 Class V Group Repurchase Program") which authorized the Company to use assets of the Class V Group to repurchase up to an additional \$300 million of shares of Class V Common Stock over a period of an additional six months. During the six months ended August 4, 2017, the Company repurchased 4.6 million shares of Class V Common Stock for \$300 million pursuant to the March 2017 Class V Group Repurchase Program. On May 9, 2017, the March 2017 Class V Group Repurchase Program was completed.

The following table presents the repurchase activity with respect to the Class V Common Stock for the six months ended August 4, 2017, and the attribution of the Class V Group between the Class V Common Stock and the DHI Group's retained interest as of the dates indicated:

	Class V Common Stock		DHI Group Retained Interest	
	Shares of Class V Common Stock	Interest in Class V Group	Retained Interest Shares	Interest in Class V Group
	(in millions of shares)			
As of February 3, 2017	209	62%	127	38%
Repurchases of Class V Common Stock	(6)		—	
As of August 4, 2017	203	62%	127	38%

All shares of Class V Common Stock repurchased by the Company pursuant to the repurchase programs are held as treasury stock at cost. The repurchase of shares pursuant to the Class V Common Stock repurchase programs was funded from proceeds received by the Class V Group from the sale by a subsidiary of the Company of shares of Class A common stock of VMware, Inc. owned by such subsidiary, as described below under "VMware, Inc. Class A Common Stock Repurchases." Share repurchases made by VMware, Inc. of its Class A common stock from a subsidiary of the Company do not affect the determination of the respective interests of the Class V Common Stock and the DHI Group in the Class V Group. See Exhibit 99.1 to the Company's quarterly report on Form 10-Q for the quarterly period ended August 4, 2017 for more information regarding Unaudited Attributed Financial Information for the Class V Group.

*VMware, Inc. Class A Common Stock Repurchases* — On December 15, 2016, the Company entered into a stock purchase agreement with VMware, Inc. (the "December 2016 Stock Purchase Agreement"), pursuant to which VMware, Inc. agreed to repurchase for cash \$500 million of shares of VMware, Inc. Class A common stock from a subsidiary of the Company. During the three months ended May 5, 2017, VMware, Inc. repurchased 1.4 million shares pursuant to the December 2016 Stock Purchase Agreement. VMware, Inc. repurchased a total of 6.2 million shares under this agreement. The Company applied the proceeds from the sale to the repurchase of shares of its Class V Common Stock under the Class V Group Repurchase Program described above. All shares repurchased under VMware, Inc.'s stock repurchase programs are retired.

In January 2017, VMware, Inc.'s board of directors authorized the repurchase of up to an additional \$1.2 billion of shares of VMware, Inc. Class A common stock (the "January 2017 Authorization") through the end of Fiscal 2018. On March 29, 2017, the Company entered into a new stock purchase agreement with VMware, Inc. (the "March 2017 Stock Purchase Agreement"), pursuant to which VMware, Inc. agreed to repurchase for cash \$300 million of shares of VMware, Inc. Class A common stock from a subsidiary of the Company. During the six months ended August 4, 2017, VMware, Inc. repurchased approximately 3.4 million shares of Class A common stock pursuant to the January 2017 Authorization and the March 2017 Stock Purchase Agreement. The proceeds from the sale were applied by the Company to the repurchase of shares of the Class V Common Stock under the March 2017 Class V Group Repurchase Program described above. On May 10, 2017, the sale transaction under the March 2017 Stock Purchase Agreement was completed. The total of 3.4 million shares repurchased by VMware, Inc. was based on the volume-weighted average per share price of the Class A common stock as reported on the New York Stock Exchange during a specified reference period, less a discount of 3.5% from that volume-weighted average per share price. As of August 4, 2017, the cumulative authorized amount remaining for share repurchases by VMware, Inc. under the January 2017 Authorization was \$900 million.

For more information regarding common stock repurchase programs, see Note 21 of the Notes to the Condensed Consolidated Financial Statements.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 18 — REDEEMABLE SHARES**

Awards under the Company's stock incentive plans include certain rights that allow the holder to exercise a put feature for the underlying Class A or Class C Common Stock after a six-month holding period following the issuance of such common stock that requires the Company to purchase the stock at its fair market value. Accordingly, these awards and common stock are subject to reclassification from equity to temporary equity, and the Company determines the award amounts to be classified as temporary equity as follows:

- For stock options to purchase Class C Common Stock subject to service requirements, the intrinsic value of the option is multiplied by the portion of the option for which services have been rendered. Upon exercise of the option, the amount in temporary equity represents the fair value of the Class C Common Stock.
- For stock appreciation rights, restricted stock units ("RSUs"), or shares of restricted common stock ("RSAs"), any of which stock award types are subject to service requirements, the fair value of the share is multiplied by the portion of the shares for which services have been rendered.
- For share-based arrangements that are subject to the occurrence of a contingent event, those amounts are not reclassified to temporary equity until the contingency has been satisfied.

The amount of redeemable shares classified as temporary equity as of August 4, 2017 was \$333 million, which consisted of 2.0 million issued and outstanding unrestricted common shares, 0.9 million RSUs, 0.3 million RSAs, and 14.8 million outstanding stock options. The amount of redeemable shares classified as temporary equity as of February 3, 2017 was \$231 million, which consisted of 1.1 million issued and outstanding unrestricted common shares, 0.4 million RSUs, 0.1 million RSAs, and 13.7 million outstanding stock options.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 19 — SEGMENT INFORMATION**

The Company has three reportable segments that are based on the following business units: Client Solutions Group ("CSG"); Infrastructure Solutions Group ("ISG"); and VMware.

CSG includes sales to commercial and consumer customers of desktops, thin client products, and notebooks, as well as services and third-party software and peripherals closely tied to the sale of CSG hardware. ISG includes servers, networking, and storage, as well as services and third-party software and peripherals that are closely tied to the sale of ISG hardware. VMware includes a broad portfolio of virtualization technologies across three main product groups: software-defined data center; hybrid cloud computing; and end-user computing.

The reportable segments disclosed herein are based on information reviewed by the Company's management to evaluate the business segment results. The Company's measure of segment operating income for management reporting purposes excludes the impact of other businesses, purchase accounting, amortization of intangible assets, unallocated corporate transactions, severance and facility action costs, and transaction-related expenses. The Company does not allocate assets to the above reportable segments for internal reporting purposes.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following table presents a reconciliation of net revenue by the Company's reportable segments to the Company's consolidated net revenue as well as a reconciliation of consolidated segment operating income to the Company's consolidated operating loss:

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>	<b>August 4, 2017</b>	<b>July 29, 2016</b>
(in millions)				
<i>Consolidated net revenue:</i>				
Client Solutions Group	\$ 9,851	\$ 9,220	\$ 18,907	\$ 17,791
Infrastructure Solutions Group	7,406	3,779	14,322	7,392
VMware	1,907	—	3,643	—
Reportable segment net revenue	<u>19,164</u>	<u>12,999</u>	<u>36,872</u>	<u>25,183</u>
Other businesses (a)	472	118	934	228
Unallocated transactions (b)	(2)	28	(1)	53
Impact of purchase accounting (c)	(335)	(65)	(690)	(143)
Total net revenue	<u>\$ 19,299</u>	<u>\$ 13,080</u>	<u>\$ 37,115</u>	<u>\$ 25,321</u>
<i>Consolidated operating income (loss):</i>				
Client Solutions Group	\$ 566	\$ 484	\$ 940	\$ 869
Infrastructure Solutions Group	430	300	753	492
VMware	561	—	1,047	—
Reportable segment operating income	<u>1,557</u>	<u>784</u>	<u>2,740</u>	<u>1,361</u>
Other businesses (a)	1	(11)	4	(27)
Unallocated transactions (b)	(6)	(17)	5	(39)
Impact of purchase accounting (c)	(406)	(98)	(829)	(204)
Amortization of intangibles	(1,740)	(491)	(3,516)	(982)
Transaction-related expenses (d)	(138)	(72)	(329)	(129)
Other corporate expenses (e)	(247)	(28)	(554)	(52)
Total operating income (loss)	<u>\$ (979)</u>	<u>\$ 67</u>	<u>\$ (2,479)</u>	<u>\$ (72)</u>

- (a) Other businesses consist of RSA Information Security, SecureWorks, Pivotal, and Boomi, and do not constitute a reportable segment, either individually or collectively, as the results of the businesses are not material to the Company's overall results and the businesses do not meet the criteria for reportable segments.
- (b) Unallocated transactions includes long-term incentives, certain short-term incentive compensation expenses, and other corporate items that are not allocated to Dell Technologies' reportable segments.
- (c) Impact of purchase accounting includes non-cash purchase accounting adjustments that are primarily related to the EMC merger transaction.
- (d) Transaction-related expenses includes acquisition, integration, and divestiture related costs.
- (e) Other corporate expenses includes severance and facility action costs as well as stock-based compensation expense.

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

The following table presents net revenue by business unit categories:

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
<i>Net revenue:</i>				
<i>Client Solutions Group:</i>				
Commercial	\$ 7,196	\$ 6,798	\$ 13,546	\$ 12,943
Consumer	2,655	2,422	5,361	4,848
Total CSG net revenue	9,851	9,220	18,907	17,791
<i>Infrastructure Solutions Group:</i>				
Servers and networking	3,740	3,237	6,971	6,312
Storage	3,666	542	7,351	1,080
Total ISG net revenue	7,406	3,779	14,322	7,392
<i>VMware</i>				
Total VMware net revenue	1,907	—	3,643	—
Total segment net revenue	\$ 19,164	\$ 12,999	\$ 36,872	\$ 25,183

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 20 — SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION**

The following table provides additional information on selected accounts included in the Condensed Consolidated Statements of Financial Position as of August 4, 2017 and February 3, 2017:

	<u>August 4, 2017</u>	<u>February 3, 2017</u>
	(in millions)	
<i>Inventories, net:</i>		
Production materials	\$ 926	\$ 925
Work-in-process	538	503
Finished goods	1,130	1,110
Total inventories, net	<u>2,594</u>	<u>2,538</u>
<i>Other non-current liabilities:</i>		
Warranty liability	176	199
Deferred and other tax liabilities	7,124	8,607
Other	547	533
Total other non-current liabilities	<u>\$ 7,847</u>	<u>\$ 9,339</u>

**DELL TECHNOLOGIES INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(unaudited)

**NOTE 21 — SUBSEQUENT EVENTS**

*Amendment of Class V Common Stock Repurchase Program* — On August 18, 2017, the Company's board of directors approved a second amendment of the Class V Group Repurchase Program (as so amended, the "August 2017 Class V Group Repurchase Program") further extending the program to authorize the Company to use assets of the Company's Class V Group to repurchase up to an additional \$300 million of shares of the Company's Class V Common Stock. The repurchase of shares pursuant to the August 2017 Class V Group Repurchase Program is expected to be funded from proceeds received by the VMware, Inc. Class A Common Stock Repurchase program described below.

*VMware, Inc. Class A Common Stock Repurchase* — In August 2017, VMware, Inc.'s board of directors authorized the repurchase of up to an additional \$1 billion of VMware, Inc. Class A common stock through August 31, 2018. The authorization is in addition to VMware, Inc.'s ongoing \$1.2 billion stock repurchase program, originally announced in January 2017, of which \$0.9 billion remains available. On August 23, 2017, the Company and VMware, Inc. entered into a purchase commitment supplement to the March 2017 Stock Purchase Agreement (as amended, the "August 2017 Stock Purchase Agreement"). Under the August 2017 Stock Purchase Agreement, VMware, Inc. will purchase for cash \$300 million of VMware, Inc. Class A common stock from EMC Equity Assets LLC, an indirect wholly-owned subsidiary of the Company. The Company will apply the proceeds from the sale to the repurchase of shares of its Class V Common Stock under the August 2017 Class V Group Repurchase Program described above, but may use such proceeds for other purposes at the discretion of the Capital Stock Committee of the board of directors and the board of directors. The total number of shares to be purchased by VMware, Inc. under the August 2017 Stock Purchase Agreement will be based on the volume-weighted average per share price of the VMware, Inc. Class A common stock as reported on the New York Stock Exchange during a specified reference period, less a discount of 3.5% from that volume-weighted average per share price, and subject to adjustment in certain circumstances.

*VMware, Inc. Public Debt Offering* — On August 21, 2017, VMware, Inc. completed a public debt offering in the aggregate amount of \$4.0 billion, consisting of outstanding principal due on the following dates: \$1.25 billion due August 21, 2020, \$1.5 billion due August 21, 2022, and \$1.25 billion due August 21, 2027. The notes bear interest, payable semi-annually, at annual rates of 2.30%, 2.95%, and 3.90%, respectively. Upon closing, a portion of the net proceeds from the offering was used to repay certain intercompany promissory notes previously issued to EMC in the aggregate principal amount of \$1.2 billion.

*VMware Note Bridge Facility Repayment* — Subsequent to August 4, 2017, the Company repaid the \$1.5 billion VMware Note Bridge Facility in full with proceeds of \$1.2 billion from the foregoing VMware public debt offering and other cash.

Other than the matters identified above, there were no known events occurring after the balance sheet date and up until the date of the issuance of this report that would materially affect the information presented herein.

## ITEM 2 — MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This management's discussion and analysis should be read in conjunction with the audited Consolidated Financial Statements and accompanying Notes included in the Company's annual report on Form 10-K for the fiscal year ended February 3, 2017 and the unaudited Condensed Consolidated Financial Statements included in this report. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs, and that are subject to numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied in any forward-looking statements.*

*Unless otherwise indicated, all results presented are prepared in a manner that complies, in all material respects, with accounting principles generally accepted in the United States of America ("GAAP"). Additionally, unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.*

*Unless the context indicates otherwise, references in this report to "we," "us," "our," the "Company," and "Dell Technologies" mean Dell Technologies Inc. and its consolidated subsidiaries, and references to "EMC" mean EMC Corporation and EMC Corporation's consolidated subsidiaries.*

*Our fiscal year is the 52- or 53-week period ending on the Friday nearest January 31. We refer to our fiscal years ended February 2, 2018 and February 3, 2017 as "Fiscal 2018" and "Fiscal 2017," respectively. Fiscal 2017 included 53 weeks, with the extra week included in the fourth quarter of Fiscal 2017. Fiscal 2018 will include 52 weeks.*

*On September 7, 2016, we completed our acquisition by merger of EMC. The consolidated results of EMC are included in Dell Technologies' consolidated results for the Fiscal 2018 periods presented. During Fiscal 2017, we closed the Dell Services, Dell Services Group ("DSG"), and Enterprise Content Division ("ECD") divestiture transactions. Accordingly, the results of operations of Dell Services, DSG, and ECD, as well as the related gains or losses on sale, have been excluded from the results of continuing operations in the relevant periods, except as otherwise indicated.*

### INTRODUCTION

Dell Technologies is a strategically aligned family of businesses that brings together the entire infrastructure from hardware to software to services — from the edge to the data center to the cloud. Dell Technologies is a leader in the traditional technology of today and a leader in the cloud-native infrastructure of tomorrow. We are a leading provider of scalable IT solutions enabling customers to be more efficient, mobile, informed, and secure. Through our recent combination with EMC, Dell Technologies now primarily encompasses our Client Solutions Group, Infrastructure Solutions Group, VMware, Inc., RSA Information Security, SecureWorks Corp. ("SecureWorks"), Pivotal Software, Inc. ("Pivotal"), and Boomi, Inc ("Boomi"). We are focused on providing technology solutions and services that accelerate digital transformation. We believe technology exists to drive human progress on a global scale — to create new markets, reshape industries, and improve lives. We are positioned to help customers of any size build the essential infrastructure to modernize IT and enable digital business, and are differentiated by our practical innovation and efficient, simple, and affordable solutions.

Dell Technologies is committed to our customers. We believe our products, solutions, and services will help power digital transformation. As we innovate to make our customers' existing IT increasingly productive, we help them reinvest their savings into the next generation of technologies that they need to succeed in the digital economy. Our next-generation solutions which enable digital transformation include software-defined data centers, all flash arrays, hybrid cloud, converged and hyper-converged infrastructure, mobile, and security solutions. In addition, our extended warranty and delivery offerings, and software and peripherals, which are closely tied to the sale of our hardware products, are important value differentiators that we are able to offer our customers.

We are actively working on the integration of EMC acquired businesses and in our combined go-to-market initiatives. During this period of transition and integration, we remain focused on supporting our customers with outstanding solutions, products, and services. We will continue our focus on building superior customer relationships through our direct model and our network of channel partners, which includes value-added resellers, system integrators, distributors, and retailers. We also will continue investing in strategic solutions and enhancing our go-to-market sales and marketing capabilities as we seek to strengthen our position as leading global technology company poised for long-term sustainable growth and innovation.

As we stay focused on our customers, we will pursue the following strategic initiatives:

- Extend our market leading position through our Client Solutions Group and Infrastructure Solutions Group offerings
- Grow our strong position in IT infrastructure for traditional and cloud-native workloads, both on- and off-premises
- Innovate with winning technology that spans and unites on- and off-premises applications and infrastructure and that enables IT, security, and workforce transformation required by our customers

As part of this strategy, we will continue to evaluate opportunities for strategic investments through our venture capital investment arm, Dell Technologies Capital, with a focus on emerging technology areas that are relevant to the Dell Technologies' unique family of businesses and that will complement our existing portfolio of solutions. Our investment areas include storage, software-defined networking, management and orchestration, security, machine learning and artificial intelligence, Big Data and analytics, cloud, Internet of Things, and software development operations. In addition to these investments, we also may make disciplined acquisitions targeting businesses that advance our strategic objectives.

We operate a diversified business model with the majority of our net revenue and operating income derived from commercial clients that consist of large enterprises, small and medium-sized businesses, and public sector customers.

## Products and Services

We design, develop, manufacture, market, sell, and support a wide range of products and services. We are organized into the following business units, which are our reportable segments: Client Solutions Group; Infrastructure Solutions Group; and VMware. Due to our divestitures of Dell Services, Dell Software Group, and Dell EMC Enterprise Content Division, the results of these businesses, as well as the related gains or losses on sale, have been excluded from the relevant periods, except as otherwise indicated.

- *Client Solutions Group (CSG)* — Offerings by CSG include branded hardware, such as desktop PCs, notebooks, and workstations, and branded peripherals, such as monitors, printers, and projectors. CSG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

Approximately half of CSG revenue is generated by sales to customers in the Americas, with the remaining portion derived from sales to customers in the Europe, Middle East and Africa region ("EMEA") and the Asia-Pacific and Japan region ("APJ").

- *Infrastructure Solutions Group (ISG)* — EMC's Information Storage segment and our former Enterprise Solutions Group were merged to create the Infrastructure Solutions Group, or ISG, which contains storage, server, and networking offerings. The comprehensive portfolio of advanced storage solutions includes traditional storage solutions as well as next-generation storage solutions (including all flash arrays and scale-out file, and object platforms). The server portfolio includes high-performance rack, blade, tower, and hyperscale servers. The networking portfolio enables our business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes. Similar to CSG, ISG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

Approximately half of ISG revenue is generated by sales to customers in the Americas, with the remaining portion derived from sales to customers in EMEA and APJ.

- *VMware* — The VMware reportable segment ("VMware") reflects the operations of VMware, Inc. (NYSE: VMW) within Dell Technologies. See Exhibit 99.1 filed with this report for further details on the differences between VMware reportable segment results and VMware, Inc. results.

VMware is a leader in virtualization and cloud infrastructure solutions, which enable organizations to manage IT resources across complex multi-cloud, multi-device environments. VMware offers a broad portfolio of virtualization technologies across three main product groups: software-defined data center; hybrid cloud computing; and end-user computing.

Approximately half of VMware revenue is generated by sales to customers in the United States.

Our other businesses, described below, consist of product and service offerings of RSA Information Security, SecureWorks, Pivotal, and Boomi. These businesses are not classified as reportable segments, either individually or collectively, as the results of the businesses are not material to our overall results and the businesses do not meet the criteria for reportable segments.

- *RSA Information Security* provides essential cybersecurity solutions engineered to enable organizations to detect, investigate, and respond to advanced attacks, confirm and manage identities, and, ultimately, help reduce IP theft, fraud, and cybercrime.
- *SecureWorks* (NASDAQ: SCWX) is a leading global provider of intelligence-driven information security solutions singularly focused on protecting its clients from cyber attacks.
- *Pivotal* is a leading provider of application and data infrastructure software, agile development services, and data science consulting. Pivotal's cloud-native platform enables leading companies to transform their operations with an approach that is focused on building software, rather than buying it.
- *Boomi* specializes in cloud-based integration, connecting information between existing on-premise and cloud-based applications to ensure business processes are optimized, data is accurate and workflow is reliable.

See Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our other businesses.

For further discussion regarding our current reportable segments, see "Results of Operations — Business Unit Results."

### **Dell Financial Services**

We also offer or arrange various financing options and services for our commercial and consumer customers in North America, Europe, Australia, and New Zealand through Dell Financial Services ("DFS") and its affiliates. DFS services include originating, collecting, and servicing customer receivables primarily related to the purchase of Dell Technologies products. The results of these operations are allocated to our segments based on the underlying product or service financed. For additional information about our financing arrangements, see Note 6 of the Notes to the Condensed Consolidated Financial Statements included in this report.

### **Business Trends and Challenges**

We are seeing an unprecedented rate of change in the IT industry. Organizations of all kinds are embracing digital technology to achieve their business objectives. Our vision is to be the essential infrastructure company and leader in end-user computing, data center infrastructure solutions, virtualization, and cloud software that our customers continue to trust and rely on for their IT solutions and transformations. We accelerate results for our customers by enabling them to be more efficient, mobile, informed, and secure. We continue to invest in research and development, sales, and other key areas of our business to deliver superior products and solutions capabilities and to drive execution of long-term sustainable growth. We believe that our results will benefit from an integrated go-to-market strategy, including enhanced coordination among the family of Dell Technologies companies, and from our differentiated products and solutions capabilities. We intend to continue to execute on our business model and seek to balance liquidity, profitability, and growth to position our company for long-term success.

We are able to leverage our traditional strength in the PC market to offer solutions and services that provide higher-value, recurring revenue streams. Given current market trends, we expect that the demand environment will continue to be cyclical and that competitive dynamics will continue to pressure our CSG business. However, we are committed to a long-term growth strategy that we believe will benefit from the consolidation trends that are occurring in our markets. Our CSG offerings remain an important element of our strategy, generating strong cash flow and opportunities for cross-selling of complementary solutions.

We expect that ISG will continue to be affected by declines in the traditional storage and server markets. Cloud-native applications are expected to continue as a primary growth driver in the infrastructure market as IT organizations increasingly become multi-cloud environments. We believe the complementary cloud solutions across our business, created through our combination with EMC, strongly position us to meet these demands for our customers who are increasingly looking to leverage cloud-based computing. Further, we will provide new and more robust storage and data center solutions to meet the evolving needs of our customers. We also continue to be impacted by the emerging trends of enterprises deploying software-defined storage, hyper-converged, and modular solutions based on server-centric architectures. We have leading solutions in these categories through our ISG and VMware data center offerings. In addition, through our research and development efforts, we expect to develop new solutions in this rapidly changing industry that we believe will enable us to continue to provide superior solutions to our customers.

In ISG, we are also seeing increased interest in "as a service" flexible consumption models by our customers as they seek to build greater flexibility into their cost structures. We have introduced various financing and consumption model to meet our customers' needs.

During the first six months of Fiscal 2018, we have experienced higher component costs which primarily impact CSG and ISG. We expect to see this trend continue in the near term.

We manage our business on a U.S. dollar basis. However, we have a large global presence, generating approximately half of our revenue by sales to customers outside of the United States during the second quarter and first six months of Fiscal 2018 and the second quarter and first six months of Fiscal 2017. Our revenues, therefore, can be impacted by fluctuations in foreign currency exchange rates. We utilize a comprehensive hedging strategy intended to mitigate the impact of foreign currency volatility over time, and we adjust pricing when possible to further minimize foreign currency impacts. The percentage of our revenues generated in regions outside of the United States did not change substantially as a result of the EMC merger transaction.

### **EMC Merger Transaction**

As described in Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this report, on September 7, 2016, a merger subsidiary of Dell Technologies merged with and into EMC Corporation, with EMC Corporation surviving the merger as a wholly-owned subsidiary of Dell Technologies.

Pursuant to the terms of the merger agreement, upon the completion of the EMC merger transaction, each issued and outstanding share of common stock, par value \$0.01 per share, of EMC Corporation (approximately 2.0 billion as of September 7, 2016) was converted into the right to receive (1) \$24.05 in cash, without interest, and (2) 0.11146 validly issued, fully paid and non-assessable shares of common stock of the Company designated as Class V Common Stock, par value \$0.01 per share, plus cash in lieu of any fractional shares. Shares of the Class V Common Stock were approved for listing on the New York Stock Exchange (the "NYSE") under the ticker symbol "DVMT" and began trading on September 7, 2016.

In connection with the EMC merger transaction, all principal, accrued but unpaid interest, fees, and other amounts (other than certain contingent obligations) outstanding at the effective time of the EMC merger transaction under EMC's unsecured revolving credit facility, Dell's asset-based revolving credit facility, and Dell's term facilities were substantially repaid concurrently with the closing. Further, all commitments to lend and guarantees and security interests, as applicable, in connection therewith were terminated or released. The aggregate amounts of principal, interest, and premium necessary to redeem in full the outstanding \$1.4 billion in aggregate principal amount of 5.625% Senior First Lien Notes due 2020 co-issued by Dell International and Denali Finance Corp. were deposited with the trustee for such notes, and such notes were thereby satisfied and discharged, concurrently with the effective time of the EMC merger transaction. All of Dell's other outstanding senior notes and all of EMC's outstanding senior notes remained outstanding after the effective time of the EMC merger transaction in accordance with their respective terms.

Dell Technologies financed the EMC merger transaction, the repayment of the foregoing indebtedness of EMC and Dell outstanding as of the closing of the EMC merger transaction, and the payment of related fees and expenses, with debt financing arrangements in an aggregate principal amount of approximately \$45.9 billion, equity financing arrangements of approximately \$4.4 billion, and cash on hand of approximately \$7.8 billion.

See Note 2 and Note 7 to the Condensed Consolidated Financial Statements included in this report for additional information regarding the EMC merger transaction and the related financing transactions.

## NON-GAAP FINANCIAL MEASURES

In this management's discussion and analysis we use supplemental measures of our performance which are derived from our consolidated financial information but which are not presented in our consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. These non-GAAP financial measures include non-GAAP product net revenue; non-GAAP services net revenue; non-GAAP net revenue; non-GAAP product gross margin; non-GAAP services gross margin; non-GAAP gross margin; non-GAAP operating expenses; non-GAAP operating income; non-GAAP net income from continuing operations; earnings before interest and other, net, taxes, depreciation and amortization, referred to as EBITDA; and adjusted EBITDA.

We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe that excluding certain items from our GAAP results allows management to better understand our consolidated financial performance from period to period and better project our future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, we believe these non-GAAP financial measures provide our stakeholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period to period comparisons.

There are limitations to the use of the non-GAAP financial measures presented in this report. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Non-GAAP product net revenue, non-GAAP services net revenue, non-GAAP net revenue, non-GAAP product gross margin, non-GAAP services gross margin, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, and non-GAAP net income from continuing operations, as defined by us, exclude the impact of purchase accounting, amortization of intangible assets, transaction-related expenses, other corporate expenses and, for non-GAAP net income, an aggregate adjustment for income taxes. As the excluded items have a material impact on our financial results, our management compensates for this limitation by relying primarily on our GAAP results and using non-GAAP financial measures supplementally or for projections when comparable GAAP financial measures are not available. The non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for net revenue, gross margin, operating expenses, operating income, or net income prepared in accordance with GAAP, and should be read only in conjunction with financial information presented on a GAAP basis.

Reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure are presented below. We encourage you to review the reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. See the discussion below for more information on each of the excluded items as well as our reasons for excluding them from our non-GAAP results. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items. Accordingly, the exclusion of these items and other similar items in our non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

The following is a summary of the items excluded from the most comparable GAAP financial measures to calculate our non-GAAP financial measures:

- *Impact of Purchase Accounting* — The impact of purchase accounting includes purchase accounting adjustments, related to the EMC merger transaction and the acquisition of Dell Inc. by Dell Technologies Inc. on October 29, 2013, referred to as the going-private transaction, recorded under the acquisition method of accounting in accordance with the accounting guidance for business combinations. This guidance prescribes that the purchase price be allocated to assets acquired and liabilities assumed based on the estimated fair value of such assets and liabilities on the date of the transaction. Accordingly, all of the assets and liabilities acquired in the EMC merger transaction and the going-private transaction were accounted for and recognized at fair value as of the respective transaction dates, and the fair value adjustments are being amortized over the estimated useful lives in the periods following the transactions. The fair value adjustments primarily relate to deferred revenue, inventory, and property, plant, and equipment. The purchase accounting adjustments and related amortization of those adjustments are reflected in our GAAP results; however, we evaluate the operating results of the underlying businesses on a non-GAAP basis, after removing such adjustments. We believe that excluding the impact of purchase accounting provides results that are useful in understanding our current operating performance and provides more meaningful comparisons to our past operating performance.

