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 May 1, 2020

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	**80-0890963**
(State or other jurisdiction of incorporation or organization)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class C Common Stock, par value $0.01 per share	**DELL**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐	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 Exchange Act). Yes ☐ No ☑

As of June 1, 2020, there were 740,816,465 shares of the registrant’s common stock outstanding, consisting of 254,592,425 outstanding shares of Class C Common Stock, 384,538,823 outstanding shares of Class A Common Stock, and 101,685,217 outstanding shares of Class B 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, future responses to and effects of the coronavirus disease 2019 (“COVID-19”), 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 January 31, 2020 and in our other periodic and current reports filed with the Securities and Exchange Commission (“SEC”). 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

PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS (UNAUDITED)

Index

DELL TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in millions; unaudited)

	May 1, 2020	January 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,229	$ 9,302
Accounts receivable, net of allowance of $144 and $94 (Note 18)	10,797	12,484
Short-term financing receivables, net of allowance of $229 and $109 (Note 4)	4,752	4,895
Inventories, net	3,616	3,281
Other current assets	7,437	6,906
Current assets held for sale	2,100	—
Total current assets	40,931	36,868
Property, plant, and equipment, net	6,100	6,055
Long-term investments	974	864
Long-term financing receivables, net of allowance of $92 and $40 (Note 4)	4,710	4,848
Goodwill	40,248	41,691
Intangible assets, net	16,827	18,107
Other non-current assets	10,446	10,428
Total assets	$ 120,236	$ 118,861
LIABILITIES, REDEEMABLE SHARES, AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Short-term debt	$ 8,375	$ 7,737
Accounts payable	18,432	20,065
Accrued and other	8,073	9,773
Short-term deferred revenue	14,766	14,881
Current liabilities held for sale	365	—
Total current liabilities	50,011	52,456
Long-term debt	48,353	44,319
Long-term deferred revenue	12,851	12,919
Other non-current liabilities	5,340	5,383
Total liabilities	116,555	115,077
Commitments and contingencies (Note 10)		
Redeemable shares (Note 16)	441	629
Stockholders' equity (deficit):		
Common stock and capital in excess of $0.01 par value (Note 14)	16,339	16,091
Treasury stock at cost	(305)	(65)
Accumulated deficit	(16,858)	(16,891)
Accumulated other comprehensive loss	(790)	(709)
Total Dell Technologies Inc. stockholders' deficit	(1,614)	(1,574)
Non-controlling interests	4,854	4,729
Total stockholders' equity (deficit)	3,240	3,155
Total liabilities, redeemable shares, and stockholders' equity (deficit)	$ 120,236	$ 118,861

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)

	Three Months Ended	
	May 1, 2020	**May 3, 2019**
Net revenue:		
Products	$ 16,038	$ 16,575
Services	5,859	5,333
Total net revenue	21,897	21,908
Cost of net revenue:		
Products	12,804	13,079
Services	2,240	2,032
Total cost of net revenue	15,044	15,111
Gross margin	6,853	6,797
Operating expenses:		
Selling, general, and administrative	4,886	5,071
Research and development	1,265	1,176
Total operating expenses	6,151	6,247
Operating income	702	550
Interest and other, net	(566)	(693)
Income (loss) before income taxes	136	(143)
Income tax benefit	(46)	(472)
Net income	182	329
Less: Net income attributable to non-controlling interests	39	36
Net income attributable to Dell Technologies Inc.	$ 143	$ 293
Earnings per share attributable to Dell Technologies Inc.		
Dell Technologies Common Stock — Basic	$ 0.19	$ 0.41
Dell Technologies Common Stock — Diluted	$ 0.19	$ 0.38

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	
	May 1, 2020	**May 3, 2019**
Net income	$ 182	$ 329
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustments	(146)	(158)
Cash flow hedges:		
Change in unrealized gains	167	152
Reclassification adjustment for net gains included in net income	(100)	(58)
Net change in cash flow hedges	67	94
Pension and other postretirement plans:		
Recognition of actuarial net gain (loss) from pension and other postretirement plans	(7)	7
Reclassification adjustments for net (gains) losses from pension and other postretirement plans	2	—
Net change in actuarial net gain (loss) from pension and other postretirement plans	(5)	7
Total other comprehensive loss, net of tax expense of $10 and $7, respectively	(84)	(57)
Comprehensive income, net of tax	98	272
Less: Net income attributable to non-controlling interests	39	36
Less: Other comprehensive income (loss) attributable to non-controlling interests	(3)	1
Comprehensive income attributable to Dell Technologies Inc.	$ 62	$ 235

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)

	Three Months Ended	
	May 1, 2020	**May 3, 2019**
Cash flows from operating activities:		
Net income	$ 182	$ 329
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,316	1,616
Stock-based compensation expense	370	263
Deferred income taxes	(225)	(813)
Other, net	104	35
Changes in assets and liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	1,284	1,753
Financing receivables	(14)	121
Inventories	(352)	273
Other assets and liabilities	(2,234)	(2,119)
Accounts payable	(1,538)	(1,045)
Deferred revenue	311	269
Change in cash from operating activities	(796)	682
Cash flows from investing activities:		
Purchases of investments	(56)	(38)
Maturities and sales of investments	39	337
Capital expenditures and capitalized software development costs	(559)	(716)
Acquisition of businesses and assets, net	(38)	(45)
Divestitures of businesses and assets, net	120	(3)
Other	9	7
Change in cash from investing activities	(485)	(458)
Cash flows from financing activities:		
Proceeds from the issuance of common stock	116	134
Repurchases of parent common stock	(240)	(6)
Repurchases of subsidiary common stock	(300)	(803)
Proceeds from debt	10,135	9,563
Repayments of debt	(5,405)	(9,569)
Other	(42)	(38)
Change in cash from financing activities	4,264	(719)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(136)	(36)
Change in cash, cash equivalents, and restricted cash	2,847	(531)
Cash, cash equivalents, and restricted cash at beginning of the period	10,151	10,240
Cash, cash equivalents, and restricted cash at end of the period	$ 12,998	$ 9,709

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

DELL TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

(in millions; continued on next page; unaudited)

	Common Stock and Capital in Excess of Par Value		Treasury Stock						
	Issued Shares	Amount	Shares	Amount	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders' Equity (Deficit)	Non-Controlling Interests	Total Stockholders' Equity (Deficit)
Balances as of January 31, 2020	745	$ 16,091	2	$ (65)	$ (16,891)	$ (709)	$ (1,574)	$ 4,729	$ 3,155
Adjustment for adoption of accounting standards (Note 1)	—	—	—	—	(110)	—	(110)	—	(110)
Net income	—	—	—	—	143	—	143	39	182
Foreign currency translation adjustments	—	—	—	—	—	(146)	(146)	—	(146)
Cash flow hedges, net change	—	—	—	—	—	70	70	(3)	67
Pension and other post-retirement	—	—	—	—	—	(5)	(5)	—	(5)
Issuance of common stock	3	9	—	—	—	—	9	—	9
Stock-based compensation expense	—	92	—	—	—	—	92	278	370
Treasury stock repurchases	—	—	6	(240)	—	—	(240)	—	(240)
Revaluation of redeemable shares	—	188	—	—	—	—	188	—	188
Impact from equity transactions of non-controlling interests	—	(41)	—	—	—	—	(41)	(189)	(230)
Balances as of May 1, 2020	748	$ 16,339	8	$ (305)	$ (16,858)	$ (790)	$ (1,614)	$ 4,854	$ 3,240

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

DELL TECHNOLOGIES INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY (DEFICIT)

(continued; in millions; unaudited)

	Common Stock and Capital in Excess of Par Value		Treasury Stock						
	Issued Shares	Amount	Shares	Amount	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders’ Equity (Deficit)	Non-Controlling Interests	Total Stockholders’ Equity (Deficit)
Balances as of February 2, 2019	721	$ 16,114	2	$ (63)	$ (21,349)	$ (467)	$ (5,765)	$ 4,823	$ (942)
Adjustment for adoption of accounting standards	—	—	—	—	3	—	3	—	3
Net income	—	—	—	—	293	—	293	36	329
Foreign currency translation adjustments	—	—	—	—	—	(158)	(158)	—	(158)
Cash flow hedges, net change	—	—	—	—	—	93	93	1	94
Pension and other post-retirement	—	—	—	—	—	7	7	—	7
Issuance of common stock	—	(3)	—	—	—	—	(3)	—	(3)
Stock-based compensation expense	—	42	—	—	—	—	42	221	263
Treasury stock repurchases	—	—	—	(2)	—	—	(2)	—	(2)
Revaluation of redeemable shares	—	(578)	—	—	—	—	(578)	—	(578)
Impact from equity transactions of non-controlling interests	—	(396)	—	—	—	—	(396)	(278)	(674)
Balances as of May 3, 2019	721	$ 15,179	2	$ (65)	$ (21,053)	$ (525)	$ (6,464)	$ 4,803	$ (1,661)

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

NOTE 1 — BASIS OF PRESENTATION

References in these Notes to the Condensed Consolidated Financial Statements to the “Company” or “Dell Technologies” mean Dell Technologies Inc. individually and together with its consolidated subsidiaries.

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 January 31, 2020. 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. as of May 1, 2020 and January 31, 2020 and the results of its operations and corresponding comprehensive income (loss) and its cash flows for the three months ended May 1, 2020 and May 3, 2019.

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. Management has considered the potential economic implications of the outbreak of the coronavirus disease 2019 (“COVID-19”) pandemic on the Company’s critical and significant accounting estimates. Actual results could differ materially from those estimates. The results of operations and comprehensive income (loss) and the cash flows for the three months ended May 1, 2020 and May 3, 2019 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 January 31, 2020 (“Fiscal 2020”) was a 52-week period, and the fiscal year ending January 29, 2021 (“Fiscal 2021”) will be a 52-week period.

Principles of Consolidation — These Condensed Consolidated Financial Statements include the accounts of Dell Technologies and its wholly-owned subsidiaries, as well as the accounts of VMware, Inc. and SecureWorks Corp. (“Secureworks”), each of which is majority-owned by Dell Technologies. All intercompany transactions have been eliminated.

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.

Revenue Reclassification — For the fiscal year ended January 31, 2020, Dell Technologies made certain reclassifications of net revenue between the products and services categories on the Consolidated Statement of Net Income (Loss), which impacted previously reported amounts for the three months ended May 3, 2019. The reclassifications were made to provide a more meaningful representation of the nature of certain service and software-as-a-service offerings of VMware, Inc. Prior period results were recast to conform with these changes, and resulted in an increase to services revenue and an equal and offsetting decrease to product revenue of $179 million for the three months ended May 3, 2019. Total net revenue as previously reported remains unchanged. The Company did not recast cost of goods sold for the related revenue reclassifications due to immateriality.

RSA Security Divestiture — On February 18, 2020, Dell Technologies announced its entry into a definitive agreement with a consortium led by Symphony Technology Group, Ontario Teachers’ Pension Plan Board and AlpInvest Partners to sell RSA Security in an all-cash transaction for approximately $2.075 billion, subject to certain closing adjustments. The transaction, which includes the purchase of RSA Archer, RSA NetWitness Platform, RSA SecurID, RSA Fraud and Risk Intelligence and RSA Conference, is expected to close in the third quarter of Fiscal 2021 and is subject to customary conditions. The transaction is intended to further simplify Dell Technologies’ product portfolio and corporate structure. The transaction is not expected to have a material impact on the Company’s operating results or financial position.

In accordance with applicable accounting guidance, the Company concluded that RSA Security’s long-lived assets have met the criteria to be classified as held-for-sale as of May 1, 2020. The Company reclassified the related assets and liabilities as “Current assets held for sale” and “Current liabilities held for sale” on the accompanying Condensed Consolidated Statements of Financial Position as of May 1, 2020 as the sale is expected to close within the next twelve months.

The following table presents the major classes of assets and liabilities as of May 1, 2020 related to RSA Security which were classified as held for sale as of the date indicated:

	May 1, 2020
	(in millions)
ASSETS	
Current assets:	
Accounts receivable, net	$ 221
Other current assets	23
Total current assets	244
Goodwill	1,359
Intangible assets, net	440
Other non-current assets	55
Total assets	$ 2,098
LIABILITIES	
Current liabilities:	
Accounts payable	$ 25
Accrued and other	68
Short-term deferred revenue	206
Total current liabilities	299
Long-term deferred revenue	44
Other non-current liabilities	22
Total liabilities	$ 365

RSA Security does not meet the criteria for discontinued operations reporting, and as a result its operating results and cash flows are not separately stated as a discontinued operation in the accompanying unaudited Condensed Consolidated Financial Statements. RSA Security does not meet the requirements for a reportable segment and, consequently, its operating results are included within Other businesses.

VMware, Inc. Acquisition of Pivotal — On December 30, 2019, VMware, Inc. completed its acquisition of Pivotal Software, Inc. (“Pivotal”) from the Company by merger (the “Pivotal acquisition”), with Pivotal surviving the merger as a wholly-owned subsidiary of VMware, Inc. Each outstanding share of Pivotal’s Class A common stock (other than shares held by Pivotal stockholders who properly exercised their appraisal rights under Delaware law) was converted into the right to receive $15.00 in cash, without interest, and each outstanding share of Pivotal’s Class B common stock was converted into the right to receive 0.0550 of a share of Class B common stock of VMware, Inc. Dell Technologies, which held all outstanding shares of Pivotal’s Class B common stock, received approximately 7.2 million shares of Class B common stock of VMware, Inc. in the transaction. As of the transaction date, Pivotal’s Class A common stock (NYSE: PVTL) ceased to be listed and traded on the New York Stock Exchange (“NYSE”).

Due to the Company’s ownership of a controlling interest in Pivotal, the Company and VMware, Inc. accounted for the acquisition of the controlling interest in Pivotal as a transaction between entities under common control, and, consequently, the transaction had no net effect to the Company’s consolidated financial statements. Subsequent to the Pivotal acquisition, Pivotal operates as a wholly-owned subsidiary of VMware, Inc. and Dell Technologies reports Pivotal results within the VMware reportable segment. Prior to the Pivotal acquisition, Pivotal results were reported within Other businesses. This change in Pivotal segment classification was reflected retrospectively and is presented in Note 17 of the Notes to the Condensed Consolidated Financial Statements.

Class V Transaction — On December 28, 2018, the Company completed a transaction (the "Class V transaction") in which it paid $14.0 billion in cash and issued 149,387,617 shares of its Class C Common Stock to holders of its Class V Common Stock in exchange for all outstanding shares of Class V Common Stock. The non-cash consideration portion of the Class V transaction totaled $6.9 billion. As a result of the Class V transaction, the tracking stock feature of the Company's capital structure associated with the Class V Common Stock was terminated. The Class C Common Stock is traded on the NYSE.

The merger pursuant to which the Class V transaction was effected and the Class V transaction have been accounted for as a hybrid liability and equity transaction involving the repurchase of outstanding common stock, with the consideration consisting of a variable combination of cash and shares. Upon settlement, the accounting for the Class V transaction reflected that the outstanding Class V Common Stock was canceled and exchanged for shares of Class C Common Stock at $120.00 per share in cash or combination of cash and shares, depending on each holder's election and subject to proration of the cash elections.

EMC Merger Transaction — On September 7, 2016, the Company completed its acquisition of EMC Corporation ("EMC") by merger (the "EMC merger transaction"). The consolidated results of EMC are included in Dell Technologies' consolidated results presented in these financial statements.

Recently Issued Accounting Pronouncements

Simplifying Accounting for Income Taxes — In December 2019, the Financial Accounting Standards Board ("FASB") issued guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740, *Income Taxes*, and by clarifying and amending existing guidance in order to improve consistent application of GAAP for other areas of Topic 740. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years, with early adoption permitted for fiscal periods beginning after December 15, 2019. The Company is currently evaluating the impact and timing of adoption of this guidance.

Recently Adopted Accounting Pronouncements

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 (the "current expected credit losses model," or "CECL model") that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the CECL model, the allowance for losses on financial assets, measured at amortized cost, reflects management's estimate of credit losses over the remaining expected life of such assets.

The Company adopted the standard (the "new CECL standard") as of February 1, 2020 using the modified retrospective method, with the cumulative-effect adjustment to the opening balance of stockholders' equity (deficit) as of the adoption date. The cumulative effect of adopting the new CECL standard resulted in an increase of $111 million and $27 million to the allowance for expected credit losses within financing receivables, net and accounts receivable, net, respectively, on the Condensed Consolidated Statements of Financial Position, and a corresponding decrease of $28 million to other non-current liabilities related to deferred taxes and $110 million to stockholders' equity (deficit) as of February 1, 2020. See Note 2, Note 4, and Note 18 of the Notes to the Condensed Consolidated Financial Statements for additional information about the Company's allowance for financing receivables losses and allowance for expected credit losses of accounts receivable, respectively.

Intangibles - Goodwill and Other - Internal-Use Software — In August 2018, the FASB issued guidance on a customer's accounting for implementation costs incurred in a cloud-computing arrangement when hosted by a vendor. The guidance provides that, in a hosting arrangement that is a service contract, certain implementation costs should be capitalized and amortized over the term of the arrangement. The Company adopted the standard (the "new cloud computing standard") during the three months ended May 1, 2020 using the prospective method. The impact of the adoption of this standard was immaterial to the Condensed Consolidated Financial Statements.

NOTE 2 — INTERIM UPDATE TO SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1 of the Notes to the Condensed Consolidated Financial Statements, the Company adopted the new CECL standard as of February 1, 2020 using the modified retrospective method. The new impairment methodology for measurement of credit losses on financial instruments reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Additionally, the Company adopted the new cloud computing standard during the three months ended May 1, 2020 using the prospective method. In a cloud-computing hosting arrangement hosted by a vendor that is a service contract, certain implementation costs should be capitalized and amortized over the term of the arrangement. The following accounting policies have been updated as part of the adoption of the new standards.

Allowance for Expected Credit Losses — The Company recognizes an allowance for losses on accounts receivable in an amount equal to the current expected credit losses. The estimation of the allowance is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as an assessment of specific identifiable customer accounts considered at risk or uncollectible. The Company assesses collectibility by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible. The expense associated with the allowance for expected credit losses is recognized in selling, general, and administrative expenses.

Allowance for Financing Receivables Losses — The Company recognizes an allowance for losses on financing receivables in an amount equal to the probable losses net of recoveries. The allowance for losses is determined based on various factors, including lifetime expected losses determined using macroeconomic forecast assumptions and management judgments applicable to and through the expected life of the portfolios as well as past due receivables, receivable type, and customer risk profile. Both fixed and revolving receivable loss rates are affected by macroeconomic conditions, including the level of gross domestic product ("GDP") growth, the level of commercial capital equipment investment, unemployment rates, and the credit quality of the borrower.

Customer account principal and interest are charged to the allowance for losses when an account is deemed to be uncollectible or generally when the account is 180 days delinquent. While the Company does not generally place financing receivables on non-accrual status during the delinquency period, accrued interest is included in the allowance for loss calculation and, therefore, the Company is adequately reserved in the event of charge off. Recoveries on receivables previously charged off as uncollectible are recorded to the allowance for financing receivables losses. The expense associated with the allowance for financing receivables losses is recognized as cost of net revenue.

Capitalized Software Development Costs — The Company capitalizes certain internal and external costs to acquire or create internal use software which are incurred subsequent to the completion of the preliminary project stage. Development costs are generally amortized on a straight-line basis over five years. Costs associated with maintenance and minor enhancements to the features and functionality of the Company's website are expensed as incurred.

NOTE 3 — FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of the dates indicated:

	May 1, 2020				January 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	(in millions)							
Assets:								
Cash and cash equivalents:								
Money market funds	$ 7,981	$ —	$ —	$ 7,981	$ 4,621	$ —	$ —	$ 4,621
Equity and other securities	3	—	—	3	12	—	—	12
Derivative instruments	—	352	—	352	—	81	—	81
Total assets	$ 7,984	$ 352	$ —	$ 8,336	$ 4,633	$ 81	$ —	$ 4,714
Liabilities:								
Derivative instruments	$ —	$ 114	$ —	$ 114	$ —	$ 68	$ —	$ 68
Total liabilities	$ —	$ 114	$ —	$ 114	$ —	$ 68	$ —	$ 68

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 May 1, 2020, 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.

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 7 of the Notes to the Condensed Consolidated Financial Statements for a description of the Company's derivative financial instrument activities.

Deferred Compensation Plans — The Company offers deferred compensation plans for eligible employees, which allow participants to defer payment for a portion of their compensation. Assets were the same as liabilities associated with the plans at approximately $231 million and $241 million as of May 1, 2020 and January 31, 2020, respectively, and are included in other assets and other liabilities on the Condensed Consolidated Statements of Financial Position. The net impact to the Condensed Consolidated Statements of Income (Loss) is not material since changes in the fair value of the assets substantially offset changes in the fair value of the liabilities. As such, assets and liabilities associated with these plans have not been included in the recurring fair value table above.

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 8 of the Notes to the Condensed Consolidated Financial Statements for additional information about goodwill and intangible assets.

As of May 1, 2020 and January 31, 2020, the Company held private strategic investments of $971 million and $852 million, respectively. As these investments represent early-stage companies without readily determinable fair values, they are not included in the recurring fair value table above.

The Company has elected to apply the measurement alternative for these investments. Under the alternative, the Company measures investments without readily determinable fair values at cost, less impairment, adjusted by observable price changes. The Company must make a separate election to use the alternative for each eligible investment and is required to reassess at each reporting period whether an investment qualifies for the alternative. In evaluating these investments for impairment or observable price changes, the Company uses inputs including pre- and post-money valuations of recent financing events and the impact of those events on its fully diluted ownership percentages, as well as other available information regarding the issuer's historical and forecasted performance.

Carrying Value and Estimated Fair Value of Outstanding Debt — The following table presents the carrying value and estimated fair value of the Company's outstanding debt as described in Note 6 of the Notes to the Condensed Consolidated Financial Statements, including the current portion, as of the dates indicated:

	May 1, 2020		January 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in billions)			
Senior Secured Credit Facilities	$ 8.7	$ 8.6	$ 8.8	$ 9.0
First Lien Notes	$ 22.8	$ 24.8	$ 20.5	$ 23.9
Unsecured Notes and Debentures	$ 1.2	$ 1.4	$ 1.2	$ 1.5
Senior Notes	$ 2.6	$ 2.8	$ 2.6	$ 2.8
EMC Notes	$ 1.6	$ 1.6	$ 1.6	$ 1.6
VMware Notes and VMware Term Loan Facility	$ 7.5	$ 7.7	$ 5.5	$ 5.6
Margin Loan Facility	$ 4.0	$ 3.9	$ 4.0	$ 3.9

The fair values of the outstanding debt shown in the table above, as well as the Dell Financial Services ("DFS") debt described in Note 4 of the Notes to the Condensed Consolidated Financial Statements, 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 carrying value of DFS debt approximates fair value.

Investments

The following table presents the carrying value of the Company's strategic investments in publicly-traded and privately-held companies as of the dates indicated:

	May 1, 2020				January 31, 2020			
	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value
	(in millions)							
Equity and other securities	$ 904	$ 83	$ (13)	$ 974	$ 783	$ 116	$ (35)	$ 864

For the three months ended May 1, 2020, the equity and other securities without readily determinable fair values of $971 million increased by $83 million, due to upward adjustments for observable price changes, offset by $11 million of downward adjustments primarily attributable to observable price changes. The remainder of equity and other securities consists of publicly-traded investments that are measured at fair value on a recurring basis.

NOTE 4 — FINANCIAL SERVICES

The Company offers or arranges various financing options, services, and alternative payment structures for its customers in North America, Europe, Australia, and New Zealand through Dell Financial Services and its affiliates ("DFS"). The Company also arranges financing for some of its customers in various countries where DFS does not currently operate as a captive enterprise. The key activities of DFS include originating, collecting, and servicing customer financing arrangements primarily related to the purchase or use of Dell Technologies products and services. In some cases, DFS also offers financing on the purchase of third-party technology products that complement the Dell Technologies portfolio of products and services. New financing originations were $1.8 billion and $1.7 billion for the three months ended May 1, 2020 and May 3, 2019, respectively.

The Company's loan and lease arrangements with customers 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. Due to the short-term nature of the revolving loan portfolio, the carrying value of the portfolio approximates fair value.

Fixed-term leases and loans — The Company enters into financing arrangements with customers who seek lease financing for equipment they might otherwise purchase. Pursuant to the current lease accounting standard effective February 2, 2019, new DFS leases are classified as sales-type leases, direct financing leases, or operating leases. When the terms of the DFS lease transfer control of the underlying asset to the lessee, the contract is typically classified as a sales-type lease. Direct financing leases are immaterial. All other new DFS leases are classified as operating leases. Leases that commenced prior to the effective date of the current lease accounting standard continue to be accounted for under previous lease accounting guidance. Leases with business customers have fixed terms of generally two to four years.

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 fair value of the fixed-term loan portfolio is determined using market observable inputs. The carrying value of these loans approximates fair value.

Financing Receivables

The following table presents the components of the Company's financing receivables segregated by portfolio segment as of the dates indicated:

	May 1, 2020			January 31, 2020		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
	(in millions)					
Financing receivables, net:						
Customer receivables, gross (a)	$ 786	$ 8,446	$ 9,232	$ 824	$ 8,486	$ 9,310
Allowances for losses	(144)	(177)	(321)	(70)	(79)	(149)
Customer receivables, net	642	8,269	8,911	754	8,407	9,161
Residual interest	—	551	551	—	582	582
Financing receivables, net	$ 642	$ 8,820	$ 9,462	$ 754	$ 8,989	$ 9,743
Short-term	$ 642	$ 4,110	$ 4,752	$ 754	$ 4,141	$ 4,895
Long-term	$ —	$ 4,710	$ 4,710	$ —	$ 4,848	$ 4,848

(a) Customer receivables, gross includes amounts due from customers under revolving loans, fixed-term loans, fixed-term sales-type or direct financing leases, and accrued interest.

The allowance for losses as of May 1, 2020 includes the adoption of the new CECL standard, which was adopted as of February 1, 2020 using the modified retrospective method. Prior period amounts have not been recast. The provision recognized on the Condensed Consolidated Statements of Income (Loss) during the three months ended May 1, 2020 is based on an assessment of the impact of current and expected future economic conditions, inclusive of the effect of the COVID-19 pandemic on credit losses. The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on expected losses is subject to significant judgment and may cause variability in the Company's allowance for credit losses in future periods. See Note 1 and Note 2 of the Notes to the Condensed Consolidated Financial Statements for additional information about the new CECL standard.

The following table presents the changes in allowance for financing receivable losses for the periods indicated:

	Three Months Ended					
	May 1, 2020			May 3, 2019		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
	(in millions)					
Allowance for financing receivable losses:						
Balances at beginning of period	$ 70	$ 79	$ 149	$ 75	$ 61	$ 136
Adjustment for adoption of the new CECL standard (Note 1)	40	71	111	—	—	—
Charge-offs, net of recoveries	(20)	(9)	(29)	(20)	(3)	(23)
Provision charged to income statement	54	36	90	15	15	30
Balances at end of period	$ 144	$ 177	$ 321	$ 70	$ 73	$ 143

Aging

The following table presents the aging of the Company’s customer financing receivables, gross, including accrued interest, segregated by class, as of the dates indicated:

	May 1, 2020				January 31, 2020			
	Current	Past Due 1 — 90 Days	Past Due >90 Days	Total	Current	Past Due 1 — 90 Days	Past Due >90 Days	Total
	(in millions)							
Revolving — DPA	$ 547	$ 34	$ 17	$ 598	$ 550	$ 51	$ 20	$ 621
Revolving — DBC	162	21	5	188	184	15	4	203
Fixed-term — Consumer and Commercial	6,963	1,333	150	8,446	8,005	373	108	8,486
Total customer receivables, gross	$ 7,672	$ 1,388	$ 172	$ 9,232	$ 8,739	$ 439	$ 132	$ 9,310

Aging is likely to fluctuate as a result of the variability in volume of large transactions entered into over the period, and the administrative processes that accompany those larger transactions. Aging is also impacted by the timing of Dell Technologies fiscal period end date, relative to calendar month-end customer payment due dates. As a result of these factors, fluctuations in aging from period to period do not necessarily indicate a material change in the collectibility of the portfolio.

Fixed-term consumer and commercial customer receivables are placed on non-accrual status if principal or interest is past due and considered delinquent, or if there is concern about collectibility of a specific customer receivable. These receivables identified as doubtful for collectibility may be classified as current for aging purposes. Aged revolving portfolio customer receivables identified as delinquent are charged off.

Credit Quality

The following table presents customer receivables, gross, including accrued interest, by credit quality indicator segregated by class and year of origination, as of the date indicated:

	May 1, 2020								
	Fixed-term — Consumer and Commercial Fiscal Year of Origination								
	2021	2020	2019	2018	2017	Years Prior	Revolving — DPA (a)	Revolving — DBC (a)	Total
	(in millions)								
Higher	$ 1,150	$ 2,438	$ 1,141	$ 393	$ 68	$ 2	$ 135	$ 51	$ 5,378
Mid	229	883	498	182	34	2	169	56	2,053
Lower	184	647	443	119	29	4	294	81	1,801
Total	$ 1,563	$ 3,968	$ 2,082	$ 694	$ 131	$ 8	$ 598	$ 188	$ 9,232

(a) The revolving portfolio is exempt from the requirement to disclose the amortized cost basis by year of origination since determining the appropriate origination year can be complex due to the nature of the revolving portfolio.

The following table presents customer receivables, gross, including accrued interest, by credit quality indicator segregated by class, as of the date indicated, and was not recast to reflect the impact of adoption of the new CECL standard:

	January 31, 2020			
	Fixed-term — Consumer and Commercial	Revolving — DPA	Revolving — DBC	Total
	(in millions)			
Higher	$ 5,042	$ 137	$ 55	$ 5,234
Mid	2,036	175	63	2,274
Lower	1,408	309	85	1,802
Total	$ 8,486	$ 621	$ 203	$ 9,310

The categories shown in the tables above 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 above, 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 above, 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.

Leases

Interest income on sales-type lease receivables was $65 million and $64 million for the three months ended May 1, 2020 and May 3, 2019, respectively.

The following table presents the net revenue, cost of net revenue, and gross margin recognized at the commencement date of sales-type leases for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Net revenue — products	$ 215	$ 130
Cost of net revenue — products	159	81
Gross margin — products	$ 56	$ 49

The following table presents the future maturity of the Company's fixed-term customer leases and associated financing payments, and reconciles the undiscounted cash flows to the customer receivables, gross recognized on the Condensed Consolidated Statements of Financial Position as of the date indicated:

	May 1, 2020
Fiscal Years	(in millions)
Fiscal 2021 (remaining nine months)	$ 2,050
Fiscal 2022	1,812
Fiscal 2023	1,045
Fiscal 2024	406
Fiscal 2025 and beyond	137
Total undiscounted cash flows	5,450
Fixed-term loans	3,588
Revolving loans	786
Less: unearned income	(592)
Total customer receivables, gross	$ 9,232

Operating Leases

The following table presents the components of the Company's operating lease portfolio included in Property, plant, and equipment, net as of the dates indicated:

	May 1, 2020	January 31, 2020
	(in millions)	
Equipment under operating lease, gross	$ 1,150	$ 956
Less: accumulated depreciation	(175)	(116)
Equipment under operating lease, net	$ 975	$ 840

Operating lease income relating to lease payments was $87 million and $4 million for the three months ended May 1, 2020 and May 3, 2019, respectively. Depreciation expense was $62 million and $3 million for the three months ended May 1, 2020 and May 3, 2019, respectively.

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

The following table presents the future payments to be received by the Company as lessor in operating lease contracts as of the date indicated:

	May 1, 2020
Fiscal Years	(in millions)
Fiscal 2021 (remaining nine months)	$ 306
Fiscal 2022	370
Fiscal 2023	269
Fiscal 2024	54
Fiscal 2025 and beyond	7
Total	$ 1,006

DFS Debt

The Company maintains programs that facilitate the funding of leases, loans, and other alternative payment structures in the capital markets. The majority of DFS debt is non-recourse to Dell Technologies and represents borrowings under securitization programs and structured financing programs, for which the Company's risk of loss is limited to transferred loan and lease payments and associated equipment. The following table presents DFS debt as of the dates indicated. The table excludes the allocated portion of the Company's other borrowings, which represents the additional amount considered to fund the DFS business.

	May 1, 2020	January 31, 2020
	(in millions)	
DFS U.S. debt:		
Asset-based financing and securitization facilities	$ 2,429	$ 2,606
Fixed-term securitization offerings	3,251	2,593
Other	117	141
Total DFS U.S. debt	5,797	5,340
DFS international debt:		
Securitization facility	773	743
Other borrowings	970	931
Note payable	181	200
Dell Bank Senior Unsecured Eurobonds	548	551
Total DFS international debt	2,472	2,425
Total DFS debt	$ 8,269	$ 7,765
Total short-term DFS debt	$ 4,397	$ 4,152
Total long-term DFS debt	$ 3,872	$ 3,613

DFS U.S. Debt

Asset-Based Financing and Securitization Facilities — The Company maintains separate asset-based financing facilities and a securitization facility in the United States, which are revolving facilities for fixed-term leases and loans and for revolving loans, respectively. This debt is collateralized solely by the U.S. loan and lease payments and associated equipment in the facilities. The debt has a variable interest rate and the duration of the debt is based on the terms of the underlying loan and lease payment streams. As of May 1, 2020, the total debt capacity related to the U.S. asset-based financing and securitization facilities was $4.0 billion. The Company enters into interest swap agreements to effectively convert a portion of this debt from a floating rate to a fixed rate. See Note 7 of the Notes to the Condensed Consolidated Financial Statements for additional information about interest rate swaps.

The Company's U.S. securitization facility for revolving loans is effective through June 25, 2022. The Company's two U.S. asset-based financing facilities for fixed-term leases and loans are effective through August 22, 2021 and July 26, 2022, respectively.

The asset-based financing and securitization facilities contain standard structural features related to the performance of the funded 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 facility, 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 May 1, 2020, these criteria were met.

Fixed-Term Securitization Offerings — The Company periodically issues asset-backed debt securities under fixed-term securitization programs to private investors. The asset-backed debt securities are collateralized solely by the U.S. fixed-term leases and loans in the offerings, which are held by Special Purpose Entities ("SPEs"), as discussed below. The interest rate on these securities is fixed and ranges from 1.91% to 5.92% per annum, and the duration of these securities is based on the terms of the underlying loan and lease payment streams.

DFS International Debt

Securitization Facility **—** The Company maintains a securitization facility in Europe for fixed-term leases and loans. This facility is effective through December 21, 2020 and has a total debt capacity of $876 million as of May 1, 2020.

The securitization facility contains 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 May 1, 2020, these criteria were met.

Other Borrowings **—** 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, Europe, Australia, and New Zealand. The Canadian facility, which is collateralized solely by Canadian loan and lease payments and associated equipment, had a total debt capacity of $269 million as of May 1, 2020, and is effective through January 16, 2023. The European facility, which is collateralized solely by European loan and lease payments and associated equipment, had a total debt capacity of $657 million as of May 1, 2020, and is effective through June 14, 2022. The Australia and New Zealand facility, which is collateralized solely by Australia and New Zealand loan and lease payments and associated equipment, had a total debt capacity of $228 million as of May 1, 2020, and is effective through December 20, 2021.

Note Payable **—** On November 27, 2017, the Company entered into an unsecured credit agreement to fund receivables in Mexico. As of May 1, 2020, the aggregate principal amount of the note payable is $181 million. The note bears interest at either the applicable London Interbank Offered Rate ("LIBOR") plus 2.25%, for the borrowings denominated in U.S. dollars, or the Mexican Interbank Equilibrium Interest Rate ("TIIE") plus 2.00%, for the borrowings denominated in Mexican pesos. The note will mature on December 1, 2020.

Dell Bank Senior Unsecured Eurobonds **—** On October 17, 2019, Dell Bank International D.A.C. issued 500 million Euro of 0.625% senior unsecured three year eurobonds due October 2022. The issuance of the senior unsecured eurobonds supports the expansion of the financing operations in Europe.

Variable Interest Entities

In connection with the asset-based financing facilities, securitization facilities, and fixed-term securitization offerings discussed above, the Company transfers certain U.S. and European loan and lease payments and associated equipment to SPEs that meet the definition of a Variable Interest Entity ("VIE") and are consolidated, along with the associated debt detailed above, into the Consolidated Financial Statements, as the Company is the primary beneficiary of those VIEs. The SPEs are bankruptcy-remote legal entities with separate assets and liabilities. The purpose of the SPEs is to facilitate the funding of customer loan and lease payments and associated equipment in the capital markets.

The following table presents financing receivables and equipment under operating leases, net held by the consolidated VIEs as of the dates indicated:

	May 1, 2020	January 31, 2020
	(in millions)	
Assets held by consolidated VIEs, net:		
Short-term, net	$ 3,384	$ 3,316
Long-term, net	3,628	3,348
Assets held by consolidated VIEs, net	$ 7,012	$ 6,664

Loan and lease payments and associated equipment transferred via securitization through SPEs were $1.8 billion and $1.5 billion for the three months ended May 1, 2020 and May 3, 2019, 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 DFS debt outstanding, which is collateralized by the loan and lease payments and associated equipment held by the consolidated VIEs, was $6.5 billion and $5.9 billion as of May 1, 2020 and January 31, 2020, 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 securitizations in the form of over-collateralization.

Customer Receivables Sales

To manage certain concentrations of customer credit exposure, the Company may sell selected fixed-term customer receivables to unrelated third parties on a periodic basis, without recourse. The amount of customer receivables sold for this purpose was $21 million and $101 million for the three months ended May 1, 2020 and May 3, 2019, respectively. The Company's continuing involvement in the above mentioned customer receivables is primarily limited to servicing arrangements.

NOTE 5 — LEASES

The Company enters into leasing transactions in which the Company is the lessee. These lease contracts are typically classified as operating leases. The Company's lease contracts are generally for office buildings used to conduct its business, and the determination of whether such contracts contain leases generally does not require significant estimates or judgments. The Company also leases certain global logistics warehouses, employee vehicles, and equipment. As of May 1, 2020, the remaining terms of the Company's leases range from less than one month to 26 years.

The Company also enters into leasing transactions in which the Company is the lessor, primarily through customer financing arrangements offered through DFS. DFS originates leases that are primarily classified as either sales-type leases or operating leases. See Note 4 of the Notes to the Condensed Consolidated Financial Statements for more information on the DFS lease portfolio and related lease disclosures.

In adopting the current lease accounting standard effective February 2, 2019, the Company elected to apply a transition method that does not require the retrospective application to periods prior to the effective date. Financial information associated with the Company's leases in which the Company is the lessee is contained in this Note. As of May 1, 2020 and January 31, 2020, there were no material finance leases for which the Company was a lessee.

The following table presents components of lease costs included in the Condensed Consolidated Statements of Income (Loss) for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Operating lease costs	$ 131	$ 117
Variable costs	44	38
Total lease costs	$ 175	$ 155

During both the three months ended May 1, 2020 and May 3, 2019, sublease income, finance lease costs, and short-term lease costs were immaterial.

The following table presents supplemental information related to operating leases included in the Condensed Consolidated Statements of Financial Position as of the dates indicated:

	Classification	May 1, 2020	January 31, 2020
		(in millions, except for term and discount rate)	
Operating lease right of use ("ROU") assets	Other non-current assets	$ 1,745	$ 1,780
Current operating lease liabilities	Accrued and other current liabilities	$ 403	$ 432
Non-current operating lease liabilities	Other non-current liabilities	1,350	1,360
Total operating lease liabilities		$ 1,753	$ 1,792
Weighted-average remaining lease term (in years)		8.70	8.57
Weighted-average discount rate		3.84%	3.81%

The following table presents supplemental cash flow information related to leases for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities — operating cash outflows from operating leases	$ 131	$ 122
ROU assets obtained in exchange for new operating lease liabilities	$ 120	$ 42

The following table presents the future maturity of the Company's operating lease liabilities under non-cancelable leases and reconciles the undiscounted cash flows for these leases to the lease liability recognized on the Condensed Consolidated Statements of Financial Position as of the date indicated:

	May 1, 2020
Fiscal Years	(in millions)
Fiscal 2021 (remaining nine months)	$ 337
Fiscal 2022	401
Fiscal 2023	315
Fiscal 2024	217
Fiscal 2025	147
Thereafter	701
Total lease payments	$ 2,118
Less: Imputed interest	(365)
Total	$ 1,753
Current operating lease liabilities	$ 403
Non-current operating lease liabilities	$ 1,350

The amount of future lease commitments after Fiscal 2025 is primarily for the ground lease on VMware, Inc.'s Palo Alto, California headquarter facilities, which expires in Fiscal 2047.

As of May 1, 2020, the Company has additional operating leases that have not yet commenced of $697 million. These operating leases will commence during Fiscal 2021 with lease terms of one year to 16 years.

NOTE 6 — DEBT

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

	May 1, 2020	January 31, 2020
	(in millions)	
Secured Debt		
Senior Secured Credit Facilities:		
2.75% Term Loan B-1 Facility due September 2025	$ 4,726	$ 4,738
2.16% Term Loan A-4 Facility due December 2023	679	679
2.32% Term Loan A-6 Facility due March 2024	3,452	3,497
First Lien Notes:		
4.42% due June 2021	4,500	4,500
5.45% due June 2023	3,750	3,750
4.00% due July 2024	1,000	1,000
5.85% due July 2025	1,000	—
6.02% due June 2026	4,500	4,500
4.90% due October 2026	1,750	1,750
6.10% due July 2027	500	—
5.30% due October 2029	1,750	1,750
6.20% due July 2030	750	—
8.10% due July 2036	1,500	1,500
8.35% due July 2046	2,000	2,000
Unsecured Debt		
Unsecured Notes and Debentures:		
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	264	264
Senior Notes:		
5.875% due June 2021	1,075	1,075
7.125% due June 2024	1,625	1,625
EMC Notes:		
2.650% due June 2020	600	600
3.375% due June 2023	1,000	1,000
Debt of Public Subsidiary		
VMware Notes:		
2.30% due August 2020	1,250	1,250
2.95% due August 2022	1,500	1,500
4.50% due May 2025	750	—
4.65% due May 2027	500	—
3.90% due August 2027	1,250	1,250
4.70% due May 2030	750	—
VMware Term Loan Facility	1,500	1,500
DFS Debt (Note 4)	8,269	7,765
Other		
4.03% Margin Loan Facility due April 2022	4,000	4,000
Other	69	84
Total debt, principal amount	$ 57,347	$ 52,665

	May 1, 2020	January 31, 2020
	(in millions)	
Total debt, principal amount	$ 57,347	$ 52,665
Unamortized discount, net of unamortized premium	(234)	(241)
Debt issuance costs	(385)	(368)
Total debt, carrying value	$ 56,728	$ 52,056
Total short-term debt, carrying value	$ 8,375	$ 7,737
Total long-term debt, carrying value	$ 48,353	$ 44,319

During the three months ended May 1, 2020, the net increase in the Company's debt balance was primarily due to new debt issuances of $2.25 billion of First Lien Notes on April 9, 2020 and $2.0 billion of VMware Notes on April 7, 2020, both described below, and an additional $0.5 billion, net, in DFS debt to support the expansion of its financing receivables portfolio.