- Amortization of Intangible Assets — Amortization of intangible assets primarily consists of amortization of customer relationships, developed technology, and trade names. In connection with the EMC merger transaction and the going-private transaction, all of the tangible and intangible assets and liabilities of EMC and Dell, respectively, were accounted for and recognized at fair value on the transaction dates. Accordingly, for the periods presented, amortization of intangible assets represents amortization associated with intangible assets recognized in connection with the EMC merger transaction and the going-private transaction. Amortization charges for purchased intangible assets are significantly impacted by the timing and magnitude of our acquisitions, and these charges may vary in amount from period to period. We exclude these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- Transaction-related Expenses — Transaction-related expenses consist of acquisition, integration, and divestiture related costs, and are expensed as incurred. These expenses primarily represent costs for legal, banking, consulting, and advisory services, as well as certain compensatory retention awards directly related to the EMC merger transaction and related integration.
- Other Corporate Expenses — Other corporate expenses consists of severance, facility action costs, and stock-based compensation expense associated with equity awards. Severance costs are primarily related to severance and benefits for employees terminated pursuant to cost savings initiatives. Facility action costs included in the second quarter and first six months of Fiscal 2018 were \$29 million and \$108 million, respectively. We expect to incur these costs over the next six months as we continue to integrate owned and leased facilities and as we seek opportunities for operational efficiencies and cost savings. Other corporate expenses vary from period to period and are significantly impacted by the timing and nature of these events. Therefore, although we may incur these types of expenses in the future, we believe that eliminating these charges for purposes of calculating the non-GAAP financial measures presented below facilitates a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- Aggregate Adjustment for Income Taxes — The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments described above. During the second quarter and first six months of Fiscal 2017, this amount also includes tax charges of approximately \$66 million and \$201 million, respectively, on previously untaxed earnings of a foreign subsidiary that will no longer be permanently reinvested as a result of the Dell Services and DSG divestitures. The tax effects are determined based on the tax jurisdictions where the above items were incurred.

The table below presents a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP measure for each of the periods presented:

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016 (a)	August 4, 2017	% Change	July 29, 2016 (a)
(in millions, except percentages)						
Product net revenue	\$ 14,355	31%	\$ 10,961	\$ 27,323	29%	\$ 21,144
Non-GAAP adjustments:						
Impact of purchase accounting	50		—	105		(1)
Non-GAAP product net revenue	<u>\$ 14,405</u>	31%	<u>\$ 10,961</u>	<u>\$ 27,428</u>	30%	<u>\$ 21,143</u>
Services net revenue	\$ 4,944	133%	\$ 2,119	\$ 9,792	134%	\$ 4,177
Non-GAAP adjustments:						
Impact of purchase accounting	285		65	585		144
Non-GAAP services net revenue	<u>\$ 5,229</u>	139%	<u>\$ 2,184</u>	<u>\$ 10,377</u>	140%	<u>\$ 4,321</u>
Net revenue	\$ 19,299	48%	\$ 13,080	\$ 37,115	47%	\$ 25,321
Non-GAAP adjustments:						
Impact of purchase accounting	335		65	690		143
Non-GAAP net revenue	<u>\$ 19,634</u>	49%	<u>\$ 13,145</u>	<u>\$ 37,805</u>	48%	<u>\$ 25,464</u>
Product gross margin	\$ 1,977	35%	\$ 1,466	\$ 3,486	22%	\$ 2,850
Non-GAAP adjustments:						
Impact of purchase accounting	63		12	128		24
Amortization of intangibles	920		101	1,870		202
Transaction-related expenses	6		(2)	8		(2)
Other corporate expenses	3		3	6		4
Non-GAAP product gross margin	<u>\$ 2,969</u>	88%	<u>\$ 1,580</u>	<u>\$ 5,498</u>	79%	<u>\$ 3,078</u>
Services gross margin	\$ 2,832	226%	\$ 870	\$ 5,625	235%	\$ 1,679
Non-GAAP adjustments:						
Impact of purchase accounting	285		67	585		144
Amortization of intangibles	—		—	—		—
Transaction-related expenses	4		(2)	9		(3)
Other corporate expenses	10		—	29		2
Non-GAAP services gross margin	<u>\$ 3,131</u>	235%	<u>\$ 935</u>	<u>\$ 6,248</u>	243%	<u>\$ 1,822</u>
Gross margin	\$ 4,809	106%	\$ 2,336	\$ 9,111	101%	\$ 4,529
Non-GAAP adjustments:						
Impact of purchase accounting	348		79	713		168
Amortization of intangibles	920		101	1,870		202
Transaction-related expenses	10		(4)	17		(5)
Other corporate expenses	13		3	35		6
Non-GAAP gross margin	<u>\$ 6,100</u>	143%	<u>\$ 2,515</u>	<u>\$ 11,746</u>	140%	<u>\$ 4,900</u>

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016 (a)	August 4, 2017	% Change	July 29, 2016 (a)
	(in millions, except percentages)					
Operating expenses	\$ 5,788	155 %	\$ 2,269	\$ 11,590	152 %	\$ 4,601
Non-GAAP adjustments:						
Impact of purchase accounting	(58)		(19)	(116)		(36)
Amortization of intangibles	(820)		(390)	(1,646)		(780)
Transaction-related expenses	(128)		(76)	(312)		(134)
Other corporate expenses	(234)		(25)	(519)		(46)
Non-GAAP operating expenses	\$ 4,548	159 %	\$ 1,759	\$ 8,997	150 %	\$ 3,605
Operating income (loss)	\$ (979)	NM	\$ 67	\$ (2,479)	NM	\$ (72)
Non-GAAP adjustments:						
Impact of purchase accounting	406		98	829		204
Amortization of intangibles	1,740		491	3,516		982
Transaction-related expenses	138		72	329		129
Other corporate expenses	247		28	554		52
Non-GAAP operating income	\$ 1,552	105 %	\$ 756	\$ 2,749	112 %	\$ 1,295
Net loss from continuing operations	\$ (978)	(273)%	\$ (262)	\$ (2,361)	(244)%	\$ (686)
Non-GAAP adjustments:						
Impact of purchase accounting	406		98	829		204
Amortization of intangibles	1,740		491	3,516		982
Transaction-related expenses	138		69	329		126
Other corporate expenses	247		28	554		52
Aggregate adjustment for income taxes	(680)		(62)	(1,413)		(52)
Non-GAAP net income from continuing operations	\$ 873	141 %	\$ 362	\$ 1,454	132 %	\$ 626

(a) The amounts presented for the three and six months ended July 29, 2016 are different from those reported on our Form 10-Q for the quarterly period ended July 29, 2016 previously filed with the SEC, because we reclassified an immaterial amount of net income from discontinued operations to continuing operations to reflect the updated terms of the applicable divestitures as the result of continued negotiations and finalization of terms of the sale.

In addition to the above measures, we also use EBITDA and adjusted EBITDA to provide additional information for evaluation of our operating performance. Adjusted EBITDA excludes purchase accounting adjustments related to the EMC merger transaction and the going-private transaction, acquisition, integration, and divestiture related costs, severance and facility actions, and stock-based compensation expense. We believe that, due to the non-operational nature of the purchase accounting entries, it is appropriate to exclude these adjustments.

As is the case with the non-GAAP measures presented above, users should consider the limitations of using EBITDA and adjusted EBITDA, including the fact that those measures do not provide a complete measure of our operating performance. EBITDA and adjusted EBITDA do not purport to be alternatives to net income (loss) as measures of operating performance or to cash flows from operating activities as a measure of liquidity. In particular, EBITDA and adjusted EBITDA are not intended to be a measure of free cash flow available for management's discretionary use, as these measures do not consider certain cash requirements, such as working capital needs, capital expenditures, contractual commitments, interest payments, tax payments, and other debt service requirements.

The table below presents a reconciliation of EBITDA and adjusted EBITDA to net loss from continuing operations for the periods presented:

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016	August 4, 2017	% Change	July 29, 2016
	(in millions, except percentages)					
Net loss from continuing operations	\$ (978)	(273)%	\$ (262)	\$ (2,361)	(244)%	\$ (686)
Adjustments:						
Interest and other, net (a)	545		349	1,118		568
Income tax provision (benefit)	(546)		(20)	(1,236)		46
Depreciation and amortization	2,142		605	4,354		1,223
EBITDA	<u>\$ 1,163</u>	73 %	<u>\$ 672</u>	<u>\$ 1,875</u>	63 %	<u>\$ 1,151</u>
EBITDA	\$ 1,163	73 %	\$ 672	\$ 1,875	63 %	\$ 1,151
Adjustments:						
Stock-based compensation expense	208		19	409		33
Impact of purchase accounting (b)	335		75	692		158
Transaction-related expenses (c)	138		109	329		166
Other corporate expenses (d)	22		9	128		19
Adjusted EBITDA	<u>\$ 1,866</u>	111 %	<u>\$ 884</u>	<u>\$ 3,433</u>	125 %	<u>\$ 1,527</u>

(a) See "Results of Operations — Interest and Other, Net" for more information on the components of interest and other, net.

(b) This amount includes the non-cash purchase accounting adjustments related to the EMC merger transaction and the going-private transaction.

(c) Transaction-related expenses consist of acquisition, integration, and divestiture related costs.

(d) Consists of severance and facility action costs.

**RESULTS OF OPERATIONS**
**Consolidated Results**

The following table summarizes our consolidated results from continuing operations for each of the periods presented. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.

	Three Months Ended						Six Months Ended				
	August 4, 2017			July 29, 2016 (a)			August 4, 2017			July 29, 2016 (a)	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue		Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
(in millions, except percentages)											
<i>Net revenue:</i>											
Product	\$ 14,355	74.4 %	31 %	\$ 10,961	83.8 %		\$ 27,323	73.6 %	29 %	\$ 21,144	83.5 %
Services	4,944	25.6 %	133 %	2,119	16.2 %		9,792	26.4 %	134 %	4,177	16.5 %
Total net revenue	\$ 19,299	100.0 %	48 %	\$ 13,080	100.0 %		\$ 37,115	100.0 %	47 %	\$ 25,321	100.0 %
<i>Gross margin:</i>											
Product (b)	\$ 1,977	13.8 %	35 %	\$ 1,466	13.4 %		\$ 3,486	12.8 %	22 %	\$ 2,850	13.5 %
Services (c)	2,832	57.3 %	226 %	870	41.1 %		5,625	57.4 %	235 %	1,679	40.2 %
Total gross margin	\$ 4,809	24.9 %	106 %	\$ 2,336	17.9 %		\$ 9,111	24.5 %	101 %	\$ 4,529	17.9 %
Operating expenses	\$ 5,788	30.0 %	155 %	\$ 2,269	17.3 %		\$ 11,590	31.2 %	152 %	\$ 4,601	18.2 %
Operating income (loss)	\$ (979)	(5.1)%	NM	\$ 67	0.5 %		\$ (2,479)	(6.7)%	NM	\$ (72)	(0.3)%
Net loss from continuing operations	\$ (978)	(5.1)%	(273)%	\$ (262)	(2.0)%		\$ (2,361)	(6.4)%	(244)%	\$ (686)	(2.7)%
Net income (loss) attributable to Dell Technologies Inc.	\$ (946)	(4.9)%	NM	\$ 573	4.4 %		\$ (2,280)	(6.1)%	(463)%	\$ 628	2.5 %
<i>Non-GAAP Financial Information</i>											
<i>Non-GAAP net revenue:</i>											
Product	\$ 14,405	73.4 %	31 %	\$ 10,961	83.4 %		\$ 27,428	72.6 %	30 %	\$ 21,143	83.0 %
Services	5,229	26.6 %	139 %	2,184	16.6 %		10,377	27.4 %	140 %	4,321	17.0 %
Total non-GAAP net revenue	\$ 19,634	100.0 %	49 %	\$ 13,145	100.0 %		\$ 37,805	100.0 %	48 %	\$ 25,464	100.0 %
<i>Non-GAAP gross margin:</i>											
Product (b)	\$ 2,969	20.6 %	88 %	\$ 1,580	14.4 %		\$ 5,498	20.0 %	79 %	\$ 3,078	14.6 %
Services (c)	3,131	59.9 %	235 %	935	42.8 %		6,248	60.2 %	243 %	1,822	42.2 %
Total non-GAAP gross margin	\$ 6,100	31.1 %	143 %	\$ 2,515	19.1 %		\$ 11,746	31.1 %	140 %	\$ 4,900	19.2 %
Non-GAAP operating expenses	\$ 4,548	23.2 %	159 %	\$ 1,759	13.4 %		\$ 8,997	23.8 %	150 %	\$ 3,605	14.2 %
Non-GAAP operating income	\$ 1,552	7.9 %	105 %	\$ 756	5.8 %		\$ 2,749	7.3 %	112 %	\$ 1,295	5.1 %
Non-GAAP net income from continuing operations	\$ 873	4.4 %	141 %	\$ 362	2.8 %		\$ 1,454	3.8 %	132 %	\$ 626	2.5 %
EBITDA	\$ 1,163	5.9 %	143 %	\$ 672	3.6 %		\$ 1,875	5.0 %	63 %	\$ 1,151	4.5 %
Adjusted EBITDA	\$ 1,866	9.5 %	190 %	\$ 884	4.9 %		\$ 3,433	9.1 %	125 %	\$ 1,527	6.0 %

(a) The amounts presented for the three and six months ended July 29, 2016 are different from those reported on our Form 10-Q for the quarterly period ended July 29, 2016 previously filed with the SEC, because we reclassified an immaterial amount of net income from discontinued operations to continuing operations to reflect the updated terms of the applicable divestitures as the result of continued negotiations and finalization of terms of the sale.

(b) Product gross margin percentages represent product gross margin as a percentage of product net revenue, and non-GAAP product gross margin as a percentage of non-GAAP product net revenue.

(c) Services gross margin percentages represent services gross margin as a percentage of services net revenue, and non-GAAP services gross margin as a percentage of non-GAAP services net revenue.

NM Not meaningful.

Non-GAAP product net revenue, non-GAAP services net revenue, non-GAAP net revenue, non-GAAP product gross margin, non-GAAP services gross margin, non-GAAP gross margin, non-GAAP operating expenses, non-GAAP operating income, non-GAAP net income from continuing operations, EBITDA, and adjusted EBITDA are not measurements of financial performance prepared in accordance with GAAP. Non-GAAP financial measures as a percentage of revenue are calculated based on non-GAAP net revenue. See "Non-GAAP Financial Measures" for information about these non-GAAP financial measures, including our reasons for including these measures, material limitations with respect to the usefulness of the measures, and a reconciliation of each non-GAAP financial measure to the most directly comparable GAAP financial measure.

As a result of the EMC merger transaction completed on September 7, 2016 and its impact on the second quarter and first six months of Fiscal 2018, our results for the fiscal periods discussed below are not directly comparable.

## Overview

During the second quarter and first six months of Fiscal 2018, our net revenue increased 48% and 47%, respectively. During the second quarter and first six months of Fiscal 2018, our non-GAAP net revenue increased 49% and 48%, respectively. The increase in net revenue and non-GAAP net revenue was primarily attributable to revenue from the EMC acquired businesses and, to a lesser extent, an increase in revenue from CSG. The EMC merger transaction had an impact on the mix of revenue contributed by our business units. CSG net revenue represented approximately 50% of our net revenue during the second quarter and first six months of Fiscal 2018. In comparison, CSG net revenue represented a higher proportion of our revenue prior to the EMC merger transaction, accounting for approximately 70% of our net revenue during the second quarter and first six months of Fiscal 2017.

During the second quarter of Fiscal 2018, our operating loss was \$1.0 billion, compared to an operating income of \$0.1 billion during the second quarter of Fiscal 2017. During the first six months of Fiscal 2018 and Fiscal 2017, our operating loss was \$2.5 billion and \$0.1 billion, respectively. The increase in our operating loss for the second quarter and first six months of Fiscal 2018 was primarily attributable to an increase in amortization of intangible assets, purchase accounting adjustments, and compensation and benefits expense as a result of growth in our headcount related to the EMC merger transaction. The increase in operating expenses was partially offset by the favorable impact of incremental gross margin from the EMC acquired businesses.

Our operating loss was impacted by purchase accounting adjustments associated with the EMC merger transaction and, to a lesser extent, the going-private transaction, amortization of intangible assets, transaction-related expenses, and other corporate expenses. In aggregate, these items totaled \$2.5 billion and \$5.2 billion for the second quarter and first six months of Fiscal 2018, respectively. In comparison, these items totaled \$0.7 billion and \$1.4 billion for the second quarter and first six months of Fiscal 2017, respectively, and in these periods purchase accounting adjustments related only to the going-private transaction. Excluding these adjustments, non-GAAP operating income increased 105% to \$1.6 billion during the second quarter of Fiscal 2018 and 112% to \$2.7 billion during the first six months of Fiscal 2018. The increase in non-GAAP operating income in both periods was primarily attributable to the favorable impact of incremental non-GAAP operating income from the EMC acquired businesses.

Cash provided by operating activities was \$2.1 billion and \$1.8 billion during the first six months of Fiscal 2018 and Fiscal 2017, respectively. Operating cash flows during the first six months of Fiscal 2018 were driven by overall profitability, partially offset by cash paid for interest and taxes. See "Market Conditions, Liquidity, and Capital Commitments" for further information on our cash flow metrics.

## Net Revenue

During the second quarter and first six months of Fiscal 2018, our net revenue increased 48% and 47%, respectively, primarily due to incremental revenue from the EMC acquired businesses, offset partially by an increase in purchase accounting adjustments as a result of the EMC merger transaction. Our non-GAAP net revenue increased 49% and 48%, respectively, during the second quarter and first six months of Fiscal 2018 primarily due to the incremental net revenue from the EMC acquired businesses. An increase of 7% and 6%, respectively, in CSG net revenue also contributed to higher net revenue and non-GAAP net revenue during the second quarter and first six months of Fiscal 2018, but to a lesser extent. See "Business Unit Results — Client Solutions Group" for further information.

- ***Product Net Revenue*** — Product net revenue includes revenue from the sale of hardware products and Dell Technologies-owned software licenses. During the second quarter and first six months of Fiscal 2018, product net revenue increased 31% and 29%, respectively. During the second quarter and first six months of Fiscal 2018, non-GAAP product net revenue increased 31% and 30%, respectively. The increases in product net revenue and non-GAAP product net revenue were primarily due to the incremental product net revenue from the EMC acquired businesses.
- ***Services Net Revenue*** — Services net revenue includes revenue from our services offerings, third-party software license sales, and support services related to Dell Technologies-owned software and hardware. During the second quarter and first six months of Fiscal 2018, services net revenue increased 133% and 134%, respectively. Non-GAAP services net revenue increased 139% and 140% during the second quarter and first six months of Fiscal 2018, respectively. These increases were primarily due to the incremental services net revenue from the EMC acquired businesses.

See "Business Unit Results" for further information regarding revenue from our products, services, and software offerings.

From a geographical perspective, net revenue generated by sales to customers in all regions increased during the second quarter and first six months of Fiscal 2018 primarily as a result of the incremental net revenue from the EMC acquired businesses. Our mix of revenues generated in the Americas, EMEA, and APJ did not change substantially as a result of the EMC merger transaction.

## **Gross Margin**

During the second quarter and first six months of Fiscal 2018, our gross margin increased 106% to \$4.8 billion, and 101% to \$9.1 billion, respectively. During the second quarter and first six months of Fiscal 2018 our gross margin percentage increased 700 basis points to 24.9%, and 660 basis points to 24.5%, respectively. The increases in our gross margin and gross margin percentage were primarily attributable to incremental gross margin from the EMC acquired businesses, which have higher gross margin percentages. This increase was partially offset by the higher impact of purchase accounting adjustments and amortization of intangibles as a result of the EMC merger transaction.

Our gross margin for the second quarter and first six months of Fiscal 2018 included the effect of \$1.3 billion and \$2.6 billion, respectively, of amortization of intangibles and purchase accounting adjustments related to the EMC merger transaction and, to a lesser extent, the going-private transaction. In comparison, the impact of purchase accounting and amortization of intangibles totaled \$0.2 billion and \$0.4 billion in the second quarter and first six months of Fiscal 2017, respectively, and in these periods related only to the going-private transaction. Excluding these costs, transaction-related expenses, and other corporate expenses, non-GAAP gross margin for the second quarter increased 143% to \$6.1 billion and non-GAAP gross margin percentage increased 1,200 basis points to 31.1%. For the first six months of Fiscal 2018, non-GAAP gross margin increased 140% to \$11.7 billion and non-GAAP gross margin percentage increased 1190 basis points to 31.1%. The increase in non-GAAP gross margin and non-GAAP gross margin percentage was primarily attributable to incremental gross margin from the EMC acquired businesses, which have higher gross margin percentages.

- ***Products*** — During the second quarter of Fiscal 2018, product gross margin increased 35% to \$2.0 billion and product gross margin percentage increased 40 basis points to 13.8%. The increase in product gross margin and product gross margin percentage was driven primarily by additional product gross margin from the EMC acquired businesses, which was largely offset by an increase in amortization of intangibles related to the EMC merger transaction.

During the first six months of Fiscal 2018, product gross margin increased 22% to \$3.5 billion and product gross margin percentage decreased 70 basis points to 12.8%. The increase in product gross margin was driven primarily by additional product gross margin from the EMC acquired businesses, which was largely offset by an increase in amortization of intangibles related to the EMC merger transaction. The decrease in product gross margin percentage was driven by an increase in amortization of intangibles and, to a lesser extent, a decrease in CSG product gross margin percentage primarily driven by the increase in component costs during the period.

During the second quarter of Fiscal 2018, non-GAAP product gross margin increased 88% to \$3.0 billion and non-GAAP product gross margin percentage increased 620 basis points to 20.6%. During the first six months of Fiscal 2018, non-GAAP product gross margin increased 79% to \$5.5 billion, and non-GAAP product gross margin percentage increased 540 basis points to 20.0%. The increases in non-GAAP product gross margin and non-GAAP product gross margin percentage were primarily attributable to the incremental product gross margin from the EMC acquired businesses, which have higher gross margin percentages.

In the second quarter of Fiscal 2018, we entered into a settlement agreement with a vendor to resolve a dispute regarding past pricing practices. Our gross margin for the second quarter of Fiscal 2018 included a benefit of \$68 million related to receipt of payment under the settlement. Vendor settlements are allocated to our segments based on the relative amount of affected vendor products sold by each segment. The \$68 million settlement benefit was entirely allocated to CSG.

- *Services* — During the second quarter of Fiscal 2018, services gross margin increased 226% to \$2.8 billion and services gross margin percentage increased 1,620 basis points to 57.3%. The increase in services gross margin and services gross margin percentage was primarily attributable to the incremental services gross margin from the EMC acquired businesses, which have higher gross margin percentages. Purchase accounting adjustments totaled \$0.3 billion during the second quarter of Fiscal 2018, compared to \$0.1 billion during the second quarter of Fiscal 2017. Excluding these costs, transaction-related expenses, and other corporate expenses, non-GAAP services gross margin increased 235% to \$3.1 billion and non-GAAP services gross margin percentage increased 1,710 basis points to 59.9%.

During the first six months of Fiscal 2018, services gross margin increased 235% to \$5.6 billion and services gross margin percentage increased 1,720 basis points to 57.4%. The increase in services gross margin and gross margin percentage was primarily attributable to the incremental services gross margin from the EMC acquired businesses, which have higher gross margin percentages. Purchase accounting adjustments totaled \$0.6 billion during the first six months of Fiscal 2018, compared to \$0.1 billion during the first six months of Fiscal 2017. Excluding these costs, transaction-related expenses, and other corporate expenses, non-GAAP services gross margin increased 243% to \$6.2 billion and non-GAAP services gross margin percentage increased 1800 basis points to 60.2%.

### Vendor Programs and Settlements

Our gross margin is affected by our ability to achieve competitive pricing with our vendors and contract manufacturers, including through our negotiation of a variety of vendor rebate programs to achieve lower net costs for the various components we include in our products. Under these programs, vendors provide us with rebates or other discounts from the list prices for the components, which are generally elements of their pricing strategy. We account for vendor rebates and other discounts as a reduction in cost of net revenue. We manage our costs on a total net cost basis, which includes supplier list prices reduced by vendor rebates and other discounts.

The terms and conditions of our vendor rebate programs are largely based on product volumes and are generally negotiated either at the beginning of the annual or quarterly period, depending on the program. The timing and amount of vendor rebates and other discounts we receive under the programs may vary from period to period, reflecting changes in the competitive environment. We monitor our component costs and seek to address the effects of any changes to terms that might arise under our vendor rebate programs. Our gross margins for the second quarter and first six months of Fiscal 2018 and Fiscal 2017 were not materially affected by any changes to the terms of our vendor rebate programs, as the amounts we received under these programs were generally stable relative to our total net cost. We are not aware of any significant changes to vendor pricing or rebate programs that may impact our results in the near term.

In addition, we have pursued legal action against certain vendors and are currently involved in negotiations with other vendors regarding their past pricing practices. We have negotiated settlements with some of these vendors and may have additional settlements in future periods. These settlements are allocated to our segments based on the relative amount of affected vendor products sold by each segment. As discussed above, a pricing settlement was recorded in the second quarter of Fiscal 2018 that benefited product gross margins by \$68 million in the second quarter and first six months of Fiscal 2018. No such settlements were recorded in the second quarter and first six months of Fiscal 2017 that would have a material impact on product gross margins in the current quarter or affect comparability with product gross margin in the second quarter and first six months of Fiscal 2018.

## Operating Expenses

The following table presents information regarding our operating expenses during each of the periods presented:

	Three Months Ended					Six Months Ended				
	August 4, 2017			July 29, 2016		August 4, 2017			July 29, 2016	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
(in millions, except percentages)										
<b>Operating expenses:</b>										
Selling, general, and administrative	\$ 4,695	24.3%	132%	\$ 2,023	15.5%	\$ 9,364	25.2%	129%	\$ 4,091	16.2%
Research and development	1,093	5.7%	344%	246	1.9%	2,226	6.0%	336%	510	2.0%
Total operating expenses	<u>\$ 5,788</u>	<u>30.0%</u>	<u>155%</u>	<u>\$ 2,269</u>	<u>17.4%</u>	<u>\$ 11,590</u>	<u>31.2%</u>	<u>152%</u>	<u>\$ 4,601</u>	<u>18.2%</u>

### Other Financial Information

Non-GAAP operating expenses	\$ 4,548	23.2%	159%	\$ 1,759	13.4%	\$ 8,997	23.8%	150%	\$ 3,605	14.2%
-----------------------------	----------	-------	------	----------	-------	----------	-------	------	----------	-------

During the second quarter and first six months of Fiscal 2018, total operating expenses increased 155% and 152%, respectively. The increase in total operating expenses was primarily due to incremental operating costs of the EMC acquired businesses. Our operating expenses include the impact of purchase accounting associated with the EMC merger transaction and, to a lesser extent, the going-private transaction, amortization of intangible assets, transaction-related expenses, and other corporate expenses. In aggregate, these items totaled \$1.2 billion and \$0.5 billion for the second quarter of Fiscal 2018 and Fiscal 2017, respectively, and \$2.6 billion and \$1.0 billion for the first six months of Fiscal 2018 and Fiscal 2017, respectively. Excluding these costs, total non-GAAP operating expenses for the second quarter and first six months of Fiscal 2018 increased 159% and 150%, respectively, primarily due to the incremental operating costs from the EMC acquired businesses.

- **Selling, General, and Administrative** — Selling, general, and administrative ("SG&A") expenses increased 132% and 129%, respectively, during the second quarter and first six months of Fiscal 2018. The increases in SG&A expenses were primarily driven by incremental operating costs of the EMC acquired businesses.
- **Research and Development** — Research and development ("R&D") expenses are primarily composed of personnel-related expenses related to product development. R&D expenses as a percentage of net revenue for the second quarter and first six months of Fiscal 2018 were approximately 5.7% and 6.0%, respectively. In comparison, R&D expenses as a percentage of net revenue for the second quarter and first six months of Fiscal 2017 were 1.9% and 2.0%, respectively. The increases in R&D expenses were attributable to the expansion of our R&D capability through the EMC merger transaction. As our industry continues to change and as the needs of our customers evolve, we intend to support R&D initiatives to innovate and introduce new and enhanced solutions into the market.

We will continue to balance our efforts to drive cost efficiencies in the business with strategic investments in areas that will enable growth, such as our sales force, marketing, and R&D.

## Operating Income/Loss

Our operating loss was \$1.0 billion during the second quarter of Fiscal 2018, compared to an operating income of \$0.1 billion during the second quarter of Fiscal 2017. Operating loss was \$2.5 billion during the first six months of Fiscal 2018 compared to \$0.1 billion during the first six months of Fiscal 2017. The increase in operating loss was primarily attributable to higher operating expenses, partially offset by increases in gross margin. Our operating loss includes the impact of purchase accounting associated with the EMC merger transaction and, to a lesser extent, the going-private transaction, amortization of intangible assets, transaction-related expenses, and other corporate expenses. In aggregate, these items totaled \$2.5 billion and \$0.7 billion for the first quarter of Fiscal 2018 and Fiscal 2017, respectively, and \$5.2 billion and \$1.4 billion for the first six months of Fiscal 2018 and Fiscal 2017, respectively. Excluding these costs, non-GAAP operating income for the second quarter of Fiscal 2018 increased 105% to \$1.6 billion, and non-GAAP operating income for the first six months of Fiscal 2018 increased 112% to \$2.7 billion. The increase in non-GAAP operating income was primarily attributable to an increase in gross margin, which was partially offset by higher operating expenses from the EMC acquired businesses.

## Interest and Other, Net

The following table provides information regarding interest and other, net for each of the periods presented:

	Three Months Ended		Six Months Ended	
	August 4, 2017	July 29, 2016	August 4, 2017	July 29, 2016
	(in millions)			
<i>Interest and other, net:</i>				
Investment income, primarily interest	\$ 57	\$ 15	\$ 95	\$ 24
Gain on investments, net	26	2	25	2
Interest expense	(598)	(352)	(1,195)	(515)
Foreign exchange	(15)	(13)	(42)	(55)
Other	(15)	(1)	(1)	(24)
Total interest and other, net	<u>\$ (545)</u>	<u>\$ (349)</u>	<u>\$ (1,118)</u>	<u>\$ (568)</u>

During the second quarter and first six months of Fiscal 2018, changes in interest and other, net were unfavorable by \$196 million and \$550 million, respectively, primarily due to an increase in interest expense from higher average debt balances from debt issued in connection with the EMC merger transaction. See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report for further information regarding our debt.

## Income and Other Taxes

For the second quarter and first six months of Fiscal 2018 our effective income tax rates for continuing operations were 35.8% and 34.4%, respectively, on pre-tax losses from continuing operations of \$1,524 million and \$3,597 million, respectively. For the second quarter and first six months of Fiscal 2017, our effective income tax rates for continuing operations were 7.1% and (7.2)%, respectively, on pre-tax losses from continuing operations of \$282 million and \$640 million, respectively. The change in our effective income tax rate was primarily attributable to prior year tax charges recognized in the first six months of Fiscal 2017 related to the divestiture of Dell Services and DSG, as well as tax benefits from charges associated with the EMC merger transaction incurred in the first six months of Fiscal 2018, including purchase accounting adjustments, interest charges, and stock-based compensation expense. See Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information on the EMC merger transaction. The income tax rate for future quarters of Fiscal 2018 will be impacted by the actual mix of jurisdictions in which income is generated.

Our effective tax rate can fluctuate depending on the geographic distribution of our world-wide earnings, as our foreign earnings are generally taxed at lower rates than in the United States. In certain jurisdictions, our tax rate is significantly less than the applicable statutory rate as a result of tax holidays. The majority of our foreign income that is subject to these tax holidays and lower tax rates is attributable to Singapore, China, and Malaysia. A significant portion of these income tax benefits relate to a tax holiday that expires in January 2019. Our other tax holidays will expire in whole or in part during Fiscal 2019 through Fiscal 2023. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The differences between our effective tax rate and the U.S. federal statutory rate of 35% principally resulted from the geographical distribution of taxable income discussed above and permanent differences between the book and tax treatment of certain items. We continue to assess our business model and its impact in various taxing jurisdictions.

For further discussion regarding tax matters, including the status of income tax audits, see Note 13 of the Notes to the Condensed Consolidated Financial Statements included in this report.

### **Net Income/Loss from Continuing Operations**

During the second quarter and first six months of Fiscal 2018, net loss from continuing operations increased 273% to a net loss of \$1.0 billion and 244% to a net loss of \$2.4 billion, respectively. The increase in net loss from continuing operations was primarily attributable to an increase in operating loss and to an increase in interest and other, net expense. The effect of these factors was partially offset by an increase in tax benefit during the periods. See Note 13 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information regarding our effective tax rate.

Net loss from continuing operations for the second quarter and first six months of Fiscal 2018 included amortization of intangible assets, the impact of purchase accounting, transaction-related expenses, and other corporate expenses. Excluding these costs, non-GAAP net income from continuing operations increased 141% to \$0.9 billion and 132% to \$1.5 billion during the second quarter and first six months of Fiscal 2018, respectively. These increases in non-GAAP net income from continuing operations were primarily attributable to increases in operating income, the effects of which were partially offset by increases in interest and other, net expense.

### **Non-controlling Interests**

During the second quarter and first six months of Fiscal 2018, net loss attributable to non-controlling interests was \$32 million and \$81 million, respectively, which primarily consisted of net loss attributable to non-controlling interest in VMware, Inc. of \$27 million and \$72 million, respectively. During the second quarter and first six months of Fiscal 2017, Dell Technologies had an immaterial amount of non-controlling interest related to SecureWorks, which completed a registered underwritten initial public offering of its Class A common stock on April 27, 2016. For more information about our non-controlling interests, see Note 15 of the Notes to the Condensed Consolidated Financial Statements included in this report.

### **Net Income/Loss Attributable to Dell Technologies Inc.**

Net loss attributable to Dell Technologies Inc. represents net income/loss from continuing operations, an adjustment for non-controlling interests, and, in Fiscal 2017, an adjustment for discontinued operations. During the second quarter and first six months of Fiscal 2018, net loss attributable to Dell Technologies Inc. was \$0.9 billion and 2.3 billion, respectively, compared to net income attributable to Dell Technologies Inc. of \$0.6 billion during both the second quarter and first six months of Fiscal 2017. These increases in net loss attributable to Dell Technologies Inc. were primarily attributable to an increase in net loss from continuing operations and the absence of income from our discontinued operations in Fiscal 2018, due to the completion of the divestiture transactions in Fiscal 2017. For more information regarding our discontinued operations, see Note 3 of the Notes to the Condensed Consolidated Financial Statements included in this report.

## Business Unit Results

Our reportable segments are based on the following business units: Client Solutions Group ("CSG"); Infrastructure Solutions Group ("ISG"); and VMware. A description of our three business units is provided under "Introduction." See Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report for a reconciliation of net revenue and operating income by reportable segment to consolidated net revenue and consolidated operating income, respectively.

### Client Solutions Group:

The following table presents net revenue and operating income attributable to CSG for the respective periods:

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016	August 4, 2017	% Change	July 29, 2016
(in millions, except percentages)						
<i>Net Revenue:</i>						
Commercial	\$ 7,196	6%	\$ 6,798	\$ 13,546	5%	\$ 12,943
Consumer	2,655	10%	2,422	5,361	11%	4,848
Total CSG net revenue	\$ 9,851	7%	\$ 9,220	\$ 18,907	6%	\$ 17,791
<i>Operating Income:</i>						
CSG operating income	\$ 566	17%	\$ 484	\$ 940	8%	\$ 869
<i>% of segment net revenue</i>	<i>5.7%</i>		<i>5.2%</i>	<i>5.0%</i>		<i>4.9%</i>

**Net Revenue** — During the second quarter and first six months of Fiscal 2018, CSG net revenue increased 7% and 6%, respectively, driven by an increase in both commercial and consumer net revenue. The increases in CSG net revenue were primarily driven by increases in units sold as we benefited from a general improvement in customer demand for our products, which favored premium notebooks and workstations. CSG revenue also benefited from an increase in overall average selling price, particularly in consumer, as we managed our pricing in response to the cost environment during the period. From a geographical perspective, net revenue attributable to CSG increased across all regions during the second quarter and first six months of Fiscal 2018.

**Operating Income** — During the second quarter and first six months of Fiscal 2018, CSG operating income as a percentage of net revenue increased 50 basis points to 5.7%, and 10 basis points to 5.0%, respectively. The increases in our operating income percentage included a \$68 million favorable impact from a vendor pricing settlement received during the second quarter of Fiscal 2018, which resulted in an incremental benefit of 70 basis points and 40 basis points to our operating income percentage during the second quarter and first six months of Fiscal 2018, respectively. Excluding the benefit of the vendor settlement to operating income, we experienced an overall decline in our operating income percentage due to increases in certain component costs that we were not able to fully offset through pricing. We expect that component cost increases will continue to be challenging in the near term. The decline in our operating income percentage was partially offset by favorability in our operating expense percentage as we continue to manage our cost position.

**Infrastructure Solutions Group:**

The following table presents net revenue and operating income attributable to ISG for the respective periods:

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016	August 4, 2017	% Change	July 29, 2016
(in millions, except percentages)						
<i>Net Revenue:</i>						
Servers and networking	\$ 3,740	16%	\$ 3,237	\$ 6,971	10%	\$ 6,312
Storage	3,666	576%	542	7,351	581%	1,080
Total ISG net revenue	\$ 7,406	96%	\$ 3,779	\$ 14,322	94%	\$ 7,392
<i>Operating Income:</i>						
ISG operating income	\$ 430	43%	\$ 300	\$ 753	53%	\$ 492
% of segment net revenue	5.8%		7.9%	5.3%		6.7%

**Net Revenue** — During the second quarter and first six months of Fiscal 2018, ISG net revenue increased 96% and 94%, respectively. The increases in ISG revenue during the second quarter and first six months of Fiscal 2018 were primarily due to incremental storage net revenue associated with the acquired EMC storage business. We are experiencing reduced demand in ISG for certain elements of our storage portfolio, particularly traditional midrange storage offerings. Midrange products are generally defined as those products priced between \$25,000-\$250,000. We are addressing this dynamic through investments in our go-to-market capability and product enhancements. Revenue from servers and networking during the second quarter and first six months of Fiscal 2018 increased 16% and 10%, respectively, primarily resulting from an increase in sale of PowerEdge units, and an increase in average selling prices of PowerEdge as we managed our pricing in response to the current component cost environment.

From a geographical perspective, during the second quarter and first six months of Fiscal 2018, ISG net revenue increased in all regions due to the incremental revenue from the EMC acquired storage business. The EMC acquired storage business operates on a world-wide basis with a geographic mix similar to that of the legacy Dell ISG business.

**Operating Income** — During the second quarter and first six months of Fiscal 2018, ISG operating income as a percentage of net revenue decreased 210 basis points to 5.8%, and 140 basis points to 5.3%, respectively. While the acquired EMC storage business contributed higher gross margin overall, we experienced gross margin pressure due to changing product mix within ISG as well as component cost inflation, which we expect to continue in the near term. ISG operating income also was affected by increased operating expenses reflecting larger investments in sales and research and development.

**VMware:**

The following table presents net revenue and operating income attributable to VMware for the respective periods:

	Three Months Ended			Six Months Ended		
	August 4, 2017	% Change	July 29, 2016	August 4, 2017	% Change	July 29, 2016
(in millions, except percentages)						
<i>Net Revenue:</i>						
VMware net revenue	\$ 1,907	NA	\$ —	\$ 3,643	NA	\$ —
<i>Operating Income:</i>						
VMware operating income	\$ 561	NA	\$ —	\$ 1,047	NA	\$ —
<i>% of segment net revenue</i>	29.4%		NA	28.7%		NA

**Net Revenue** — VMware net revenue during the second quarter and first six months of Fiscal 2018 primarily consisted of revenue from the sale of software licenses under perpetual licenses, related software maintenance and support, training, consulting services, and hosted services. VMware net revenue for the second quarter of Fiscal 2018 grew 10% relative to the first quarter of Fiscal 2018, benefiting from balanced performance in all major geographies and broad strength across the product portfolio, particularly in our emerging product offerings.

From a geographical perspective, approximately half of VMware net revenue during the second quarter and first six months of Fiscal 2018 was generated from sales to customers in the United States.

**Operating Income** — During the second quarter and first six months of Fiscal 2018, VMware operating income as a percentage of net revenue was 29.4% and 28.7%, respectively.

## OTHER BALANCE SHEET ITEMS

### Accounts Receivable

We sell products and services directly to customers and through a variety of sales channels, including retail distribution. Our accounts receivable, net, was \$9.7 billion and \$9.4 billion as of August 4, 2017 and February 3, 2017, respectively. We maintain an allowance for doubtful accounts to cover receivables that may be deemed uncollectible. The allowance for losses is based on a provision for accounts that are collectively evaluated based on historical bad debt experience as well as specific identifiable customer accounts that are deemed at risk. As of August 4, 2017 and February 3, 2017, the allowance for doubtful accounts was \$80 million and \$57 million, respectively. Based on our assessment, we believe that we are adequately reserved for expected credit losses. We monitor the aging of our accounts receivable and continue to take actions to reduce our exposure to credit losses.

### Dell Financial Services and Financing Receivables

Dell Financial Services, referred to as DFS, offers a wide range of financial services, including originating, collecting, and servicing customer receivables primarily related to the purchase of Dell products. Following the closing of the EMC merger transaction, DFS began offering similar financial services related to the purchase of Dell EMC and VMware products. In some cases, we originate financing activities for our commercial customers related to the purchase of third-party technology products that complement our portfolio of products and services. New financing originations, which represent the amounts of financing provided by DFS to customers for equipment and related software and services, including third-party originations, were \$1.6 billion and \$1.0 billion for the second quarter of Fiscal 2018 and Fiscal 2017, respectively, and \$2.7 billion and \$1.9 billion for the first six months of Fiscal 2018 and Fiscal 2017, respectively. As of August 4, 2017 and February 3, 2017, our financing receivables, net were \$6.7 billion and \$5.9 billion, respectively.

We have securitization programs to fund revolving loans and fixed-term leases and loans through consolidated special purpose entities, referred to as SPEs, which we account for as secured borrowings. We transfer certain U.S. and European customer financing receivables to these SPEs, whose purpose is to facilitate the funding of customer receivables through financing arrangements with multi-seller conduits that issue asset-backed debt securities in the capital markets and to private investors. During the second quarter of Fiscal 2018 and Fiscal 2017, we transferred \$1.0 billion and \$0.8 billion, respectively, to these SPEs, and during the first six months of Fiscal 2018 and Fiscal 2017, we transferred \$1.9 billion and \$1.4 billion, respectively, to the SPEs. The structured financing debt related to all of our securitization programs included as secured borrowing was \$3.6 billion and \$3.1 billion as of August 4, 2017 and February 3, 2017, respectively. In addition, the carrying amount of the corresponding financing receivables was \$4.2 billion and \$3.6 billion as of August 4, 2017 and February 3, 2017, respectively. As a result of the EMC merger transaction, we are expanding our existing securitization programs to allow for additional funding of customer receivables in the capital markets.

We maintain an allowance to cover expected financing receivable credit losses and evaluate credit loss expectations based on our total portfolio. For the second quarter of Fiscal 2018 and Fiscal 2017, the principal charge-off rate for our total portfolio was 1.8% and 2.0%, respectively. For the first six months of Fiscal 2018 and Fiscal 2017, the principal charge-off rate for our total portfolio was 1.7% and 2.1%, respectively. The credit quality of our financing receivables has improved in recent years due to an overall improvement in the credit environment and as the mix of high-quality commercial accounts in our portfolio has increased. We expect that trend to continue with increased commercial customer volume resulting from the EMC merger transaction. The allowance for losses is determined based on various factors, including historical and anticipated experience, past due receivables, receivable type, and customer risk profile. At August 4, 2017 and February 3, 2017, the allowance for financing receivable losses was \$135 million and \$143 million, respectively. In general, the loss rates on our financing receivables have improved over the periods presented. We expect relatively stable loss rates in future periods, with movements in these rates being primarily driven by seasonality and a continued shift in portfolio composition to lower risk commercial assets. We continue to monitor broader economic indicators and their potential impact on future loss performance. We have an extensive process to manage our exposure to customer credit risk, including active management of credit lines and our collection activities. We also sell selected fixed-term financing receivables to unrelated third parties on a periodic basis, primarily to manage certain concentrations of customer credit exposure. Based on our assessment of the customer financing receivables, we believe that we are adequately reserved.

See Note 6 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about our financing receivables and the associated allowance.

## **Deferred Revenue**

Deferred revenue is recorded when billings have been generated or payments have been received for undelivered products or services, or in situations where revenue recognition criteria have not been met. Deferred revenue represents amounts received in advance for extended warranty services, software maintenance, unearned license fees, and deferred profit on third-party software offerings. Deferred revenue is recognized on these items when the revenue recognition criteria are met, generally resulting in ratable recognition over the contract term. We also have deferred revenue related to undelivered hardware and professional services, consisting of installations and consulting engagements, which are recognized as our obligations under the contract are completed.

Our total deferred revenue was \$19.6 billion and \$18.7 billion as of August 4, 2017 and February 3, 2017, respectively. A majority of our deferred revenue as of August 4, 2017 is expected to be recognized over the next two years.

## **Off-Balance Sheet Arrangements**

As of August 4, 2017, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition or results of operations.

**MARKET CONDITIONS, LIQUIDITY, AND CAPITAL COMMITMENTS****Market Conditions**

We regularly monitor economic conditions and associated impacts on the financial markets and our business. We consistently evaluate the financial health of our supplier base, carefully manage customer credit, diversify counterparty risk, and monitor the concentration risk of our cash and cash equivalents balances globally. We routinely monitor our financial exposure to borrowers and counterparties.

We monitor credit risk associated with our financial counterparties using various market credit risk indicators such as credit ratings issued by nationally recognized rating agencies and changes in market credit default swap levels. We perform periodic evaluations of our positions with these counterparties and may limit exposure to any one counterparty in accordance with our policies. We monitor and manage these activities depending on current and expected market developments.

We use derivative instruments to hedge certain foreign currency exposures. We use forward contracts and purchased options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted transactions denominated in currencies other than the U.S. dollar. In addition, we primarily use forward contracts and may use purchased options to hedge monetary assets and liabilities denominated in a foreign currency. See Note 8 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our use of derivative instruments.

We are exposed to interest rate risk related to our variable-rate debt and investment portfolio. In the normal course of business, we follow established policies and procedures to manage this risk, including monitoring of our asset and liability mix. As a result, we do not anticipate any material losses from interest rate risk.

The impact of any credit adjustments related to our use of counterparties on our Condensed Consolidated Financial Statements included in this report has been immaterial.

**Liquidity and Capital Resources**

To support our ongoing business operations, we rely on operating cash flows as our primary source of liquidity. We monitor the efficiency of our balance sheet to ensure that we have adequate liquidity to support our strategic initiatives. In addition to internally generated cash, we have access to other capital sources to finance our strategic initiatives and fund growth in our financing operations. As of August 4, 2017, we had \$9.2 billion of total cash and cash equivalents, the majority of which was held outside of the United States. Our strategy is to deploy capital from any potential source, whether internally generated cash or debt, depending on the adequacy and availability of that source of capital and whether it can be accessed in a cost-effective manner.

A significant portion of our income is earned in non-U.S. jurisdictions. Under current law, earnings available to be repatriated to the United States would be subject to U.S. federal income tax, less applicable foreign tax credits. We have provided for the U.S. federal tax liability on these amounts for financial statement purposes, except for foreign earnings that are considered permanently reinvested outside of the United States. We utilize a variety of tax planning and financing strategies with the objective of having our worldwide cash available in the locations where it is needed.

The following table summarizes our cash and cash equivalents as well as our available borrowings as of August 4, 2017 and February 3, 2017:

	<b>August 4, 2017</b>	<b>February 3, 2017</b>
	(in millions)	
<i>Cash and cash equivalents, and available borrowings:</i>		
Cash and cash equivalents (a)	\$ 9,213	\$ 9,474
Remaining available borrowings under the Revolving Credit Facility	3,104	2,678
Total cash, cash equivalents, and available borrowings	<u>\$ 12,317</u>	<u>\$ 12,152</u>

(a) Of the \$9.2 billion of cash and cash equivalents as of August 4, 2017, \$3.6 billion was held by VMware, Inc.

The Revolving Credit Facility has maximum aggregate borrowings of approximately \$3.2 billion. Available borrowings under the Revolving Credit Facility are reduced by draws on the facility as well as by outstanding letters of credit. As of August 4, 2017, remaining available borrowings under this facility totaled approximately \$3.1 billion. These available borrowings may be used periodically for general corporate purposes.

We believe that our current cash and cash equivalents, along with cash that will be provided by future operations and borrowings expected to be available under the Revolving Credit Facility, will be sufficient over at least the next twelve months to fund our operations, capital expenditures, share repurchases, and debt service requirements.

### Debt

The following table summarizes our outstanding debt as of August 4, 2017 and February 3, 2017:

	August 4, 2017	February 3, 2017
	(in millions)	
<i>Outstanding Debt:</i>		
Structured financing debt	\$ 4,050	\$ 3,464
Senior Secured Credit Facilities and First Lien Notes	31,107	31,638
Unsecured Notes and Debentures	2,453	2,453
Senior Notes	3,250	3,250
EMC Notes	5,500	5,500
Margin Loan Facility	2,000	—
Bridge Facilities	1,500	4,000
Other	86	51
Total debt, principal amount	49,946	50,356
Carrying value adjustments	(886)	(966)
Total debt, carrying value	\$ 49,060	\$ 49,390

To finance the EMC merger transaction, we issued an aggregate principal amount of \$45.9 billion in new debt, which included proceeds from the sale of the First Lien Notes and Senior Notes, as well as borrowings under the Senior Secured Credit Facilities (including the Revolving Credit Facility), the Asset Sale Bridge Facility, the Margin Bridge Facility, and the VMware Bridge Facility at the closing of the transaction. Additionally, on September 7, 2016, EMC had outstanding senior notes (the "EMC Notes") consisting of \$2.5 billion aggregate principal amount of its 1.875% Notes due June 2018, \$2.0 billion aggregate principal amount of its 2.650% Notes due June 2020 and \$1.0 billion aggregate principal amount of its 3.375% Notes due June 2023. The EMC Notes remain outstanding following the closing of the EMC merger transaction.

During the first quarter of Fiscal 2018, we refinanced the Term Loan B Facility to reduce the interest rate margin by 0.75% and to increase the outstanding principal amount by \$0.5 billion. We applied the proceeds from the Term Loan B Facility refinancing to repay \$0.5 billion principal amount of the Margin Bridge Facility. Additionally, during the first quarter of Fiscal 2018, we issued the Margin Loan Facility in the principal amount of \$2.0 billion, and used the proceeds of the new facility to repay the Margin Bridge Facility. Further, during the first six months of Fiscal 2018, we repaid approximately \$0.6 billion principal amount of our term loan facilities, repaid \$0.4 billion, net, under the Revolving Credit Facility, and issued an additional \$0.6 billion, net, in structured financing debt to support the expansion of our financing receivables portfolio.

Our requirements for cash to pay principal and interest have increased significantly due to the borrowings that were required to finance the EMC merger transaction. We or our affiliates, at our or their sole discretion, may purchase, redeem, prepay, refinance, or otherwise retire our outstanding indebtedness under the terms of such indebtedness at any time and from time to time, in open market or negotiated transactions with the holders of such indebtedness, as appropriate market conditions exist.

We balance the use of our securitization programs with working capital and other sources of liquidity to fund growth in our global financial services business. Of the \$49.9 billion in outstanding principal debt as of August 4, 2017, \$5.8 billion, which includes \$4.1 billion in structured financing debt, is used to fund this business.

Subsequent to the end of the second quarter of Fiscal 2018, VMware, Inc. issued public debt in the aggregate principal amount of \$4.0 billion. Upon closing, a portion of the net proceeds from the offering was used to repay certain intercompany promissory notes previously issued to EMC in the aggregate principal amount of \$1.2 billion. VMware, Inc. has disclosed that it intends to use the remaining net proceeds to fund additional repurchases of up to \$1.0 billion of its Class A common stock over the next 12 months, and for general VMware, Inc. corporate purposes, including mergers and acquisitions and repaying other indebtedness.

VMware, Inc. and its subsidiaries are unrestricted subsidiaries for purposes of the existing debt of Dell Technologies. Neither Dell Technologies nor any of its subsidiaries, other than VMware, Inc., is obligated to make payment on the VMware, Inc. public debt. None of the net proceeds of such public debt will be made available to support the operations or satisfy any corporate purposes of Dell Technologies, other than the operations and corporate purposes of VMware, Inc. and VMware, Inc.'s subsidiaries.

See Note 7 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our debt and our unrestricted subsidiaries. See Note 21 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about subsequent events.

## Cash Flows

The following table contains a summary of our Condensed Consolidated Statements of Cash Flows for the respective periods:

	Six Months Ended	
	August 4, 2017	July 29, 2016
	(in millions)	
<i>Net change in cash from:</i>		
Operating activities	\$ 2,056	\$ 1,815
Investing activities	(1,290)	(221)
Financing activities	(1,075)	(849)
Effect of exchange rate changes on cash and cash equivalents	48	52
Change in cash and cash equivalents	<u>\$ (261)</u>	<u>\$ 797</u>

*Operating Activities* — Cash provided by operating activities was \$2.1 billion and \$1.8 billion during the first six months of Fiscal 2018 and Fiscal 2017, respectively. Operating cash flows during the first six months of Fiscal 2018 were driven by overall profitability, partially offset by cash paid for interest and taxes.

*Investing Activities* — Investing activities primarily consist of the maturities, sales, and purchases of investments, capital expenditures for property, plant, and equipment, and capitalized software development costs. Cash used by investing activities was \$1.3 billion and \$0.2 billion during the first six months of Fiscal 2018 and Fiscal 2017, respectively. The change in cash from investing activities was primarily driven by increased capital expenditures, capitalized software development costs, and purchases of investments. Further, during the first six months of Fiscal 2018, we used \$0.2 billion, net, in connection with the acquisition of businesses, primarily related to VMware, Inc.'s acquisition of Wavefront. See Note 2 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about VMware, Inc.'s acquisitions.

*Financing Activities* — Financing activities primarily consist of the proceeds and repayments of debt and cash used to repurchase common stock. Cash used by financing activities was \$1.1 billion during the first six months of Fiscal 2018. We repaid \$0.6 billion principal amount of borrowings under our term loan facilities and repaid \$0.4 billion, net, under the Revolving Credit Facility. Additionally, we repurchased \$0.4 billion of shares of Class V Common Stock under the programs described below and repurchased \$0.2 billion of other shares of common stock for tax withholdings on vesting of equity awards. In comparison, cash used in financing activities was \$0.8 billion during the first six months of Fiscal 2017 and primarily consisted of \$0.6 billion repayments of borrowings and related foreign currency derivative settlements. Also during the first six months of Fiscal 2017, we paid \$0.4 billion in dissenting shares obligation related to appraisal litigation from the going-private transaction. See Note 7 and Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our debt and share repurchase programs, respectively.

**Key Performance Metrics**

Our key performance metrics are net revenue, operating income, adjusted EBITDA, cash flows from operations, and cash conversion cycle. Net revenue, operating income, adjusted EBITDA, and cash flows from operations are discussed elsewhere in this report. Our cash conversion cycle is presented below.

Cash Conversion Cycle

The following table presents the components of our cash conversion cycle for the periods presented:

	<b>Three Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>
Days of sales outstanding (a)	49	41
Days of supply in inventory (b)	17	12
Days in accounts payable (c)	(112)	(120)
Cash conversion cycle (d)	<u>(46)</u>	<u>(67)</u>

- (a) Days of sales outstanding, referred to as DSO, calculates the average collection period of our receivables. DSO is based on the ending net trade receivables and the most recent quarterly non-GAAP net revenue for each period. DSO also includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets, as we believe this provides a more relevant metric that aligns with actual sales activity in the quarter, regardless of revenue recognition under GAAP. DSO is calculated by adding accounts receivable, net of allowance for doubtful accounts, and customer shipments in transit and dividing that sum by average non-GAAP net revenue per day for the current quarter (90 days for the three months ended August 4, 2017 and July 29, 2016). As of August 4, 2017, DSO and days of customer shipments not yet recognized were 45 and 4 days, respectively. As of July 29, 2016, DSO and days of customer shipments not yet recognized were 36 and 5 days, respectively.
- (b) Days of supply in inventory, referred to as DSI, measures the average number of days from procurement to sale of our products. DSI is based on ending inventory and non-GAAP cost of goods sold for each period. DSI is calculated by dividing ending inventory by average non-GAAP cost of goods sold per day for the current quarter (90 days for the three months ended August 4, 2017 and July 29, 2016).
- (c) Days in accounts payable, referred to as DPO, calculates the average number of days our payables remain outstanding before payment. DPO is based on ending accounts payable and non-GAAP cost of goods sold for each period. DPO is calculated by dividing accounts payable by average non-GAAP cost of goods sold per day for the current quarter (90 days for the three months ended August 4, 2017 and July 29, 2016).
- (d) We calculate our cash conversion cycle using non-GAAP net revenue and non-GAAP cost of goods sold because we believe that excluding certain items from the GAAP results facilitates management's understanding of this key performance metric.