Secured Debt

Senior Secured Credit Facilities — The Company has entered into a credit agreement that provides for senior secured credit facilities (the "Senior Secured Credit Facilities") comprising (a) term loan facilities and (b) a senior secured Revolving Credit Facility, which provides for a borrowing capacity of up to $4.5 billion for general corporate purposes, including 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 May 1, 2020, available borrowings under the Revolving Credit Facility totaled $4.5 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, or (b) the London Interbank Offered Rate ("LIBOR"). The Term Loan B-1 Facility bears interest at LIBOR plus an applicable margin of 2.00% or a base rate plus an applicable margin of 1.00%. The Term Loan A-4 Facility and the Term Loan A-6 Facility bear interest at LIBOR plus an applicable margin ranging from 1.25% to 2.00% or a base rate plus an applicable margin ranging from 0.25% to 1.00%. 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 B-1 Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount. The Term Loan A-4 Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 5% of the original principal amount in each of the first four years after the facility closing date of December 20, 2018, and 80% of the original principal amount in the fifth year after December 20, 2018. The Term Loan A-6 Facility amortizes in equal quarterly installments in aggregate annual amounts equal to 5% of the original principal amount in each of the first four years after the facility closing date of March 13, 2019, and 80% of the original principal amount in the fifth year after March 13, 2019. The Revolving Credit Facility has no amortization.

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., a wholly-owned subsidiary of the Company ("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 — Dell International L.L.C. and EMC Corporation, both of which are wholly-owned subsidiaries of Dell Technologies Inc., completed private offerings of multiple series of senior secured notes (collectively, the “First Lien Notes”) which were issued on June 1, 2016, March 20, 2019, and April 9, 2020 in aggregate principal amounts of $20.0 billion, $4.5 billion, and $2.25 billion, respectively. Interest on the First Lien Notes 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, Dell, and 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, in the case of the First Lien Notes issued on June 1, 2016 and within five years after their respective issue dates, in the case of the First Lien Notes issued on March 20, 2019 and April 9, 2020.

China Revolving Credit Facility — During the fiscal year ended January 31, 2020, the Company renewed its credit agreement for a China revolving credit facility with a bank lender, which provided an uncommitted line with an aggregate principal amount not to exceed $500 million at an interest rate of LIBOR plus 0.6% per annum. The facility was terminated upon expiration on February 26, 2020.

Unsecured Debt

Unsecured Notes and Debentures — The Company has outstanding unsecured notes and debentures (collectively, the “Unsecured Notes and Debentures”) that were issued by Dell prior to the acquisition of Dell by Dell Technologies Inc. in the going-private transaction that closed in October 2013. Interest on these borrowings is payable semiannually.

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, which the Company fully repaid during the three months ended August 3, 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.

VMware Notes — VMware, Inc. completed public offerings of unsecured senior notes in the aggregate amounts of $4.0 billion and $2.0 billion on August 21, 2017 and April 7, 2020, respectively (the “VMware Notes”). None of the net proceeds of such borrowings 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. Interest on these borrowings is payable semiannually.

VMware Revolving Credit Facility — On September 12, 2017, VMware, Inc. entered into an unsecured credit agreement, establishing a revolving credit facility (the “VMware Revolving Credit Facility”) with a syndicate of lenders that provides the company with a borrowing capacity of up to $1.0 billion for VMware, Inc. general corporate purposes. Commitments under the VMware Revolving Credit Facility are available for a period of five years, which may be extended, subject to the satisfaction of certain conditions, by up to two one year periods. The credit agreement contains certain representations, warranties, and covenants. Commitment fees, interest rates, and other terms of borrowing under the VMware Revolving Credit Facility may vary based on VMware, Inc.’s external credit ratings. None of the net proceeds of such borrowings 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. As of May 1, 2020, there were no outstanding borrowings under the VMware Revolving Credit Facility.

VMware Term Loan Facility — On September 26, 2019, VMware, Inc. entered into a senior unsecured term loan facility (the "VMware Term Loan Facility") with a syndicate of lenders that provided VMware, Inc. with a borrowing capacity of up to $2.0 billion through February 7, 2020, for VMware, Inc. general corporate purposes. The VMware Term Loan Facility matures on the 364th day following the initial funding under the facility. The VMware Term Loan Facility bears interest at LIBOR plus 0.75% to 1.25%, or an alternative base rate plus 0.00% to 0.25%, depending on VMware Inc.'s external credit ratings.

As of May 1, 2020 and January 31, 2020, the outstanding borrowings under the VMware Term Loan Facility were $1.5 billion, with no remaining amount available for additional borrowings. The VMware Term Loan Facility contains certain representations, warranties, and covenants. None of the net proceeds of such borrowings 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.

DFS Debt

See Note 4 and Note 7 of the Notes to the Condensed Consolidated Financial Statements, respectively, for discussion of DFS debt and the interest rate swap agreements that hedge a portion of that debt.

Other

Margin Loan Facility — On April 12, 2017, the Company entered into the Margin Loan Facility in an aggregate principal amount of $2.0 billion, under which VMW Holdco LLC, a wholly-owned subsidiary of EMC, is the borrower. In connection with the Class V transaction described in Note 1 of the Notes to the Condensed Consolidated Financial Statements, on December 20, 2018, the Company amended the Margin Loan Facility to increase the aggregate principal amount to $3.35 billion. In connection with obtaining the Term Loan A-6 Facility during the fiscal year ended January 31, 2020, the Company increased the aggregate principal amount of the Margin Loan Facility to $4.0 billion.

During the three months ended May 1, 2020, due to volatility in the U.S. stock market resulting from the outbreak of COVID-19, VMware Holdco LLC proactively pledged additional shares of VMware, Inc. common stock to secure its obligations under the Margin Loan Facility agreement. This resulted in an aggregate number of shares pledged of approximately 76 million shares of Class B common stock of VMware, Inc. and approximately 24 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.

Aggregate Future Maturities

The following table presents the aggregate future maturities of the Company's debt as of May 1, 2020 for the periods indicated:

	Maturities by Fiscal Year						
	2021 (remaining nine months)	2022	2023	2024	2025	Thereafter	Total
	(in millions)						
Senior Secured Credit Facilities and First Lien Notes	$ 172	$ 4,672	$ 286	$ 6,702	$ 1,775	$ 18,250	$ 31,857
Unsecured Notes and Debentures	—	400	—	—	—	952	1,352
Senior Notes and EMC Notes	600	1,075	—	1,000	1,625	—	4,300
VMware Notes	2,750	—	1,500	—	—	3,250	7,500
DFS Debt	3,661	2,537	1,877	157	37	—	8,269
Margin Loan Facility	—	—	4,000	—	—	—	4,000
Other	8	6	7	8	7	33	69
Total maturities, principal amount	7,191	8,690	7,670	7,867	3,444	22,485	57,347
Associated carrying value adjustments	(2)	(43)	(24)	(47)	(91)	(412)	(619)
Total maturities, carrying value amount	$ 7,189	$ 8,647	$ 7,646	$ 7,820	$ 3,353	$ 22,073	$ 56,728

Covenants and Unrestricted Net Assets — The credit agreement for the Senior Secured Credit Facilities contains 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. 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.

As of May 1, 2020, 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. Substantially all of the net assets of the Company's consolidated subsidiaries were restricted, with the exception of the Company's unrestricted subsidiaries, primarily VMware, Inc., Secureworks, and their respective subsidiaries, as of May 1, 2020.

The Term Loan A-4 Facility, the Term Loan A-6 Facility, and the Revolving Credit Facility are subject to a first lien 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 May 1, 2020.

NOTE 7 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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. The earnings effects of the derivative instruments are presented in the same income statement line items as the earnings effects of the hedged items. 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. The Company does not have any derivatives designated as fair value hedges.

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 months ended May 1, 2020 and May 3, 2019, 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 expanded offerings of DFS in Europe, forward contracts are used to hedge financing receivables denominated in foreign currencies other than Euro. 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 five 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 Euros 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 are not designated for hedge accounting and expire within five years or less.

Derivative Instruments

Notional Amounts of Outstanding Derivative Instruments

	May 1, 2020	January 31, 2020
	(in millions)	
Foreign exchange contracts:		
Designated as cash flow hedging instruments	$ 8,910	$ 8,703
Non-designated as hedging instruments	7,490	7,711
Total	$ 16,400	$ 16,414
Interest rate contracts:		
Non-designated as hedging instruments	$ 4,559	$ 4,043

Effect of Derivative Instruments Designated as Hedging 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	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Gain (Loss) Reclassified from Accumulated OCI into Income
	(in millions)		(in millions)
For the three months ended May 1, 2020			
		Total net revenue	$ 96
Foreign exchange contracts	$ 167	Total cost of net revenue	4
Interest rate contracts	—	Interest and other, net	—
Total	$ 167		$ 100
For the three months ended May 3, 2019			
		Total net revenue	$ 58
Foreign exchange contracts	$ 152	Total cost of net revenue	—
Interest rate contracts	—	Interest and other, net	—
Total	$ 152		$ 58

Effect of Derivative Instruments Not Designated as Hedging Instruments on the Condensed Consolidated Statements of Income (Loss)

	Three Months Ended		
	May 1, 2020	May 3, 2019	Location of Gain (Loss) Recognized
	(in millions)		
Gain (Loss) Recognized:			
Foreign exchange contracts	$ 52	$ (66)	Interest and other, net
Interest rate contracts	(39)	(7)	Interest and other, net
Total	$ 13	$ (73)	

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 following tables present the fair value of those derivative instruments presented on a gross basis as of the dates indicated:

	May 1, 2020				
	Other Current Assets	**Other Non-Current Assets**	**Other Current Liabilities**	**Other Non-Current Liabilities**	**Total Fair Value**
	(in millions)				
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$ 206	$ —	$ 7	$ —	$ 213
Foreign exchange contracts in a liability position	(21)	—	(20)	—	(41)
Net asset (liability)	185	—	(13)	—	172
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	410	—	5	—	415
Foreign exchange contracts in a liability position	(246)	—	(44)	(5)	(295)
Interest rate contracts in an asset position	—	3	—	—	3
Interest rate contracts in a liability position	—	—	—	(57)	(57)
Net asset (liability)	164	3	(39)	(62)	66
Total derivatives at fair value	$ 349	$ 3	$ (52)	$ (62)	$ 238

	January 31, 2020				
	Other Current Assets	**Other Non-Current Assets**	**Other Current Liabilities**	**Other Non-Current Liabilities**	**Total Fair Value**
	(in millions)				
Derivatives designated as hedging instruments:					
Foreign exchange contracts in an asset position	$ 108	$ —	$ 15	$ —	$ 123
Foreign exchange contracts in a liability position	(2)	—	(3)	—	(5)
Net asset (liability)	106	—	12	—	118
Derivatives not designated as hedging instruments:					
Foreign exchange contracts in an asset position	136	—	39	—	175
Foreign exchange contracts in a liability position	(162)	—	(81)	(6)	(249)
Interest rate contracts in an asset position	—	1	—	—	1
Interest rate contracts in a liability position	—	—	—	(32)	(32)
Net asset (liability)	(26)	1	(42)	(38)	(105)
Total derivatives at fair value	$ 80	$ 1	$ (30)	$ (38)	$ 13

Table of Contents

The following tables present 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 as of the dates indicated:

	May 1, 2020					
				Gross Amounts not Offset in the Statement of Financial Position		
	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	Financial Instruments	Cash Collateral Received or Pledged	Net Amount
	(in millions)					
Derivative instruments:						
Financial assets	$ 631	$ (279)	$ 352	$ —	$ —	$ 352
Financial liabilities	(393)	279	(114)	—	10	(104)
Total derivative instruments	$ 238	$ —	$ 238	$ —	$ 10	$ 248

	January 31, 2020					
				Gross Amounts not Offset in the Statement of Financial Position		
	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	Financial Instruments	Cash Collateral Received or Pledged	Net Amount
	(in millions)					
Derivative instruments:						
Financial assets	$ 299	$ (218)	$ 81	$ —	$ —	$ 81
Financial liabilities	(286)	218	(68)	—	15	(53)
Total derivative instruments	$ 13	$ —	$ 13	$ —	$ 15	$ 28

NOTE 8 — BUSINESS COMBINATIONS, GOODWILL AND INTANGIBLE ASSETS

Business Combinations

VMware, Inc. Acquisition

Nyansa, Inc. — During the three months ended May 1, 2020, VMware, Inc. completed the acquisition of Nyansa, Inc., a developer of artificial intelligence-based network analytics, to accelerate the delivery of end-to-end monitoring and troubleshooting capabilities within VMware SD-WAN by VeloCloud. The total purchase price, net of cash acquired, was $38 million. The purchase price primarily included $14 million of identifiable intangible assets and $24 million of goodwill that is not expected to be deductible for tax purposes. The identifiable intangible assets, which primarily consisted of completed technology, have estimated useful lives of one year to four years.

Goodwill

The Infrastructure Solutions Group, Client Solutions Group, and VMware reporting units are consistent with the reportable segments identified in Note 17 of the Notes to the Condensed Consolidated Financial Statements. Offerings within Other businesses as defined below represent separate reporting units.

The following table presents goodwill allocated to the Company's reportable segments and changes in the carrying amount of goodwill as of the dates indicated:

	Infrastructure Solutions Group	Client Solutions Group	VMware	Other Businesses (a)	Total
			(in millions)		
Balance as of January 31, 2020	$ 15,089	$ 4,237	$ 20,532	$ 1,833	$ 41,691
Goodwill acquired (b)	—	—	24	—	24
Impact of foreign currency translation	(91)	—	—	(17)	(108)
Reclassification to assets held for sale (c)	—	—	—	(1,359)	(1,359)
Balance as of May 1, 2020	$ 14,998	$ 4,237	$ 20,556	$ 457	$ 40,248

(a) As of May 1, 2020, goodwill allocated to Other businesses consists of Secureworks, Virtustream, and Boomi.
(b) VMware, Inc. business combination completed during the three months ended May 1, 2020, as discussed above.
(c) During the three months ended May 1, 2020, RSA Security's goodwill was reclassified to current assets held for sale on the Condensed Consolidated Statements of Financial Position due to the Company's entry into a definitive agreement to sell RSA Security. See Note 1 of the Notes to the Condensed Consolidated Financial Statements for additional information about the pending sale of RSA Security.

Goodwill Impairment Tests — 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. As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Company considered whether there was a potential triggering event requiring the evaluation of whether goodwill of any of the reporting units should be tested for impairment. The Company determined there was no triggering event and no impairment test was performed as of May 1, 2020.

For our annual impairment review in the third quarter of Fiscal 2020, the Company elected to bypass the assessment of qualitative factors to determine whether it was more likely than not that the fair value of a reporting unit was less than its carrying amount, including goodwill. In electing to bypass the qualitative assessment, the Company proceeded directly to performing a quantitative goodwill impairment test to measure the fair value of each goodwill reporting unit relative to its carrying amount, and to determine the amount of goodwill impairment loss to be recognized, if any.

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 combination of public company multiples and discounted cash flow methodologies, unless the reporting unit relates to a publicly-traded entity (VMware, Inc. or Secureworks), in which case the fair value is determined based primarily on the public company market valuation. The discounted cash flow and public company multiples methodologies require significant judgment, including estimation of future cash flows, which is dependent on internal forecasts, current and anticipated economic conditions and trends, selection of market multiples through assessment of the reporting unit's performance relative to peer competitors, the estimation of the long-term revenue growth rate and discount 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.

The fair value of the indefinite-lived trade names is generally estimated using discounted cash flow methodologies. The discounted cash flow methodology requires significant judgment, including estimation of future revenue, which is dependent on internal forecasts, the estimation of the long-term revenue growth rate of the Company's business and the determination of the Company's weighted average cost of capital and royalty rates. Changes in these estimates and assumptions could materially affect the fair value of the indefinite-lived intangible assets, potentially resulting in a non-cash impairment charge.

Based on the results of the annual impairment test performed during the fiscal year ended January 31, 2020, the fair values of each of the reporting units exceeded their carrying values. Based on this annual impairment test, it was determined that the fair value of the RSA Security reporting unit exceeded its carrying value by 13% as of November 1, 2019. The Company's entry into a definitive agreement to sell RSA Security for $2.075 billion, as discussed in Note 1 of the Notes to the Condensed Consolidated Financial Statements, provided a new fair value indication that the RSA Security reporting unit exceeds its carrying value. Accordingly, subsequent to the annual impairment test, based on fair value indicators as of January 31, 2020 and May 1, 2020, it was determined that the fair value of the RSA Security reporting unit exceeded its carrying amount by 20%.

During the fiscal year ended January 31, 2020, an interim impairment assessment of Virtustream was required. There are no remaining balances of Virtustream goodwill, intangible assets, or property, plant, and equipment as of January 31, 2020 following the gross impairment charges of $619 million and $190 million recognized during the fiscal years ended January 31, 2020 and February 1, 2019, respectively.

Intangible Assets

The following table presents the Company's intangible assets as of the dates indicated:

	May 1, 2020			January 31, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Customer relationships	$ 22,383	$ (14,109)	$ 8,274	$ 22,950	$ (13,821)	$ 9,129
Developed technology	15,376	(11,011)	4,365	15,707	(10,974)	4,733
Trade names	1,266	(833)	433	1,306	(816)	490
Definite-lived intangible assets	39,025	(25,953)	13,072	39,963	(25,611)	14,352
Indefinite-lived trade names	3,755	—	3,755	3,755	—	3,755
Total intangible assets	$ 42,780	$ (25,953)	$ 16,827	$ 43,718	$ (25,611)	$ 18,107

Amortization expense related to definite-lived intangible assets was approximately $855 million and $1.2 billion for the three months ended May 1, 2020 and May 3, 2019, respectively. There were no material impairment charges related to intangible assets during the three months ended May 1, 2020 and May 3, 2019.

During the three months ended May 1, 2020, the Company recognized proceeds and a gain of $120 million from the sale of certain internally developed intellectual property assets.

The following table presents the estimated future annual pre-tax amortization expense of definite-lived intangible assets as of the date indicated:

	May 1, 2020
Fiscal Years	(in millions)
2021 (remaining nine months)	$ 2,521
2022	2,665
2023	1,788
2024	1,426
2025	1,091
Thereafter	3,581
Total	$ 13,072

NOTE 9 — DEFERRED REVENUE

Deferred Revenue — Deferred revenue is recorded for support and deployment services, software maintenance, professional services, training, and software-as-a-service when the Company has a right to invoice or payments have been received for undelivered products or services where transfer of control has not occurred. Revenue is recognized on these items when the revenue recognition criteria are met, generally resulting in ratable recognition over the contract term. The Company also has deferred revenue related to undelivered hardware and professional services, consisting of installations and consulting engagements, which are recognized as the Company's performance obligations under the contract are completed.

The following table presents the changes in the Company's deferred revenue for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Deferred revenue:		
Deferred revenue at beginning of period	$ 27,800	$ 24,010
Revenue deferrals	5,423	4,900
Revenue recognized	(5,356)	(4,732)
Other (a)	(250)	—
Deferred revenue at end of period	$ 27,617	$ 24,178
Short-term deferred revenue	$ 14,766	$ 13,043
Long-term deferred revenue	$ 12,851	$ 11,135

(a) Reclassification of RSA Security deferred revenue to liabilities held for sale as of May 1, 2020. See Note 1 of the Notes to the Condensed Consolidated Financial Statements for more information about the pending divestiture of RSA Security.

Remaining Performance Obligations — Remaining performance obligations represent the aggregate amount of the transaction price allocated to performance obligations not delivered, or partially undelivered, as of the end of the reporting period. Remaining performance obligations include deferred revenue plus unbilled amounts not yet recorded in deferred revenue. The value of the transaction price allocated to remaining performance obligations as of May 1, 2020 was approximately $37 billion. The Company expects to recognize approximately 63% of remaining performance obligations as revenue in the next twelve months, and the remainder thereafter.

The aggregate amount of the transaction price allocated to remaining performance obligations does not include amounts owed under cancelable contracts where there is no substantive termination penalty. The Company applied the practical expedient to exclude the value of remaining performance obligations for contracts for which revenue is recognized at the amount to which the Company has the right to invoice for services performed.

Remaining performance obligation estimates are subject to change and are affected by several factors, including terminations, changes in the scope of contracts, periodic revalidation, adjustments for revenue that have not materialized, and adjustments for currency.