The table below provides reconciliations of each non-GAAP financial measure used in calculating the DSO, DSI and DPO metrics to its most directly comparable GAAP financial measure:

	<b>Three Months Ended</b>	
	<b>August 4, 2017</b>	<b>July 29, 2016</b>
	(in millions)	
Cost of goods sold	\$ 14,490	\$ 10,744
Non-GAAP adjustments:		
Impact of purchase accounting	(13)	(14)
Amortization of intangibles	(920)	(101)
Transaction-related expenses	(10)	4
Other corporate expenses	(13)	(3)
Non-GAAP cost of goods sold	<u>\$ 13,534</u>	<u>\$ 10,630</u>

For the three months ended August 4, 2017, changes in our cash conversion cycle were unfavorable by 21 days when compared to the three months ended July 29, 2016. The changes were primarily attributable to the acquisition of EMC, which had a negative impact across all three components. We experienced an eight day decrease in DPO, primarily driven by supplier payments terms of the EMC acquired businesses. An eight day increase in DSO was primarily driven by differences in collections management from the EMC acquired businesses. A five day increase in DSI was primarily the result of the longer inventory cycle associated with the EMC acquired product lines. We are continuing the integration of the EMC acquired businesses and, as a result, our supplier arrangements, collection activities, and operating cycles will continue to evolve. We believe our business model allows us to maintain an efficient cash conversion cycle, which compares favorably with that of others in our industry.

### Capital Commitments

**Capital Expenditures** — During the first six months of Fiscal 2018 and Fiscal 2017, we spent \$561 million and \$235 million, respectively, on property, plant, and equipment. These expenditures were primarily incurred in connection with our global expansion efforts and infrastructure investments made to support future growth. Product demand, product mix, and the use of contract manufacturers, as well as ongoing investments in operating and information technology infrastructure, influence the level and prioritization of our capital expenditures. Aggregate capital expenditures for Fiscal 2018, which will be primarily related to infrastructure investments and strategic initiatives, are currently expected to total approximately \$1.3 billion.

### Repurchases of Common Stock

**Class V Common Stock Repurchases** — On December 13, 2016, the board of directors approved a stock repurchase program under which we were authorized to use assets of the Class V Group to repurchase up to \$500 million of shares of Class V Common Stock over a period of six months. During the first quarter of Fiscal 2018, we repurchased 1.3 million shares of Class V Common Stock for \$82 million pursuant to this initial authorization.

On March 27, 2017, the board of directors approved an amendment of the stock repurchase program which authorized us to use assets of the Class V Group to repurchase up to an additional \$300 million of shares of Class V Common Stock over a period of an additional six months. During the first six months of Fiscal 2018, we repurchased 4.6 million shares of Class V Common Stock for \$300 million pursuant to the extended stock repurchase program. On May 9, 2017, the program was completed.

**VMware, Inc. Class A Common Stock Repurchases** — On December 15, 2016, we entered into a stock purchase agreement with VMware, Inc., pursuant to which VMware, Inc. agreed to repurchase for cash \$500 million of shares of VMware, Inc. Class A common stock from a subsidiary of Dell Technologies. During the first quarter of Fiscal 2018, VMware, Inc. repurchased 1.4 million shares pursuant to this stock purchase agreement.

In January 2017, VMware, Inc.'s board of directors authorized the repurchase of up to an additional \$1.2 billion of shares of VMware, Inc. Class A common stock through the end of Fiscal 2018. On March 29, 2017, we entered into a new stock purchase agreement with VMware, Inc., pursuant to which VMware, Inc. agreed to repurchase for cash \$300 million of shares of VMware, Inc. Class A common stock from a subsidiary of Dell Technologies. During the first six months of Fiscal 2018, VMware, Inc. repurchased approximately 3.4 million shares of Class A common stock pursuant to the January 2017 authorization and the new stock purchase agreement. We applied the proceeds from the sale to the repurchase of shares of our Class V Common Stock under the repurchase program described above. On May 10, 2017, the sale transaction under the new stock purchase agreement was completed. As of August 4, 2017, the cumulative authorized amount remaining for share repurchases by VMware, Inc. under the January 2017 authorization was \$900 million.

For more information regarding share repurchase programs, see Note 17 and Note 21 of the Notes to the Condensed Consolidated Financial Statements included in this report, and "Part II — Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds."

*Purchase Obligations* — Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on us. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be canceled without penalty.

We utilize several suppliers to manufacture sub-assemblies for our products. Our efficient supply chain management allows us to enter into flexible and mutually beneficial purchase arrangements with our suppliers in order to minimize inventory risk. Consistent with industry practice, we acquire raw materials or other goods and services, including product components, by issuing to suppliers authorizations to purchase based on our projected demand and manufacturing needs. These purchase orders are typically fulfilled within 30 days and are entered into during the ordinary course of business in order to establish best pricing and continuity of supply for our production. Purchase orders are not included in purchase obligations as they typically represent our authorization to purchase rather than binding purchase obligations.

As of August 4, 2017, we had \$2.7 billion, \$0.3 billion, and \$0.4 billion in purchase obligations for Fiscal 2018 (remaining six months), Fiscal 2019, and Fiscal 2020 and thereafter, respectively.

### **ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For quantitative and qualitative disclosures about market risk affecting us, see "Part II — Item 7A — Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017. Our exposure to market risks has not changed materially from that set forth in our Annual Report.

### **ITEM 4 — CONTROLS AND PROCEDURES**

This report includes the certifications of our Chief Executive Officer and Chief Financial Officer required by Rule 13a-14 under the Securities Exchange Act of 1934 (the "Exchange Act"). See Exhibits 31.1 and 31.2 filed with this report. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

#### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the chief executive officer and the chief financial officer, to allow timely decisions regarding required disclosures.

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of August 4, 2017. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of August 4, 2017.

#### **Changes in Internal Control over Financial Reporting**

On September 7, 2016, we completed our acquisition by merger of EMC Corporation as described elsewhere in this report. We continue to integrate policies, processes, people, technology, and operations relating to this transaction, and will continue to evaluate the impact of any related changes to our internal control over financial reporting. Except for any changes related to the integration of EMC, there were no changes in our internal control over financial reporting during the fiscal quarter ended August 4, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II — OTHER INFORMATION**

### **ITEM 1 — LEGAL PROCEEDINGS**

The information required by this item is incorporated herein by reference to the information set forth under the caption "Legal Matters" in Note 12 of the Notes to the Condensed Consolidated Financial Statements included in "Part I — Item 1 — Financial Statements."

### **ITEM 1A — RISK FACTORS**

In addition to the other information set forth in this report, the factors discussed in "Part I — Item 1A — Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 3, 2017 could materially affect our business, financial condition, or operating results. The risks described in our Annual Report on Form 10-K and our subsequent SEC reports are not the only risks facing us. There are additional risks and uncertainties not currently known to us or that we currently deem to be immaterial that also may materially adversely affect our business, operating results, financial condition, or prospects.

**ITEM 2 — UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS****Sales of Unregistered Securities**

From May 6, 2017 through August 4, 2017, we issued to certain employees a total of 755,000 shares of our Class C Common Stock for an aggregate purchase price of approximately \$10 million pursuant to exercises of stock options granted under the Dell Technologies Inc. 2013 Stock Incentive Plan and the Dell Inc. Amended and Restated 2002 Long-Term Plan. The foregoing transactions were effected in reliance on the exemption from registration under the Securities Act of 1933 afforded by Rule 701 thereunder as transactions pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule.

**Purchases of Equity Securities**

The following table sets forth information regarding our repurchases of shares of Class V Common Stock during the second quarter of Fiscal 2018 and the remaining authorized amount of future repurchases under the programs.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs (b)
		(in thousands, except average price paid per share)		
Repurchases from May 6, 2017 to June 2, 2017 (a)	337	\$ 67.63	337	\$ 676,033
Repurchases from June 3, 2017 to June 30, 2017	—	\$ —	—	\$ 676,033
Repurchases from July 1, 2017 to August 4, 2017	—	\$ —	—	\$ 676,033
Total	337	\$ 67.63	337	

(a) On March 27, 2017, our board of directors approved an amendment of the Class V Group Repurchase Program (the "March 2017 Class V Group Repurchase Program") which authorized us to use assets of the Class V Group to repurchase up to an additional \$300 million of shares of our Class V Common Stock over a period of an additional six months. On May 9, 2017, the March 2017 Class V Group Repurchase Program was completed.

(b) On September 7, 2016, our board of directors approved a stock repurchase program (the "DHI Group Repurchase Program") that authorizes us to use assets of the DHI Group to repurchase up to \$1.0 billion of shares of our Class V Common Stock over a two-year period beginning on September 7, 2016. On December 13, 2016, our board of directors approved the suspension of the DHI Group Repurchase Program until such time as the board of directors authorizes the reinstatement of that program. As of August 4, 2017, the approximate dollar value of shares that may yet be purchased included \$676 million authorized under the DHI Group Repurchase Program.

**ITEM 6 — EXHIBITS**

The Company hereby files or furnishes the exhibits listed below:

**Exhibit  
Number****Description**

---

<a href="#"><u>3.1†</u></a>	<a href="#"><u>Fourth Amended and Restated Certificate of Incorporation of Dell Technologies Inc., as amended</u></a>
<a href="#"><u>31.1†</u></a>	<a href="#"><u>Certification of Michael S. Dell, Chairman and Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>31.2†</u></a>	<a href="#"><u>Certification of Thomas W. Sweet, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>32.1††</u></a>	<a href="#"><u>Certifications of Michael S. Dell, Chairman and Chief Executive Officer, and Thomas W. Sweet, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
<a href="#"><u>99.1†</u></a>	<a href="#"><u>Unaudited Attributed Financial Information for Class V Group.</u></a>
101 .INS†	XBRL Instance Document.
101 .SCH†	XBRL Taxonomy Extension Schema Document.
101 .CAL†	XBRL Taxonomy Extension Calculation Linkbase Document.
101 .DEF†	XBRL Taxonomy Extension Definition Linkbase Document.
101 .LAB†	XBRL Taxonomy Extension Label Linkbase Document.
101 .PRE†	XBRL Taxonomy Extension Presentation Linkbase Document.

---

† Filed with this report.

†† Furnished with this report.

**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.

DELL TECHNOLOGIES INC.

By: \_\_\_\_\_  
/s/ MAYA MCREYNOLDS  
Maya McReynolds  
*Senior Vice President, Corporate Finance and  
Chief Accounting Officer*  
(On behalf of registrant and as principal accounting officer)

Date: September 8, 2017

**CERTIFICATE OF AMENDMENT  
OF  
FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION  
OF  
DELL TECHNOLOGIES INC.**

Pursuant to Section 242  
of the General Corporation Law of the State of Delaware

Dell Technologies Inc., a corporation duly organized and existing under the General Corporation Law of the State of Delaware (the "Corporation"), does hereby certify that:

1. The Fourth Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting ARTICLE IV thereof in its entirety and inserting the following in lieu thereof:

"ARTICLE IV

The total authorized number of shares of capital stock of the Corporation shall be nine billion, one-hundred forty-four million, twenty-five thousand, three-hundred and eight (9,144,025,308) shares, which shall consist of (i) one million (1,000,000) shares of Preferred Stock, of the par value of \$0.01 per share (the "Preferred Stock"); and (ii) nine billion, one-hundred forty-three million, twenty-five thousand, three-hundred and eight (9,143,025,308) shares of Common Stock, of the par value of \$0.01 per share (the "Common Stock")."

2. The Fourth Amended and Restated Certificate of Incorporation of the Corporation is hereby amended by deleting paragraph (a) of Section 5.2 of ARTICLE V thereof in its entirety and inserting the following in lieu thereof:

"**(a) DHI Common Stock.** One series of common stock of the Corporation is hereby created and designated as "Class A Common Stock" consisting of six-hundred million (600,000,000) shares, par value \$0.01 per share (the "Class A Common Stock"); one series of common stock of the Corporation is hereby created and designated as "Class B Common Stock" consisting of two-hundred million (200,000,000) shares, par value \$0.01 per share (the "Class B Common Stock"); one series of common stock of the Corporation is hereby created and designated as "Class C Common Stock" consisting of seven billion, nine-hundred million (7,900,000,000) shares, par value \$0.01 per share (the "Class C Common Stock"); and one series of common stock of the Corporation is hereby created and designated as "Class D Common Stock" consisting of one-hundred million (100,000,000) shares, par value \$0.01 per share (the "Class D Common Stock," and together with the Class A Common Stock, the Class B Common Stock and the Class C Common Stock, the "DHI Common Stock")."

3. The foregoing amendments were duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation of the Corporation on this 27th day of June, 2017.

**DELL TECHNOLOGIES INC.**

By: /s/ Janet Bawcom

Name: Janet Bawcom

Title: Senior Vice President and Assistant  
Secretary

**FOURTH AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF**

**DELL TECHNOLOGIES INC.**

**(Pursuant to Sections 242 and 245 of the General Corporation Law  
of the State of Delaware)**

Dell Technologies Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

(a) The name of the Corporation is Dell Technologies Inc. Dell Technologies Inc. was originally incorporated under the name Denali Holding Inc., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 31, 2013, the Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on February 6, 2013, the Second Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on October 10, 2013, the Third Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on October 28, 2013 and a Certificate of Amendment to the Third Amended and Restated Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 25, 2016.

(b) This Fourth Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245, and by written consent of stockholders in accordance with Section 228, of the General Corporation Law of the State of Delaware (the "DGCL").

(c) This Fourth Amended and Restated Certificate of Incorporation shall become effective at 7:30 a.m. EDT on September 7, 2016.

(d) This Fourth Amended and Restated Certificate of Incorporation amends and restates the Certificate of Incorporation of the Corporation in its entirety as follows:

**ARTICLE I**

The name of the Corporation is "Dell Technologies Inc."

**ARTICLE II**

The address of the registered office of the corporation in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, Delaware 19808. The name of the registered agent of the Corporation at such address is Corporation Service Company.

**ARTICLE III**

The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the DGCL.

**ARTICLE IV**

The total authorized number of shares of capital stock of the Corporation shall be 2,144,025,308 shares, which shall consist of (i) one million (1,000,000) shares of Preferred Stock, of the par value of \$0.01 per share (the "Preferred Stock"); and (ii) two billion, one-hundred forty-three million, twenty-five thousand, three hundred and eight (2,143,025,308) shares of Common Stock, of the par value of \$0.01 per share (the "Common Stock").

## ARTICLE V

The following is a statement fixing certain of the designations and powers, voting powers, preferences, and relative, participating, optional or other rights of the Preferred Stock and the Common Stock of the Corporation, and the qualifications, limitations or restrictions thereof, and the authority with respect thereto expressly granted to the board of directors of the Corporation (the "Board of Directors") to fix any such provisions not fixed by this Certificate of Incorporation:

### **Section 5.1 Preferred Stock.**

(a) Subject to obtaining any required stockholder votes or consents provided for herein or in any Preferred Stock Series Resolution (as defined below), the Board of Directors is hereby expressly vested with the authority to adopt a resolution or resolutions providing for the issue of authorized but unissued shares of Preferred Stock, which shares may be issued from time to time in one or more series and in such amounts as may be determined by the Board of Directors in such resolution or resolutions. The powers, voting powers, designations, preferences, and relative, participating, optional or other rights, if any, of each series of Preferred Stock and the qualifications, limitations or restrictions, if any, of such powers, preferences and/or rights (collectively the "Series Terms"), shall be such as are stated and expressed in a resolution or resolutions providing for the creation of such Series Terms (a "Preferred Stock Series Resolution") adopted by the Board of Directors or a committee of the Board of Directors to which such responsibility is specifically and lawfully delegated, and set forth in a certificate of designation executed, acknowledged, and filed in accordance with Sections 103 and 151 of the DGCL. The powers of the Board of Directors to determine the Series Terms of a particular series (any of which powers may by resolution of the Board of Directors be specifically delegated to one or more of its committees, except as prohibited by law) shall include, but not be limited to, determination of the following:

(1) The number of shares constituting that series and the distinctive designation of that series;

(2) The dividend rate on the shares of that series, whether such dividends, if any, shall be cumulative, and, if so, the date or dates from which dividends payable on such shares shall accumulate, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(3) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(4) Whether that series shall have conversion privileges with respect to shares of any other class or classes of stock or of any other series of any class of stock, and, if so, the terms and conditions of such conversion, including provision for adjustment of the conversion rate upon occurrence of such events as the Board of Directors shall determine;

(5) Whether the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including their relative rights of priority, if any, of redemption, the date or dates upon or after which they shall be redeemable, provisions regarding redemption notices, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(6) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(7) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series;

(8) The conditions or restrictions upon the creation of indebtedness of the Corporation or upon the issuance of additional Preferred Stock or other capital stock ranking on a parity therewith, or senior thereto, with respect to dividends or distribution of assets upon liquidation;

(9) The conditions or restrictions with respect to the issuance of, payment of dividends upon, or the making of other distributions to, or the acquisition or redemption of, shares ranking junior to the Preferred Stock or to any series thereof with respect to dividends or distribution of assets upon liquidation; and

(10) Any other designations, powers, preferences, and rights, including, without limitation, any qualifications, limitations, or restrictions thereof.

(b) To the fullest extent permitted by the DGCL, any of the Series Terms, including voting rights, of any series may be made dependent upon facts ascertainable outside this Certificate of Incorporation and the Preferred Stock Series Resolution; provided, that the manner in which such facts shall operate upon such Series Terms is clearly and expressly set forth in this Certificate of Incorporation or in the Preferred Stock Series Resolution.

(c) Subject to the provisions of this Article V and to obtaining any required stockholder votes or consents provided for herein or in any Preferred Stock Series Resolution, the issuance of shares of one or more series of Preferred Stock may be authorized from time to time as shall be determined by and for such consideration as shall be fixed by the Board of Directors or a designated committee thereof, in an aggregate amount not exceeding the total number of shares constituting any such series or the total number of shares of Preferred Stock authorized by this Certificate of Incorporation. Except in respect of series particulars fixed by the Board of Directors or its committee as permitted hereby, all shares of Preferred Stock shall be of equal rank and shall be identical, and all shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

## **Section 5.2 Common Stock.**

There shall be five series of Common Stock created, having the number of shares and the voting powers, preferences, designations, rights, qualifications, limitations or restrictions set forth below:

(a) **DHI Common Stock.** One series of common stock of the Corporation is hereby created and designated as “Class A Common Stock” consisting of six-hundred million (600,000,000) shares, par value \$0.01 per share (the “Class A Common Stock”); one series of common stock of the Corporation is hereby created and designated as “Class B Common Stock” consisting of two-hundred million (200,000,000) shares, par value \$0.01 per share (the “Class B Common Stock”); one series of common stock of the Corporation is hereby created and designated as “Class C Common Stock” consisting of nine-hundred million (900,000,000) shares, par value \$0.01 per share (the “Class C Common Stock”); and one series of common stock of the Corporation is hereby created and designated as “Class D Common Stock” consisting of one-hundred million (100,000,000) shares, par value \$0.01 per share (the “Class D Common Stock,” and together with the Class A Common Stock, the Class B Common Stock and the Class C Common Stock, the “DHI Common Stock”).

(b) **Class V Common Stock.** One series of common stock of the Corporation is hereby created and designated as “Class V Common Stock” consisting of three-hundred forty-three million, twenty-five thousand, three hundred and eight (343,025,308) shares, par value \$0.01 per share (the “Class V Common Stock”). Each share of Class V Common Stock shall be identical in all respects and will have equal rights, powers and privileges to each other share of Class V Common Stock.

(c) **Reclassification.** Upon the effectiveness (the “Effective Time”) pursuant to the DGCL of this Certificate of Incorporation, (a) each share of Series A Common Stock of the Corporation, par value \$0.01 per share (the “Series A Stock”), issued and outstanding immediately prior to the Effective Time shall automatically be reclassified as and become one validly issued, fully paid and non-assessable share of Class A Common Stock on a one-for-one basis, (b) each share of Series B Common Stock of the Corporation, par value \$0.01 per share (the “Series B Stock”), issued and outstanding immediately prior to the Effective Time shall automatically be reclassified as and become one validly issued, fully paid and non-assessable share of Class B Common Stock on a one-for-one basis, and (c) each share of Series C Common Stock of the Corporation, par value \$0.01 per share (together with the Series A Stock and the Series B Stock, the “Original Stock”), issued and outstanding immediately prior to the Effective Time shall automatically

be reclassified as and become one validly issued, fully paid and non-assessable share of Class C Common Stock on a one-for-one basis, in each case without any action by any holder thereof.

**(d) Restrictions on Corporate Actions.**

**(1)** From the Effective Date through the two-year anniversary of the Effective Date, the Corporation and its Subsidiaries will not purchase or otherwise acquire any shares of common stock of VMware if such acquisition would cause the common stock of VMware to no longer be publicly traded on a U.S. securities exchange or VMware to no longer be required to file reports under Sections 13 and 15(d) of the Securities Exchange Act of 1934, in each case unless such acquisition of VMware common stock is required in order for VMware to continue to be a member of the affiliated group of corporations filing a consolidated tax return with the Corporation for purposes of Section 1502 of the Internal Revenue Code and the regulations thereunder.

**(2)** For so long as any shares of Class V Common Stock remain outstanding, the Corporation shall not authorize or issue any class or series of common stock (other than (i) Class V Common Stock or (ii) common stock of the Corporation with an Inter-Group Interest in the Class V Group) intended to reflect an economic interest of the Corporation in assets comprising the Class V Group, including common stock of VMware.

**(e) Dividends.** Subject to the provisions of any Preferred Stock Series Resolution:

**(1) Dividends on Class V Common Stock.**

**(A)** Dividends on the Class V Common Stock may be declared and paid only out of the lesser of (i) the assets of the Corporation legally available therefor and (ii) the Class V Group Available Dividend Amount.

**(B)** If the Number of Retained Interest Shares is greater than zero on the record date for any dividend on the Class V Common Stock, then concurrently with the payment of any dividend on the outstanding shares of Class V Common Stock:

**(I)** if such dividend consists of cash, Publicly Traded securities (other than shares of Class V Common Stock) or other assets, the Corporation will attribute to the DHI Group (a "Retained Interest Dividend") an aggregate amount of cash, securities or other assets, or a combination thereof, at the election of the Board of Directors (the "Retained Interest Dividend Amount"), with a Fair Value equal to the amount (rounded, if necessary, to the nearest whole number) obtained by multiplying (x) the Number of Retained Interest Shares as of the record date for such dividend, by (y) a fraction, the numerator of which is the Fair Value of such dividend payable to the holders of outstanding shares of Class V Common Stock, as determined in good faith by the Board of Directors, and the denominator of which is the number of shares of Class V Common Stock outstanding as of such record date; or

**(II)** if such dividend consists of shares of Class V Common Stock (including dividends of Convertible Securities convertible or exchangeable or exercisable for shares of Class V Common Stock), the Number of Retained Interest Shares will be increased by a number equal to the amount (rounded, if necessary, to the nearest whole number) obtained by multiplying (x) the Number of Retained Interest Shares as of the record date for such dividend, by (y) the number of shares (including any fraction of a share) of Class V Common Stock issuable to a holder for each outstanding share of Class V Common Stock in such dividend.

In the case of a dividend paid pursuant to Section 5.2(m)(3)(D), in connection with a Class V Group Disposition, the Retained Interest Dividend Amount may be increased, at the election of the Board of Directors, by the aggregate amount of the dividend that would have been payable with respect to the shares of Class V Common Stock converted into Class C Common Stock in connection with such Class V Group Disposition if such shares were not so converted and received the same dividend per share as the other shares of Class V Common Stock received in connection with such Class V Group Disposition.

A Retained Interest Dividend may, at the discretion of the Board of Directors, be reflected by an allocation or by a direct transfer of cash, securities or other assets, or a combination thereof, and may be payable in kind or otherwise.

**(2) Dividends on DHI Common Stock.**

**(A)** Dividends on the DHI Common Stock may be declared and paid only out of the lesser of (i) the assets of the Corporation legally available therefor and (ii) the DHI Group Available Dividend Amount.

**(B)** Subject to the provisions of any Preferred Stock Series Resolution, if any, outstanding at any time, the holders of Class A Common Stock, the holders of Class B Common Stock, the holders of Class C Common Stock and the holders of Class D Common Stock shall be entitled to share equally, on a per share basis, in such dividends and other distributions of cash, property or shares of stock of the Corporation as may be declared by the Board of Directors from time to time with respect to the DHI Common Stock out of the assets or funds of the Corporation legally available therefor; provided, however, that in the event that any such dividend is paid in the form of shares of DHI Common Stock or Convertible Securities convertible, exchangeable or exercisable for shares of DHI Common Stock, the holders of Class A Common Stock shall receive Class A Common Stock or Convertible Securities convertible, exchangeable or exercisable for shares of Class A Common Stock, as the case may be, the holders of Class B Common Stock shall receive Class B Common Stock or Convertible Securities convertible, exchangeable or exercisable for shares of Class B Common Stock, as the case may be, the holders of Class C Common Stock shall receive Class C Common Stock or Convertible Securities convertible, exchangeable or exercisable for shares of Class C Common Stock, as the case may be, and the holders of Class D Common Stock shall receive Class D Common Stock or Convertible Securities convertible, exchangeable or exercisable for shares of Class D Common Stock, as the case may be.

**(C)** Dividends of Class V Common Stock (or dividends of Convertible Securities convertible into or exchangeable or exercisable for shares of Class V Common Stock) may be declared and paid on the DHI Common Stock if the Number of Retained Interest Shares is greater than zero on the record date for any such dividend, but only if the sum of:

**(I)** the number of shares of Class V Common Stock to be so issued (or the number of such shares that would be issuable upon conversion, exchange or exercise of any Convertible Securities to be so issued); and

**(II)** the number of shares of Class V Common Stock that are issuable upon conversion, exchange or exercise of any Convertible Securities then outstanding that are attributed as a liability to, or an equity interest in, the DHI Group

is less than or equal to the Number of Retained Interest Shares.

**(3) Discrimination between DHI Common Stock and Class V Common Stock.** The Board of Directors shall have the authority and discretion to declare and pay (or to refrain from declaring and paying) dividends on outstanding shares of Class V Common Stock and dividends on outstanding shares of DHI Common Stock, in equal or unequal amounts, or only on the DHI Common Stock or the Class V Common Stock, irrespective of the amounts (if any) of prior dividends declared on, or the respective liquidation rights of, the DHI Common Stock or the Class V Common Stock, or any other factor.

**(f) Liquidation and Dissolution.**

**(1) General.** In the event of a liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and liabilities of the Corporation and payment or provision for payment of any preferential amount due to the holders of any other class or series of stock as to payments upon dissolution of the Corporation (regardless of the Group to which such shares are attributed), the holders of shares of DHI Common Stock and the holders of shares of Class V Common Stock shall be entitled to receive their proportionate interests in the assets of the Corporation remaining for distribution to holders of stock (regardless

of the class or series of stock to which such assets are then attributed) in proportion to the respective number of liquidation units per share of DHI Common Stock and Class V Common Stock.

Neither (i) the consolidation or merger of the Corporation with or into any other Person or Persons, (ii) a transaction or series of related transactions that results in the transfer of more than 50% of the voting power of the Corporation nor (iii) the sale, transfer or lease of all or substantially all of the assets of the Corporation shall itself be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 5.2(f).

(2) **Liquidation Units.** The liquidation units per share of Class V Common Stock in relation to the DHI Common Stock shall be as follows:

(A) each share of DHI Common Stock shall have one liquidation unit; and

(B) each share of Class V Common Stock shall have a number of liquidation units (including a fraction of one liquidation unit) equal to the amount (calculated to the nearest five decimal places) obtained by dividing (x) the Average Market Value of a share of Class V Common Stock over the 10-Trading Day period commencing on (and including) the first Trading Day on which the Class V Common Stock trades in the “regular way” market, by (y) the Average Market Value of a share of Class C Common Stock over the same 10-Trading Day period (unless such shares of Class C Common Stock are not Publicly Traded, in which case the Fair Value of a share of Class C Common Stock, determined as of the fifth Trading Day of such period, shall be used for purposes of (y));

provided, that if, after the Effective Date, the Corporation, at any time or from time to time, subdivides (by stock split, reclassification or otherwise) or combines (by reverse stock split, reclassification or otherwise) the outstanding shares of Class C Common Stock or Class V Common Stock, or declares and pays a dividend or distribution in shares of Class C Common Stock or Class V Common Stock to holders of Class C Common Stock or Class V Common Stock, as applicable, the per share liquidation units of the Class C Common Stock or Class V Common Stock, as applicable, will be appropriately adjusted as determined by the Board of Directors, so as to avoid any dilution or increase in the aggregate, relative liquidation rights of the shares of Class C Common Stock and Class V Common Stock.

Whenever an adjustment is made to liquidation units under this Section 5.2(f), the Corporation will promptly thereafter prepare and file a statement of such adjustment with the Secretary of the Corporation. Neither the failure to prepare nor the failure to file any such statement will affect the validity of such adjustment.

(g) **Subdivision or Combinations.** If the Corporation in any manner subdivides or combines the outstanding shares of any series of DHI Common Stock, the outstanding shares of the other series of DHI Common Stock will be subdivided or combined in the same manner.