NOTE 10 — 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:

Class Actions Related to the Class V Transaction — Four purported stockholders brought putative class action complaints arising out of the Class V transaction described in Note 1of the Notes to the Condensed Consolidated Financial Statements. The actions were captioned Hallandale Beach Police and Fire Retirement Plan v. Michael Dell et al. (Civil Action No. 2018-0816-JTL), Howard Karp v. Michael Dell et al. (Civil Action No. 2019-0032-JTL), Miramar Police Officers' Retirement Plan v. Michael Dell et al. (Civil Action No. 2019-0049-JTL), and Steamfitters Local 449 Pension Plan v. Michael Dell et al. (Civil Action No. 2019-0115-JTL). The four actions were consolidated in the Delaware Chancery Court into In Re Dell Class V Litigation (Consol. C.A. No. 2018-0816-JTL), which names as defendants the Company's board of directors and certain stockholders of the Company, including Michael S. Dell. The plaintiffs generally allege that the defendants breached their fiduciary duties to the former holders of Class V Common Stock in connection with the Class V transaction by allegedly causing the Company to enter into a transaction that favored the interests of the controlling stockholders at the expense of such former stockholders. The plaintiffs seek, among other remedies, a judicial declaration that the defendants breached their fiduciary duties and an award of damages, fees, and costs. The plaintiffs filed an amended complaint in August 2019 making substantially similar allegations to those described above. The defendants filed a motion to dismiss the action in September 2019. The plaintiffs replied to the motion to dismiss in November 2019, and the defendants filed a reply in December 2019. A hearing on the motion to dismiss was held on March 13, 2020. The Court has taken this motion under consideration.

Patent Litigation — On April 25, 2019, Cirba Inc. ("Cirba") filed a lawsuit against VMware, Inc. in the United States District Court for the District of Delaware, alleging two patent infringement claims and three trademark infringement-related claims. On May 6, 2019, Cirba filed a motion seeking a preliminary injunction tied to one of the two patents it alleges VMware, Inc. infringes. Following a hearing on August 6, 2019, the Court denied Cirba's preliminary injunction motion and set the case for trial in mid-January 2020. On August 20, 2019, VMware, Inc. filed counterclaims against Cirba, asserting among other claims that Cirba is infringing four VMware, Inc. patents. The Delaware Court severed those claims from the January 2020 trial on Cirba's claims, and the trial on VMware, Inc.'s patent claims is currently set for September 2021. On October 22, 2019, VMware, Inc. filed a separate patent infringement lawsuit against Cirba in the United States District Court for the Eastern District of Virginia, asserting that Cirba infringes four additional VMware, Inc. patents. The trial on Cirba's claims in Delaware was completed on January 23, 2020, and on January 24, 2020, the jury returned a verdict finding that VMware, Inc. willfully infringed the two asserted patents and awarding approximately $237 million in damages. The jury further found that VMware, Inc. was not liable on Cirba's trademark infringement-related claims. A total of $237 million was accrued for the Delaware action during the fiscal year ended January 31, 2020 and reflects the estimated losses that are considered both probable and reasonably estimable at this time. The parties have completed the post-trial briefing stage in the Delaware Court, with the hearing on those motions having occurred on May 15, 2020. The Court has taken those motions under consideration. VMware, Inc. intends to vigorously defend itself in this matter, including having sought to overturn the jury's verdict in the first Delaware trial during the post-trial briefing stage and, if necessary, on appeal. In its post-trial motions, Cirba sought a permanent injunction, enhanced damages, and attorneys' fees in the Delaware action. As noted above, VMware, Inc. intends to pursue arguments both in the Delaware Court and, if necessary, the

Federal Circuit to overturn the jury's verdict. Final resolution of this matter could be materially different from the amount accrued. The amount accrued for this matter is included in Accrued and other in the Condensed Consolidated Statements of Financial Position as of May 1, 2020 and January 31, 2020, and the charge was classified in Selling, general and administrative in the Consolidated Statements of Income (Loss) during the fiscal year ended January 31, 2020.

Other Litigation — The various legal proceedings in which Dell is involved include commercial and intellectual property litigation. 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.

As of May 1, 2020, 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.

NOTE 11 — INCOME AND OTHER TAXES

For the three months ended May 1, 2020, the Company's effective income tax rate was -33.8% on pre-tax income of $136 million. For the three months ended May 3, 2019, the Company's effective income tax rate was 330.1% on pre-tax losses of $143 million. The change in the Company's effective tax rate is primarily driven by discrete tax items and a change in the Company's jurisdictional mix of income. For the three months ended May 1, 2020, the Company's effective income tax rate benefit includes a discrete tax benefit of $59 million from an intra-entity asset transfer of certain of Pivotal's intellectual property to an Irish subsidiary that was completed by VMware, Inc. during the quarter. For the three months ended May 3, 2019, the Company's effective tax rate includes a discrete tax benefit of $405 million related to a similar intra-entity asset transfer. The tax benefit for each intra-entity asset transfer was recorded as a deferred tax asset in the period of transaction and represents the book and tax basis difference on the transferred assets measured based on the intellectual property's current fair value and applicable Irish statutory tax rate. The Company applied significant judgment when determining the fair value of the intellectual property, which serves as the tax basis of the deferred tax asset, and in evaluating the associated tax laws in the applicable jurisdictions. The tax deductions for amortization of the assets will be recognized in the future, and any amortization not deducted for tax purposes will be carried forward indefinitely under Irish tax laws. The Company expects to be able to realize the deferred tax assets resulting from these intra-entity asset transfers.

The differences between the estimated effective income tax rates and the U.S. federal statutory rate of 21% principally result from the Company's geographical distribution of income, differences between the book and tax treatment of certain items, and the discrete tax items discussed above. In certain jurisdictions, the Company's tax rate is significantly less than the applicable statutory rate as a result of tax holidays. The majority of the Company's 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 relates to a tax holiday that will be effective until January 31, 2029. The Company's other tax holidays will expire in whole or in part during fiscal years 2022 through 2030. 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. As of May 1, 2020, the Company was not aware of any matters of non-compliance related to these tax holidays. The effective income tax rate for future quarters of Fiscal 2021 may be impacted by the actual mix of jurisdictions in which income is generated.

In December 2019, the Company received a Revenue Agent's Report for the examination by the Internal Revenue Service ("IRS") of fiscal years 2010 through 2014. The Company has protested certain proposed assessments within the IRS administrative procedures. This process has been progressing and although the timing of any resolution remains uncertain, the Company anticipates reaching a settlement with the IRS in Fiscal 2021. The IRS has started its examination of fiscal years 2015 through 2019. The Company believes it has valid positions supporting its tax returns and that it is adequately reserved.

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 the fiscal year ended January 29, 2010.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. The unrecognized tax benefits were $2.5 billion as of both May 1, 2020 and January 31, 2020, and are included in accrued and other and other non-current liabilities in the Condensed Consolidated Statements of Financial Position. Although timing of resolution or closure of uncertain tax positions is not certain, the Company believes it is reasonably possible that certain tax matters in various jurisdictions, including those matters discussed above, could be concluded within the next twelve months. The resolution of these audits could reduce the Company's unrecognized tax benefits by an estimated amount of between $550 million and $850 million. Such a reduction will have a material impact on the Company's effective tax rate.

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 is required in certain situations to provide collateral guarantees or indemnification to regulators and tax authorities until the matter is resolved.

NOTE 12 — ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) is presented in stockholders' equity (deficit) in the Condensed Consolidated Statements of Financial Position and consists of amounts related to foreign currency translation adjustments, 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 income (loss), net of tax, by the following components as of the dates indicated:

	Foreign Currency Translation Adjustments	Cash Flow Hedges	Pension and Other Postretirement Plans	Accumulated Other Comprehensive Income (Loss)
		(in millions)		
Balances as of January 31, 2020	$ (678)	$ 14	$ (45)	$ (709)
Other comprehensive income (loss) before reclassifications	(146)	167	(7)	14
Amounts reclassified from accumulated other comprehensive income (loss)	—	(100)	2	(98)
Total change for the period	(146)	67	(5)	(84)
Less: Change in comprehensive loss attributable to non-controlling interests	—	(3)	—	(3)
Balances as of May 1, 2020	$ (824)	$ 84	$ (50)	$ (790)

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. See Note 7 of the Notes to the Condensed Consolidated Financial Statements for more information on the Company's derivative instruments.

The following table presents reclassifications out of accumulated other comprehensive income (loss), net of tax, to net income for the periods indicated:

	Three Months Ended					
	May 1, 2020			May 3, 2019		
	Cash Flow Hedges	Pensions	Total	Cash Flow Hedges	Pensions	Total
			(in millions)			
Total reclassifications, net of tax:						
Net revenue	$ 96	$ —	$ 96	$ 58	$ —	$ 58
Cost of net revenue	4	—	4	—	—	—
Operating expenses	—	(2)	(2)	—	—	—
Total reclassifications, net of tax	$ 100	$ (2)	$ 98	$ 58	$ —	$ 58

NOTE 13 — 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 Condensed Consolidated Statements of Financial Position and was $4.8 billion and $4.6 billion as of May 1, 2020 and January 31, 2020, respectively. As of May 1, 2020 and January 31, 2020, the Company held approximately 80.6% and 80.9%, respectively, of the outstanding equity interest in VMware, Inc.

As a result of VMware, Inc.'s acquisition of the non-controlling interest in Pivotal from Pivotal's public shareholders on December 30, 2019, as described in Note 1 of the Notes to the Condensed Consolidated Financial Statements, the non-controlling interests' share of equity in Pivotal is only reflected as a component of the non-controlling interest through December 30, 2019. Pivotal's Class A common stock ceased to be listed and traded on the NYSE as of the acquisition date, and there was no non-controlling interest in Pivotal as of May 1, 2020 and January 31, 2020.

Secureworks — The non-controlling interests' share of equity in Secureworks is reflected as a component of the non-controlling interests in the Condensed Consolidated Statements of Financial Position and was $92 million and $88 million as of May 1, 2020 and January 31, 2020, respectively. As of May 1, 2020 and January 31, 2020, the Company held approximately 86.0% and 86.8%, respectively, of the outstanding equity interest in Secureworks, excluding restricted stock awards ("RSAs"). As of May 1, 2020 and January 31, 2020, the Company held approximately 85.2% and 86.2%, respectively, of the outstanding equity interest in Secureworks, including RSAs.

The following table presents the effect of changes in the Company's ownership interest in VMware, Inc. and Secureworks on the Company's equity for the period indicated:

	Three Months Ended May 1, 2020
	(in millions)
Net income attributable to Dell Technologies Inc.	$ 143
Transfers (to)/from the non-controlling interests:	
Increase in Dell Technologies Inc. additional paid-in-capital for equity issuances and other equity activity	251
Decrease in Dell Technologies Inc. additional paid-in-capital for equity issuances and other equity activity	(292)
Net transfers to non-controlling interests	(41)
Change from net income attributable to Dell Technologies Inc. and transfers to the non-controlling interests	$ 102

NOTE 14 — CAPITALIZATION

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

	Authorized	Issued	Outstanding
		(in millions)	
Common stock as of May 1, 2020			
Class A	600	385	385
Class B	200	102	102
Class C	7,900	261	253
Class D	100	—	—
Class V	343	—	—
	9,143	748	740
Common stock as of January 31, 2020			
Class A	600	385	385
Class B	200	102	102
Class C	7,900	258	256
Class D	100	—	—
Class V	343	—	—
	9,143	745	743

Under the Company's certificate of incorporation as amended and restated upon the completion of the Class V transaction described in Note 1 of the Notes to the Condensed Consolidated Financial Statements, the Company is prohibited from issuing any of the authorized shares of Class V Common Stock.

Preferred Stock

The Company is authorized to issue one million shares of preferred stock, par value $0.01 per share. As of May 1, 2020 and January 31, 2020, no shares of preferred stock were issued or outstanding.

Common Stock

Dell Technologies Common Stock — The Class A Common Stock, the Class B Common Stock, the Class C Common Stock, and the Class D Common Stock are collectively referred to as Dell Technologies Common Stock. The par value for all classes of Dell Technologies Common Stock is $0.01 per share. The Class A Common Stock, the Class B Common Stock, the Class C Common Stock, and the Class D Common Stock share equally in dividends declared or accumulated and have equal participation rights in undistributed earnings.

Voting Rights — Each holder of record of (a) Class A Common Stock is entitled to ten votes per share of Class A Common Stock; (b) Class B Common Stock is entitled to ten votes per share of Class B Common Stock; (c) Class C Common Stock is entitled to one vote per share of Class C Common Stock; and (d) Class D Common Stock is not entitled to any vote on any matter except to the extent required by provisions of Delaware law (in which case such holder is entitled to one vote per share of Class D Common Stock).

Conversion Rights — Under the Company's certificate of incorporation, at any time and from time to time, any holder of Class A Common Stock or Class B Common Stock has the right 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. During the three months ended May 1, 2020, there were no conversions of Class A Common Stock or Class B Common Stock into Class C Common Stock.

Repurchases of Common Stock

Dell Technologies Common Stock Repurchases by Dell Technologies

On February 24, 2020, the Company's board of directors approved a stock repurchase program under which the Company is authorized to repurchase up to $1.0 billion of shares of the Class C Common Stock over a 24-month period expiring on February 28, 2022, of which approximately $760 million remained available as of May 1, 2020. During the three months ended May 1, 2020, the Company repurchased approximately 6 million shares of Class C Common Stock for approximately $240 million. During the same period, the Company suspended activity under its stock repurchase program. During the three months ended May 3, 2019, Dell Technologies Common Stock repurchases were immaterial.

To the extent not retired, shares repurchased under the repurchase program are placed in the Company's treasury.

VMware, Inc. Class A Common Stock Repurchases by VMware, Inc.

On May 29, 2019, VMware, Inc.'s board of directors authorized the repurchase of up to $1.5 billion of VMware, Inc.'s Class A common stock through January 29, 2021, of which $819 million remained available as of May 1, 2020. During the three months ended May 1, 2020, VMware, Inc. repurchased 1.5 million shares of its Class A common stock in the open market for approximately $181 million. During the three months ended May 3, 2019, VMware, Inc. repurchased 3.3 million shares of its Class A common stock in the open market for approximately $591 million.

All shares repurchased under VMware, Inc.'s stock repurchase programs are retired.

The above VMware, Inc. Class A common stock repurchases for the three months ended May 1, 2020 and May 3, 2019 exclude shares repurchased to settle employee tax withholding related to the vesting of VMware, Inc. stock awards of $154 million and $207 million, respectively.

NOTE 15 — EARNINGS PER SHARE

Basic earnings per share is based on the weighted-average effect of all common shares issued and outstanding and is calculated by dividing net income by the weighted-average shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of common shares used in the basic earnings 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 per share if the effect of including such instruments is antidilutive.

The Class A Common Stock, the Class B Common Stock, the Class C Common Stock, and the Class D Common Stock are collectively referred to as Dell Technologies Common Stock.

For purposes of calculating earnings per share, the Company uses the two-class method. As all classes of Dell Technologies Common Stock share the same rights in dividends, basic and diluted earnings per share are the same for each class of Dell Technologies Common Stock.

The following table presents the basic and diluted earnings per share for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
Earnings per share attributable to Dell Technologies Inc.		
Dell Technologies Common Stock — Basic	$ 0.19	$ 0.41
Dell Technologies Common Stock — Diluted	$ 0.19	$ 0.38

The following table presents the computation of basic and diluted earnings per share for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Numerator: Dell Technologies Common Stock		
Net income attributable to Dell Technologies — basic	$ 143	$ 293
Incremental dilution from VMware, Inc. attributable to Dell Technologies (a)	(2)	(8)
Net income attributable to Dell Technologies — diluted	$ 141	$ 285
Denominator: Dell Technologies Common Stock weighted-average shares outstanding		
Weighted-average shares outstanding — basic	740	717
Dilutive effect of options, restricted stock units, restricted stock, and other	15	34
Weighted-average shares outstanding — diluted	755	751
Weighted-average shares outstanding — antidilutive	8	6

(a) The incremental dilution from VMware, Inc. represents the impact of VMware, Inc.'s dilutive securities on diluted earnings per share of Dell Technologies Common Stock, and is calculated by multiplying the difference between VMware, Inc.'s basic and diluted earnings per share by the number of shares of VMware, Inc. common stock held by the Company. For the three months ended May 3, 2019, the incremental dilution from VMware, Inc. was calculated by the Company without regard to VMware Inc.'s required retrospective adjustments for the Pivotal acquisition in its stand-alone financial statements, and there was no incremental dilution from Pivotal due to its net loss position. For both periods presented, there was no incremental dilution from Secureworks due to its net loss position.

NOTE 16 — 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. The put feature requires the Company to purchase the stock at its fair market value. Accordingly, these awards and such 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 restricted stock awards ("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 share for which services have been rendered.

- For share-based arrangements that are subject to the occurrence of a contingent event, those amounts are reclassified to temporary equity based on a probability assessment performed by the Company on a periodic basis. Contingent events include the achievement of performance-based metrics.

In connection with the Class V transaction described in Note 1 of the Notes to the Condensed Consolidated Financial Statements, the put feature provisions were amended to provide that the put feature applicable to transfers of Dell Technologies securities will terminate upon the earlier of two years after the expiration on June 27, 2019 of the post-transaction lock-up or consummation of any underwritten public offering of shares of Class C Common Stock.

The following table presents the amount of redeemable shares classified as temporary equity and summarizes the award type as of the dates indicated:

	May 1, 2020	January 31, 2020
	(in millions)	
Redeemable shares classified as temporary equity	$ 441	$ 629
Issued and outstanding unrestricted common shares	2	2
Restricted stock units	—	1
Restricted stock awards	—	—
Outstanding stock options	14	15

The decrease in the value of redeemable shares during the three months ended May 1, 2020 was primarily attributable to a decrease in Class C Common Stock fair value and a reduction in the number of shares eligible for put rights.

NOTE 17 — SEGMENT INFORMATION

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

On December 30, 2019, VMware, Inc. completed its acquisition of Pivotal. Due to the Company’s ownership of a controlling interest in Pivotal, the Company and VMware, Inc. accounted for the Pivotal acquisition as a transaction between entities under common control, and consequently the transaction had no net effect to the Company’s consolidated financial statements. Pivotal now operates as a wholly-owned subsidiary of VMware, Inc. and Dell Technologies reports Pivotal results within the VMware reportable segment. Previously, Pivotal results were reported within Other businesses. Prior period results have been recast to conform with the current period presentation.

ISG enables the digital transformation of the Company’s customers through its trusted multi-cloud and big data solutions, which are built upon a modern data center infrastructure. The ISG comprehensive portfolio of advanced storage solutions includes traditional storage solutions as well as next-generation storage solutions (such as all-flash arrays, scale-out file, object platforms, and software-defined solutions), while the Company’s server portfolio includes high-performance rack, blade, tower, and hyperscale servers. The ISG networking portfolio helps business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes. ISG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

CSG includes sales to commercial and consumer customers of branded hardware (such as desktops, workstations, and notebooks) and branded peripherals (such as displays and projectors), as well as services and third-party software and peripherals. CSG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

VMware works with customers in the areas of hybrid and multi-cloud, modern applications, networking, security, and digital workspaces, helping customers manage their IT resources across private clouds and complex multi-cloud, multi-device environments. VMware enables its customers to digitally transform their operations as they ready their applications, infrastructure, and employees for constantly evolving business needs.

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 revenue and segment operating income for management reporting purposes excludes the impact of Other businesses, unallocated corporate transactions, the impact of purchase accounting, amortization of intangible assets, transaction-related expenses, stock-based compensation expense, and other corporate expenses, as applicable. 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 income (loss) for the periods indicated:

	Three Months Ended	
	May 1, 2020	**May 3, 2019**
	(in millions)	
Consolidated net revenue:		
Infrastructure Solutions Group	$ 7,569	$ 8,202
Client Solutions Group	11,104	10,910
VMware	2,755	2,457
Reportable segment net revenue	21,428	21,569
Other businesses (a)	517	421
Impact of purchase accounting (c)	(48)	(82)
Total consolidated net revenue	$ 21,897	$ 21,908
Consolidated operating income:		
Infrastructure Solutions Group	$ 732	$ 843
Client Solutions Group	592	793
VMware	773	595
Reportable segment operating income	2,097	2,231
Other businesses (a)	65	(34)
Unallocated transactions (b)	(1)	(1)
Impact of purchase accounting (c)	(63)	(101)
Amortization of intangibles	(855)	(1,217)
Transaction-related expenses (d)	(76)	(42)
Stock-based compensation expense (e)	(370)	(263)
Other corporate expenses (f)	(95)	(23)
Total consolidated operating income	$ 702	$ 550

(a) Secureworks, RSA Security, Virtustream, and Boomi constitute "Other businesses" and do not meet the requirements for a reportable segment, either individually or collectively. The results of Other businesses are not material to the Company's overall results.
(b) Unallocated transactions includes 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) Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date.
(f) Other corporate expenses includes severance, facility action, and other costs.

The following table presents the disaggregation of net revenue by reportable segment, and by major product categories within the segments for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Net revenue:		
Infrastructure Solutions Group:		
Servers and networking	$ 3,758	$ 4,180
Storage	3,811	4,022
Total ISG net revenue	7,569	8,202
Client Solutions Group:		
Commercial	8,634	8,307
Consumer	2,470	2,603
Total CSG net revenue	11,104	10,910
VMware:		
Total VMware net revenue	2,755	2,457
Total segment net revenue	$ 21,428	$ 21,569

NOTE 18 — SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION

The following table presents additional information on selected accounts included in the Condensed Consolidated Statements of Financial Position as of the dates indicated:

	May 1, 2020	January 31, 2020
	(in millions)	
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 12,229	$ 9,302
Restricted cash - other current assets (a)	669	730
Restricted cash - other non-current assets (a)	100	119
Total cash, cash equivalents, and restricted cash	$ 12,998	$ 10,151
Inventories, net:		
Production materials	$ 1,982	$ 1,590
Work-in-process	563	563
Finished goods	1,071	1,128
Total inventories, net	$ 3,616	$ 3,281
Other non-current assets:		
Deferred and other tax assets	$ 6,043	$ 5,960
Operating lease ROU assets	1,745	1,780
Deferred Commissions	986	998
Other	1,672	1,690
Total other non-current assets	$ 10,446	$ 10,428
Other non-current liabilities:		
Deferred and other tax liabilities	$ 2,874	$ 3,110
Operating lease liabilities	1,350	1,360
Warranty liability	143	155
Other	973	758
Total other non-current liabilities	$ 5,340	$ 5,383

(a) Restricted cash primarily includes cash required to be held in escrow pursuant to DFS securitization arrangements and VMware, Inc. restricted cash.

Trade Receivables — Allowance for Expected Credit Losses

Allowance for expected credit losses of trade receivables as of May 1, 2020 includes the impact of adoption of the new CECL standard, which was adopted as of February 1, 2020 using the modified retrospective method. The provision recognized on the Condensed Consolidated Statements of Income (Loss) during the three months ended May 1, 2020 is based on an assessment of the impact of current and expected future conditions, inclusive of the effect of the COVID-19 pandemic on credit losses. The duration and severity of COVID-19 and continued market volatility is highly uncertain and, as such, the impact on expected credit losses is subject to significant judgment and may cause variability in the Company's allowance for credit losses in future periods.

The following table presents the changes in Company's allowance for expected credit losses for the period indicated:

	Three Months Ended May 1, 2020
	(in millions)
Trade Receivables - Allowance for expected credit losses:	
Balance at beginning of period	$ 94
Adjustment for adoption of the new CECL standard (Note 1)	27
Provision charged to income statement	36
Bad debt write-offs	(13)
Balance at end of period	$ 144

Warranty Liability

The following table presents changes in the Company's liability for standard limited warranties for the periods indicated:

	Three Months Ended	
	May 1, 2020	May 3, 2019
	(in millions)	
Warranty liability:		
Warranty liability at beginning of period	$ 496	$ 524
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties (a) (b)	148	203
Service obligations honored	(168)	(227)
Warranty liability at end of period	$ 476	$ 500
Current portion	$ 333	$ 338
Non-current portion	$ 143	$ 162

(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.

NOTE 19 — SUBSEQUENT EVENTS

On May 11, 2020, VMware, Inc. repaid $1.25 billion principal amount of its 2.30% Notes due August 2020.

The Company entered into a new revolving credit facility for China (the "China Revolving Credit Facility") effective May 25, 2020. The new terms provide for collateralized and non-collateralized principal amounts not to exceed $1.0 billion Chinese renminbi and $1.8 billion Chinese renminbi, respectively, or equivalent amounts in U.S. dollars. Outstanding borrowings under the collateralized portion of the China Revolving Credit Facility bear interest at the loan prime rate (LPR) less 0.2%, for borrowings denominated in Chinese renminbi, or LIBOR plus 1.0%, for borrowings denominated in U.S. dollars, and outstanding borrowings under the non-collateralized portion bear interest at LPR less 0.2%, for borrowings denominated in Chinese renminbi, or LIBOR plus 1.4%, for borrowings denominated in U.S. dollars. The new facility expires on August 30, 2020.

Other than the matters identified above, there were no known events occurring after May 1, 2020 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 January 31, 2020 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, references to "Dell" mean Dell Inc. and Dell Inc.'s 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 year ending January 29, 2021 and our fiscal year ended January 31, 2020 as "Fiscal 2021" and "Fiscal 2020," respectively. Fiscal 2021 and Fiscal 2020 include 52 weeks.

INTRODUCTION

Dell Technologies is a leading global end-to-end technology provider, with a comprehensive portfolio of IT hardware, software, and services solutions spanning both traditional infrastructure and emerging multi-cloud technologies that enable our customers to build their digital future and transform how they work and live. We operate globally across key functional areas such as technology and product development, marketing, go-to-market, and global services, and are supported by Dell Financial Services. We continue to seamlessly deliver differentiated and holistic IT solutions to our customers, which has driven significant revenue growth and share gains.

Dell Technologies operates with significant scale and an unmatched breadth of complementary offerings. Digital transformation has become essential to all businesses, and we have expanded our portfolio to include holistic solutions that enable our customers to drive their ongoing digital transformation initiatives. Dell Technologies' integrated solutions help customers modernize their IT infrastructure, address workforce transformation, and provide critical security solutions to protect against the ever increasing and evolving security threats. With our extensive portfolio and our commitment to innovation, we have the ability to offer secure, integrated solutions that extend from the edge to the core to the cloud, and we are at the forefront of the software-defined and cloud native infrastructure era. Our end-to-end portfolio is supported by a differentiated go-to-market engine, which includes a 43,000-person sales force, a global network of channel partners, and a world-class supply chain that together drive long-term growth and operating efficiencies.

Products and Services

We design, develop, manufacture, market, sell, and support a wide range of comprehensive and integrated solutions, products, and services. We are organized into the following business units, which are our reportable segments: Infrastructure Solutions Group; Client Solutions Group; and VMware.

- *Infrastructure Solutions Group (“ISG”)* — ISG enables the digital transformation of our customers through our trusted multi-cloud and big data solutions, which are built upon a modern data center infrastructure. ISG works with customers in the area of hybrid cloud deployment with the goal of simplifying, streamlining, and automating cloud operations. ISG solutions are built for multicloud environments and are optimized to run cloud native workloads in both public and private clouds, as well as traditional on-premise workloads.

  Our comprehensive portfolio of advanced storage solutions includes traditional storage solutions as well as next-generation storage solutions (such as all-flash arrays, scale-out file, object platforms, and software-defined solutions). We have simplified our storage portfolio to ensure that we deliver the technology needed for our customers’ digital transformation. Our server portfolio includes high-performance rack, blade, tower, and hyperscale servers, optimized for artificial intelligence and machine learning workloads. Our networking portfolio helps our business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes. Our strengths in server, storage, and virtualization software solutions enable us to offer leading converged and hyper-converged solutions, allowing our customers to accelerate their IT transformation by acquiring scalable integrated IT solutions instead of building and assembling their own IT platforms. 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 the Europe, Middle East, and Africa region (“EMEA”) and the Asia-Pacific and Japan region (“APJ”).

- *Client Solutions Group (“CSG”)* — CSG includes branded hardware (such as desktops, workstations, and notebooks) and branded peripherals (such as displays and projectors), as well as third-party software and peripherals. Our computing devices are designed with our commercial and consumer customers’ needs in mind, and we seek to optimize performance, reliability, manageability, design, and security. In addition to our traditional hardware business, we have a portfolio of thin client offerings that we believe will allow us to benefit from the growth trends in cloud computing. For our customers that are seeking to simplify client lifecycle management, Dell PC as a Service offering combines hardware, software, lifecycle services, and financing into one all-encompassing solution that provides predictable pricing per seat per month through Dell Financial Services. 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 EMEA and APJ.

- *VMware* — The VMware reportable segment (“VMware”) reflects the operations of VMware, Inc. (NYSE: VMW) within Dell Technologies. VMware works with customers in the areas of hybrid and multi-cloud, modern applications, networking, security, and digital workspaces, helping customers manage their IT resources across private clouds and complex multi-cloud, multi-device environments. VMware’s portfolio supports and addresses the key IT priorities of customers: accelerating their cloud journey, modernizing their applications, empowering digital workspaces, transforming networking, and embracing intrinsic security. VMware enables its customers to digitally transform their operations as they ready their applications, infrastructure, and employees for constantly evolving business needs.

  During the third quarter of Fiscal 2020, VMware, Inc. completed its acquisition of Carbon Black, Inc. (“Carbon Black”), a developer of cloud-native endpoint protection.

  On December 30, 2019, VMware, Inc. completed its acquisition of Pivotal Software, Inc. (“Pivotal”). Before the transaction, Pivotal was a majority-owned subsidiary of Dell Technologies through EMC and VMware, Inc. Pivotal provides a leading cloud-native platform that makes software development and IT operations a strategic advantage for customers. Pivotal’s cloud-native platform, Pivotal Cloud Foundry, accelerates and streamlines software development by reducing the complexity of building, deploying, and operating new cloud-native applications, and modernizing legacy applications. With the acquisition, which aligns key software assets, VMware, Inc. will drive and build on a comprehensive development platform with Kubernetes.

Dell Technologies now reports Pivotal results within the VMware reportable segment, and the historical segment results have been recast to reflect this change. Pivotal results were previously reported within other businesses. See Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this report for the recast of segment results.

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 Secureworks, Virtustream, Boomi, and RSA Security, each of which is majority-owned by Dell Technologies. 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.

- *Secureworks* (NASDAQ: SCWX) is a leading global provider of intelligence-driven information security solutions singularly focused on protecting its clients from cyber attacks. The solutions offered by Secureworks enable organizations of varying size and complexity to fortify their cyber defenses to prevent security breaches, detect malicious activity in near real time, prioritize and respond rapidly to security incidents, and predict emerging threats.

- *Virtustream* offers cloud software and infrastructure-as-a-service solutions that enable customers to migrate, run, and manage mission-critical applications in cloud-based IT environments.

- *Boomi* specializes in cloud-based integration, connecting information between existing on-premise and cloud-based applications to ensure that business processes are optimized, data is accurate and workflow is reliable.

- *RSA 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. In February 2020, Dell Technologies announced its entry into a definitive agreement to sell RSA Security to a consortium of investors in an all-cash transaction for approximately $2.075 billion, subject to certain closing adjustments. The transaction, expected to close in the third quarter of Fiscal 2021, is intended to further simplify our product portfolio and corporate structure.

We believe the collaboration, innovation, and coordination of the operations and strategies across all segments of our business, as well as our differentiated go-to-market model, will continue to drive revenue synergies. Through our coordinated research and development activities, we are able to jointly engineer leading innovative solutions that incorporate the distinct set of hardware, software, and services across all segments of our business.

Our products and services offerings are continually evolving in response to industry dynamics. As a result, reclassifications of certain products and services solutions in major product categories may be required. For further discussion regarding our current reportable segments, see “Results of Operations — Business Unit Results” and Note 17 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Dell Financial Services

Dell Financial Services and its affiliates (“DFS”) support our businesses by offering and arranging various financing options and services for our customers in North America, Europe, Australia, and New Zealand. DFS originates, collects, and services customer receivables primarily related to the purchase or use of our product, software, and service solutions. We also arrange financing for some of our customers in various countries where DFS does not currently operate as a captive. DFS further strengthens our customer relationships through its flexible consumption models, which enable us to offer our customers the option to pay over time and, in certain cases, based on utilization, providing them with financial flexibility to meet their changing technological requirements. 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 4 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Strategic Investments and Acquisitions

As part of our 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 all segments of our business 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 ("IoT"), and software development operations. In addition to these investments, we also may make disciplined acquisitions targeting businesses that advance our strategic objectives. As of May 1, 2020 and January 31, 2020, Dell Technologies held strategic investments of $1.0 billion and $0.9 billion, respectively.

Business Trends and Challenges

COVID-19 Pandemic and Response — In March 2020, the World Health Organization ("WHO") declared the outbreak of the coronavirus disease 2019 ("COVID-19") a global pandemic. This declaration has been followed by significant governmental measures implemented in the United States and globally, including travel bans and restrictions, shelter-in-place orders, limitations and closures of non-essential businesses, and social distancing requirements in efforts to slow down and control the spread of the virus.

The health of our employees, customers, business partners, and communities remains our primary focus. We have taken numerous actions to date in response to COVID-19, including a swift implementation of our business continuity plans. Our crisis management team is actively engaged to respond to changes in our environment quickly and effectively, and to ensure that our preparedness plans and response activities are aligned with recommendations of the WHO, the U.S. Centers for Disease Control and Prevention and governmental regulations. We have implemented broad travel restrictions and moved to virtual-only events. Most of our employees were previously equipped with remote work capabilities over the past several years, thus we were able to quickly establish a work from home posture for the majority of our employees. Further, we implemented pandemic-specific protocols for our essential employees whose jobs require them to be on-site or with customers. Certain regions and municipalities within the United States and internationally are beginning to lift stay-at-home and quarantine mandates, and we are actively developing return-to-site protocols to ensure the health and safety of our employees, customers, and business partners.

We are working closely with our customers and business partners to support them as they expand their own remote work solutions and contingency plans, helping them access our products and services remotely. We have benefited from our agility, our breadth, and our scale. Notable actions we have taken include the following:

- Our global sales teams embraced a new selling process and are successfully supporting our customers and partners remotely.

- We are helping to address our customers' cash flow requirements by expanding our as-a-service and financing offerings.

- Our close relationships and ability to connect directly with our customers through our e-commerce business have enabled us to quickly meet the immediate demands of the new work and learn from home environments.

- The strength, scale, and resiliency of our global supply chain have afforded us flexibility to manage through this challenging time. We adapted to events unfolding real-time by applying predictive analytics to model a variety of outcomes to respond quickly to the changing environment. We were able to keep factories open by working through various local governmental regulations and mandates. During this time, we established robust safety measures to protect the health and safety of our essential team members.

- We continue to drive innovation and excellence in engineering with a largely remote workforce. Engineers and product teams recently delivered several critical solutions, including cloud updates, and key client product refreshes, as well as the May 2020 launch of the PowerStore midrange storage solution.

During the first quarter of Fiscal 2021, we also took certain precautionary measures to increase our cash position and preserve financial flexibility. For additional information regarding our cash position, liquidity and capital structure, see "Market Conditions, Liquidity and Capital Commitments."

We saw unique demand dynamics over the course of the quarter and see an uncertain environment as we look ahead. We made a series of prudent decisions to manage expenses and preserve liquidity including but not limited to global hiring limitations, reduction in consulting and contractor costs, global travel restrictions, and, subsequent to May 1, 2020, a temporary suspension of the Dell 401(k) match program for U.S. employees. All of these decisions are aligned with our strategy, which remains unchanged, of focusing on gaining share, integrating and innovating across the Dell Technologies portfolio, and strengthening our capital structure.

For additional information about impacts of COVID-19 on our operations, see “Results of Operations—Consolidated Results” and “—Business Unit Results.”

We are unable to accurately predict the full impact that this unprecedented environment may have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties involved, including the progression of the COVID-19 pandemic, governmental responses, and the timing of recovery. We will continue to actively monitor global events and make prudent decisions to navigate in this uncertain and ever-changing environment. We believe we are well-positioned for long-term success, and that we will continue to lead the industry with innovative solutions and the essential technology that the world needs now more than ever.

Dell Technologies Vision and Innovation — Our vision is to be the essential technology company for the data era and a leader in end-user computing, software-defined data center solutions, data management, virtualization, IoT, and cloud software. We believe that our results will benefit from an integrated go-to-market strategy, including enhanced coordination across all segments of our business, 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 seeing an accelerated rate of change in the IT industry. We seek to address our customers’ evolving needs and their broader digital transformation objectives as they embrace the hybrid multi-cloud environment of today. New technologies are being introduced and adopted quickly. In light of this rapid pace of innovation, 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.

ISG — We expect that ISG will continue to be impacted by the changing nature of the IT infrastructure market and competitive environment. The overall server demand environment was down for the quarter and remains varied among international regions. We will continue to be selective in determining whether to pursue certain large hyperscale and other server transactions as we drive for balanced growth and profitability. With our scale and strong solutions portfolio, we believe we are well positioned to respond to ongoing competitive dynamics. We continue to focus on customer base expansion and lifetime value of customer measurements.

Cloud-native applications are expected to continue as a primary growth driver in the infrastructure market as IT organizations increasingly adopt cloud native architectures. We believe the complementary cloud solutions across our business strongly position us to meet these demands for our customers, who are increasingly looking to leverage cloud native architectures, whether on-premises, private or public.

The unprecedented data growth throughout all industries is generating continued demand for our storage solutions and services. We benefit by offering solutions that address the emerging trends of enterprises deploying software-defined storage, hyper-converged infrastructure, and modular solutions based on server-centric architectures. These trends are changing the way customers are consuming our traditional storage offerings. We continue to expand our offerings in external storage arrays, which incorporate flexible, cloud-based functionality. Through our research and development efforts, we are developing new solutions in this rapidly changing industry that we believe will enable us to continue to provide superior solutions to our customers.

CSG — Our CSG offerings are an important element of our strategy, generating strong cash flow and opportunities for cross-selling of complementary solutions. Given current market trends, we expect that the CSG demand environment will continue to be cyclical. Although CSG demand was robust for portions of the first quarter of Fiscal 2021, industry analysts are forecasting overall demand for our CSG solutions will decelerate in Fiscal 2021 given the current macro-economic environment, including the effects of COVID-19. Competitive dynamics will continue to be a factor in our CSG business as we seek to balance profitability and growth. We are committed to a long-term growth strategy, and beyond Fiscal 2021 we believe the CSG demand environment will strengthen due to continued innovation across our solutions portfolio and the ongoing need for work from home solutions, as well as the consolidation trends that are occurring in the markets in which we compete.

Recurring Revenue and Consumption Models — Our customers are interested in new and innovative models that address how they consume our solutions. We offer options including as-a-service, utility, leases, and immediate pay models, all designed to match customers' consumption and financing preferences. Our multi-year agreements typically result in recurring revenue streams over the term of the arrangement. We expect our flexible consumption models will further strengthen our customer relationships and provide a foundation for growth in recurring revenue.

Supply Chain — During Fiscal 2020, we recognized benefits to our ISG and CSG operating results from significant component cost declines. During the first quarter of Fiscal 2021, the cost environment continued to be deflationary in the aggregate for both ISG and CSG, but at a lower rate than in Fiscal 2020. We currently expect the component cost environment to be inflationary during the second quarter of Fiscal 2021 and to continue to be inflationary for the second half of Fiscal 2021. This may result in consolidated operating results for Fiscal 2021 that trend more toward Fiscal 2019 levels. The component cost trends and forecasts are dependent on the strength or weakness of actual end user demand and supply dynamics, which will continue to evolve and ultimately impact the translation of the cost environment to pricing and operating results.

Dell Technologies maintains limited-source supplier relationships for processors, because the relationships are advantageous in the areas of performance, quality, support, delivery, capacity, and price considerations. In recent periods, we have been impacted by processor and other supply constraints in certain product offerings. Delays in the supply of limited-source components, including as a result of COVID-19, are affecting the timing of shipments of certain products in desired quantities or configurations.

Macro-Economic Risks and Uncertainties — The impacts of trade protection measures, including increases in tariffs and trade barriers, and changes in government policies and international trade arrangements may affect our ability to conduct business in some non-U.S. markets. We monitor and seek to mitigate these risks with adjustments to our manufacturing, supply chain and distribution networks.

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 both the first quarter of Fiscal 2021 and Fiscal 2020. As a result, our revenue 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.

Key Performance Metrics

Our key performance metrics are net revenue, operating income, adjusted EBITDA, and cash flows from operations, which are discussed elsewhere in this report.

Class V Transaction

On December 28, 2018, we completed a transaction ("Class V transaction") in which we paid $14.0 billion in cash and issued 149,387,617 shares of our Class C Common Stock to holders of our Class V Common Stock in exchange for all outstanding shares of Class V Common Stock. The non-cash consideration portion of the Class V transaction totaled $6.9 billion. As a result of the Class V transaction, the tracking stock feature of Dell Technologies' capital structure was terminated. The Class C Common Stock is traded on the New York Stock Exchange.

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 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; earnings before interest and other, net, taxes, depreciation, and amortization ("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, as defined by us, exclude amortization of intangible assets, the impact of purchase accounting, transaction-related expenses, stock-based compensation expense, other corporate expenses and, for non-GAAP net income, fair value adjustments on equity adjustments and 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. The discussion below includes 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.

Revenue Reclassification — During Fiscal 2020, Dell Technologies made certain reclassifications of net revenue between the products and services categories on the Consolidated Statement of Net Income (Loss), which impacted previously reported amounts for the first quarter of Fiscal 2020. The reclassifications were made to provide a more meaningful representation of the nature of certain service and software-as-a-service offerings of VMware, Inc. The reclassifications resulted in an increase to services revenue and an equal and offsetting decrease to product revenue of $179 million for the first quarter of Fiscal 2020. Total net revenue as previously reported remains unchanged. The Company did not recast cost of goods sold for the related revenue reclassifications due to immateriality.

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

- *Amortization of Intangible Assets* — Amortization of intangible assets primarily consists of amortization of customer relationships, developed technology, and trade names. In connection with our acquisition by merger of EMC on September 7, 2016, referred to as 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, 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.

- *Impact of Purchase Accounting* — The impact of purchase accounting includes purchase accounting adjustments related to the EMC merger transaction and, to a lesser extent, 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. Although the purchase accounting adjustments and related amortization of those adjustments are reflected in our GAAP results, 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.