(h) **Voting Rights.**

(1) **Voting Generally.** Subject to Article VI, (i) each holder of record of Class A Common Stock shall be entitled to ten (10) votes per share of Class A Common Stock which is outstanding in his, her or its name on the books of the Corporation and which is entitled to vote; (ii) each holder of record of Class B Common Stock shall be entitled to ten (10) votes per share of Class B Common Stock which is outstanding in his, her or its name on the books of the Corporation and which is entitled to vote; (iii) each holder of record of Class C Common Stock shall be entitled to one vote per share of Class C Common Stock which is outstanding in his, her or its name on the books of the Corporation and which is entitled to vote; (iv) each holder of record of Class D Common Stock shall not be entitled to any vote on any matter except to the extent required by provisions of Delaware law (in which case such holder shall be entitled to one vote per share of Class D Common Stock which is outstanding in his, her or its name on the books of the Corporation and which is entitled to vote); and (v) each holder of record of Class V Common Stock shall be entitled to one vote per share of Class V Common Stock which is outstanding in his, her or its name on the books of the Corporation and which is entitled to vote. Except (A) as may otherwise be provided in this Certificate of Incorporation, or (B) as may otherwise be required by the laws of the State of Delaware, the holders of shares of all classes of Common Stock will vote as one class with respect to the election of Group I Directors and with respect to all other matters to be voted on by stockholders of the Corporation; provided, that the holders of Class A Common

Stock (and no other classes of Common Stock) will vote with respect to the election of Group II Directors and the holders of Class B Common Stock (and no other classes of Common Stock) will vote as one class with respect to the election of Group III Directors.

**(2) Special Voting Rights.**

**(A)** If the Corporation proposes to (i) amend this Certificate of Incorporation (A) in any manner that would alter or change the powers, preferences or special rights of the shares of Class V Common Stock so as to affect them adversely or (B) to make any amendment, change or alteration to the restrictions on corporate actions described in Section 5.2(d), in each case whether by merger, consolidation or otherwise, or (ii) effect any merger or business combination as a result of which (A) the holders of all classes and series of Common Stock shall no longer own at least 50% of the voting power of the surviving corporation or of the direct or indirect parent corporation of such surviving corporation and (B) the holders of Class V Common Stock do not receive consideration of the same type as the other classes or series of Common Stock and, in aggregate, equal to or greater in value than the proportion of the average of the aggregate Fair Value of the outstanding Class V Common Stock over the 30-Trading Day period ending on the Trading Day preceding the date of the first public announcement of such merger or business combination to the aggregate Fair Value of the other outstanding classes or series of Common Stock over the same 30-Trading Day period (unless such securities are not Publicly Traded, in which case the aggregate Fair Value of such securities shall be determined as of the fifth Trading Day of such period), then in each case, such action will be subject to receipt by the Corporation of, and will not be undertaken unless the Corporation has received, the affirmative vote of the holders of record (other than shares held by the Corporation's Affiliates), as of the record date for the meeting at which such vote is taken, of Class V Common Stock representing a majority of the aggregate voting power (other than shares held by the Corporation's Affiliates) of Class V Common Stock present, in person or by proxy, at such meeting and entitled to vote thereon, voting together as a separate class. Any vote taken pursuant to this Section 5.2(h)(2)(A), will be in addition to, and not in lieu of, any vote of the stockholders of the Corporation required by law to be taken with respect to the applicable action.

**(B)** For so long as any shares of Class V Common Stock remain outstanding, Section 4.02 of the Bylaws shall not be amended or repealed (A) by the stockholders of the Corporation unless such action has received the affirmative vote of the holders of record (other than shares held by the Corporation's Affiliates), as of the record date for the meeting at which such vote is taken, of (i) Class V Common Stock representing a majority of the aggregate voting power (other than shares held by the Corporation's Affiliates) of Class V Common Stock present, in person or by proxy, at such meeting and entitled to vote thereon, voting together as a separate class, and (ii) Common Stock representing a majority of the aggregate voting power of Common Stock present, in person or by proxy, at such meeting and entitled to vote thereon or (B) by any action of the Board of Directors.

**(C)** Except as expressly provided herein, no class or series of Common Stock shall be entitled to vote as a separate class on any matter except to the extent required by provisions of Delaware law. Irrespective of the provisions of Section 242(b)(2) of the Delaware General Corporation Law, the holders of shares of DHI Common Stock and the holders of shares of Class V Common Stock will vote as one class with respect to any proposed amendment to this Certificate of Incorporation that (i) would increase (x) the number of authorized shares of common stock or any class or series thereof, (y) the number of authorized shares of preferred stock or any series thereof or (z) the number of authorized shares of any other class or series of capital stock of the Corporation hereafter established, or (ii) decrease (x) the number of authorized shares of common stock or any class or series thereof, (y) the number of authorized shares of preferred stock or any series thereof or (z) the number of authorized shares of any other class or series of capital stock of the Corporation hereafter established (but, in each case, not below the number of shares of such class or series of capital stock then outstanding), and no separate class or series vote of the holders of shares of any class or series of capital stock of the Corporation will be required for the approval of any such matter; provided, that this Section 5.2(h)(2)(C) shall only apply to a proposed increase in the number of authorized shares of Class V Common Stock when such increase has received the approval of the Capital Stock Committee of the Board of Directors in such circumstances and as provided in the Bylaws.

**(i) Equal Status.** Except as expressly provided in this Article V and in Article VI, Class A Common Stock, Class B Common Stock, Class C Common Stock and Class D Common Stock shall have the same rights and

privileges and rank equally, share ratably on a per share basis and be identical in all respects as to all matters. Without limiting the generality of the foregoing, (i) in the event of a merger, consolidation or other business combination requiring the approval of the holders of the Corporation's capital stock entitled to vote thereon (whether or not the Corporation is the surviving entity), each holder of DHI Common Stock shall have the right to receive, or the right to elect to receive, the same amount and form of consideration, if any, on a per share basis, as each other holder of DHI Common Stock, and (ii) in the event of (x) any tender or exchange offer to acquire any shares of DHI Common Stock by any third party pursuant to an agreement to which the Corporation is a party or (y) any tender or exchange offer by the Corporation to acquire any shares of DHI Common Stock, pursuant to the terms of the applicable tender or exchange offer, the holders of DHI Common Stock shall have the right to receive, or the right to elect to receive, the same amount or form of consideration on a per share basis as each other holder of DHI Common Stock; provided, that notwithstanding anything herein to the contrary, the holders of Class C Common Stock and the holders of Class D Common Stock may receive non-voting securities or capital stock, or securities or capital stock with differing voting rights or preferences than the holders of Class A Common Stock and/or the holders of Class B Common Stock in connection with a merger, consolidation, other business combination, or tender or exchange offer involving the Corporation.

**(j) Senior, Parity or Junior Stock.**

(1) Whenever reference is made in this Article V to shares "ranking senior to" another class or series of stock or "on a parity with" another class or series of stock, such reference shall mean and include all other shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank equally with, as the case may be, the rights of the holders of such other class or series of stock. Whenever reference is made to shares "ranking junior to" another class or series of stock, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of such class or series of stock.

(2) Except as otherwise provided herein or in any Preferred Stock Series Resolution, each series of Preferred Stock shall rank on a parity with each other series of Preferred Stock and each series of Preferred Stock shall rank senior to the Common Stock. Except as otherwise provided herein, each of the Class A Common Stock, the Class B Common Stock, the Class C Common Stock, the Class D Common Stock and the Class V Common Stock shall rank on a parity with each other, and, except as otherwise provided in any Preferred Stock Series Resolution, each of the Class A Common Stock, the Class B Common Stock, the Class C Common Stock, the Class D Common Stock and the Class V Common Stock shall rank junior to the Preferred Stock.

**(k) Reservation and Retirement of Shares.**

(1) The Corporation shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, the full number of shares of Common Stock into which all shares of any series of Preferred Stock having conversion privileges from time to time outstanding are convertible.

(2) Unless otherwise provided in a Preferred Stock Series Resolution with respect to a particular series of Preferred Stock, all shares of Preferred Stock redeemed or acquired (as a result of conversion or otherwise) shall be retired and restored to the status of authorized but unissued shares of Preferred Stock undesignated as to series.

**(l) No Preemptive Rights.**

Subject to the provisions of any Preferred Stock Series Resolution, no holder of shares of stock of the Corporation shall have any preemptive or other rights, except as such rights are expressly provided by contract, to purchase or subscribe for or receive any shares of any class, or series thereof, of stock of the Corporation, whether now or hereafter authorized, or any warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock; but, subject to the provisions

of any Preferred Stock Series Resolution, such additional shares of stock and such warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock may be issued or disposed of by the Board of Directors to such Persons, and on such terms and for such lawful consideration, as in its discretion it shall deem advisable or as to which the Corporation shall have by binding contract agreed.

**(m) Other Provisions Relating to the Exchange of Class V Common Stock.**

**(1) *Redemption for VMware Stock.*** At any time that shares of common stock of VMware comprise all of the assets of the Class V Group, the Corporation may, at its option and subject to assets of the Corporation being legally available therefor, redeem all outstanding shares of Class V Common Stock for shares of common stock of VMware (the “Distributed VMware Shares”), as provided herein. Each outstanding share of Class V Common Stock shall be redeemed for a number of Distributed VMware Shares equal to the amount (calculated to the nearest five decimal places) obtained by multiplying the Outstanding Interest Fraction by a fraction, the numerator of which is the number of shares of common stock of VMware attributed to the Class V Group on the Class V Group VMware Redemption Selection Date and the denominator of which is the number of issued and outstanding shares of Class V Common Stock on the same date. Any redemption pursuant to this Section 5.2(m)(1) shall occur on the date set forth in the public notice made pursuant to Section 5.2(m)(4)(B) (the “Class V Group VMware Redemption Date”). The Corporation shall not redeem shares of Class V Common Stock for Distributed VMware Shares pursuant to this Section 5.2(m)(1) without redeeming all outstanding shares of Class V Common Stock for Distributed VMware Shares in accordance with this Section 5.2(m)(1).

**(2) *Redemption for Securities of Class V Group Subsidiary.*** At any time at which a wholly-owned Subsidiary of the Corporation (the “Class V Group Subsidiary”) holds, directly or indirectly, all of the assets and liabilities attributed to the Class V Group and such assets and liabilities are not solely comprised of shares of common stock of VMware, the Corporation may, at its option and subject to assets of the Corporation being legally available therefor, redeem all of the outstanding shares of Class V Common Stock for shares of common stock of such Class V Group Subsidiary, as provided herein; provided, that the common stock received is the only outstanding equity security of such Class V Group Subsidiary, and provided, further, that such common stock, upon issuance in such redemption, will have been registered under all applicable U.S. securities laws and will be listed for trading on a U.S. securities exchange. The number of shares of common stock of the Class V Group Subsidiary to be delivered in redemption of each outstanding share of Class V Common Stock will be equal to the amount (rounded, if necessary, to the nearest five decimal places) obtained by dividing (x) the product of (I) the number of outstanding shares of common stock of the Class V Group Subsidiary and (II) the Outstanding Interest Fraction, by (y) the number of outstanding shares of Class V Common Stock, in each case, as of the Class V Group Redemption Selection Date. The Corporation shall not redeem shares of Class V Common Stock for shares of common stock of the Class V Group Subsidiary pursuant to this Section 5.2(m)(2) without redeeming all outstanding shares of Class V Common Stock in accordance with this Section 5.2(m)(2).

Any redemption pursuant to this Section 5.2(m)(2) will occur on a Class V Group Redemption Date set forth in a notice to holders of Class V Common Stock pursuant to Section 5.2(m)(4)(B).

If the Board of Directors determines to effect a redemption of the Class V Common Stock pursuant to this Section 5.2(m)(2), shares of Class V Common Stock shall be redeemed in exchange for a common stock of the Class V Group Subsidiary, as determined by the Board of Directors, on an equal per share basis.

**(3) *Dividend, Redemption or Conversion in Case of Class V Group Disposition.*** In the event of a Class V Group Disposition (other than in one or a series of Excluded Transactions), the Corporation will, on or prior to the 120th Trading Day following the consummation of such Class V Group Disposition and in accordance with the applicable provisions of this Section 5.2, take the actions referred to in one of Section 5.2(m)(3)(A), (B), (C) or (D) below, as elected by the Board of Directors:

**(A)** Subject to Section 5.2(e)(1), the Corporation may declare and pay a dividend payable in cash, Publicly Traded securities (other than securities of the Corporation) or other assets, or any combination

thereof, to the holders of outstanding shares of Class V Common Stock, with an aggregate Fair Value equal to the Class V Group Allocable Net Proceeds of such Class V Group Disposition (regardless of the form or nature of the proceeds received by the Corporation from the Class V Group Disposition) as of the record date for determining the holders entitled to receive such dividend, as the same may be determined by the Board of Directors, with such dividend to be paid in accordance with the applicable provisions of Section 5.2(e).

**(B)** Provided that there are assets of the Corporation legally available therefor and the Class V Group Available Dividend Amount would have been sufficient to pay a dividend pursuant to Section 5.2(m)(3)(A) in lieu of effecting the redemption provided for in this Section 5.2(m)(3)(B), the Corporation may apply an aggregate amount of cash or Publicly Traded securities (other than securities of the Corporation) or any combination thereof with a Fair Value equal to the Class V Group Allocable Net Proceeds of such Class V Group Disposition (regardless of the form or nature of the proceeds received by the Corporation from the Class V Group Disposition) as of the Class V Group Redemption Selection Date (the “Class V Group Redemption Amount”) to the redemption of outstanding shares of Class V Common Stock for an amount per share equal to the Average Market Value of a share of Class V Common Stock over the period of 10 consecutive Trading Days beginning on the 2nd Trading Day following the public announcement of the Class V Group Net Proceeds as set forth in Section 5.2(m)(4)(C); provided, that if such Class V Group Disposition involves all (not merely substantially all) of the assets of the Class V Group, a redemption pursuant to this Section 5.2(m)(3)(B) shall be a redemption of all outstanding shares of Class V Common Stock in exchange for an aggregate amount of cash or Publicly Traded securities (other than securities of the Corporation) or any combination thereof, with a Fair Value equal to the Class V Group Allocable Net Proceeds of such Class V Group Disposition, on an equal per share basis.

**(C)** Provided that the Class C Common Stock is then Publicly Traded, the Corporation may convert the number of outstanding shares of Class V Common Stock obtained by dividing the Class V Group Allocable Net Proceeds by the Average Market Value of a share of Class V Common Stock over the period of 10 consecutive Trading Days beginning on the 2nd Trading Day following the public announcement of the Class V Group Net Proceeds as set forth in Section 5.2(m)(4)(C) into an aggregate number (or fraction) of validly issued, fully paid and non-assessable shares of Class C Common Stock equal to the number of shares of Class V Common Stock to be converted, multiplied by the amount (calculated to the nearest five decimal places) obtained by dividing (I) the Average Market Value of a share of Class V Common Stock over the period of 10 consecutive Trading Days beginning on the 2nd Trading Day following the public announcement of the Class V Group Net Proceeds as set forth in Section 5.2(m)(4)(C) by (II) the Average Market Value of one share of Class C Common Stock over the same 10-Trading Day period.

**(D)** Provided that the Class C Common Stock is then Publicly Traded, the Corporation may combine the conversion of a portion of the outstanding shares of Class V Common Stock into Class C Common Stock as contemplated by Section 5.2(m)(3)(C) with the payment of a dividend on, or the redemption of, shares of Class V Common Stock, as described below, subject to the limitations specified in Section 5.2(m)(3)(A) (in the case of a dividend) or Section 5.2(m)(3)(B) (in the case of a redemption) (including the limitations specified in other paragraphs of this Certificate of Incorporation referred to therein).

In the event the Board of Directors elects the option described in this Section 5.2(m)(3)(D), the portion of the outstanding shares of Class V Common Stock to be converted into validly issued, fully paid and non-assessable shares of Class C Common Stock shall be determined by the Board of Directors and shall be so converted at the conversion rate determined in accordance with Section 5.2(m)(3)(C) and the Corporation shall (x) pay a dividend to the holders of record of all of the remaining shares of Class V Common Stock outstanding, with such dividend to be paid in accordance with the applicable provisions of Section 5.2(e), or (y) redeem all or a portion of such remaining shares of Class V Common Stock. The aggregate amount of such dividend or the portion of the Class V Group Allocable Net Proceeds to be applied to such redemption, as applicable, shall be equal to the amount (rounded, if necessary, to the nearest whole number) obtained by multiplying (I) an amount equal to the Class V Group Allocable Net Proceeds of such Class V Group Disposition as of, in the case of a dividend, the record date for determining the holders of Class V Common Stock entitled to receive such dividend and, in the case of a redemption, the Class V Group Redemption Selection Date, in each case before giving effect to the conversion of shares of Class V Common Stock in connection with such Class V Group Disposition in accordance with this Section 5.2(m)(3)(D) and any related adjustment to the Number of Retained Interest Shares, by (II) one (1) minus a fraction, the numerator of which shall be the number of shares of Class V

Common Stock to be converted into shares of Class C Common Stock in accordance with this Section 5.2(m)(3)(D) and the denominator of which shall be the aggregate number of shares of Class V Common Stock outstanding as of the record date or the Class V Group Redemption Selection Date used for purposes of clause (I) of this sentence. In the event of a redemption concurrently with or following any such partial conversion of shares of Class V Common Stock, if the Class V Group Disposition was of all (not merely substantially all) of the assets of the Class V Group, then all remaining outstanding shares of Class V Common Stock shall be redeemed for cash, Publicly Traded securities (other than securities of the Corporation) or other assets, or any combination thereof, with an aggregate Fair Value equal to the portion of the Class V Group Allocable Net Proceeds to be applied to such redemption determined in accordance with this Section 5.2(m)(3)(D), such aggregate amount to be allocated among all such shares to be redeemed on an equal per share basis (subject to the provisions of this Section 5.2(m)(3)). In the event of a redemption concurrently with or following any such partial conversion of shares of Class V Common Stock, if the Class V Group Disposition was of not all of the assets of the Class V Group, then the number of shares of Class V Common Stock to be redeemed shall be determined in accordance with Section 5.2(m)(3)(B), substituting for the Class V Group Redemption Amount referred to therein the portion of the Class V Group Allocable Net Proceeds to be applied to such redemption as determined in accordance with this Section 5.2(m)(3)(D), and such shares shall be redeemed for cash, Publicly Traded securities (other than securities of the Corporation) or other assets, or any combination thereof, with an aggregate Fair Value equal to such portion of the Class V Group Allocable Net Proceeds and allocated among all such shares to be redeemed on an equal per share basis (subject to the provisions of this Section 5.2(m)(3)). In the case of a redemption, the allocation of the cash, Publicly Traded securities (other than securities of the Corporation) and/or other assets to be paid in redemption and, in the case of a partial redemption, the selection of shares to be redeemed shall be made in the manner contemplated by Section 5.2(m)(3)(B).

For purposes of this Section 5.2(m)(3) and the definition of “Class V Group Disposition” provided in Article XV:

- (1) as of any date, “substantially all of the assets of the Class V Group” means a portion of such assets that represents at least 80% of the then-Fair Value of the assets of the Class V Group as of such date;
- (2) in the case of a Class V Group Disposition effected in a series of related transactions, such Class V Group Disposition shall not be deemed to have been consummated until the consummation of the last of such transactions;
- (3) if the Board of Directors seeks the approval of the holders of Class V Common Stock entitled to vote on thereon to qualify a Class V Group Disposition as an Excluded Transaction and such approval is not obtained, the date on which such approval fails to be obtained will be treated as the date on which such Class V Group Disposition was consummated for purposes of making the determinations and taking the actions prescribed by this Section 5.2(m)(3) and Section 5.2(m)(4), and no subsequent vote may be taken to qualify such Class V Group Disposition as an Excluded Transaction; and
- (4) in the event of a redemption of a portion of the outstanding shares of Class V Common Stock pursuant to Section 5.2(m)(3)(B) or (D) at a time when the Number of Retained Interest Shares is greater than zero, the Corporation will attribute to the DHI Group concurrently with such redemption an aggregate amount (the “Retained Interest Redemption Amount”) of cash, securities (other than securities of the Corporation) or other assets, or any combination thereof, subject to adjustment as described below, with an aggregate Fair Value equal to the difference between (x) the Class V Group Net Proceeds and (y) the portion of the Class V Group Allocable Net Proceeds applied to such redemption as determined in accordance with Section 5.2(m)(3)(B) or (D) (such attribution, the “Retained Interest Partial Redemption”). Upon such Retained Interest Partial Redemption, the Number of Retained Interest Shares will be decreased in the manner described in subparagraph (ii)(B) of the definition of “Number of Retained Interest Shares” provided in Article XV. The Retained Interest Redemption Amount may, at the discretion of the Board of Directors, be reflected by an allocation to the DHI Group or by a direct transfer to the DHI Group of cash, securities and/or other assets.

**(4) General.**

**(A)** If the Corporation determines to convert all of the shares of Class V Common Stock pursuant to Section 5.2(r), not less than 10 days prior to the Class V Group Conversion Date the Corporation shall announce publicly by press release:

- (I)** that all outstanding shares of Class V Common Stock shall be converted pursuant to Section 5.2(r) on the Class V Group Conversion Date;
- (II)** the Class V Group Conversion Date, which shall not be more than 45 days following the Determination Date;
- (III)** the number of shares of Class C Common Stock to be received with respect to each share of Class V Common Stock; and
- (IV)** instructions as to how shares of Class V Common Stock may be surrendered for conversion.

**(B)** If the Corporation determines to exchange shares of Class V Common Stock pursuant to Section 5.2(m)(1) or to redeem shares of Class V Common Stock pursuant to Section 5.2(m)(2), the Corporation shall announce publicly by press release:

- (I)** that the Corporation intends to exchange or redeem, as applicable, all outstanding shares of Class V Common Stock for Distributed VMware Shares pursuant to Section 5.2(m)(1) or common stock of the Class V Group Subsidiary pursuant to Section 5.2(m)(2), as applicable, subject to any applicable conditions;
- (II)** the class or series of securities to be received with respect to the shares of Class V Common Stock to be exchanged or redeemed, as applicable, and the Outstanding Interest Fraction as of the date of such notice;
- (III)** the Class V Group VMware Redemption Selection Date or Class V Group Redemption Selection Date, as applicable, which shall not be earlier than the 10th day following the date of such press release;
- (IV)** the Class V Group VMware Redemption Date or Class V Group Redemption Date, as applicable, which shall not be earlier than the 10th day following the date of such press release and shall not be later than the 120th Trading Day following the date of such press release;
- (V)** if the Board of Directors so determines, that the Corporation shall not be required to register a transfer of any shares of Class V Common Stock for a period of 10 Trading Days (or such shorter period as such press release may specify) immediately preceding the specified Class V Group VMware Redemption Selection Date or Class V Group Redemption Selection Date;
- (VI)** the number of shares of VMware common stock or of the Class V Group Subsidiary, as applicable, attributable to the DHI Group, and the Number of Retained Interest Shares used in determining such number; and
- (VII)** instructions as to how shares of Class V Common Stock may be surrendered for exchange or redemption, as applicable.

**(C)** Not later than the 10th Trading Day following the consummation of a Class V Group Disposition referred to in Section 5.2(m)(3), the Corporation shall announce publicly by press release the Class V Group Net Proceeds of such Class V Group Disposition. Not later than the 30th Trading Day following the consummation of such Class V Group Disposition (and in the event a 10-Trading Day valuation period is required in

connection with the action selected by the Board of Directors pursuant to Section 5.2(m)(3), not earlier than the 12th Trading Day following the public announcement of the Class V Group Net Proceeds as set forth in the first sentence of this Section 5.2(m)(4)(C)), the Corporation shall announce publicly by press release (to the extent applicable):

(I) which of the actions specified in Section 5.2(m)(3)(A), (B), (C), or (D) the Corporation has irrevocably determined to take;

(II) as applicable, the record date for determining holders entitled to receive any dividend to be paid pursuant to Section 5.2(m)(3)(A) or (D), the Class V Group Redemption Selection Date for the redemption of shares of Class V Common Stock pursuant to Section 5.2(m)(3)(B) or (D) or the Class V Group Conversion Selection Date for the partial conversion of shares of Class V Common Stock pursuant to Section 5.2(m)(3)(D), which record date, Class V Group Redemption Selection Date or Class V Group Conversion Selection Date will not be earlier than the 10th day following the date of such public announcement;

(III) the Outstanding Interest Fraction as of the date of such notice;

(IV) the anticipated dividend payment date, Class V Group Redemption Date, and/or Class V Group Conversion Date, as applicable, which in either case shall not be more than 85 Trading Days following such Class V Group Disposition; and

(V) unless the Board of Directors otherwise determines, that the Corporation shall not be required to register a transfer of any shares of Class V Common Stock for a period of 10 Trading Days (or such shorter period as such announcement may specify) immediately preceding the specified Class V Group Redemption Selection Date or the Class V Group Conversion Selection Date.

If the Corporation determines to undertake a redemption of shares of Class V Common Stock, in whole or in part, pursuant to Section 5.2(m)(3)(B) or (D), or a conversion of shares of Class V Common Stock, in whole or in part, pursuant to Section 5.2(m)(3)(C) or (D), the Corporation will announce such redemption or conversion (which, for the avoidance of doubt, may remain subject to the satisfaction or waiver of any applicable condition precedent at the time of such announcement) publicly by press release, not less than 10 days prior to the Class V Group Redemption Date or Class V Group Conversion Date, and will announce, as applicable:

(I) the Class V Group Redemption Date or Class V Group Conversion Date, which in each case shall not be more than 85 Trading Days following such Class V Group Disposition;

(II) the number of shares of Class V Common Stock to be redeemed or converted or, if applicable, stating that all outstanding shares of Class V Common Stock will be redeemed or converted;

(III) the kind and amount of per share consideration to be received with respect to each share of Class V Common Stock to be redeemed or converted and the Outstanding Interest Fraction as of the date of such notice;

(IV) with respect to a partial redemption under Section 5.2(m)(3)(B) or (D), the Number of Retained Interest Shares as of the Class V Group Redemption Selection Date;

(V) with respect to a dividend under Section 5.2(m)(3)(D), the Number of Retained Interest Shares as of the record date for the dividend and the Retained Interest Dividend Amount attributable to the DHI Group; and

(VI) instructions as to how shares of Class V Common Stock may be surrendered for redemption or conversion.

(D) The Corporation will give such notice to holders of Convertible Securities convertible into or exercisable or exchangeable for Class V Common Stock as may be required by the terms of such

Convertible Securities or as the Board of Directors may otherwise deem appropriate in connection with a dividend, redemption or conversion of shares of Class V Common Stock pursuant to this Section 5.2, as applicable.

(E) All public announcements made pursuant to Section 5.2(m)(4)(A), (B) or (C) shall include such further statements, and the Corporation reserves the right to make such further public announcements, as may be required by law or the rules of the principal U.S. securities exchange on which the Class V Common Stock is listed or as the Board of Directors may, in its discretion, deem appropriate.

(F) No adjustments in respect of dividends shall be made upon the conversion or redemption of any shares of Class V Common Stock; provided, however, that, except as otherwise contemplated by Section 5.2(m)(3)(D), if the Class V Group Conversion Date or the Class V Group Redemption Date with respect to any shares of Class V Common Stock shall be subsequent to the record date for the payment of a dividend or other distribution thereon or with respect thereto, but prior to the payment of such dividend or distribution, the holders of record of such shares of Class V Common Stock at the close of business on such record date shall be entitled to receive the dividend or other distribution payable on or with respect to such shares on the date set for payment of such dividend or other distribution, notwithstanding the prior conversion or redemption of such shares.

(G) Before any holder of shares of Class V Common Stock shall be entitled to receive certificate(s) or book-entry interests representing shares of any kind of capital stock or cash, Publicly Traded securities or other assets to be received by such holder with respect to shares of Class V Common Stock pursuant to Section 5.2(t) or this Section 5.2(m), such holder shall surrender certificate(s) or book-entry interests representing such shares of Class V Common Stock in such manner and with such written instruments or transfer as the Corporation shall specify. The Corporation will, as soon as practicable after such surrender of certificate(s) or book-entry interests representing shares of Class V Common Stock, deliver, or cause to be delivered, at the office of the transfer agent for the shares or other securities to be delivered, to the holder for whose account shares of Class V Common Stock were so surrendered, or to the nominee or nominees of such holder, certificate(s) or book-entry interests representing the number of shares of the kind of capital stock or cash, Publicly Traded securities or other assets to which such Person shall be entitled as aforesaid, together with any payment for fractional securities determined by the Board of Directors to be paid in accordance with Section 5.2(m)(4)(I). If less than all of the shares of Class V Common Stock represented by any one certificate are to be redeemed, the Corporation shall issue and deliver a new certificate for the shares (including fractional shares) of Class V Common Stock not redeemed.

(H) From and after any applicable Class V Group Conversion Date, Class V Group Redemption Date or Class V Group VMware Redemption Date, all rights of a holder of shares of Class V Common Stock that were converted, redeemed or exchanged on such Class V Group Conversion Date, Class V Group Redemption Date or Class V Group VMware Redemption Date, as applicable, shall cease except for the right, upon surrender of certificate(s) or book-entry interests representing such shares of Class V Common Stock, to receive certificate(s) or book-entry interests representing shares of the kind and amount of capital stock or cash, Publicly Traded securities or other assets for which such shares were converted, redeemed or exchanged, as applicable, together with any payment for fractional securities determined by the Board of Directors to be paid in accordance with Section 5.2(m)(4)(I), and such holder shall have no other or further rights in respect of the shares of Class V Common Stock so converted, redeemed or exchanged. No holder of a certificate or book-entry interest which immediately prior to the applicable Class V Group Conversion Date, Class V Group Redemption Date or Class V Group VMware Redemption Date represented shares of Class V Common Stock shall be entitled to receive any dividend or other distribution with respect to shares of any kind of capital stock into or in exchange for which the Class V Common Stock was converted, redeemed or exchanged until surrender of such holder's certificate or book-entry interest for certificate(s) or book-entry interests representing shares of such kind of capital stock. Upon such surrender, there shall be paid to the holder the amount of any dividends or other distributions (without interest) which became payable with respect to a record date prior to the Class V Group Conversion Date, Class V Group Redemption Date or Class V Group VMware Redemption Date, as the case may be, but that were not paid by reason of the foregoing, with respect to the number of shares of the kind of capital stock represented by the certificate(s) or book-entry interests issued upon such surrender. Notwithstanding the foregoing, from and after a Class V Group Conversion Date, Class V Group Redemption Date or Class V Group VMware Redemption Date, as the case may be, the Corporation will be entitled to treat certificates and book-entry interests representing shares of Class V Common Stock that have not yet been surrendered for conversion, redemption or exchange

in accordance with Section 5.2(m)(4)(G) as evidencing the ownership of the number of shares of the kind or kinds of capital stock for which the shares of Class V Common Stock represented by such certificates or book-entry interests shall have been converted, redeemed or exchanged in accordance with Section 5.2(r) or this Section 5.2(m), notwithstanding the failure of the holder thereof to surrender such certificates or book-entry interests.

(I) The Corporation shall not be required to issue or deliver fractional shares of any class or series of capital stock or any other securities in a smaller than authorized denomination to any holder of Class V Common Stock upon any conversion, redemption, exchange, dividend or other distribution pursuant to this Section 5.2. In connection with the determination of the number of shares of any class or series of capital stock that shall be issuable or the amount of other securities that shall be deliverable to any holder of record of Class V Common Stock upon any such conversion, redemption, exchange, dividend or other distribution (including any fractions of shares or securities), the Corporation may aggregate the shares of Class V Common Stock held at the relevant time by such holder of record. If the aggregate number of shares of capital stock or other securities to be issued or delivered to any holder of Class V Common Stock includes a fraction, the Corporation shall pay, or shall cause to be paid, a cash adjustment in lieu of such fraction in an amount equal to the Fair Value of such fraction (without interest).

(J) Any deadline for effecting a redemption, conversion, or exchange prescribed by Section 5.2(r) or this Section 5.2(m) may be extended in the discretion of the Board of Directors if deemed necessary or appropriate to enable the Corporation to comply with the U.S. federal securities laws, including the rules and regulations promulgated thereunder.

(n) **Treatment of Convertible Securities.** After any Class V Group Redemption Date or Class V Group Conversion Date on which all outstanding shares of Class V Common Stock are redeemed or converted, any share of Class V Common Stock of the Corporation that is to be issued on exchange, conversion or exercise of any Convertible Securities shall, immediately upon such exchange, conversion or exercise and without any notice from or to, or any other action on the part of, the Corporation or its Board of Directors or the holder of such Convertible Security:

(1) in the event the shares of Class V Common Stock outstanding on such Class V Group Redemption Date were redeemed pursuant to Section 5.2(m)(3)(B) or Section 5.2(m)(2), be redeemed, to the extent of funds legally available therefor, for \$0.01 per share in cash for each share of Class V Common Stock that otherwise would be issued upon such exchange, conversion or exercise; or

(2) in the event the shares of Class V Common Stock outstanding on such Class V Group Conversion Date were converted into shares of Class C Common Stock pursuant to Section 5.2(m)(3)(C) or (D) or Section 5.2(r), be converted into the number of shares of Class C Common Stock that shares of Class V Common Stock would have received had such shares been outstanding and converted on such Class V Group Conversion Date.

The provisions of the immediately preceding sentence of this Section 5.2(n) shall not apply to the extent that other adjustments or alternative provisions in respect of such conversion, exchange or redemption of Class V Common Stock are otherwise made or applied pursuant to the provisions of such Convertible Securities.

(o) **Deemed Conversion of Certain Convertible Securities.** To the extent Convertible Securities are paid as a dividend to the holders of Class V Common Stock at a time when the DHI Group holds an Inter-Group Interest in the Class V Group, in addition to making an adjustment pursuant to Section 5.2(e)(1)(B)(II), the Corporation may, when at any time such Convertible Securities are convertible into or exchangeable or exercisable for shares of Class V Common Stock, treat such Convertible Securities as converted, exchanged or exercised for purposes of determining the increase in the Number of Retained Interest Shares pursuant to subparagraph (iii) of the definition of "Number of Retained Interest Shares" provided in Article XV, and must do so to the extent such Convertible Securities are mandatorily converted, exchanged or exercised (and to the extent the terms of such Convertible Securities require payment of consideration for such conversion, exchange or exercise, the DHI Group shall then no longer be attributed as an asset an amount of the kind of assets or properties required to be paid as such consideration for the amount of Convertible Securities deemed converted, exchanged or exercised (and the Class V Group shall be attributed such assets or properties)), in which case, from and after such time, the shares of Class V Common Stock into or for which such Convertible Securities were so considered converted, exchanged or exercised shall be deemed held by the DHI Group

and such Convertible Securities shall no longer be deemed to be held by the DHI Group. A statement setting forth the election to effectuate any such deemed conversion, exchange or exercise of Convertible Securities and the assets or properties, if any, to be attributed to the Class V Group in consideration of such conversion, exchange or exercise shall be filed with the Secretary of the Corporation and, upon such filing, such deemed conversion, exchange or exercise shall be effectuated.

**(p) Certain Determinations by the Board of Directors.**

**(1) *General.*** The Board of Directors shall make such determinations with respect to (a) the businesses, assets, properties, liabilities and preferred stock to be attributed to the DHI Group and the Class V Group, (b) the application of the provisions of this Certificate of Incorporation to transactions to be engaged in by the Corporation and (c) the voting powers, preferences, designations, rights, qualifications, limitations or restrictions of any series of Common Stock or of the holders thereof, as may be or become necessary or appropriate to the exercise of, or to give effect to, such voting powers, preferences, designations, rights, qualifications, limitations or restrictions, including, without limiting the foregoing, the determinations referred to in this Section 5.2(p); provided, that any of such determinations that would require approval of the Capital Stock Committee under the Bylaws shall be effective only if made in accordance with the Bylaws. A record of any such determination shall be filed with the records of the actions of the Board of Directors.

**(A)** Upon any acquisition by the Corporation or its Subsidiaries of any businesses, assets or properties, or any assumption of liabilities or preferred stock, outside of the ordinary course of business of either Group, the Board of Directors shall determine whether such businesses, assets, properties, liabilities or preferred stock (or an interest therein) shall be for the benefit of the DHI Group or the Class V Group or both and, accordingly, shall be attributed to such Group or Groups, in accordance with the definitions of DHI Group or Class V Group set forth in Article XV, as the case may be.

**(B)** Upon any issuance of shares of Class V Common Stock at a time when the Number of Retained Interest Shares is greater than zero, the Board of Directors shall determine, based on the use of the proceeds of such issuance and any other relevant factors, whether all or any part of the shares of such series so issued shall reduce such Number of Retained Interest Shares. Upon any repurchase of shares of Class V Common Stock at any time, the Board of Directors shall determine, based on whether the cash or other assets paid in such repurchase were attributed to the DHI Group or the Class V Group and any other relevant factors, whether all or any part of the shares of such series so repurchased shall increase such Number of Retained Interest Shares.

**(C)** Upon any issuance by the Corporation or any Subsidiary thereof of any Convertible Securities that are convertible into or exchangeable or exercisable for shares of Class V Common Stock, if at the time such Convertible Securities are issued the Number of Retained Interest Shares related to such series is greater than zero, the Board of Directors shall determine, based on the use of the proceeds of such issuance and any other relevant factors, whether, upon conversion, exchange or exercise thereof, the issuance of shares of Class V Common Stock pursuant thereto shall, in whole or in part, reduce such Number of Retained Interest Shares.

**(D)** Upon any issuance of any shares of preferred stock (or stock other than Common Stock) of any series, the Board of Directors shall attribute, based on the use of proceeds of such issuance of shares of preferred stock (or stock other than Common Stock) in the business of either Group and any other relevant factors, the shares so issued entirely to the DHI Group, entirely to the Class V Group, or partly to both Groups, in such proportion as the Board of Directors shall determine.

**(E)** Upon any redemption or repurchase by the Corporation or any Subsidiary thereof of shares of preferred stock (or stock other than Common Stock) of any class or series or of other securities or debt obligations of the Corporation, the Board of Directors shall determine, based on the property used to redeem or purchase such shares, other securities or debt obligations, which, if any, of such shares, other securities or debt obligations redeemed or repurchased shall be attributed to the DHI Group, to the Class V Group, or both, and, accordingly, how many of the shares of such series or class of preferred stock (or stock other than Common Stock) or of such other securities, or how much of such debt obligations, that remain outstanding, if any, are thereafter attributed to each Group.

(F) Upon any transfer to either Group of businesses, assets or properties attributed to the other Group, the Board of Directors shall determine the consideration therefor to be attributed to the transferring Group in exchange therefor, including, without limitation, cash, securities or other property of the other Group, or shall decrease or increase the Number of Retained Interest Shares, as described in subparagraph (ii)(D) or (iii)(D), as the case may be, of the definition of “Number of Retained Interest Shares” provided in Article XV.

(G) Upon any assumption by either Group of liabilities or preferred stock attributed to the other Group, the Board of Directors shall determine the consideration therefor to be attributed to the assuming Group in exchange therefor, including, without limitation, cash, securities or other property of the other Group, or shall decrease or increase the Number of Retained Interest Shares, as described in subparagraph (ii)(D) or (iii)(D), as the case may be, of the definition of “Number of Retained Interest Shares” provided in Article XV.

(2) ***Certain Determinations Not Required.*** Notwithstanding the foregoing provisions of this Section 5.2(p) or any other provision in this Certificate of Incorporation, at any time when there are no shares of Class V Common Stock outstanding (or Convertible Securities convertible into or exchangeable or exercisable for shares of Class V Common Stock), the Corporation need not:

(A) attribute any of the businesses, assets, properties, liabilities or preferred stock of the Corporation or any of its Subsidiaries to the DHI Group or the Class V Group; or

(B) make any determination required in connection therewith, nor shall the Board of Directors be required to make any of the determinations otherwise required by this Section 5.2(p),

and in such circumstances the holders of the shares of DHI Common Stock outstanding shall (unless otherwise specifically provided in this Certificate of Incorporation) be entitled to all the voting powers, preferences, designations, rights, qualifications, limitations or restrictions of common stock of the Corporation.

(3) ***Board Determinations Binding.*** Any determinations made in good faith by the Board of Directors of the Corporation under any provision of this Section 5.2(p) or otherwise in furtherance of the application of this Section 5.2 shall be final and binding; provided, that any of such determinations that would require approval of the Capital Stock Committee under the Bylaws shall be final and binding only if made in accordance with the Bylaws.

**(q) Conversion of Class A Common Stock, Class B Common Stock and Class D Common Stock.**

(1) At any time and from time to time, (i) any holder of Class A Common Stock or Class B Common Stock shall have the right by written election to the Corporation to convert all or any of the shares of Class A Common Stock or Class B Common Stock, as applicable, held by such holder into shares of Class C Common Stock on a one-to-one basis and (ii) any holder of Class D Common Stock, subject to any legal requirements applicable to such holder (including any applicable requirements under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any other applicable antitrust laws), shall have the right by written election to the Corporation to convert all or any of the shares of Class D Common Stock held by such holder into shares of Class C Common Stock on a one-to-one basis.

(2) If any such holder seeks to convert any share of Class A Common Stock, Class B Common Stock or Class D Common Stock pursuant to this Section 5.2(q), such written election shall be delivered by certified mail or courier, postage prepaid, to the Corporation or the Corporation’s transfer agent. Each such written election shall (i) state the number of shares of Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, elected to be converted and (ii) be accompanied by the certificate or certificates representing the shares of Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, being converted, duly assigned or endorsed for transfer to the Corporation (and, if so required by the Corporation or its transfer agent, accompanied by duly executed instruments of transfer). The conversion of such shares of Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, shall be deemed effective as of the close of business on the date of receipt by the Corporation’s transfer agent of the certificate or certificates representing such shares of

Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, and any other instruments required by this Section 5.2(q)(2).

(3) Upon receipt by the Corporation's transfer agent of a written election accompanied by the certificate or certificates representing such shares of Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, being converted, duly assigned or endorsed for transfer to the Corporation (and, if so required by the Corporation or its transfer agent, accompanied by duly executed instruments of transfer), the Corporation shall deliver to the relevant holder (i) a certificate in such holder's name (or the name of such holder's designee) for the number of shares of Class C Common Stock (including any fractional share) to which such holder shall be entitled upon conversion of the applicable shares of Class A Common Stock, Class B Common Stock or Class D Common Stock, and (ii) if applicable, a certificate in such holder's name (or the name of such holder's designee) for the number of shares (including any fractional share) of Class A Common Stock, Class B Common Stock or Class D Common Stock, as applicable, represented by the certificate or certificates delivered to the Corporation for conversion but otherwise not elected to be converted pursuant to the written election. All shares of Class C Common Stock issued hereunder by the Corporation shall be validly issued, fully paid and non-assessable.

(4) Notwithstanding anything in this Certificate of Incorporation to the contrary, upon any Transfer of shares of Class A Common Stock or Class B Common Stock to any Person other than (i) a Permitted Transferee of the transferor, (ii) in the case of the Class A Common Stock, (x) in a transfer pursuant to a Qualified Sale Transaction or (y) in connection with the transfer, at substantially the same time, of an aggregate number of shares of DHI Common Stock held by the MSD Partners Stockholders and their Permitted Transferees greater than 50% of the outstanding shares of DHI Common Stock owned by the MSD Partners Stockholders immediately following the closing of the Merger (as adjusted for any stock split, stock dividend, reverse stock split or similar event occurring after the closing of the Merger) to any Person or group of Affiliated Persons or (iii) the case of the Class B Common Stock, in connection with the transfer, at substantially the same time, of an aggregate number of shares of DHI Common Stock held by the transferor and its Permitted Transferees greater than 50% of the outstanding shares of DHI Common Stock owned by the SLP Stockholders immediately following the closing of the Merger (as adjusted for any stock split, stock dividend, reverse stock split or similar event occurring after the closing of the Merger) to any Person or group of Affiliated Persons, the shares so Transferred shall automatically and as a condition to the effectiveness of such Transfer be converted into shares of Class C Common Stock on a one-for-one basis.

(5) The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class C Common Stock, solely for the purpose of issuance upon conversion of outstanding shares of Class A Common Stock, Class B Common Stock and Class D Common Stock, such number of shares of Class C Common Stock that shall be issuable upon the conversion of all such outstanding shares of Class A Common Stock, Class B Common Stock and Class D Common Stock.

**(r) Conversion of Class V Common Stock into Class C Common Stock at the Option of the Corporation.**

(1) At the option of the Corporation, exercisable at any time the Class C Common Stock is then Publicly Traded, the Board of Directors may authorize (the date the Board of Directors makes such authorization, the "Determination Date") that each outstanding share of Class V Common Stock be converted into a number (or fraction) of validly issued, fully paid and non-assessable Publicly Traded shares of Class C Common Stock equal to the amount (calculated to the nearest five decimal places) obtained by multiplying the Applicable Conversion Percentage as of the Determination Date by the amount (calculated to the nearest five decimal places) obtained by dividing (I) the Average Market Value of a share of Class V Common Stock over the 10-Trading Day period ending on the Trading Day preceding the Determination Date, by (II) the Average Market Value of a share of Class C Common Stock over the same 10-Trading Day period.

(2) At the option of the Corporation, if a Tax Event occurs, the Board of Directors may authorize that each outstanding share of Class V Common Stock be converted into a number (or fraction) of validly issued, fully paid and non-assessable shares of Class C Common Stock equal to the amount (calculated to the nearest five decimal

places) obtained by multiplying 100% by the amount (calculated to the nearest five decimal places) obtained by dividing (I) the Average Market Value of a share of Class V Common Stock over the 10-Trading Day period ending on the Trading Day preceding the Determination Date, by (II) the Average Market Value of a share of Class C Common Stock over the same 10-Trading Day period; provided, that such conversion shall only occur if the Class C Common Stock, upon issuance in such conversion, will have been registered under all applicable U.S. securities laws and will be listed for trading on a U.S. securities exchange.

(3) If the Corporation determines to convert shares of Class V Common Stock into Class C Common Stock pursuant to this Section 5.2(r), such conversion shall occur on a Class V Group Conversion Date on or prior to the 45th day following the Determination Date and shall otherwise be effected in accordance with the provisions of Section 5.2(m)(4).

(4) The Corporation shall not convert shares of Class V Common Stock into shares of Class C Common Stock pursuant to this Section 5.2(r) without converting all outstanding shares of Class V Common Stock into shares of Class C Common Stock in accordance with this Section 5.2(r).

(s) **Transfer Taxes.** The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes that may be payable in respect of the issue or delivery of a certificate or certificates representing any shares of capital stock and/or other securities on conversion or redemption of shares of Common Stock pursuant to this Section 5.2. The Corporation will not, however, be required to pay any tax that may be payable in respect of any issue or delivery of a certificate or certificates representing any shares of capital stock in a name other than that in which the shares of Common Stock so converted or redeemed were registered and no such issue or delivery will be made unless and until the Person requesting the same has paid to the Corporation or its transfer agent the amount of any such tax, or has established to the satisfaction of the Corporation or its transfer agent that such tax has been paid.

## ARTICLE VI

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The Board of Directors shall consist of:

(1) The Group I directors (the "Group I Directors"), who shall initially number three (3). The holders of Common Stock (other than the holders of Class D Common Stock), voting together as a single class, shall be entitled to elect, vote to remove or fill any vacancy in respect of any Group I Director. The number of Group I Directors may be increased (to no more than seven (7)) or decreased (to no less than three (3)) by action of the Board of Directors that includes the affirmative vote of (i) a majority of the Board of Directors, (ii) a majority of the Group II Directors (as defined below) and (iii) a majority of the Group III Directors (as defined below). Any newly-created directorship on the Board of Directors with respect to the Group I Directors that results from an increase in the number of Group I Directors may be filled by the affirmative vote of a majority of the Board of Directors then in office, provided, that a quorum is present, and any other vacancy occurring on the Board of Directors with respect to the Group I Directors may be filled by the affirmative vote of a majority of the Board of Directors then in office, even if less than a quorum, or by a sole remaining director. A majority of the Common Stock (other than the Class D Common Stock), voting together as a single class, shall be entitled remove any Group I Director with or without cause at any time. Each Group I Director shall be entitled to cast one (1) vote. In the event that the Board of Directors consists of a number of directors entitled to an aggregate amount of votes that is less than seven (7), the number of Group I Directors shall automatically be increased to such number as is necessary to ensure that the voting power of the Board of Directors is equal to an aggregate of seven (7) votes (assuming, for each such calculation, full attendance by each director);

(2) Until a Designation Rights Trigger Event has occurred with respect to the Class A Common Stock, the Group II directors (the "Group II Directors"), who shall initially number one (1). The initial Group II Director shall be the person who was serving immediately prior to the Effective Time as the Series A Director (as such term is defined in the Third Amended and Restated Certificate of Incorporation of the Corporation) and shall hold office until his successor is duly elected and qualified or until his earlier death, resignation,

disqualification or removal. The holders of Class A Common Stock shall have the right, voting separately as a series, to elect up to three (3) Group II Directors, and, voting separately as a series, shall solely be entitled to elect, vote to remove or fill any vacancy in respect of any Group II Director. Upon the occurrence of a Designation Rights Trigger Event with respect to the Class A Common Stock, the rights of the Class A Common Stock pursuant to this paragraph (2) shall immediately terminate and no right to elect Group II Directors shall thereafter attach to the Class A Common Stock. The number of Group II Directors may be increased (to no more than three (3)) by action of the Group II Directors or vote of the holders of Class A Common Stock, voting separately as a series, or decreased (to no less than one (1)) by vote of the holders of Class A Common Stock, voting separately as a series. In the case of any vacancy or newly-created directorship occurring with respect to the Group II Directors, such vacancy shall only be filled by the vote of the holders of the outstanding Class A Common Stock, voting separately as a series. The holders of Class A Common Stock, voting separately as a series, shall be entitled to remove any Group II Director with or without cause at any time. Each Group II Director shall be entitled to cast that number of votes (or a fraction thereof) equal to the quotient obtained by dividing (i) the Aggregate Group II Director Votes by (ii) the number of Group II Directors then in office; and

(3) Until a Designation Rights Trigger Event has occurred with respect to the Class B Common Stock, the Group III directors (the “Group III Directors”), who shall initially number two (2). The initial Group III Directors shall be the persons who were serving immediately prior to the Effective Time as the Series B Directors (as such term is defined in the Third Amended and Restated Certificate of Incorporation of the Corporation) and shall hold office until their successors are duly elected and qualified or until their earlier death, resignation, disqualification or removal. The holders of Class B Common Stock shall have the right, voting separately as a series, to elect up to three (3) Group III Directors, and, voting separately as a series, shall solely be entitled to elect, vote to remove or fill any vacancy in respect of any Group III Director. Upon the occurrence of a Designation Rights Trigger Event with respect to the Class B Common Stock, the rights of the Class B Common Stock pursuant to this paragraph (3) shall immediately terminate and no right to elect Group III Directors shall thereafter attach to the Class B Common Stock. The number of Group III Directors may be increased (to no more than three (3)) by action of the Group III Directors or vote of the holders of Class B Common Stock, voting separately as a series, or decreased (to no less than one (1)) by vote of the holders of Class B Common Stock, voting separately as a series. In the case of any vacancy or newly-created directorship occurring with respect to the Group III Directors, such vacancy or newly-created directorship shall only be filled by the vote of the holders of the outstanding Class B Common Stock, voting separately as a series. The holders of Class B Common Stock, voting separately as a series, shall be entitled to remove any Group III Director with or without cause at any time. Each Group III Director shall be entitled to cast that number of votes (or a fraction thereof) equal to the quotient obtained by dividing (i) the Aggregate Group III Director Votes by (ii) the number of Group III Directors then in office.

(c) No stockholders of the Corporation other than the holders of Class A Common Stock shall be entitled to vote with respect to the election or the removal without cause of any Group II Director. No stockholders of the Corporation other than the holders of the Class B Common Stock shall be entitled to vote with respect to the election or the removal without cause of any Group III Director. At any meeting held for the purpose of electing directors, the presence in person or by proxy of the holders of a majority of the outstanding shares of Class A Common Stock shall be required, and shall be sufficient, to constitute a quorum of such series for the election of Group II Directors by such series and the presence in person or by proxy of the holders of a majority of the outstanding shares of Class B Common Stock shall be required, and shall be sufficient, to constitute a quorum of such series for the election of Group III Directors by such series. At any such meeting or adjournment thereof, the absence of a quorum of any of the holders of the Class A Common Stock and/or the Class B Common Stock shall not prevent the election of directors other than the Group II Directors and/or the Group III Directors, as applicable, and the absence of a quorum or quorums of the holders of capital stock of the Corporation entitled to elect such other directors shall not prevent the election of the Group II Directors and/or the Group III Directors, as applicable.

(d) In the event that the Group II Directors and the Group III Directors are entitled to an equal aggregate number of votes that is greater than zero (0) (assuming, for such calculation, full attendance by each applicable Group II Director and Group III Director), any matter that requires approval by the Board of Directors will require the approval of (i) a majority of the votes entitled to be cast by all directors, (ii) a majority of the votes entitled to be cast by the Group II Directors and (iii) a majority of the votes entitled to be cast by the Group III Directors.

(e) As long as (a) no IPO has occurred, (b) the number of shares of Common Stock beneficially owned by the MD Stockholders exceeds either (x) 35% of the issued and outstanding DHI Common Stock or (y) the number of shares of DHI Common Stock beneficially owned by the SLP Stockholders and (c) no Disabling Event has occurred and is continuing, then (x) removal of the Chief Executive Officer of the Corporation shall require the approval of the holders of Class A Common Stock, voting separately as a series, and (y) unless otherwise consented to by the holders of Class A Common Stock, voting separately as a series, the Chief Executive Officer of the Corporation shall also serve as Chairman of the Board of Directors (provided, the Chief Executive Officer is a director).

(f) Upon the occurrence of a Designation Rights Trigger Event with respect to the Class A Common Stock, the terms of office the Group II Directors shall terminate and the number of directors comprising the Board of Directors shall be reduced accordingly. Upon the occurrence of a Designation Rights Trigger Event with respect to the Class B Common Stock, the terms of office of the Group III Directors shall terminate and the number of directors comprising the Board of Directors shall be reduced accordingly.

(g) To the extent that this Certificate of Incorporation provides that directors elected by the holders of a class or series of stock shall have more or less than one vote per director on any matter, every reference in this Certificate of Incorporation or the Bylaws to a majority or other proportion of directors shall refer to a majority or other proportion of the votes of such directors. Notwithstanding the foregoing, each director when serving on a committee or subcommittee of the Board of Directors shall be entitled to cast that number of votes in respect of the total votes on any matter coming before such committee or subcommittee as shall be specified pursuant to the Bylaws, or if not so specified, then as may be set forth in a resolution of the Board of Directors designating such committee not inconsistent with the Bylaws or any stockholder agreement or similar contractual arrangement to which the Corporation is a party.

## ARTICLE VII

Elections of the members of the Board of Directors shall be held annually at the annual meeting of stockholders and each director shall be elected for a term commencing on the date of such director's election and ending on the earliest of (i) the date such director's successor is elected and qualified, (ii) the date of such director's death, resignation, disqualification or removal, (iii) solely in the case of the Group II Directors, the occurrence of a Designation Rights Trigger Event with respect to the Class A Common Stock, and (iv) solely in the case of the Group III Directors, the occurrence of a Designation Rights Trigger Event with respect to the Class B Common Stock. Elections of the members of the Board need not be by written ballot unless the Bylaws shall so provide.

## ARTICLE VIII

Any action required or permitted to be taken at a meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the actions to be so taken, shall be signed by both (i) the holders of stock of the Corporation having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of stock of the Corporation entitled to vote thereon were present and voted and (ii) each of the holders of a majority of the DHI Common Stock beneficially owned by the MD Stockholders and a majority of the DHI Common Stock beneficially owned by the SLP Stockholders, if any, that are stockholders at such time, and shall be delivered to the Corporation by delivery to its principal place of business or to an officer or agent of the Corporation having custody of the book in which proceedings of meetings are recorded.

## ARTICLE IX

Subject to any limitations set forth in this Certificate of Incorporation, including, without limitation, pursuant to Section 5.2(h)(2)(B), and to obtaining any required stockholder votes or consents required hereby, the Board of Directors is expressly authorized to amend, alter or repeal the Bylaws or adopt new Bylaws, without any action on the part of the stockholders; provided, that Bylaws adopted or amended by the Board of Directors and any powers thereby conferred may be amended, altered or repealed by the stockholders subject to any limitations set forth in this Certificate of Incorporation.

## ARTICLE X

(a) A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for such liability as is expressly not subject to limitation under the DGCL, as the same exists or may hereafter be amended to further limit or eliminate such liability. Moreover, the Corporation shall, to the fullest extent permitted by law, indemnify any and all officers and directors of the Corporation, and may, to the fullest extent permitted by law or to such lesser extent as is determined in the discretion of the Board of Directors, indemnify any and all other persons whom it shall have power to indemnify, from and against all expenses, liabilities or other matters arising out of their status as such or their acts, omissions or services rendered in such capacities. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability.

(b) Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another Corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment) against all expense, liability and loss (including, without limitation, attorneys’ fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Article X shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the DGCL requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Article X or otherwise.

(c) The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the indemnification of directors and officers provided for in this Article X.

(d) If a written claim for advancement and payment of expenses received by the Corporation from or on behalf of an indemnified party under this Article X is not paid in full by the Corporation within ninety days after such receipt, or if a written claim for indemnification following final disposition of the applicable proceeding received by the Corporation by or on behalf of an indemnified party under this Article X is not paid in full by the Corporation within ninety days after such receipt, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of

conduct which make it permissible under the DGCL for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(e) The right to indemnification and the advancement and payment of expenses conferred in this Article X shall not be exclusive of any other right which any person may have or hereafter acquire under any law (common or statutory), provision of this Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

(f) The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the DGCL.