- *Transaction-related Expenses* — Transaction-related expenses typically 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. During both the first quarter of Fiscal 2021 and Fiscal 2020, transaction expenses related to VMware, Inc. acquisitions. From time to time, this category also may include transaction-related gains on divestitures of businesses or asset sales. During the first quarter of Fiscal 2021, we recognized a gain of $120 million on the sale of certain intellectual property assets. We exclude these items 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.

- *Stock-based Compensation Expense* — Stock-based compensation expense consists of equity awards granted based on the estimated fair value of those awards at grant date. We estimate the fair value of service-based stock options using the Black-Scholes valuation model. To estimate the fair value of performance-based awards containing a market condition, we use the Monte Carlo valuation model. For all other share-based awards, the fair value is based on the closing price of the Class C Common Stock as reported on the NYSE on the date of grant. Although stock-based compensation is an important aspect of the compensation of our employees and executives, the fair value of the stock-based awards may bear little resemblance to the actual value realized upon the vesting or future exercise of the related stock-based awards. We believe that excluding stock-based compensation expense 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.

- *Other Corporate Expenses* — Other corporate expenses consists primarily of severance, facility action, and other costs. Severance costs are primarily related to severance and benefits for employees terminated pursuant to cost savings initiatives. We continue to integrate owned and leased facilities and may incur additional costs as we seek opportunities for operational efficiencies. 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.

- *Fair Value Adjustments on Equity Investments* — Fair value adjustments on equity investments primarily consists of the gain (loss) on strategic investments, which includes the recurring fair value adjustments of investments in publicly-traded companies, as well as those in privately-held companies, which are adjusted for observable price changes and, to a lesser extent, any potential impairments. Given the volatility in the ongoing adjustments to the valuation of these strategic investments, we believe that excluding these gains and losses for purposes of calculating non-GAAP net income 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, as well as an adjustment for discrete tax items. Due to the variability in recognition of discrete tax items from period to period, we believe that excluding these benefits or charges for purposes of calculating non-GAAP net income facilitates a more meaningful evaluation of our current operating performance and comparisons to our past operating performance. The tax effects are determined based on the tax jurisdictions where the above items were incurred. This category includes discrete tax benefits of $59 million and $405 million related to intra-entity asset transfers that were completed during the first quarter of Fiscal 2021 and Fiscal 2020, respectively. See Note 11 of the Notes to the Condensed Consolidated Financial Statements for additional information on our income taxes.

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

	Three Months Ended		
	May 1, 2020	% Change	May 3, 2019
	(in millions, except percentages)		
Product net revenue	$ 16,038	(3)%	$ 16,575
Non-GAAP adjustments:			
Impact of purchase accounting	4		4
Non-GAAP product net revenue	$ 16,042	(3)%	$ 16,579
Services net revenue	$ 5,859	10 %	$ 5,333
Non-GAAP adjustments:			
Impact of purchase accounting	44		78
Non-GAAP services net revenue	$ 5,903	9 %	$ 5,411
Net revenue	$ 21,897	— %	$ 21,908
Non-GAAP adjustments:			
Impact of purchase accounting	48		82
Non-GAAP net revenue	$ 21,945	— %	$ 21,990
Product gross margin	$ 3,234	(7)%	$ 3,496
Non-GAAP adjustments:			
Amortization of intangibles	372		519
Impact of purchase accounting	7		6
Transaction-related expenses	—		(2)
Stock-based compensation expense	4		2
Other corporate expenses	2		4
Non-GAAP product gross margin	$ 3,619	(10)%	$ 4,025
Services gross margin	$ 3,619	10 %	$ 3,301
Non-GAAP adjustments:			
Impact of purchase accounting	44		78
Transaction-related expenses	—		(3)
Stock-based compensation expense	36		24
Other corporate expenses	7		9
Non-GAAP services gross margin	$ 3,706	9 %	$ 3,409

	Three Months Ended		
	May 1, 2020	% Change	May 3, 2019
	(in millions, except percentages)		
Gross margin	$ 6,853	1 %	$ 6,797
Non-GAAP adjustments:			
Amortization of intangibles	372		519
Impact of purchase accounting	51		84
Transaction-related expenses	—		(5)
Stock-based compensation expense	40		26
Other corporate expenses	9		13
Non-GAAP gross margin	$ 7,325	(1)%	$ 7,434
Operating expenses	$ 6,151	(2)%	$ 6,247
Non-GAAP adjustments:			
Amortization of intangibles	(483)		(698)
Impact of purchase accounting	(12)		(17)
Transaction-related expenses	(76)		(47)
Stock-based compensation expense	(330)		(237)
Other corporate expenses	(86)		(10)
Non-GAAP operating expenses	$ 5,164	(1)%	$ 5,238
Operating income	$ 702	28 %	$ 550
Non-GAAP adjustments:			
Amortization of intangibles	855		1,217
Impact of purchase accounting	63		101
Transaction-related expenses	76		42
Stock-based compensation expense	370		263
Other corporate expenses	95		23
Non-GAAP operating income	$ 2,161	(2)%	$ 2,196
Net income	$ 182	(45)%	$ 329
Non-GAAP adjustments:			
Amortization of intangibles	855		1,217
Impact of purchase accounting	63		101
Transaction-related (income) expenses	(44)		42
Stock-based compensation expense	370		263
Other corporate expenses	95		23
Fair value adjustments on equity investments	(94)		(62)
Aggregate adjustment for income taxes	(284)		(704)
Non-GAAP net income	$ 1,143	(5)%	$ 1,209

Table of Contents

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, facility action, and other costs, 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 income for the periods indicated:

	Three Months Ended		
	May 1, 2020	**% Change**	**May 3, 2019**
	(in millions, except percentages)		
Net income	$ 182	(45)%	$ 329
Adjustments:			
Interest and other, net (a)	566		693
Income tax benefit (b)	(46)		(472)
Depreciation and amortization	1,316		1,616
EBITDA	$ 2,018	(7)%	$ 2,166
EBITDA	$ 2,018	(7)%	$ 2,166
Adjustments:			
Stock-based compensation expense	370		263
Impact of purchase accounting (c)	48		83
Transaction-related expenses (d)	76		42
Other corporate expenses (e)	95		19
Adjusted EBITDA	$ 2,607	1 %	$ 2,573

(a) See "Results of Operations — Interest and Other, Net" for more information on the components of interest and other, net.
(b) See Note 11 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information on discrete tax items recorded during the first quarter of Fiscal 2021 and Fiscal 2020.
(c) This amount includes the non-cash purchase accounting adjustments related to the EMC merger transaction and the going-private transaction.
(d) Transaction-related expenses consist of acquisition, integration, and divestiture related costs.
(e) Other corporate expenses includes severance, facility action, and other costs.

Table of Contents

RESULTS OF OPERATIONS

Consolidated Results

The following table summarizes our consolidated results 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				
	May 1, 2020			May 3, 2019	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
	(in millions, except percentages)				
Net revenue:					
Products (a)	$ 16,038	73.2%	(3)%	$ 16,575	75.7%
Services (a)	5,859	26.8%	10 %	5,333	24.3%
Total net revenue	$ 21,897	100.0%	— %	$ 21,908	100.0%
Gross margin:					
Products (b)	$ 3,234	20.2%	(7)%	$ 3,496	21.1%
Services (c)	3,619	61.8%	10 %	3,301	61.9%
Total gross margin	$ 6,853	31.3%	1 %	$ 6,797	31.0%
Operating expenses	$ 6,151	28.1%	(2)%	$ 6,247	28.5%
Operating income	$ 702	3.2%	28 %	$ 550	2.5%
Net income	$ 182	0.8%	(45)%	$ 329	1.5%
Net income attributable to Dell Technologies Inc.	$ 143	0.7%	(51)%	$ 293	1.3%
Non-GAAP Financial Information					
Non-GAAP net revenue:					
Product	$ 16,042	73.1%	(3)%	$ 16,579	75.4%
Services	5,903	26.9%	9 %	5,411	24.6%
Total non-GAAP net revenue	$ 21,945	100.0%	— %	$ 21,990	100.0%
Non-GAAP gross margin:					
Product (a)	$ 3,619	22.6%	(10)%	$ 4,025	24.3%
Services (b)	3,706	62.8%	9 %	3,409	63.0%
Total non-GAAP gross margin	$ 7,325	33.4%	(1)%	$ 7,434	33.8%
Non-GAAP operating expenses	$ 5,164	23.6%	(1)%	$ 5,238	23.8%
Non-GAAP operating income	$ 2,161	9.8%	(2)%	$ 2,196	10.0%
Non-GAAP net income	$ 1,143	5.2%	(5)%	$ 1,209	5.5%
EBITDA	$ 2,018	9.2%	(7)%	$ 2,166	9.8%
Adjusted EBITDA	$ 2,607	11.9%	1 %	$ 2,573	11.7%

(a) During Fiscal 2020, Dell Technologies made certain reclassifications of net revenue between the products and services categories on the Consolidated Statement of Net Income (Loss), which impacted previously reported amounts for the first quarter of Fiscal 2020. The Company did not recast cost of goods sold for the related revenue reclassifications due to immateriality. The reclassifications resulted in an increase to services revenue and an equal and offsetting decrease to product revenue of $179 million for the first quarter of Fiscal 2020. Total net revenue as previously reported remains unchanged.

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

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, EBITDA, and adjusted EBITDA are not measurements of financial performance prepared in accordance with GAAP. Non-GAAP financial measures as a percentage of net revenue are calculated based on non-GAAP net revenue. See “Non-GAAP Financial Measures” for additional 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.

Overview

During the first quarter of Fiscal 2021, both our net revenue and non-GAAP net revenue remained flat, as we benefited from the strength of our broad technology solutions portfolio, which helped us navigate market volatility and competitive pressures, particularly due to the COVID-19 environment. CSG and VMware net revenue increased, offset by a decline in ISG net revenue. The increase in CSG net revenue was primarily driven by increased demand for work and learn from home solutions, particularly commercial notebooks. VMware net revenue increased due to broad-based strength across the portfolio, including growth in software license revenue, new contracts and renewals of VMware enterprise agreements, maintenance contracts sold in previous periods, and additional maintenance contracts sold in conjunction with new software license sales. ISG net revenue decreased primarily due to a weaker demand environment as customers shifted to investments in remote work solutions as part of business continuity plans. Although we are in the midst of unprecedented uncertainty as a result of the ongoing COVID-19 pandemic, we believe we are well-positioned for long-term profitable growth while also maintaining the ability to adjust as needed to changing market conditions with complementary solutions across all segments of our business, an agile workforce, and the strength of our global supply chain.

During the first quarter of Fiscal 2021, our operating income increased 28% to $702 million due to an increase in operating income for VMware and a decrease in amortization of intangible assets. These benefits were partially offset by a decrease in operating income for CSG and ISG and an increase in stock-based compensation expense.

Amortization of intangible assets and stock-based compensation expense that impacted our operating income totaled $1.2 billion and $1.5 billion for the first quarter of Fiscal 2021 and Fiscal 2020, respectively. Excluding these costs, the impact of purchase accounting, transaction-related expenses, and other corporate expenses, our non-GAAP operating income was $2.2 billion during both the first quarter of Fiscal 2021 and Fiscal 2020. Our non-GAAP operating income decreased 2 percent for the first quarter of Fiscal 2021 due to decreases in operating income for ISG and CSG, which were partially offset by increases in operating income for VMware and other businesses.

Cash used in operating activities was $0.8 billion for the first quarter of Fiscal 2021 compared to cash provided by operating activities of $0.7 billion for the first quarter of Fiscal 2020. The decrease in operating cash flows during the first quarter of Fiscal 2021 was attributable to unfavorable working capital impacts related to the COVID-19 pandemic on timing of collections and higher inventory, most of which we expect to normalize by fiscal year-end. See “Market Conditions, Liquidity, and Capital Commitments” for further information on our cash flow metrics.

Net Revenue

During the first quarter of Fiscal 2021, our net revenue and non-GAAP net revenue remained flat, primarily due to increases in net revenue in CSG and VMware, which were offset by a decline in ISG net revenue. See “Business Unit Results” for further information.

- *Product Net Revenue* — Product net revenue includes revenue from the sale of hardware products and software licenses. During the first quarter of Fiscal 2021, product net revenue and non-GAAP product net revenue both decreased 3% primarily due to a decrease in product net revenue for ISG.

- *Services Net Revenue* — Services net revenue includes revenue from our services offerings and support services related to hardware products and software licenses. During the first quarter of Fiscal 2021, services net revenue and non-GAAP services net revenue increased 10% and 9%, respectively. These increases were primarily attributable to an increase in services revenue for hardware support and deployment and software maintenance due to growth in CSG and VMware. A substantial portion of services net revenue is derived from offerings that have been deferred over a period of time, and, as a result, reported services net revenue growth rates will be different than reported product net revenue growth rates.

From a geographical perspective, net revenue generated by sales to customers in the Americas increased during the first quarter of Fiscal 2021 due to strong performance in CSG and VMware. In EMEA, net revenue from sales to customers increased during the first quarter of Fiscal 2021 due to demand for CSG solutions. Net revenue from sales to customers in APJ decreased during the first quarter of Fiscal 2021, primarily as the result of a weaker demand environment for CSG and ISG servers and networking, particularly in China.

Gross Margin

During the first quarter of Fiscal 2021, our gross margin increased 1% to $6.9 billion, and our gross margin percentage increased 30 basis points to 31.3%. The increases in our gross margin and gross margin percentage during the first quarter of Fiscal 2021 were primarily driven by a favorable impact of gross margin increases for VMware and our other businesses, and a decrease in amortization of intangible assets and purchase accounting adjustments. These impacts were largely offset by decreases in gross margins for ISG and CSG.

Our gross margin for the first quarter of Fiscal 2021 and Fiscal 2020 included the impact of amortization of intangibles and purchase accounting adjustments of $0.4 billion and $0.6 billion, respectively. Excluding these costs, transaction-related expenses, stock-based compensation expense, and other corporate expenses, non-GAAP gross margin decreased 1% to $7.3 billion, and non-GAAP gross margin percentage decreased 40 basis points to 33.4%. The decreases in our non-GAAP gross margin and non-GAAP gross margin percentage were attributable to component costs that were deflationary in the aggregate for ISG and CSG (although to a lesser extent than in the first quarter of Fiscal 2020), increased supply chain costs to expedite product delivery for CSG sales in the COVID-19 environment, and a shift in product mix due to strong CSG performance. These negative impacts were partially offset by increases in gross margin and gross margin percentage for VMware and other businesses.

- *Products* — During the first quarter of Fiscal 2021, product gross margin decreased 7% to $3.2 billion, and product gross margin percentage decreased 90 basis points to 20.2%. The decreases in product gross margin and product gross margin percentage were primarily driven by component costs that were deflationary in the aggregate for ISG and CSG (although to a lesser extent than in the first quarter of Fiscal 2020) and increased supply chain costs to expedite product delivery for CSG sales. These unfavorable impacts were partially offset by a decrease in amortization of intangibles. During the first quarter of Fiscal 2021, non-GAAP product gross margin decreased 10% to $3.6 billion, and non-GAAP product gross margin percentage decreased 170 basis points to 22.6% due to the same ISG and CSG dynamics discussed above.

- *Services* — During the first quarter of Fiscal 2021, services gross margin increased 10% to $3.6 billion, and services gross margin percentage decreased 10 basis points to 61.8%. Services gross margin increased due to growth in VMware software maintenance and a decrease in purchase accounting adjustments. Excluding purchase accounting adjustments, transaction-related expenses, stock-based compensation expense, and other corporate expenses, non-GAAP services gross margin increased 9% to $3.7 billion primarily due to growth in VMware software maintenance. Non-GAAP services gross margin percentage decreased 20 basis points to 62.8% due to a decline in ISG services gross margin percentage, which was partially offset by an increase in VMware services gross margin percentage.

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 first quarter of Fiscal 2021 and Fiscal 2020 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.

Operating Expenses

The following table presents information regarding our operating expenses for the periods indicated:

	Three Months Ended				
	May 1, 2020			May 3, 2019	
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue
	(in millions, except percentages)				
Operating expenses:					
Selling, general, and administrative	$ 4,886	22.3%	(4)%	$ 5,071	23.1%
Research and development	1,265	5.8%	8 %	1,176	5.4%
Total operating expenses	$ 6,151	28.1%	(2)%	$ 6,247	28.5%
Other Financial Information					
Non-GAAP operating expenses	$ 5,164	23.6%	(1)%	$ 5,238	23.8%

During the first quarter of Fiscal 2021, total operating expenses decreased 2% primarily due to a decrease in selling general and administrative expenses, offset partially by an increase in research and development expenses. Our operating expenses include amortization of intangible assets, the impact of purchase accounting, transaction-related expenses, stock-based compensation expense, and other corporate expenses. In aggregate, these items totaled $1.0 billion for both the first quarter of Fiscal 2021 and Fiscal 2020. Excluding these costs, total non-GAAP operating expenses decreased 1% for the first quarter of Fiscal 2021.

- *Selling, General, and Administrative* — Selling, general, and administrative (“SG&A”) expenses decreased 4% during the first quarter of Fiscal 2021 primarily due to measures taken in March 2020 as a result of the COVID-19 pandemic which included a global hiring freeze, reduction in consulting and contractor costs, and global travel restrictions, as well as a decrease in amortization of intangibles.

- *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 were approximately 5.8% and 5.4% for the first quarter of Fiscal 2021 and Fiscal 2020, respectively. R&D expenses as a percentage of net revenue increased during the first quarter of Fiscal 2021 primarily due to an increase in compensation-related expense, including stock-based compensation expense, driven by VMware. 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 continue to make selective investments designed to enable growth, marketing, and R&D, while balancing our efforts to drive cost efficiencies in the business. We also expect to continue to make investments in support of our own digital transformation to modernize and streamline our IT operations.

Operating Income

During the first quarter of Fiscal 2021, our operating income increased 28% to $702 million. The increase in our operating income for the first quarter of Fiscal 2021 was primarily attributable to an increase in operating income for VMware and a decrease in amortization of intangible assets. These benefits were partially offset by a decrease in operating income for CSG and ISG and an increase in stock-based compensation expense.

Amortization of intangible assets and stock-based compensation expense that impacted our operating income totaled $1.2 billion and $1.5 billion for the first quarter of Fiscal 2021 and Fiscal 2020, respectively. Excluding these costs, the impact of purchase accounting, transaction-related expenses, and other corporate expenses, our non-GAAP operating income decreased 2% to $2.2 billion during the first quarter of Fiscal 2021. The decrease in our non-GAAP operating income for the first quarter of Fiscal 2021 was primarily due to decreases in operating income for ISG and CSG, which were partially offset by increases in operating income for VMware and other businesses.

Interest and Other, Net

The following table provides information regarding interest and other, net for the periods indicated:

	Three Months Ended	
	May 1, 2020	**May 3, 2019**
	(in millions)	
Interest and other, net:		
Investment income, primarily interest	$ 24	$ 44
Gain on investments, net	94	62
Interest expense	(672)	(699)
Foreign exchange	(99)	(45)
Other	87	(55)
Total interest and other, net	$ (566)	$ (693)

During the first quarter of Fiscal 2021, the change in interest and other, net was favorable by $127 million, primarily due a gain of $120 million recognized from the sale of certain intellectual property assets.

Income and Other Taxes

For the first quarter of Fiscal 2021, our effective income tax rate was -33.8% on pre-tax income of $136 million. For the first quarter of Fiscal 2020, our effective income tax rate was 330.1% on pre-tax losses of $143 million. The change in our effective tax rate was primarily driven by discrete tax items and a change in our jurisdictional mix of income. Our effective tax rates include discrete tax benefits of $59 million and $405 million resulting from intra-entity asset transfers of certain of our intellectual property to Irish subsidiaries for the first quarter of Fiscal 2021 and Fiscal 2020, respectively. The tax benefit for each intra-entity asset transfer was recorded as a deferred tax asset in the period of transaction and represents the book and tax basis difference on the transferred assets measured based on the applicable Irish statutory tax rate. We applied significant judgment when determining the fair value of the intellectual property, which serves as the tax basis of the deferred tax asset, and in evaluating the associated tax laws in the applicable jurisdictions. The tax deductions for amortization of the assets will be recognized in the future, and any amortization not deducted for tax purposes will be carried forward indefinitely under Irish tax laws. We expect to be able to realize the deferred tax assets resulting from these intra-entity asset transfers.

Our effective income tax rate can fluctuate depending on the geographic distribution of our worldwide earnings, as our foreign earnings are generally taxed at lower rates than in the United States. The differences between our effective income tax rate and the U.S. federal statutory rate of 21% principally result from the geographical distribution of income, differences between the book and tax treatment of certain items, and the discrete tax items discussed above. 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 relates to a tax holiday that will be effective until January 31, 2029. Our other tax holidays will expire in whole or in part during Fiscal 2022 through Fiscal 2030. 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. As of May 1, 2020, we were not aware of any matters of non-compliance related to these tax holidays. The effective income tax rate for future quarters of Fiscal 2021 may be impacted by the actual mix of jurisdictions in which income is generated.