(g) If this Article X or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article X that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE XI

To the fullest extent permitted by the DGCL and subject to any express agreement that may from time to time be in effect, the Corporation acknowledges and agrees that any Covered Person may, and shall have no duty not to, (i) invest in, carry on and conduct, whether directly, or as a partner in any partnership, or as a joint venturer in any joint venture, or as an officer, director, stockholder, equityholder or investor in any Person, or as a participant in any syndicate, pool, trust or association, any business of any kind, nature or description, whether or not such business is competitive with or in the same or similar lines of business as the Corporation or any of its Subsidiaries (which for all purposes of this Article XI shall include VMware and its subsidiaries), (ii) do business with any client, customer, vendor or lessor of any of the Corporation or its Affiliates, and/or (iii) make investments in any kind of property in which the Corporation may make investments. To the fullest extent permitted by the DGCL, the Corporation renounces any interest or expectancy to participate in any business or investments of any Covered Person as currently conducted or as may be conducted in the future, and waives any claim against a Covered Person and shall indemnify a Covered Person against any claim that such Covered Person is liable to the Corporation, any Subsidiary or their respective stockholders for breach of any fiduciary duty solely by reason of such Person's participation in any such business or investment. The Corporation shall pay in advance any expenses incurred in defense of such claim as provided in this provision. The Corporation hereby expressly acknowledges and agrees in the event that a Covered Person acquires knowledge of a potential transaction or matter which may constitute a corporate opportunity for both (x) the Covered Person outside of his or her capacity as an officer or director of the Corporation and (y) the Corporation or any Subsidiary, the Covered Person shall not have any duty to offer or communicate information regarding such corporate opportunity to the Corporation or any Subsidiary. To the fullest extent permitted by the DGCL, the Corporation hereby renounces any interest or expectancy in any potential transaction or matter of which the Covered Person acquires knowledge, except for any corporate opportunity which is expressly offered to a Covered Person in writing solely in his or her capacity as an officer or director of the Corporation or any Subsidiary, and waives any claim against each Covered Person and shall indemnify a Covered Person against any claim, that such Covered Person is liable to the Corporation, any Subsidiary or their respective stockholders for breach of any fiduciary duty solely by reason of the fact that such Covered Person (A) pursues or acquires any corporate opportunity for its own account or the account of any Affiliate

or other Person, (B) directs, recommends, sells, assigns or otherwise transfers such corporate opportunity to another Person or (C) does not communicate information regarding such corporate opportunity to the Corporation or such Subsidiary; provided, however, in each such case, that any corporate opportunity which is expressly offered to a Covered Person in writing solely in his or her capacity as an officer or director of the Corporation shall belong to the Corporation. The Corporation shall pay in advance any expenses incurred in defense of such claim as provided in this provision, except to the extent that a Covered Person is determined by a final, non-appealable order of a Delaware court having competent jurisdiction (or any other judgment which is not appealed in the applicable time) to have breached this Article XI, in which case any such advanced expenses shall be promptly reimbursed to the Corporation.

#### ARTICLE XII

(a) Subject to obtaining any required stockholder votes or consents provided for herein or in any Preferred Stock Series Resolution, the Corporation shall have the right, from time to time, to amend this Certificate of Incorporation or any provision thereof in any manner now or hereafter provided by law, and all rights and powers of any kind conferred upon a director or stockholder of the Corporation by this Certificate of Incorporation or any amendment thereof are conferred subject to such right.

(b) Notwithstanding anything herein to the contrary, (i) the affirmative vote of the holders of a majority of the then issued and outstanding shares of Class A Common Stock and (ii) the affirmative vote of the holders of a majority of the then issued and outstanding shares of Class B Common Stock shall be required (A) for any amendment, alteration or repeal (including by merger, consolidation or otherwise by operation of law) of Article V and/or Article VI hereof and, (B) for so long as the MD Stockholders or the SLP Stockholders own any Common Stock, for any amendment, alteration or repeal (including by merger, consolidation or otherwise by operation of law) of Article X, Article VI or this paragraph (b) of Article XII hereof.

#### ARTICLE XIII

Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation, (B) any action asserting a claim of breach of a fiduciary duty owed by any director or officer or stockholder of the Corporation to the Corporation or the Corporation's stockholders, (C) any action asserting a claim against the Corporation or any director or officer or stockholder of the Corporation arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Bylaws, or (D) any action asserting a claim against the Corporation or any director or officer or stockholder of the Corporation governed by the internal affairs doctrine, shall be a state court located within the State of Delaware (or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware).

#### ARTICLE XIV

The Corporation shall not be governed by or subject to Section 203 of the DGCL.

#### ARTICLE XV

#### CERTAIN DEFINITIONS

Unless the context otherwise requires, the terms defined in this Article XV will have, for all purposes of this Certificate of Incorporation, the meanings herein specified:

“Affiliate” means, with respect to any Person, any other Person that controls, is controlled by, or is under common control with such Person. The term “control” means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. The terms “controlled” and “controlling” have meanings correlative to the foregoing. Notwithstanding the foregoing, for purposes of this Certificate of Incorporation (except as used in Section 5.2(h)(2), and the definition of “Excluded Transactions” provided in this Article XV), (i) the Corporation, its Subsidiaries and its other controlled

Affiliates (including VMware and its subsidiaries) shall not be considered Affiliates of any of the Sponsor Stockholders or any of such party's Affiliates (other than the Corporation, its Subsidiaries and its other controlled Affiliates), (ii) none of the MD Stockholders and the MSD Partners Stockholders, on the one hand, and/or the SLP Stockholders, on the other hand, shall be considered Affiliates of each other and (iii) except with respect to Article XI, none of the Sponsor Stockholders shall be considered Affiliates of (x) any portfolio company in which any of the Sponsor Stockholders or any of their investment fund Affiliates have made a debt or equity investment (and vice versa) or (y) any limited partners, non-managing members or other similar direct or indirect investors in any of the Sponsor Stockholders or their affiliated investment funds.

**“Aggregate Group II Director Votes”** means, as of the date of measurement:

(i) seven (7) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the MD Stockholders beneficially own an aggregate of more than 35% of the issued and outstanding DHI Common Stock; or, so long as the foregoing subclause (i) is not applicable,

(ii) three (3) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the MD Stockholders beneficially own an aggregate number of shares of DHI Common Stock equal to more than 66 2/3% of the Reference Number;

(iii) two (2) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the MD Stockholders beneficially own an aggregate number of shares of DHI Common Stock equal to more than 33 1/3% but less than or equal to 66 2/3% of the Reference Number;

(iv) one (1) vote for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the MD Stockholders beneficially own an aggregate number of shares of DHI Common Stock equal to 10% or more but less than or equal to 33 1/3% of the Reference Number; and

(v) zero (0) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the MD Stockholders beneficially own an aggregate number of shares of DHI Common Stock representing less than 10% of the Reference Number;

provided, that subject to the immediately succeeding sentence, at any time that the MD Stockholders beneficially own a number of shares of DHI Common Stock equal to or greater than 1.5 times the number of shares of DHI Common Stock beneficially owned by the SLP Stockholders, the Aggregate Group II Director Votes will equal seven (7) votes. Notwithstanding anything in this definition of “Aggregate Group II Director Votes” to the contrary, on and after a Disabling Event and if at the commencement of such Disabling Event the SLP Stockholders beneficially own an aggregate number of shares of DHI Common Stock equal to at least 50% of the Reference Number, then the aggregate number of votes that the Group II Directors will be entitled to will be the lesser of (A) the number of votes that the Group II Directors would be entitled to without regard to this sentence and (B) that number of votes that then constitutes the Aggregate Group III Director Votes; provided, that if the Disabling Event is a Disability of MD, then this sentence shall cease to apply, and the number of votes of the Group II Directors and the Group III Directors shall be calculated without regard to this sentence, upon the cessation of such Disabling Event; provided, further, that following and during the continuance of a Disabling Event, if the MD Stockholders beneficially own at least a majority of the outstanding DHI Common Stock and an MD Stockholder enters into a Qualified Sale Transaction which requires approval of the Board of Directors, the number of votes of the Group II Directors and the Group III Directors with respect to the vote by the Board of Directors on any such Qualified Sale Transaction, definitive agreements and filings related thereto and/or the consummation thereof shall be determined without giving effect to such Disabling Event.

**“Aggregate Group III Director Votes”** means, as of the date of measurement:

(i) three (3) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the SLP Stockholders beneficially own a number of shares of DHI Common Stock (other than Class D Common Stock) equal to more than 66 2/3% of the Reference Number;

(ii) two (2) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the SLP Stockholders beneficially own a number of shares of DHI Common Stock (other than Class D Common Stock) representing more than 33 1/3% but less than or equal to 66 2/3% of the Reference Number;

(iii) one (1) vote for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the SLP Stockholders beneficially own a number of shares of DHI Common Stock (other than Class D Common Stock) representing 10% or more but less than or equal to 33 1/3% of the Reference Number; and

(iv) zero (0) votes for all matters subject to the vote of the Board of Directors (whether by a meeting or by written consent) for so long as the SLP Stockholders beneficially own a number of shares of DHI Common Stock (other than Class D Common Stock) representing less than 10% of the Reference Number.

**“Anticipated Closing Date”** means the anticipated closing date of any proposed Qualified Sale Transaction, as determined in good faith by the Board of Directors on the Applicable Date.

**“Applicable Conversion Percentage”** means (i) from the first date the Class C Common Stock is Publicly Traded until the first anniversary thereof, 120%, (ii) from and after the first anniversary of such date until the second anniversary of such date, 115%, and (iii) from and after the second anniversary of such date, 110%.

**“Applicable Date”** means, with respect to any proposed Qualified Sale Transaction, (i) the date that the applicable notice is delivered to the SLP Stockholders by the Corporation that the MD Stockholder has entered into a Qualified Sale Transaction; provided, that a definitive agreement providing for such Qualified Sale Transaction on the terms specified in such notice has been entered into with the applicable purchaser prior to delivering such notice, and (ii) in all instances other than those specified in clause (i), the date that a definitive agreement is entered into with the applicable purchaser providing for such Qualified Sale Transaction.

**“Approved Exchange”** means the New York Stock Exchange and/or the Nasdaq Stock Market.

**“Average Market Value”** of a share of any class of common stock or other Publicly Traded capital stock means the average of the daily Market Values of one share of such class of common stock or such other capital stock over the applicable period prescribed in this Certificate of Incorporation.

**“Award”** means an award pursuant to a Stock Plan of restricted stock units (including performance-based restricted stock units) that correspond to DHI Common Stock and/or options to subscribe for, purchase or otherwise acquire shares of DHI Common Stock.

**“beneficially owns”** and similar terms have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated pursuant thereto; provided, however, that no stockholder shall be deemed to beneficially own any Securities held by any other stockholder solely by virtue of the provisions of any stockholder agreement or similar contractual arrangement; provided, further, that (i) for the purposes of calculating the beneficial ownership of the MD Stockholders, all of the MD Stockholders’ DHI Common Stock, the MSD Partners Stockholders’ DHI Common Stock, all of their respective Affiliates’ DHI Common Stock and all of their respective Permitted Transferees’ DHI Common Stock (including in each case DHI Common Stock issuable upon exercise, delivery or vesting of Awards) shall be included as being owned by the MD Stockholders and as being outstanding (except for DHI Common Stock that was transferred by the MD Stockholders, their Affiliates or Permitted Transferees after MD’s death to an individual or Person other than an (i) individual or entity described in clause (1)(A), (1)(B), (1)(C) or (1)(D) of the definition of “Permitted Transferee” or (ii) an MD Fiduciary), and (ii) for the purposes of calculating the beneficial ownership of any other stockholder, all of such stockholder’s DHI Common Stock, all of its Affiliates’ DHI Common Stock and all of its Permitted Transferees’ DHI Common Stock (including in each case DHI Common Stock issuable upon exercise, delivery or vesting of Awards) shall be included as being owned by such stockholder and as being outstanding.

“**Bylaws**” means the bylaws of the Corporation, as amended or restated from time to time in accordance with this Certificate of Incorporation.

“**Capital Stock Committee**” means the standing committee of the Board of Directors as provided for in the Bylaws.

“**Certificate of Incorporation**” means this Fourth Amended and Restated Certificate of Incorporation, as it may be amended from time to time.

“**Class V Group**” means, as of any date:

(i) the direct and indirect economic rights of the Corporation in all of the shares of common stock of VMware owned by the Corporation as of the Effective Date;

(ii) all assets, liabilities and businesses acquired or assumed by the Corporation or any of its Subsidiaries for the account of the Class V Group, or contributed, allocated or transferred to the Class V Group (including the net proceeds of any issuances, sales or incurrences for the account of the Class V Group of shares of Class V Common Stock or indebtedness attributed to the Class V Group), in each case, after the Effective Date and as shall be determined by the Board of Directors; and

(iii) all net income and net losses arising in respect of the foregoing, including dividends received by the Corporation with respect to common stock of VMware, and the proceeds of any Disposition of any of the foregoing;

provided, that the Class V Group will not include (A) any assets, liabilities or businesses disposed of after the Effective Date for which Fair Value of the proceeds has been allocated to the Class V Group, (B) any assets, liabilities or businesses disposed of by dividend to holders of Class V Common Stock or in redemption of shares of Class V Common Stock, from and after the date of such Disposition, (C) any assets, liabilities or businesses transferred or allocated after the Effective Date from the Class V Group to the DHI Group, from and after the date of such transfer or allocation, or (D) any Retained Interest Dividend Amount or Retained Interest Redemption Amount, from and after the date of such transfer or allocation.

“**Class V Group Allocable Net Proceeds**” means, with respect to any Class V Group Disposition, the amount (rounded, if necessary, to the nearest whole number) obtained by multiplying (x) the Class V Group Net Proceeds of such Class V Group Disposition, by (y) the Outstanding Interest Fraction as of such date.

“**Class V Group Available Dividend Amount**” as of any date, means the amount of dividends, as determined by the Board of Directors, that could be paid by a corporation governed under Delaware law having the assets and liabilities of the Class V Group, an amount of outstanding common stock (and having an aggregate par value) equal to the amount (and aggregate par value) of the outstanding Class V Common Stock and an amount of earnings or loss or other relevant corporate attributes as reasonably determined by the Board of Directors in light of all factors deemed relevant by the Board of Directors.

“**Class V Group Conversion Date**” means any date and time fixed by the Board of Directors for a conversion of shares of Class V Common Stock pursuant to Section 5.2.

“**Class V Group Conversion Selection Date**” means any date and time fixed by the Board of Directors as the date and time upon which shares to be converted of Class V Common Stock will be selected for conversion pursuant to Section 5.2 (which, for the avoidance of doubt, may be the same date and time as the Class V Group Conversion Date).

“**Class V Group Disposition**” means the Disposition, in one transaction or a series of related transactions, by the Corporation and its Subsidiaries of assets of the Class V Group constituting all or substantially all of the assets of the Class V Group to one or more Persons.

“**Class V Group Net Proceeds**” means, as of any date, with respect to any Class V Group Disposition, an amount, if any, equal to the Fair Value of what remains of the gross proceeds of such Disposition to the Corporation after any

payment of, or reasonable provision for, without duplication, (i) any taxes, including withholding taxes, payable by the Corporation or any of its Subsidiaries (currently, or otherwise as a result of the utilization of the Corporation's tax attributes) in respect of such Disposition or in respect of any resulting dividend or redemption pursuant to Section 5.2(m)(3)(A), (B) or (D), (ii) any transaction costs, including, without limitation, any legal, investment banking and accounting fees and expenses, (iii) any liabilities (contingent or otherwise), including, without limitation, any liabilities for deferred taxes or any indemnity or guarantee obligations of the Corporation or any of its Subsidiaries incurred in connection with or resulting from such Disposition or otherwise, and any liabilities for future purchase price adjustments and (iv) any preferential amounts plus any accumulated and unpaid dividends in respect of the preferred stock attributed to the Class V Group. For purposes of this definition, any assets of the Class V Group remaining after such Disposition will constitute "reasonable provision" for such amount of taxes, costs, liabilities and other obligations as can be supported by such assets.

**"Class V Group Redemption Date"** means any date and time fixed by the Board of Directors for a redemption of shares of Class V Common Stock pursuant to Section 5.2.

**"Class V Group Redemption Selection Date"** means the date and time fixed by the Board of Directors on which shares of Class V Common Stock are to be selected for redemption pursuant to Section 5.2 (which, for the avoidance of doubt, may be the same date and time as the Class V Group Redemption Date).

**"Class V Group VMware Redemption Selection Date"** means the date and time fixed by the Board of Directors on which shares of Class V Common Stock are to be selected for exchange pursuant to Section 5.2(m)(1) (which, for the avoidance of doubt, may be the same date and time as the Class V Group VMware Redemption Date).

**"Control"** means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person whether through the ownership of voting securities, by contract or otherwise.

**"Convertible Securities"** means any securities of a Person that are convertible into, or exercisable or exchangeable for, securities of such Person or any other Person, whether upon conversion, exercise or exchange at such time or a later time or only upon the occurrence of certain events, but in respect of anti-dilution provisions of such securities only upon the effectiveness thereof.

**"Covered Person"** means (i) any director or officer of the Corporation or any of its Subsidiaries (including for this purpose VMware and its subsidiaries) who is also a director, officer, employee, managing director or other Affiliate of MSDC or SLP, (ii) MSDC and the MSD Partners Stockholders, and (iii) SLP and the SLP Stockholders; provided, that MD shall not be a "Covered Person" for so long as he is an executive officer of the Corporation or any of the Specified Subsidiaries.

**"Dell"** means Dell Inc., a Delaware corporation and wholly-owned subsidiary of Intermediate.

**"Dell International"** means Dell International L.L.C., a Delaware limited liability company.

**"Denali Finance"** means Denali Finance Corp., a Delaware corporation.

**"Designation Rights Trigger Event"** means the earliest to occur of the following: (i) an IPO, (ii) with respect to the Class A Common Stock, the Aggregate Group II Director Votes equaling zero (0) and (iii) with respect to the Class B Common Stock, the Aggregate Group III Director Votes equaling zero (0).

**"DHI Group"** means, as of any date:

(i) the direct and indirect interest of the Corporation and any of its Subsidiaries (including EMC) as of the Effective Date in all of the businesses, assets (including the VMware Notes), properties, liabilities and preferred stock of the Corporation and any of its Subsidiaries, other than any businesses, assets, properties, liabilities and preferred stock attributable to the Class V Group as of the Effective Date;

(ii) all assets, liabilities and businesses acquired or assumed by the Corporation or any of its Subsidiaries for the account of the DHI Group, or contributed, allocated or transferred to the DHI Group (including the net proceeds of any issuances, sales or incurrences for the account of the DHI Group of shares of DHI Common Stock, Convertible Securities convertible into or exercisable or exchangeable for shares of DHI Common Stock, or indebtedness or Preferred Stock attributed to the DHI Group and including any allocations or transfers of any Retained Interest Dividend Amount or Retained Interest Redemption Amount or otherwise in respect of any Inter-Group Interest in the Class V Group), in each case, after the Effective Date and as determined by the Board of Directors;

(iii) all net income and net losses arising in respect of the foregoing and the proceeds of any Disposition of any of the foregoing; and

(iv) an Inter-Group Interest in the Class V Group equal to one (1) minus the Outstanding Interest Fraction as of such date;

provided, that the DHI Group will not include (A) any assets, liabilities or businesses disposed of after the Effective Date for which Fair Value of the proceeds has been allocated to the DHI Group, (B) any assets, liabilities or businesses disposed of by dividend to holders of DHI Common Stock or in redemption of shares of DHI Common Stock, from and after the date of such Disposition, or (C) any assets, liabilities or businesses transferred or allocated after the Effective Date from the DHI Group to the Class V Group (other than through the DHI Group's Inter-Group Interest in the Class V Group, if any, pursuant to clause (iv) above), from and after the date of such transfer or allocation.

**“DHI Group Available Dividend Amount”** as of any date, means the amount of dividends, as determined by the Board of Directors, that could be paid by a corporation governed under Delaware law having the assets and liabilities of the DHI Group, an amount of outstanding common stock (and having an aggregate par value) equal to the amount (and aggregate par value) of the outstanding DHI Common Stock and an amount of earnings or loss or other relevant corporate attributes as reasonably determined by the Board of Directors in light of all factors deemed relevant by the Board of Directors.

**“Disability”** means any physical or mental disability or infirmity that prevents the performance of MD's duties as a director or Chief Executive Officer of the Corporation or any Domestic Specified Subsidiary (if, in the case of a Domestic Specified Subsidiary, MD is at the time of such disability or infirmity serving as a director or the Chief Executive Officer of such Domestic Specified Subsidiary) for a period of one hundred eighty (180) consecutive days.

**“Disabling Event”** means either the death, or the continuation of any Disability, of MD.

**“Disposition”** means the sale, transfer, exchange, assignment or other disposition (whether by merger, consolidation, sale or contribution of assets or stock or otherwise) of assets. The term “Disposition” does not include a pledge of assets not foreclosed, or, notwithstanding the foregoing, the consolidation or merger of the Corporation with or into any other Person or Persons or any other business combination involving the Corporation as a whole or any internal restructuring or reorganization.

**“Domestic Specified Subsidiary”** means each of (i) Intermediate, (ii) Denali Finance, (iii) Dell, (iv) EMC, (v) Dell International (until such time as the MD Stockholders and the SLP Stockholders otherwise agree), and (vi) any successors and assigns of any of Intermediate, Denali Finance, Dell, EMC and Dell International (until such time as the MD Stockholders and the SLP Stockholders otherwise agree) that are Subsidiaries of the Corporation and are organized or incorporated under the laws of the United States, any State thereof or the District of Columbia.

**“Effective Date”** means the date on which this Certificate of Incorporation is filed with the Secretary of State of Delaware.

**“EMC”** means EMC Corporation, a Massachusetts corporation and wholly-owned subsidiary of the Corporation.

**“Excluded Transaction”** means, with respect to the Class V Group:

(i) the Disposition by the Corporation of all or substantially all of its assets in one transaction or a series of related transactions in connection with the liquidation, dissolution or winding up of the Corporation and the distribution of assets to stockholders as referred to in Section 5.2(f);

(ii) the Disposition of the businesses, assets, properties, liabilities and preferred stock of such Group as contemplated by Section 5.2(m)(1) or (2), or otherwise to all holders of shares of the series of common stock related to such Group, divided among such holders on a pro rata basis in accordance with the number of shares of common stock of such class or series outstanding;

(iii) the Disposition to any wholly-owned Subsidiary of the Corporation; or

(iv) a Disposition conditioned upon the approval of the holders of Class V Common Stock (other than shares held by the Corporation's Affiliates), voting as a separate voting group.

**"Fair Market Value"** means, as of any date, (i) with respect to cash, the value of such cash on such date, (ii) with respect to Marketable Securities and any other securities that are immediately and freely tradeable on stock exchanges and over-the-counter markets, the average of the closing price of such securities on its principal exchange or over-the-counter market for the ten (10) trading days immediately preceding such date and (iii) with respect to any other securities or other assets, the fair value per security of the applicable securities or assets as of such date on the basis of the sale of such securities or assets in an arm's-length private sale between a willing buyer and a willing seller, neither acting under compulsion, determined in good faith by MD (or, during the existence of a Disabling Event, the MD Stockholders) and the SLP Stockholders.

**"Fair Value"** means, as of any date:

(i) in the case of any equity security or debt security that is Publicly Traded, the Market Value thereof, as of such date;

(ii) in the case of any equity security or debt security that is not Publicly Traded, the fair value per share of stock or per other unit of such security, on a fully distributed basis (excluding any illiquidity discount), as determined by an independent investment banking firm experienced in the valuation of securities selected in good faith by the Board of Directors, or, if no such investment banking firm is selected, as determined in the good faith judgment of the Board of Directors;

(iii) in the case of cash denominated in U.S. dollars, the face amount thereof and in the case of cash denominated in other than U.S. dollars, the face amount thereof converted into U.S. dollars at the rate published in The Wall Street Journal on such date or, if not so published, at such rate as shall be determined in good faith by the Board of Directors based upon such information as the Board of Directors shall in good faith determine to be appropriate; and

(iv) in the case of assets or property other than securities or cash, the "Fair Value" thereof shall be determined in good faith by the Board of Directors based upon such information (including, if deemed desirable by the Board of Directors, appraisals, valuation reports or opinions of experts) as the Board of Directors shall in good faith determine to be appropriate.

**"Group"** means the DHI Group or the Class V Group.

**"Immediate Family Members"** means, with respect to any natural person (including MD), (i) such natural person's spouse, children (whether natural or adopted as minors), grandchildren or more remote descendants, siblings, spouse's siblings and (ii) the lineal descendants of each of the persons described in the immediately preceding clause (i).

**"Initial SLP Stockholders"** means the SLP Stockholders who purchased Series B Stock on October 29, 2013, together with any of their Permitted Transferees to whom they transferred or transfer Series B Stock and/or DHI Common Stock.

“**Initial SLP Stockholders’ Investment**” means the Initial SLP Stockholders’ initial investment in the Corporation and its Subsidiaries on October 29, 2013.

“**Inter-Group Interest in the Class V Group**” means, as of any date, the proportionate undivided interest, if any, that the DHI Group may be deemed to hold as of such date in the assets, liabilities, properties and businesses of the Class V Group in accordance with this Certificate of Incorporation. An Inter-Group Interest in the Class V Group held by the DHI Group is expressed in terms of the Number of Retained Interest Shares.

“**Intermediate**” means Denali Intermediate Inc., a Delaware corporation and a wholly-owned subsidiary of the Corporation.

“**IPO**” means the consummation of an initial underwritten public offering that is registered under the Securities Act of DHI Common Stock.

“**IRR**” means, as of any date of determination, the discount rate at which the net present value of all of the Initial SLP Stockholders’ investments in the Corporation and its Subsidiaries on and after October 29, 2013 (including, without limitation, the Initial SLP Stockholders’ Investment and in connection with the Merger) to the date of determination and the Return to the Initial SLP Stockholders through such time equals zero, calculated for each such date that an investment was made in the Corporation or its Subsidiaries from the actual date such investment was made and for any Return, from the date such Return was received by the Initial SLP Stockholders.

“**Market Value**” of a share of any Publicly Traded stock on any Trading Day means the volume weighted average price of reported sales prices regular way of a share of such stock on such Trading Day, or in case no such reported sale takes place on such Trading Day the average of the reported closing bid and asked prices regular way of a share of such stock on such Trading Day, in either case on the New York Stock Exchange, or if the shares of such stock are not listed on the New York Stock Exchange on such Trading Day, on any tier of the Nasdaq Stock Market, provided that, for purposes of determining the Average Market Value for any period, (i) the “Market Value” of a share of stock on any day during such period prior to the “ex” date or any similar date for any dividend paid or to be paid with respect to such stock shall be reduced by the fair market value of the per share amount of such dividend as determined by the Board of Directors and (ii) the “Market Value” of a share of stock on any day during such period prior to (A) the effective date of any subdivision (by stock split or otherwise) or combination (by reverse stock split or otherwise) of outstanding shares of such stock or (B) the “ex” date or any similar date for any dividend with respect to any such stock in shares of such stock shall be appropriately adjusted to reflect such subdivision, combination, dividend or distribution.

“**Marketable Securities**” means securities that (i) are traded on an Approved Exchange or any successor thereto, (ii) are, at the time of consummation of the applicable transfer, registered, pursuant to an effective registration statement and will remain registered until such time as such securities can be sold by the holder thereof pursuant to Rule 144 (or any successor provision) under the Securities Act, as such provision is amended from time to time, without any volume or manner of sale restrictions, (iii) are not subject to restrictions on transfer as a result of any applicable contractual provisions or by law (including the Securities Act) and (iv) the aggregate amount of which securities received by the Sponsor Stockholders (other than the MD Stockholders), collectively, with those received by its Affiliates, in any Qualified Sale Transaction do not constitute 10% or more of the issued and outstanding securities of such class on a pro forma basis after giving effect to such transaction. For the purpose of this definition, Marketable Securities are deemed to have been received on the trading day immediately prior to the Applicable Date.

“**MD**” means Michael S. Dell.

“**MD Charitable Entity**” means the Michael & Susan Dell Foundation and any other private foundation or supporting organization (as defined in Section 509(a) of the U.S. Internal Revenue Code of 1986, as amended from time to time) established and principally funded directly or indirectly by MD and/or his spouse.

“**MD Fiduciary**” means any trustee of an *inter vivos* or testamentary trust appointed by MD.

“**MD Related Parties**” means any or all of MD, the MD Stockholders, the MSD Partners Stockholders, any Permitted Transferee of the MD Stockholders or the MSD Partners Stockholders, any Affiliate or family member of any of the foregoing and/or any business, entity or Person which any of the foregoing controls, is controlled by or is under common control with; provided, that neither the Corporation nor any of its Subsidiaries (including for this purpose VMware and its subsidiaries) shall be considered an “MD Related Party” regardless of the number of shares of Common Stock beneficially owned by the MD Stockholders.

“**MD Stockholders**” means, collectively, MD and the SLD Trust, together with their respective Permitted Transferees that acquire Common Stock.

“**Merger**” means the merger of Merger Sub, a Delaware corporation and a direct wholly-owned subsidiary of the Corporation, with and into EMC, with EMC surviving as a wholly-owned subsidiary of the Corporation.

“**Merger Agreement**” means the Agreement and Plan of Merger, dated as of October 12, 2015, among the Corporation, Dell, Merger Sub and EMC, as amended through the date of this Certificate of Incorporation.

“**Merger Sub**” means Universal Acquisition Co., a Delaware corporation and a direct wholly-owned subsidiary of the Corporation.

“**Minimum Return Requirement**” means, with respect to the Initial SLP Stockholders, a Return with respect to their aggregate equity investment on and after October 29, 2013 in the Corporation and its Subsidiaries through the Anticipated Closing Date (including, without limitation, the Initial SLP Stockholders’ Investment and in connection with the Merger) equal to or greater than both (i) two (2.0) multiplied by the SLP Invested Amount and (ii) the amount necessary to provide the Initial SLP Stockholders with an IRR of 20.0% on the SLP Invested Amount. Whether a proposed Qualified Sale Transaction satisfies the Minimum Return Requirement will be determined as of the Applicable Date, and, for purposes of determining whether the Minimum Return Requirement has been satisfied, the Fair Market Value of any Marketable Securities (A) received prior to the Applicable Date shall be determined as of the trading date immediately preceding the date on which they are received by the Initial SLP Stockholders and (B) to be received in the proposed Qualified Sale Transaction shall be determined as of the Applicable Date. For purposes of determining the Minimum Return Requirement, for the avoidance of doubt, other payments received by the Initial SLP Stockholders, or in respect of which the Initial SLP Stockholders have been reimbursed or indemnified shall be disregarded and shall not be considered payments received in respect of the Initial SLP Stockholders’ investment in the Corporation and its Subsidiaries.

“**MSDC**” means MSD Partners, L.P. and its Affiliates (other than MD for so long as MD serves as the Chief Executive Officer of the Corporation).

“**MSD Partners Stockholders**” means, collectively, (a) MSDC Denali Investors, L.P., a Delaware limited partnership, and MSDC Denali EIV, LLC, a Delaware limited liability company, together with (b)(i) their respective Permitted Transferees that acquire Common Stock and (ii)(x) any Person or group of Affiliated Persons to whom the MSD Partners Stockholders and their respective Permitted Transferees have transferred, at substantially the same time, an aggregate number of shares of DHI Common Stock greater than 50% of the outstanding shares of DHI Common Stock owned by the MSD Partners Stockholders immediately following the closing of the Merger (as adjusted for any stock split, stock dividend, reverse stock split or similar event occurring after the closing of the Merger) and (y) any Permitted Transferees of such Persons specified in clause (x).

“**Number of Retained Interest Shares**” means the proportionate undivided interest, if any, that the DHI Group may be deemed to hold in the assets, liabilities and businesses of the Class V Group in accordance with this Certificate of Incorporation, which shall be represented by a number of unissued shares of Class V Common Stock, which will initially be equal to the number of shares of common stock of VMware owned by the Corporation and its Subsidiaries on the Effective Date minus the number of shares of Class V Common Stock to be issued on the Effective Date, and will from time to time thereafter be (without duplication):

(i) adjusted, if before such adjustment such number is greater than zero, as determined by the Board of Directors to be appropriate to reflect subdivisions (by stock split or otherwise) and combinations (by reverse stock split or otherwise) of the Class V Common Stock and dividends of shares of Class V Common Stock to holders of Class V Common Stock and other reclassifications of Class V Common Stock;

(ii) decreased (but not below zero), if before such adjustment such number is greater than zero, by action of the Board of Directors (without duplication): (A) by a number equal to the aggregate number of shares of Class V Common Stock issued or sold by the Corporation, the proceeds of which are attributed to the DHI Group, or issued as a dividend on DHI Common Stock pursuant to Section 5.2(e)(2)(B); (B) in the event of a Retained Interest Partial Redemption, by a number equal to the amount (rounded, if necessary, to the nearest whole number) obtained by multiplying the Retained Interest Redemption Amount by the amount (rounded, if necessary, to the nearest whole number) obtained by dividing the aggregate number of shares of Class V Common Stock redeemed pursuant to Section 5.2(m)(3)(B) or (D), as applicable, by the applicable Class V Group Redemption Amount or the applicable portion of the Class V Group Allocable Net Proceeds applied to such redemption; (C) by the number of shares of Class V Common Stock issued upon the conversion, exchange or exercise of any Convertible Securities that, immediately prior to the issuance or sale of such Convertible Securities, were included in the Number of Retained Interest Shares and (D) by a number equal to the amount (rounded, if necessary, to the nearest whole number) obtained by dividing (x) the aggregate Fair Value, as of a date within 90 days of the determination to be made pursuant to this clause (D), of assets attributed to the Class V Group that are transferred or allocated from the Class V Group to the DHI Group in consideration of a reduction in the Number of Retained Interest Shares, by (y) the Fair Value of a share of Class V Common Stock as of the date of such transfer or allocation;

(iii) increased, by action of the Board of Directors, (A) by a number equal to the aggregate number of shares of Class V Common Stock that are retired, redeemed or otherwise cease to be outstanding (x) following their purchase or redemption with funds or other assets attributed to the DHI Group, (y) following their retirement or redemption for no consideration if immediately prior thereto, they were owned by an asset or business attributed to the DHI Group, or (z) following their conversion into shares of Class C Common Stock pursuant to Section 5.2(m)(3)(C) or (D); (B) in accordance with the applicable provisions of Section 5.2(e)(1)(B)(II); (C) by the number of shares of Class V Common Stock into or for which Convertible Securities attributed as a liability to, or equity interest in, the Class V Group are deemed converted, exchanged or exercised by the DHI Group pursuant to Section 5.2(q), and (D) by a number equal to, as applicable, the amount (rounded, if necessary, to the nearest whole number) obtained by dividing (I) the Fair Value, as of a date within 90 days of the determination to be made pursuant to this clause (D), of assets theretofore attributed to the DHI Group that are contributed to the Class V Group in consideration of an increase in the Number of Retained Interest Shares, by (II) the Fair Value of a share of Class V common Stock as of the date of such contribution; and

(iv) increased or decreased under such other circumstances as the Board of Directors determines to be appropriate or required by the other terms of Section 5.2 to reflect the economic substance of any other event or circumstance; provided, that in each case, the adjustment will be made in a manner intended to reflect the relative economic interest of the DHI Group in the Class V Group.

Whenever a change in the Number of Retained Interest Shares occurs, the Corporation will promptly thereafter prepare and file a statement of such change and the amount to be allocated to the DHI Group with the Secretary of the Corporation. Neither the failure to prepare nor the failure to file any such statement will affect the validity of such change.

“**outstanding**,” when used with respect to the shares of any class of common stock, will include, without limitation, the shares of such class, if any, held by any subsidiary of the applicable corporation, except as otherwise provided by applicable law with respect to the exercise of voting rights. No shares of any class of common stock (or Convertible Securities that are convertible into or exercisable or exchangeable for common stock) held by a corporation in its treasury will be deemed outstanding, nor will any shares be deemed outstanding, with respect to the Corporation, which are attributable to the Number of Retained Interest Shares.

“**Outstanding Interest Fraction**” as of any date, means a fraction, the numerator of which is the aggregate number of shares of Class V Common Stock outstanding on such date and the denominator of which is the amount obtained by

adding (i) such aggregate number of shares of Class V Common Stock outstanding on such date, plus (ii) the Number of Retained Interest Shares as of such date, provided, that such fraction will in no event be greater than one.

“**Permitted Transferee**” means:

1. In the case of the MD Stockholders:

- a. MD, SLD Trust or any Immediate Family Member of MD;
- b. any MD Charitable Entity;
- c. one or more trusts whose current beneficiaries are and will remain for so long as such trust holds Securities, any of (or any combination of) MD, one or more Immediate Family Members of MD or MD Charitable Entities;
- d. any corporation, limited liability company, partnership or other entity wholly-owned by any one or more Persons or entities described in clause (1)(a), (1)(b) or (1)(c) of this definition of “Permitted Transferee”; or
- e. from and after MD’s death, any recipient under MD’s will, any revocable trust established by MD that becomes irrevocable upon MD’s death, or by the laws of descent and distribution;

provided, that:

- a. in the case of any Transfer of Securities to a Permitted Transferee of MD during MD’s life, MD would have, after such Transfer, voting control in any capacity over a majority of the aggregate number of Securities owned by the MD Stockholders and owned by the Persons or entities described in clause (1)(a), (1)(b), (1)(c) or (1)(d) of this definition of “Permitted Transferee” as a result of Transfers hereunder;
- b. any such transferee enters into a joinder agreement as may be required under one or more binding contracts, commitments or agreements or in such other form and substance reasonably satisfactory to the SLP Stockholders;
- c. in the case of any Transfer of Securities to a Permitted Transferee of MD that is a Person described in clause (1)(a), (1)(b), (1)(c) or (1)(d) of this definition of “Permitted Transferee” during MD’s life, such Transfer is gratuitous; and
- d. MD shall have a validly executed power-of-attorney designating an attorney-in-fact or agent, or with respect to any Securities Transferred to a trust revocable by MD, a MD Fiduciary, that is authorized to act on MD’s behalf with respect to all rights held by MD relating to Securities in the event that MD has become incapacitated.

For the avoidance of doubt, the foregoing clauses (1)(a) through (1)(e) of this definition of “Permitted Transferee” are applicable only to Transfers of Securities by MD to his Permitted Transferees, do not apply to any other Transfers of Securities, and shall not be applicable after the consummation of an IPO.

2. In the case of the MSD Partners Stockholders, (A) any of its controlled Affiliates (other than portfolio companies) or (B) an affiliated private equity fund of the MSD Partners Stockholders that remains such an Affiliate or affiliated private equity fund of such MSD Partners Stockholder; provided, that for the avoidance of doubt, except as otherwise agreed in writing between the Sponsor Stockholders, the MD Stockholders and Permitted Transferees of the MD Stockholders shall not be Permitted Transferees of any MSD Partners Stockholder.

3. In the case of any other stockholder (other than the MD Stockholders or the MSD Partners Stockholders) that is a partnership, limited liability company or other entity, (A) any of its controlled Affiliates (other than portfolio companies) or (B) an affiliated private equity fund of such stockholder that remains such an Affiliate or affiliated private equity fund of such stockholder.

For the avoidance of doubt, (x) each MD Stockholder will be a Permitted Transferee of each other MD Stockholder, (y) each MSD Partners Stockholder will be a Permitted Transferee of each other MSD Partners Stockholder and (z) each SLP Stockholder will be a Permitted Transferee of each other SLP Stockholder.

“**Person**” means an individual, any general partnership, limited partnership, limited liability company, corporation, trust, business trust, joint stock company, joint venture, unincorporated association, cooperative or association or any other legal entity or organization of whatever nature, and shall include any successor (by merger or otherwise) of such entity, or a government or any agency or political subdivision thereof.

“**Publicly Traded**” means, with respect to shares of capital stock or other securities, that such shares or other securities are traded on a U.S. securities exchange.

“**Qualified Sale Transaction**” means any Sale Transaction (i) pursuant to which more than 50% of the DHI Common Stock and other debt securities exercisable or exchangeable for or convertible into DHI Common Stock, or any option, warrant or other right to acquire any DHI Common Stock or such debt securities of the Corporation will be acquired by a Person that is not an MD Related Party, nor the Corporation or any Subsidiary of the Corporation, (ii) in respect of which each Sponsor Stockholder other than the MD Stockholders has the right to participate in such Sale Transaction on the same terms as the MD Stockholders, (iii) unless otherwise agreed by prior written consent of the SLP Stockholders, in which the SLP Stockholders will receive consideration for their DHI Common Stock and any other securities acquired pursuant to the exercise of any participation rights to which such SLP Stockholders are contractually entitled, if any, that consists entirely of cash and/or Marketable Securities and (iv) unless otherwise agreed by prior written consent of the SLP Stockholders, in which the net proceeds of cash and Marketable Securities to be received by the Initial SLP Stockholders will, as of the Applicable Date, result in the Minimum Return Requirement being satisfied.

“**Reference Number**” means ninety-eight million, one-hundred eighty-one thousand, eight hundred eighteen (98,181,818) shares of DHI Common Stock (as adjusted for any stock split, stock dividend, reverse stock split or similar event occurring after the Merger).

“**Retained Interest Dividend**” and “**Retained Interest Dividend Amount**” have the respective meanings ascribed to them in Section 5.2(e)(1)(B)(I).

“**Retained Interest Redemption Amount**” and “**Retained Interest Partial Redemption**” have the respective meanings ascribed to them in Section 5.2(m)(3).

“**Return**” means, as of any date of determination, the sum of (i) all cash, (ii) the Fair Market Value of all Marketable Securities (determined as of the trading date immediately preceding the date on which they are received by the Initial SLP Stockholders if not received in a Qualified Sale Transaction, or if received in a Qualified Sale Transaction, the Applicable Date) and (iii) the Fair Market Value of all other securities or assets (determined as of the trading date immediately preceding the date on which they are received by the Initial SLP Stockholders), in each such case, paid to or received by the Initial SLP Stockholders prior to such date pursuant to (A) any dividends or distributions of cash and/or Marketable Securities by the Corporation or its Subsidiaries to the Initial SLP Stockholders in respect of their DHI Common Stock and/or equity securities of the Corporation’s Subsidiaries, (B) a transfer of equity securities of the Corporation and/or its Subsidiaries by the Initial SLP Stockholders to any Person and/or (C) a Qualified Sale Transaction; provided, that in the case of a Qualified Sale Transaction, if the Initial SLP Stockholders retain any portion of their DHI Common Stock and/or equity securities of the Corporation’s Subsidiaries following such Qualified Sale Transaction, the Fair Market Value of such portion immediately following such Qualified Sale Transaction (x) shall be deemed consideration paid to or received by the Initial SLP Stockholders for purposes of calculating the “Return,” and (y) shall be based on the per security price of such DHI Common Stock and/or equity securities of the Corporation’s Subsidiaries to be transferred or sold in such Qualified Sale Transaction, assuming (1) full payment of all fees and

expenses payable by or on behalf of the Corporation or its Subsidiaries to any Person in connection therewith, including to any financial advisors, consultants, accountants, legal counsel and/or other advisors or representatives and/or otherwise payable, and (2) no earn-out payments, contingent payments (other than, in the case of a Qualified Sale Transaction, payments contingent upon the satisfaction or waiver of customary conditions to closing of such Qualified Sale Transaction), and/or deferred consideration, holdbacks and/or escrowed proceeds will be received by the Initial SLP Stockholders; provided, further, that notwithstanding anything herein to the contrary and for the avoidance of doubt, (i) all payments received by the Initial SLP Stockholders, or reimbursed or indemnified pursuant to this Certificate of Incorporation, the Bylaws, any stockholder agreement or any similar contractual arrangement, in each case, on account of the SLP Stockholders holding Securities, shall be disregarded and shall not be considered consideration paid to or received by the Initial SLP Stockholders for purposes of calculating the “Return” and (ii) in no event shall the reclassification of the Original Stock contemplated by Section 5.2(c) be deemed to have resulted in any “Return.”

“**Sale Transaction**” means (i) any merger, consolidation, business combination or amalgamation of the Corporation or any Specified Subsidiary with or into any Person, (ii) the sale of DHI Common Stock and/or other voting equity securities of the Corporation that represent (A) a majority of the DHI Common Stock on a fully-diluted basis and/or (B) a majority of the aggregate voting power of the DHI Common Stock and/or (iii) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Corporation and its Subsidiaries’ assets (determined on a consolidated basis based on value) (including by means of merger, consolidation, other business combination, exclusive license, share exchange or other reorganization); provided, that in calculating the aggregate voting power of the DHI Common Stock for the purpose of clause (ii) of this definition of “Sale Transaction,” the voting power attaching to any shares of Class A Common Stock and/or Class B Common Stock that will convert into Class C Common Stock in connection with such transaction shall be determined as if such conversion had already taken place; provided, further, that in each case, any transaction solely between and among the Corporation and/or its wholly-owned Subsidiaries shall not be considered a Sale Transaction hereunder.

“**Securities**” means any equity securities of the Corporation, including any Preferred Stock, Common Stock, debt securities exercisable or exchangeable for, or convertible into equity securities of the Corporation, or any option, warrant or other right to acquire any such equity securities or debt securities of the Corporation.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated pursuant thereto.

“**SLD Trust**” means the Susan Lieberman Dell Separate Property Trust.

“**SLP**” means Silver Lake Management Company III, L.L.C., Silver Lake Management Company IV, L.L.C. and their respective affiliated management companies and investment vehicles.

“**SLP III**” means Silver Lake Partners III, L.P., a Delaware limited partnership.

“**SLP Invested Amount**” means an amount equal to the aggregate investment by the Initial SLP Stockholders (without duplication) on and after October 29, 2013 (including, without limitation, the Initial SLP Stockholders’ Investment and in connection with the Merger) in the equity securities of the Corporation and its Subsidiaries. For purposes of determining the SLP Invested Amount all payments made by the SLP Stockholders for which they are subsequently reimbursed or indemnified and for which they do not or did not purchase or acquire equity securities of the Corporation or its Subsidiaries shall be disregarded and shall not be considered payments made or investments in respect of the Initial SLP Stockholders’ investment in the Corporation and its Subsidiaries or their respective equity securities.

“**SLP Stockholders**” means, collectively, (a) SLP III, SLTI III, Silver Lake Partners IV, L.P., a Delaware limited partnership, Silver Lake Technology Investors IV, L.P., a Delaware limited partnership, and SLP Denali Co-Invest, L.P., a Delaware limited partnership, together with (b)(i) their respective Permitted Transferees that acquire Common Stock and (ii)(x) any Person or group of Affiliated Persons to whom the SLP Stockholders and their respective Permitted Transferees have transferred, at substantially the same time, an aggregate number of shares of DHI Common Stock greater than 50% of the outstanding shares of DHI Common Stock owned by the SLP Stockholders immediately

following the closing of the Merger (as adjusted for any stock split, stock dividend, reverse stock split or similar event occurring after the closing of the Merger) and (y) any Permitted Transferees of such Persons specified in clause (x).

“**SLTI III**” means Silver Lake Technology Investors III, L.P., a Delaware limited partnership.

“**Specified Subsidiaries**” means any of (i) Intermediate, (ii) Dell, (iii) Denali Finance, (iv) Dell International (until such time as the MD Stockholders and the SLP Stockholders otherwise agree), (v) EMC, (vi) any successors and assigns of any of Intermediate, Dell, Denali Finance, Dell International (until such time as the MD Stockholders and the SLP Stockholders otherwise agree) and EMC, (vii) any other borrowers under the senior secured indebtedness and/or issuer of the debt securities, in each case, incurred or issued to finance the Merger and the transactions contemplated thereby and by the related transactions entered into in connection therewith and (viii) each intermediate entity or Subsidiary between the Corporation and any of the foregoing.

“**Sponsor Stockholders**” means, collectively, the MD Stockholders, the MSD Partners Stockholders and the SLP Stockholders.

“**Stock Plan**” means each of (i) the Dell 2012 Long-Term Incentive Plan, Dell 2002 Long-Term Incentive Plan, Dell 1998 Broad-Based Stock Option Plan, Dell 1994 Incentive Plan, Quest Software, Inc. 2008 Stock Incentive Plan, Quest Software, Inc. 2001 Stock Incentive Plan, Quest Software, Inc. 1999 Stock Incentive Plan, V-Kernel Corporation 2007 Equity Incentive Plan, and Force10 Networks, Inc. 2007 Equity Incentive Plan and (ii) such other equity incentive plans adopted, approved or entered into by the Corporation or its Subsidiaries pursuant to which the Corporation or its Subsidiaries have granted or issued Awards, including the Dell Technologies Inc. Amended and Restated 2013 Stock Incentive Plan.

“**Subsidiary**” means, with respect to any Person, any entity of which (i) a majority of the total voting power of shares of stock or equivalent ownership interests entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other members of the applicable governing body thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if no such governing body exists at such entity, a majority of the total voting power of shares of stock or equivalent ownership interests of the entity is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association or other business entity if such Person or Persons shall be allocated a majority of limited liability company, partnership, association or other business entity gains or losses or shall be or control the managing member or general partner of such limited liability company, partnership, association or other business entity. Notwithstanding the foregoing, VMware and its subsidiaries shall not be considered Subsidiaries of the Corporation and its Subsidiaries for so long as VMware is not a direct or indirect wholly-owned subsidiary of the Corporation.

“**Tax Event**” means receipt by the Corporation of an opinion in writing of its tax counsel to the effect that, as a result of (i) (a) any amendment or change to the Internal Revenue Code of 1986, as amended, or any other federal income tax statute, (b) any amendment or change to the Treasury Regulations (including the issuance or promulgation of temporary regulations), (c) any administrative pronouncement or other ruling or guidance (including guidance from the Internal Revenue Service or the U.S. Department of Treasury) published in the Internal Revenue Bulletin that applies, advances or articulates a new or different interpretation or analysis of federal income tax law or (d) any decision in regards to U.S. federal tax law of a U.S. federal court that has not been reversed by a higher federal court that applies, advances or articulates a new or different interpretation or analysis of federal income tax law, or (ii) a proposed amendment, modification, addition or change in or to the provisions of, or in the interpretation of, U.S. federal income tax law or regulations contained in legislation proposed by Congress or administrative notice or pronouncement published in the Internal Revenue Bulletin, it is more likely than not that (A) the Class V Common Stock is not, or at any time in the future will not be, treated solely as common stock of the Corporation and such treatment would subject the Corporation or its Subsidiaries to the imposition of material tax or other material adverse tax consequences or (B) the issuance or existence of any Class V Common Stock would subject the Corporation or its Subsidiaries to the imposition of material tax or other material adverse tax consequences.

For purposes of rendering such opinion, tax counsel shall assume that any legislative or administrative proposals will be adopted or enacted as proposed.

“**Trading Day**” means each day on which the relevant share or security is traded on the New York Stock Exchange or the Nasdaq Stock Market.

“**Transfer**” or “**transfer**” means, with respect to any Security, the direct or indirect offer, sale, exchange, pledge, hypothecation, mortgage, gift, transfer or other disposition or distribution of such Security by the holder thereof or by its representative, and whether voluntary or involuntary or by operation of law including by merger or otherwise (or the entry into any agreement with respect to any of the foregoing); provided, however, that no (i) conversion of Class A Common Stock and/or Class B Common Stock into Class C Common Stock pursuant to Section 5.2, (ii) conversion of Class D Common Stock into Class C Common Stock pursuant to Section 5.2 nor (iii) redemption of any share of Preferred Stock shall, in each case, constitute a Transfer.

“**VMware**” means VMware, Inc., a Delaware corporation.

“**VMware Notes**” means each of (A) the \$680,000,000 Promissory Note due May 1, 2018, issued by VMware in favor of EMC, (B) the \$550,000,000 Promissory Note, due May 1, 2020, issued by VMware in favor of EMC and (C) the \$270,000,000 Promissory Note due December 1, 2022, issued by VMware in favor of EMC.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the Corporation has executed this Fourth Amended and Restated Certificate of Incorporation on this 6th day of September, 2016.

By: /s/ Janet B. Wright  
Name: Janet B. Wright  
Title: Vice President and Assistant Secretary

*[Signature Page to Fourth Amended and Restated Certificate of Incorporation of Dell Technologies Inc.]*

**CERTIFICATION OF MICHAEL S. DELL, CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13a-14(a) UNDER  
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael S. Dell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 8, 2017

/s/ MICHAEL S. DELL

---

Michael S. Dell

*Chairman and Chief Executive Officer*

**CERTIFICATION OF THOMAS W. SWEET, EXECUTIVE VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13a-14(a) UNDER  
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas W. Sweet, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

September 8, 2017

/s/ THOMAS W. SWEET

---

Thomas W. Sweet

*Executive Vice President and Chief Financial Officer*

**CERTIFICATIONS OF MICHAEL S. DELL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER,  
AND THOMAS W. SWEET, EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER, PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of Dell Technologies Inc. hereby certify that (a) Dell Technologies Inc.'s Quarterly Report on Form 10-Q for the quarter ended August 4, 2017, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (b) information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Dell Technologies Inc.

Date: September 8, 2017

/s/ MICHAEL S. DELL

---

Michael S. Dell

*Chairman and Chief Executive Officer*

Date: September 8, 2017

/s/ THOMAS W. SWEET

---

Thomas W. Sweet

*Executive Vice President and Chief Financial Officer*

**UNAUDITED ATTRIBUTED FINANCIAL INFORMATION**  
**FOR CLASS V GROUP**  
(continued on next page)

The information presented below is intended solely to show the attribution of assets, liabilities, revenue, and expenses to the Class V Group in accordance with the Tracking Stock Policy of Dell Technologies Inc. ("Dell Technologies" or the "Company"), a copy of which is filed as Exhibit 99.2 to the Company's annual report on Form 10-K for the fiscal year ended February 3, 2017. The individual income and expense line item amounts reflected in the column for VMware, Inc. ("VMware") are for informational purposes and do not represent actual income and expenses of the Class V Group. The Class V stockholders do not have any special rights related to, direct ownership interest in, or recourse against the assets and liabilities attributed to the Class V Group. Holders of the DHI Group Common Stock and the Class V Common Stock are stockholders of the Company and subject to all risks associated with an investment in the Company and all of its businesses, assets, and liabilities. This financial information could change in the future based on allocations or reallocations of assets and liabilities to the Class V Group.

	Three Months Ended August 4, 2017			Six Months Ended August 4, 2017		
	VMware Reportable Segment	Adjustments and Eliminations (a)	VMware	VMware Reportable Segment	Adjustments and Eliminations (a)	VMware
	(in millions)					
Net revenue	\$ 1,907	\$ (7)	\$ 1,900	\$ 3,643	\$ (7)	\$ 3,636
Cost of net revenue	246	24	270	485	74	559
Gross margin	1,661	(31)	1,630	3,158	(81)	3,077
Operating expenses:						
Selling, general, and administrative	763	101	864	1,436	216	1,652
Research and development	337	91	428	675	174	849
Total operating expenses	1,100	192	1,292	2,111	390	2,501
Operating income (loss)	\$ 561	\$ (223)	338	\$ 1,047	\$ (471)	576
Interest and other income (expense), net attributable to VMware			69			89
Income before income taxes attributable to VMware			407			665
Income tax provision attributable to VMware			73			99
Net income attributable to VMware			\$ 334			\$ 566

(a) Adjustments and eliminations primarily consist of intercompany sales and allocated expenses, as well as expenses that are excluded from the VMware reportable segment, such as amortization of intangible assets, stock-based compensation expense, severance, and integration and acquisition-related costs.

**UNAUDITED ATTRIBUTED FINANCIAL INFORMATION  
FOR CLASS V GROUP**  
(continued)

**Reconciliation of net income attributable to VMware to Class V Common Stock economic interest in Class V Group:**

	<b>Three Months Ended August 4, 2017</b>	<b>Six Months Ended August 4, 2017</b>
	(in millions)	
Net income attributable to VMware	\$ 334	\$ 566
Less: Net income attributable to non-controlling interests	(61)	(103)
Net income attributable to Class V Group	273	463
Less: DHI Group's 38.38% and 38.23%, respectively, weighted average retained interest in Class V Group	(105)	(177)
<b>Class V Common Stock allocated interest in Class V Group</b>	<b>\$ 168</b>	<b>\$ 286</b>

**Reconciliation of VMware total net assets to Class V Common Stock allocated interest in Class V Group:**

	<b>VMware August 4, 2017</b>
	(in millions)
<b>VMware balance sheet information</b>	
Total assets (1)(2)	\$ 17,175
Total liabilities (1)(2)	8,576
<b>VMware total net assets</b>	<b>\$ 8,599</b>
	<b>Class V Group August 4, 2017</b>
	(in millions)
<b>VMware total net assets</b>	<b>\$ 8,599</b>
Less: Net assets attributable to non-controlling interests (3)	(1,600)
Net assets attributable to Class V Group	6,999
Less: DHI Group's 38.45% retained interest in Class V Group	(2,691)
<b>Class V Common Stock allocated interest in Class V Group</b>	<b>\$ 4,308</b>
Inter-group assets (4)	\$ —
Inter-group liabilities (4)	\$ —

(1) Represents VMware's unadjusted assets and liabilities as of August 4, 2017 as consolidated into the Company's Condensed Consolidated Statements of Financial Position.

(2) As determined by Dell Technologies' board of directors, the Company has not allocated any assets or liabilities between the DHI Group and the Class V Group.

(3) Reflects the impact of non-controlling interests on net assets attributable to the Company, which had an ownership interest of 81.4% of VMware's outstanding shares of common stock as of August 4, 2017.

(4) Represents inter-group assets/liabilities between the Class V Group and the DHI Group in accordance with the Tracking Stock Policy. The Tracking Stock Policy states that any ordinary course commercial inter-group transactions are intended, to the extent practicable, to be on terms consistent with terms that would be applicable to arm's-length dealings with unrelated third parties.