For further discussion regarding tax matters, including the status of income tax audits, see Note 11 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Net Income

During the first quarter of Fiscal 2021, net income decreased 45% to $182 million. The decrease in net income during the first quarter of Fiscal 2021 was primarily due lower discrete tax benefits, which were partially offset by an increase in operating income and a decrease in interest and other, net.

Net income for the first quarter of Fiscal 2021 and Fiscal 2020 included amortization of intangible assets, the impact of purchase accounting, transaction-related expenses, stock-based compensation expense, other corporate expenses, fair value adjustments on equity investments, and discrete tax items. Excluding these costs and the related tax impacts, non-GAAP net income decreased 5% to $1.1 billion. The decrease in non-GAAP net income during the first quarter of Fiscal 2021 was primarily attributable to a decrease in non-GAAP operating income and an increase in non-GAAP interest and other, net.

Non-controlling Interests

During the first quarter of Fiscal 2021, net income or loss attributable to non-controlling interests consisted of net income or loss attributable to our non-controlling interests in VMware, Inc. and Secureworks. During the first quarter of Fiscal 2020, net income or loss attributable to non-controlling interests consisted of net income or loss attributable to our non-controlling interests in VMware, Inc., Secureworks, and Pivotal. Pivotal was acquired by VMware on December 30, 2019 and, as a result, we no longer have a separate non-controlling interest in Pivotal.

During the first quarter of Fiscal 2021 and Fiscal 2020, net income attributable to non-controlling interests was $39 million and $36 million, respectively. The increase in net income attributable to non-controlling interests during the first quarter of Fiscal 2021 was attributable to an increase in net income attributable to our non-controlling interest in VMware, Inc. For more information about our non-controlling interests, see Note 13 of the Notes to the Condensed Consolidated Financial Statements included in this report.

Net Income Attributable to Dell Technologies Inc.

Net income attributable to Dell Technologies Inc. represents net income and an adjustment for non-controlling interests. During the first quarter of Fiscal 2021 and Fiscal 2020, net income attributable to Dell Technologies Inc. was $143 million and $293 million, respectively. The decrease in net income attributable to Dell Technologies Inc. during the first quarter of Fiscal 2021 was primarily attributable to the decrease in net income for the period.

Business Unit Results

Our reportable segments are based on the following business units: ISG, CSG, and VMware. A description of our three business units is provided under "Introduction." See Note 17 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.

Infrastructure Solutions Group

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

	Three Months Ended		
	May 1, 2020	**% Change**	**May 3, 2019**
	(in millions, except percentages)		
Net revenue:			
Servers and networking	$ 3,758	(10)%	$ 4,180
Storage	3,811	(5)%	4,022
Total ISG net revenue	$ 7,569	(8)%	$ 8,202
Operating income:			
ISG operating income	$ 732	(13)%	$ 843
% of segment net revenue	*9.7%*		*10.3%*

Net Revenue — During the first quarter of Fiscal 2021, ISG net revenue decreased 8% due to decreases in sales of servers and networking and storage. ISG net revenue decreased primarily due to a weaker demand environment, as customers shifted to investments in remote work solutions as part of business continuity plans. Revenue from the sales of servers and networking decreased 10% during the first quarter of Fiscal 2021, primarily driven by a decline in units sold of our PowerEdge servers due to a weaker demand environment, particularly in China, and a decrease in average selling prices for servers resulting from competitive pressures in certain geographies. Storage revenue decreased 5% during the first quarter of Fiscal 2021 primarily due to a decline in demand. We continue to make enhancements to our storage solutions offerings and expect that these offerings, including the release of our new PowerStore storage array in May 2020, will drive long-term improvements in the business.

ISG customers are interested in new and innovative models that address how they consume our solutions. We offer options including as-a-service, utility, leases, and immediate pay models, all designed to match customers' consumption and financing preferences. Our multi-year agreements typically result in recurring revenue streams over the term of the arrangement. We expect our flexible consumption models will further strengthen our customer relationships and provide a foundation for growth in recurring revenue.

From a geographical perspective, net revenue attributable to ISG decreased in all regions during the first quarter of Fiscal 2021, with the largest decline in EMEA, driven by a weaker demand environment as a result of pervasive global COVID-19 disruptions, which persisted for the majority of the quarter.

Operating Income — During the first quarter of Fiscal 2021, ISG operating income as a percentage of net revenue decreased 60 basis points to 9.7% primarily driven by weakness in gross margin for servers and networking due to competitive pricing dynamics. The decline in gross margin percentage during the first quarter of Fiscal 2021 was also attributable to component costs that were deflationary in the aggregate for ISG, although to a lesser extent than in the first quarter of Fiscal 2020. For the remaining nine months of Fiscal 2021, we currently expect an inflationary component cost environment, which may put pressure on ISG operating results, particularly from sales of servers and networking. We will continue to monitor our pricing in response to the changing competitive and cost environment.

Client Solutions Group

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

	Three Months Ended		
	May 1, 2020	% Change	May 3, 2019
	(in millions, except percentages)		
Net revenue:			
Commercial	$ 8,634	4 %	$ 8,307
Consumer	2,470	(5)%	2,603
Total CSG net revenue	$ 11,104	2 %	$ 10,910
Operating income:			
CSG operating income	$ 592	(25)%	$ 793
% of segment net revenue	*5.3%*		*7.3%*

Net Revenue — During the first quarter of Fiscal 2021, CSG net revenue increased 2% due to an increase in commercial sales, partially offset by a decrease in consumer sales. Commercial revenue increased 4% during the first quarter of Fiscal 2021 primarily due to increased demand from large commercial and governmental customers for work and learn from home solutions, particularly driving strong demand for commercial notebooks. Consumer revenue decreased 5% during the first quarter of Fiscal 2021 due to lower consumer demand, particularly in retail, as a result of the COVID-19 market disruption.

From a geographical perspective, net revenue attributable to CSG increased in the Americas and EMEA during the first quarter of Fiscal 2021. In APJ, particularly in China, net revenue decreased during the first quarter of Fiscal 2021.

Operating Income — During the first quarter of Fiscal 2021, CSG operating income as a percentage of net revenue decreased 200 basis points to 5.3%. The decrease was primarily due to a decrease in CSG gross margin percentage, which was principally driven by increased supply chain costs to expedite delivery of certain products to meet strong demand in this environment, as well as by competitive pricing dynamics. Also impacting the decrease in gross margin percentage, the aggregate CSG component cost environment was deflationary in the first quarter of Fiscal 2021, although to a lesser extent than in the first quarter of Fiscal 2020. We expect an inflationary component cost environment in the remaining nine months of Fiscal 2021, which will put pressure on CSG operating results. We will continue to monitor our pricing in response to the changing competitive and component cost environment.

VMware

The following table presents net revenue and operating income attributable to VMware for the periods indicated. During Fiscal 2020, the Company reclassified Pivotal operating results from other businesses to the VMware reportable segment. Prior period results have been recast to conform with the current period presentation.

	Three Months Ended		
	May 1, 2020	% Change	May 3, 2019
	(in millions, except percentages)		
Net revenue:			
VMware net revenue	$ 2,755	12%	$ 2,457
Operating income:			
VMware operating income	$ 773	30%	$ 595
% of segment net revenue	*28.1%*		*24.2%*

Net Revenue — VMware net revenue, inclusive of Pivotal, primarily consists of revenue from the sale of software licenses under perpetual licenses and subscription and software-as-a-service ("SaaS") offerings, as well as related software maintenance services, support, training, consulting services, and hosted services. VMware net revenue for the first quarter of Fiscal 2021 increased 12% primarily due to growth in sales of subscriptions and SaaS, as well as an increase in sales of software maintenance services. Software maintenance revenue benefited from new contracts and renewals of VMware enterprise agreements, revenue recognized from maintenance contracts sold in prior periods, and additional maintenance contracts sold in conjunction with new software license sales.

From a geographical perspective, approximately half of VMware net revenue during the first quarter of Fiscal 2021 was generated by sales to customers in the United States. VMware net revenue for the first quarter of Fiscal 2021 increased in both the United States and internationally.

Operating Income — During the first quarter of Fiscal 2021, VMware operating income as a percentage of net revenue increased 390 basis points to 28.1%. The increase was driven by an increase in gross margin as a percentage of net revenue. During the first quarter of Fiscal 2021, VMware net revenue growth outpaced increased operating expenses, particularly R&D compensation-related expenses resulting from acquisitions and additional investments. While the COVID-19 pandemic has not had a significant adverse financial impact on VMware operations to date, in future periods we expect a negative impact on VMware results of operations, the size and duration of which we are currently unable to predict.

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 $10.8 billion and $12.5 billion as of May 1, 2020 and January 31, 2020, respectively. We maintain an allowance for expected credit losses to cover receivables that may be deemed uncollectible. The allowance for expected credit losses is an estimate based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectation of future conditions, as well as specific identifiable customer accounts that are deemed at risk. Our analysis includes assumptions regarding the impact of COVID-19 and continued market volatility, which is highly uncertain and subject to significant judgment. Given this uncertainty, our allowance for expected credit losses in future periods may vary from our current estimates. As of May 1, 2020 and January 31, 2020, the allowance for expected credit losses was $144 million and $94 million, respectively. Allowance for expected credit losses of trade receivables as of May 1, 2020 includes the impact of adoption of the new current expected credit losses ("CECL") standard, which was adopted as of February 1, 2020 using the modified retrospective method. Based on our assessment, we believe that we are adequately reserved for expected credit losses. We will continue to monitor the aging of our accounts receivable and take actions, where necessary, to reduce our exposure to credit losses.

Dell Financial Services

Dell Financial Services and its affiliates ("DFS") support Dell Technologies by offering and arranging various financing options and services for our customers globally, including through captive financing operations in North America, Europe, Australia, and New Zealand. DFS originates, collects, and services customer receivables primarily related to the purchase of our product, software, and service solutions. DFS further strengthens our customer relationships through its flexible consumption models, which enable us to offer our customers the option to pay over time and, in certain cases, based on utilization, to provide them with financial flexibility to meet their changing technological requirements. New financing originations were $1.8 billion and $1.7 billion for the first quarter of Fiscal 2021 and Fiscal 2020, respectively. In response to the COVID-19 pandemic, we are focused on supporting our customers and intend to provide up to $9 billion in financing support by offering low or zero percent interest rate programs as well as payment deferral options. The financial impact to DFS and our securitization and structured financing programs is not expected to be material.

Pursuant to the current lease accounting standard effective February 2, 2019, new DFS leases are classified as sales-type leases, direct financing leases, or operating leases. Amounts due from lessees under sales-type leases or direct financing leases are recorded as part of financing receivables, with interest income recognized over the contract term. On commencement of sales-type leases, we typically qualify for up-front revenue recognition. On originations of operating leases, we record equipment under operating leases, classified as property, plant, and equipment, and recognize rental revenue and depreciation expense, classified as cost of net revenue, over the contract term. Direct financing leases are immaterial. Leases that commenced prior to the effective date of the current lease accounting standard continue to be accounted for under previous lease accounting guidance.

As of May 1, 2020 and January 31, 2020, our financing receivables, net were $9.5 billion and $9.7 billion, respectively. We maintain an allowance to cover expected financing receivable credit losses and evaluate credit loss expectations based on our total portfolio. Allowance for expected credit losses of financing receivables as of May 1, 2020 includes the impact of adoption of the CECL standard referred to above. Our analysis includes assumptions regarding the impact of COVID-19 and continued market volatility, which is highly uncertain and subject to significant judgment. Given this uncertainty, our allowance for expected credit losses in future periods may vary from our current estimates. For both the first quarter of Fiscal 2021 and Fiscal 2020, the principal charge-off rate for our total portfolio was 1.0%. 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 continued to increase. 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 without recourse 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.

We retain a residual interest in equipment leased under our lease programs. As of May 1, 2020 and January 31, 2020, the residual interest recorded as part of financing receivables was $551 million and $582 million, respectively. The amount of the residual interest is established at the inception of the lease based upon estimates of the value of the equipment at the end of the lease term using historical studies, industry data, and future value-at-risk demand valuation methods. On a quarterly basis, we assess the carrying amount of our recorded residual values for impairment. Generally, residual value risk on equipment under lease is not considered to be significant, because of the existence of a secondary market with respect to the equipment. The lease agreement also clearly defines applicable return conditions and remedies for non-compliance, to ensure that the leased equipment will be in good operating condition upon return. Model changes and updates, as well as market strength and product acceptance, are monitored and adjustments are made to residual values in accordance with the significance of any such changes. Our remarketing sales staff works closely with customers and dealers to manage the sale of lease returns and the recovery of residual exposure. No impairment losses were recorded related to residual assets during the first quarter of Fiscal 2021.

As of May 1, 2020 and January 31, 2020, equipment under operating leases, net was $975 million and $840 million, respectively. Based on triggering events, we assess the carrying amount of the equipment under operating leases recorded for impairment. No material impairment losses were recorded related to such equipment during the first quarter of Fiscal 2021.

DFS offerings are initially funded through cash on hand at the time of origination, most of which is subsequently replaced with third-party financing. For DFS offerings which qualify as sales-type leases, the initial funding of financing receivables is reflected as an impact to cash flows from operations, and is largely subsequently offset by cash proceeds from financing. For DFS operating leases, which have increased under the current lease standard, the initial funding is classified as a capital expenditure and reflected as an impact to cash flows used in investing activities.

See Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about our financing receivables and the associated allowances, and the equipment under operating leases.

Off-Balance Sheet Arrangements

As of May 1, 2020, 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 credit 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 7 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 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. 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.

In this unprecedented environment resulting from the COVID-19 pandemic, we are taking actions to increase our cash position and preserve financial flexibility. In March 2020, as previously reported, we drew $3.0 billion under the Revolving Credit Facility as a precautionary measure given the uncertainty in the global markets, which we repaid during the quarter. Additionally, we accessed the debt markets in the first quarter of Fiscal 2021, in which we issued $2.25 billion aggregate principal amount of First Lien Notes and VMware, Inc. issued $2.0 billion aggregate principal amount of senior notes. The proceeds from the issuance of these notes are expected to be used for general corporate purposes, including planned repayment of upcoming debt maturities. Subsequent to the first quarter of Fiscal 2021, VMware, Inc. repaid $1.25 billion principal amount of its 2.30% Notes due August 2020.

The following table presents our cash and cash equivalents as well as our available borrowings as of the dates indicated:

	May 1, 2020	January 31, 2020
	(in millions)	
Cash and cash equivalents, and available borrowings:		
Cash and cash equivalents (a)	$ 12,229	$ 9,302
Remaining available borrowings under revolving credit facilities	5,472	5,972
Total cash, cash equivalents, and available borrowings	$ 17,701	$ 15,274

(a) Of the $12.2 billion of cash and cash equivalents as of May 1, 2020, $5.9 billion was held by VMware, Inc.

Our revolving credit facilities as of May 1, 2020 include the Revolving Credit Facility. The Revolving Credit Facility has a maximum aggregate borrowing capacity of $4.5 billion. Available borrowings under this facility are reduced by draws on the facility and outstanding letters of credit. As of May 1, 2020, there were no borrowings outstanding under the facility and remaining available borrowings totaled approximately $4.5 billion. Subsequent to the first quarter of Fiscal 2021 on May 25, 2020, we entered into a new revolving credit facility for China (the “China Revolving Credit Facility”). The new terms provide for collateralized and non-collateralized principal amounts not to exceed $1.0 billion Chinese renminbi and $1.8 billion Chinese renminbi, respectively, or equivalent amounts in U.S. dollars. We may regularly use our available borrowings from both our Revolving Credit Facility and our China Revolving Credit Facility on a short-term basis for general corporate purposes. See Note 19 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about the new China Revolving Credit Facility.

The VMware Revolving Credit Facility has a maximum capacity of $1.0 billion. As of May 1, 2020, $1.0 billion was available under the VMware Revolving Credit Facility. The VMware Term Loan Facility had a borrowing capacity of up to $2.0 billion through February 7, 2020. As of May 1, 2020, the outstanding borrowings under the VMware Term Loan Facility were $1.5 billion, with no remaining amount available for additional borrowings. None of the net proceeds of borrowings under the VMware Revolving Credit Facility or the VMware Term Loan Facility 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 6 of the Notes to the Condensed Consolidated Financial Statements included in this report for additional information about each of the foregoing revolving credit facilities.

We believe that our current cash and cash equivalents, together with cash that will be provided by future operations and borrowings expected to be available under our revolving credit facilities, will be sufficient over at least the next twelve months to fund our operations, debt service requirements and maturities, capital expenditures, share repurchases, and other corporate needs.

Debt

The following table summarizes our outstanding debt as of the dates indicated:

	May 1, 2020	Increase (decrease)	January 31, 2020
		(in millions)	
Core debt			
Senior Secured Credit Facilities and First Lien Notes	$ 31,857	$ 2,193	$ 29,664
Unsecured Notes and Debentures	1,352	—	1,352
Senior Notes	2,700	—	2,700
EMC Notes	1,600	—	1,600
DFS allocated debt	(863)	632	(1,495)
Total core debt	36,646	2,825	33,821
DFS related debt			
DFS debt	8,269	504	7,765
DFS allocated debt	863	(632)	1,495
Total DFS related debt	9,132	(128)	9,260
Margin Loan Facility and other	4,014	(10)	4,024
Debt of public subsidiary			
VMware Notes	6,000	2,000	4,000
VMware Term Loan Facility	1,500	—	1,500
Other	55	(5)	60
Total public subsidiary debt	7,555	1,995	5,560
Total debt, principal amount	57,347	4,682	52,665
Carrying value adjustments	(619)	(10)	(609)
Total debt, carrying value	$ 56,728	$ 4,672	$ 52,056

During the first quarter of Fiscal 2021, the outstanding principal amount of our debt increased by $4.7 billion to $57.3 billion as of May 1, 2020.

During the first quarter of Fiscal 2021, our core debt increased by $2.8 billion to $36.6 billion as of May 1, 2020. We define core debt as the total principal amount of our debt, less DFS related debt, our Margin Loan Facility and other debt, and public subsidiary debt. The increase in core debt was primarily due to the issuance of multiple series of First Lien Notes in an aggregate principal amount of $2.25 billion on April 9, 2020. See Note 6 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our debt. The change in DFS allocated debt also contributed to the increase, and is discussed further below.

During the first quarter of Fiscal 2021, we issued an additional $0.5 billion, net, in DFS debt to support the expansion of our financing receivables portfolio. DFS related debt primarily represents debt from our securitization and structured financing programs. The majority of DFS debt is non-recourse to Dell Technologies and represents borrowings under securitization programs and structured financing programs, for which our risk of loss is limited to transferred lease and loan payments and associated equipment, and under which the credit holders have no recourse to Dell Technologies.

To fund expansion of the DFS business, we balance the use of the securitization and structured financing programs with other sources of liquidity. We approximate the amount of our debt used to fund the DFS business by applying a 7:1 debt to equity ratio to the sum of our financing receivables balance and equipment under our DFS operating leases, net. The debt to equity ratio used is based on the underlying credit quality of the assets. See Note 4 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about our DFS debt.

As of May 1, 2020, margin loan and other debt primarily consisted of the $4.0 billion Margin Loan Facility.

Debt of public subsidiary represents VMware, Inc. indebtedness. The increase in debt of public subsidiary during the first quarter of Fiscal 2021 was due to the issuance of VMware Notes in an aggregate principal amount of $2.0 billion on April 7, 2020. See Note 6 of the Notes to the Condensed Consolidated Financial Statements included in this report for more information about VMware, Inc. debt.

VMware, Inc. and its respective subsidiaries are unrestricted subsidiaries for purposes of the core debt of Dell Technologies. Neither Dell Technologies nor any of its subsidiaries, other than VMware, Inc., is obligated to make payment on the VMware Notes or the VMware Term Loan Facility. None of the net proceeds of the VMware Notes or, as discussed above, the VMware Term Loan Facility 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 its subsidiaries.

Our requirements for cash to pay principal and interest on our core debt increased significantly due to the borrowings we incurred to finance the EMC merger transaction and, to a lesser extent, the Class V transaction. We have made good progress in paying down core debt since the EMC merger transaction. We believe we will continue to be able to make our debt principal and interest payments, including the short-term maturities, from existing and expected sources of cash, primarily from operating cash flows. Cash used for debt principal and interest payments may also include short-term borrowings under our revolving credit facilities. We will continue to focus on paying down core debt. Under our variable-rate debt, we could have variations in our future interest expense from potential fluctuations in LIBOR, or from possible fluctuations in the level of DFS debt required to meet future demand for customer financing.

We or our affiliates or their related persons, at our or their sole discretion, may purchase, redeem, prepay, refinance, or otherwise retire any amount of 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 or otherwise, as appropriate market conditions exist.

Cash Flows

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

	Three Months Ended	
	May 1, 2020	**May 3, 2019**
	(in millions)	
Net change in cash from:		
Operating activities	$ (796)	$ 682
Investing activities	(485)	(458)
Financing activities	4,264	(719)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(136)	(36)
Change in cash, cash equivalents, and restricted cash	$ 2,847	$ (531)

Operating Activities — Cash used in operating activities was $0.8 billion for the first quarter of Fiscal 2021 compared to cash provided by operating activities of $0.7 billion for the first quarter of Fiscal 2020. The decrease in operating cash flows during the first quarter of Fiscal 2021 was attributable to unfavorable working capital impacts related to the COVID-19 pandemic on timing of collections and maintenance of higher inventory levels for continuity of supply, most of which we expect to normalize by fiscal year-end.

Cash flow from operating activities during the first quarter of the fiscal year is typically lower due to parts of Dell Technologies' business being subject to seasonal sales trends as well as timing of annual personnel-related payments.

DFS offerings are initially funded through cash on hand at the time of origination, most of which is subsequently replaced with third-party financing. For DFS offerings which qualify as sales-type leases, the initial funding of financing receivables is reflected as an impact to cash flows from operations, and is largely subsequently offset by cash proceeds from financing. For DFS operating leases, which have increased under the current leasing standard, the initial funding is classified as a capital expenditure and reflected as cash flows used in investing activities. DFS new financing originations were $1.8 billion and $1.7 billion during the first quarter of Fiscal 2021 and Fiscal 2020, respectively. As of May 1, 2020, DFS had $9.5 billion of total net financing receivables and $1.0 billion of equipment under DFS operating leases, net.

Investing Activities — Investing activities primarily consist of cash used to fund capital expenditures for property, plant, and equipment, which includes equipment under DFS operating leases, capitalized software development costs, strategic investments, and the maturities, sales, and purchases of investments. During the first quarter of Fiscal 2021, cash used in investing activities was $485 million and was primarily driven by capital expenditures, which were partially offset by net cash proceeds from the sale of certain intellectual property assets. In comparison, cash used by investing activities was $458 million during the first quarter of Fiscal 2020 and was primarily driven by capital expenditures, which were partially offset by net cash proceeds from the net sales of strategic investments.

Financing Activities — Financing activities primarily consist of the proceeds and repayments of debt, cash used to repurchase common stock, and proceeds from the issuance of common stock. Cash provided by financing activities of $4.3 billion during the first quarter of Fiscal 2021 primarily consisted of cash proceeds from the issuances of multiple series of First Lien Notes in an aggregate principal amount of $2.25 billion and VMware Notes in an aggregate principal amount of $2.0 billion, as discussed above. In comparison, cash used by financing activities of $719 million during the first quarter of Fiscal 2020 primarily consisted of repurchases of common stock of subsidiaries.

Capital Commitments

Capital Expenditures — During the first quarter of Fiscal 2021 and Fiscal 2020, we spent $0.5 billion and $0.6 billion, respectively, on property, plant, and equipment. These expenditures were incurred in connection with our global expansion efforts and infrastructure investments made to support future growth, and the funding of equipment under DFS operating leases. During the first quarter of Fiscal 2021 and Fiscal 2020, funding of gross equipment under DFS operating leases was $0.2 billion and $0.3 billion, respectively. 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 2021 are currently expected to total between $2.3 billion and $2.5 billion, of which approximately $1.0 billion is expected for equipment under DFS operating leases.

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.

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 January 31, 2020. 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 provide reasonable assurance 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, as appropriate 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 May 1, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of May 1, 2020.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended May 1, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely for their health and safety during the COVID-19 pandemic. We are continually monitoring and assessing the potential impact of COVID-19 on our internal controls to minimize the impact on their design and operating effectiveness.

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 10 of the Notes to the Condensed Consolidated Financial Statements included in this report.

ITEM 1A — RISK FACTORS

In addition to the other information set forth in this report, the risks discussed in “Part I — Item 1A — Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2020 could materially affect our business, operating results, financial condition, or prospects. 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

During the first quarter of Fiscal 2021, we issued to employees an aggregate of 4,245 shares of the Class C Common Stock for an aggregate purchase price of approximately $0.1 million pursuant to exercises of stock options granted under the Dell Inc. Amended and Restated 2002 Long-Term Incentive Plan. The foregoing transactions were effected without registration 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 presents information regarding repurchases of Class C Common Stock by us and our affiliated purchasers during the first quarter of Fiscal 2021, and the remaining authorized amount of future repurchases under our stock repurchase program.

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 millions, except average price paid per share)			
Repurchases from February 1, 2020 through February 28, 2020	—	$ —	—	$ 1,000
Repurchases from February 29, 2020 through March 27, 2020 [(a)]	7	$ 35.98	6	$ 760
Repurchases from March 28, 2020 through May 1, 2020	—	$ —	—	$ 760
Total	7	$ 35.98	6	

(a) Includes approximately 828 thousand shares purchased by Michael Dell for his own account in the open market.
(b) On February 24, 2020, our board of directors approved a stock repurchase program under which we are authorized to repurchase up to $1.0 billion of shares of the Class C Common Stock over a 24-month period expiring on February 28, 2022. During the first quarter of Fiscal 2021, we suspended activity under our stock repurchase program.

ITEM 6 — INDEX TO EXHIBITS

The Company hereby files or furnishes the exhibits listed below:

Exhibit Number	Description
4.1	Base Indenture, dated as of April 9, 2020, among Dell International L.L.C., EMC Corporation, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "Commission") on April 9, 2020) (Commission File No. 001-37867).
4.2	2025 Notes Supplemental Indenture No. 1, dated as of April 9, 2020, among Dell International L.L.C., EMC Corporation, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2020) (Commission File No. 001-37867).
4.3	2027 Notes Supplemental Indenture No. 1, dated as of April 9, 2020, among Dell International L.L.C., EMC Corporation, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2020) (Commission File No. 001-37867).
4.4	2030 Notes Supplemental Indenture No. 1, dated as of April 9, 2020, among Dell International L.L.C., EMC Corporation, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee and Notes Collateral Agent (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on April 9, 2020) (Commission File No. 001-37867).
4.5††	Registration Rights Agreement, dated as of April 9, 2020, among Dell International L.L.C., EMC Corporation, the guarantors party thereto and BofA Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman, Sachs & Co. and J.P. Morgan Securities LLC, as the representatives for the initial purchasers.
4.6	Form of Global Note for 5.850% Senior Notes due 2025 (included in Exhibit 4.2).
4.7	Form of Global Note for 6.100% Senior Notes due 2027 (included in Exhibit 4.3).
4.8	Form of Global Note for 6.200% Senior Notes due 2030 (included in Exhibit 4.4).
4.9††	Amendment No. 2 to the Second Amended and Restated Registration Rights Agreement, dated as of April 15, 2020, among Dell Technologies Inc., Michael S. Dell and Susan Lieberman Dell Separate Property Trust, SL SPV-2 L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., Silver Lake Partners V DE (AIV), L.P., Silver Lake Technology Investors V, L.P. and Venezio Investments Pte. Ltd.
10.1††*	Amended and Restated Dell Inc. Annual Bonus Plan.
10.2††*	Amended and Restated Dell Technologies Inc. Compensation Program for Independent Non-Employee Directors.
31.1††	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.
31.2††	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.
32.1†††	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.

Exhibit Number	Description
101 .INS††	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101 .SCH††	Inline XBRL Taxonomy Extension Schema Document.
101 .CAL††	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101 .DEF††	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101 .LAB††	Inline XBRL Taxonomy Extension Label Linkbase Document.
101 .PRE††	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104††	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document (included in Exhibit 101).

†† Filed with this report.

††† Furnished with this report.

* Management contracts or compensation plans or arrangements in which directors or executive officers participate.

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/ BRUNILDA RIOS

Brunilda Rios

Senior Vice President, Corporate Finance and

Chief Accounting Officer

(On behalf of registrant and as principal accounting officer)

Date: June 8, 2020

REGISTRATION RIGHTS AGREEMENT

Dated as of April 9, 2020

Among

DELL INTERNATIONAL L.L.C.,
EMC CORPORATION,
the Guarantors party hereto,

and

BOFA SECURITIES, INC.,
BARCLAYS CAPITAL INC.,
CITIGROUP GLOBAL MARKETS INC.,
CREDIT SUISSE SECURITIES (USA) LLC,
GOLDMAN SACHS & CO. LLC,
and
J.P. MORGAN SECURITIES LLC,

As Representatives for the Initial Purchasers

$1,000,000,000 5.850% First Lien Notes due 2025
$500,000,000 6.100% First Lien Notes due 2027
$750,000,000 6.200% First Lien Notes due 2030

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is dated as of April 9, 2020, among DELL INTERNATIONAL L.L.C., a Delaware limited liability company ("Dell International"), EMC CORPORATION, a Massachusetts corporation ("EMC" and, together with Dell International, the "Issuers"), the Guarantors (as defined below) and BofA Securities, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Goldman Sachs & Co. LLC and J.P. Morgan Securities LLC, as the representatives (the "Representatives") of the several initial purchasers (the "Initial Purchasers") named on Schedule I to the Purchase Agreement (as defined below).

This Agreement is entered into in connection with the Purchase Agreement, dated April 3, 2020 (the "Purchase Agreement"), by and among the Issuers, the guarantors party thereto (the "Guarantors") and the Representatives on behalf of the several Initial Purchasers, which provides for, among other things, the sale by the Issuers to the Initial Purchasers of (i) $1,000,000,000 aggregate principal amount of their 5.850% First Lien Notes due 2025 (the "2025 Notes"), (ii) $500,000,000 aggregate principal amount of their 6.100% First Lien Notes due 2027 (the "2027 Notes") and (iii) $750,000,000 aggregate principal amount of their 6.200% First Lien Notes due 2030 (the "2030 Notes" and, together with the 2025 Notes and the 2027 Notes, the "Notes" and each a "series of Notes"). Pursuant to the Purchase Agreement and the Indenture (as defined below), the Guarantors have agreed to guarantee (collectively, the "Guarantees") the Issuers' obligations under the Notes and the Indenture. References to the "Securities" shall mean one or more Notes of the applicable series of Notes and the Guarantees thereof. In order to induce the Initial Purchasers to enter into the Purchase Agreement, the Issuers and the Guarantors have agreed to provide the registration rights set forth in this Agreement for the benefit of the Initial Purchasers and any subsequent holder or holders of the Securities. The execution and delivery by the Issuers and the Guarantors of this Agreement is a condition to the Initial Purchasers' obligations under the Purchase Agreement.

The parties hereby agree as follows:

1. Definitions

As used in this Agreement, the following terms shall have the following meanings:

Additional Interest: See Section 5(a) hereof.

Advice: See the last paragraph of Section 6 hereof.

Agreement: See the introductory paragraphs hereto.

Applicable Period: See Section 2(b) hereof.

Business Day: Shall have the meaning ascribed to such term in Rule 14d-1 under the Exchange Act.

Effectiveness Date: With respect to any Shelf Registration Statement, the 90th day after the Filing Date with respect thereto; provided, however, that if the Effectiveness Date would otherwise fall on a day that is not a Business Day, then the Effectiveness Date shall be the next succeeding Business Day.

Effectiveness Period: See Section 3(a) hereof.

Event Date: See Section 5(b) hereof.

Exchange Act: The Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

Exchange Notes: See Section 2(a) hereof.

Exchange Offer: See Section 2(a) hereof.

Exchange Offer Registration Statement: See Section 2(a) hereof.

Exchange Securities: See Section 2(a) hereof.

Filing Date: The 90th day after the delivery of a Shelf Notice as required pursuant to Section 2(d) hereof; provided, however, that if the Filing Date would otherwise fall on a day that is not a Business Day, then the Filing Date shall be the next succeeding Business Day.

FINRA: See Section 6(r) hereof.

Guarantees: See the introductory paragraphs hereto.

Guarantors: See the introductory paragraphs hereto.

Holder: Any holder of a Registrable Security or Registrable Securities, in each case for so long as such Person holds any Registrable Securities.

Indenture: The indenture, dated as of April 9, 2020, among the Issuers, the Guarantors and The Bank of New York Mellon Trust Company, N.A., as trustee and as notes collateral agent, as supplemented by a supplemental indenture for each series of Notes, as amended or supplemented from time to time in accordance with the terms thereof.

Information: See Section 6(n) hereof.

Initial Purchasers: See the introductory paragraphs hereto.

Initial Shelf Registration: See Section 3(a) hereof.

Inspectors: See Section 6(n) hereof.

Issue Date: April 9, 2020, the date of original issuance of the Notes.

Issuers: Dell International and EMC, collectively.

New Guarantees: See Section 2(a) hereof.

Notes: See the introductory paragraphs hereto.

Participant: See Section 8(a) hereof.

Participating Broker-Dealer: See Section 2(b) hereof.

Person: An individual, trustee, corporation, partnership, limited liability company, joint stock company, trust, unincorporated association, union, business association, firm or other legal entity.

Private Exchange: See Section 2(b) hereof.

Private Exchange Notes: See Section 2(b) hereof.

Prospectus: The prospectus included in any Registration Statement (including, without limitation, any prospectus subject to completion and a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A and Rule 430C under the Securities Act), as amended or supplemented by any prospectus supplement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

Purchase Agreement: See the introductory paragraphs hereof.

Records: See Section 6(n) hereof.

Registrable Securities: Each Security upon its original issuance and at all times subsequent thereto, each Exchange Security as to which Section 2(d)(iv) hereof is applicable upon original issuance and at all times subsequent thereto and each Private Exchange Note (and the related Guarantees) upon original issuance thereof and at all times subsequent thereto, until, in each case, the earliest to occur of (i) a Registration Statement (other than, with respect to any Exchange Securities as to which Section 2(d)(iv) hereof is applicable, the Exchange Offer Registration Statement) covering such Security, Exchange Security or Private Exchange Note (and the related Guarantees) has been declared effective by the SEC and such Security, Exchange Security or such Private Exchange Note (and the related Guarantees), as the case may be, has been disposed of in accordance with such effective Registration Statement, (ii) such Security has been exchanged pursuant to the Exchange Offer for an Exchange Security or Exchange Securities that may be resold without restriction under state and federal securities laws (other than any restriction due solely to the status of any Holder thereof being an affiliate of the Issuers within the meaning of the Securities Act), (iii) such Security, Exchange Security or Private Exchange Note (and the related Guarantees), as the case may be, ceases to be outstanding for purposes of the Indenture or any indenture (if different) governing the Exchange Security and Private Exchange Notes, as applicable, or (iv) the date which is seven years after the Issue Date.

Registration Statement: Any registration statement of the Issuers that covers any of the Securities, the Exchange Securities or the Private Exchange Notes (and the related Guarantees) filed with the SEC under the Securities Act, including, in each case, the Prospectus, amendments and supplements to such registration statement, including post-effective amendments, all exhibits, and all material incorporated by reference or deemed to be incorporated by reference in such registration statement.

Rule 144: Rule 144 under the Securities Act.

Rule 144A: Rule 144A under the Securities Act.

Rule 405: Rule 405 under the Securities Act.

Rule 415: Rule 415 under the Securities Act.

Rule 424: Rule 424 under the Securities Act.

SEC: The U.S. Securities and Exchange Commission.

Securities: See the introductory paragraphs hereto.

Securities Act: The Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Shelf Notice: See Section 2(d) hereof.

Shelf Registration: See Section 3(b) hereof.

Shelf Registration Statement: Any Registration Statement relating to a Shelf Registration.

Shelf Suspension Period: See Section 3(a) hereof.

Subsequent Shelf Registration: See Section 3(b) hereof.

TIA: The Trust Indenture Act of 1939, as amended.

Trustee: (i) The trustee under the Indenture and (ii) the trustee under any indenture(s) (if different) governing the Exchange Securities and Private Exchange Notes (and the related Guarantees).

Underwritten registration or underwritten offering: A registration in which securities of the Issuers are sold to an underwriter for reoffering to the public.

Except as otherwise specifically provided, all references in this Agreement to acts, laws, statutes, rules, regulations, releases, forms, no-action letters and other regulatory requirements (collectively, "Regulatory Requirements") shall be deemed to refer also to any amendments thereto and all subsequent Regulatory Requirements adopted as a replacement thereto having substantially the same effect therewith; provided that Rule 144 shall not be deemed to amend or replace Rule 144A.

2. Exchange Offer

(a) Unless the Exchange Offer would violate applicable law or any applicable interpretation of the staff of the SEC, the Issuers and the Guarantors shall use commercially reasonable efforts to file with the SEC a Registration Statement (the "Exchange Offer Registration Statement") on an appropriate registration form with respect to a registered offer (the "Exchange Offer") to exchange any and all of the applicable series of Registrable Securities for a like aggregate principal amount of debt securities of the Issuers (the "Exchange Notes"), guaranteed, to the extent applicable, on an unsecured senior basis by Dell Technologies Inc., a Delaware corporation ("Holdings"), and on a secured senior basis by the other Guarantors (the "New Guarantees" and, together with the Exchange Notes, the "Exchange Securities"), that are identical in all material respects to the applicable series of Notes except that (i) the Exchange

Notes shall contain no restrictive legend thereon, (ii) interest thereon shall accrue from the later of (x) the last date on which interest was paid on such series of Notes or, if no such interest has been paid, from the Issue Date or (y) if such Note is surrendered for exchange on a date in a period that includes the record date for an interest payment date to occur on or after the date of such Exchange Offer and as to which interest will be paid, the date of such interest payment date, (iii) the Exchange Securities will not contain provisions for the Additional Interest contemplated in Section 5 below, and (iv) the Exchange Securities shall be entitled to the benefits of the Indenture or a trust indenture which is identical in all material respects to the Indenture (other than such changes to the Indenture or any such identical trust indenture as are necessary to comply with the TIA) and which, in either case, has been qualified under the TIA. The Exchange Offer shall comply with all applicable tender offer rules and regulations under the Exchange Act and other applicable laws. The Issuers and the Guarantors shall use commercially reasonable efforts to (x) prepare and file with the SEC the Exchange Offer Registration Statement with respect to the Exchange Offer; (y) keep the Exchange Offer open for at least 20 Business Days (or longer if required by applicable law) after the date that notice of the Exchange Offer is delivered to Holders; and (z) consummate the Exchange Offer on or prior to the day that is five years after the Issue Date.

Each Holder (including, without limitation, each Participating Broker-Dealer) that participates in the Exchange Offer, as a condition to participation in the Exchange Offer, will be required to represent to the Issuers in writing (which may be contained in the applicable letter of transmittal) that: (i) any Exchange Securities acquired in exchange for Registrable Securities tendered are being acquired in the ordinary course of business of the Person receiving such Exchange Securities, whether or not such recipient is such Holder itself; (ii) at the time of the commencement or consummation of the applicable Exchange Offer neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder has an arrangement or understanding with any Person to participate in the distribution (within the meaning of the Securities Act) of the applicable Exchange Securities in violation of the provisions of the Securities Act; (iii) neither the Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder is an "affiliate" (as defined in Rule 405) of an Issuer or, if it is an affiliate of an Issuer, it will comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable and will provide information to be included in the Shelf Registration Statement in accordance with Section 6 hereof in order to have their Securities included in the Shelf Registration Statement and benefit from the provisions regarding Additional Interest in Section 5 hereof; (iv) if such Holder is not a broker-dealer, neither such Holder nor, to the actual knowledge of such Holder, any other Person receiving Exchange Securities from such Holder is engaging in or intends to engage in a distribution of the Exchange Securities; and (v) if such Holder is a Participating Broker-Dealer, such Holder has acquired such Registrable Securities for its own account in exchange for Securities that were acquired as a result of market-making activities or other trading activities and that it will comply with the applicable provisions of the Securities Act (including, but not limited to, the prospectus delivery requirements thereunder).

Upon consummation of the Exchange Offer in accordance with this Section 2, the provisions of this Agreement shall continue to apply, mutatis mutandis, solely with respect to Registrable Securities that are Private Exchange Notes (and the related Guarantees) and Exchange Securities as to which Section 2(d)(iv) is applicable and Exchange Securities held by Participating Broker-Dealers, and the Issuers shall have no further obligation to register

Registrable Securities (other than Private Exchange Notes (and the related Guarantees) and Exchange Securities as to which clause 2(d)(iv) hereof applies) pursuant to Section 3 hereof.

(b) The Issuers shall include within the Prospectus contained in the Exchange Offer Registration Statement a section entitled "Plan of Distribution," which shall contain a summary statement of the positions taken or policies made by the staff of the SEC with respect to the potential "underwriter" status of any broker-dealer that is the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of Exchange Notes received by such broker-dealer in the Exchange Offer (a "Participating Broker-Dealer"), whether such positions or policies have been publicly disseminated by the staff of the SEC or such positions or policies represent the prevailing views of the staff of the SEC. Such "Plan of Distribution" section shall also expressly permit, to the extent permitted by applicable policies and regulations of the SEC, the use of the Prospectus by all Participating Broker-Dealers, and include a statement describing the means by which Participating Broker-Dealers may resell the Exchange Securities in compliance with the Securities Act.

The Issuers and the Guarantors shall use commercially reasonable efforts to keep the Exchange Offer Registration Statement effective and to amend and supplement the Prospectus contained therein in order to permit such Prospectus to be lawfully delivered by all Persons subject to the prospectus delivery requirements of the Securities Act for such period of time as is necessary to comply with applicable law in connection with any resale of the Exchange Securities; provided, however, that such period shall not be required to exceed 90 days, such longer period if extended pursuant to the last paragraph of Section 6 hereof (the "Applicable Period").

If, prior to consummation of the Exchange Offer, the Initial Purchasers hold any Notes acquired by them that have the status of an unsold allotment in the initial distribution, the Issuers, upon the request of the Initial Purchasers, shall simultaneously with the delivery of the Exchange Notes issue and deliver to the Initial Purchasers, in exchange (the "Private Exchange") for such Notes held by any such Initial Purchasers, a like principal amount of the applicable series of notes (the "Private Exchange Notes") of the Issuers, guaranteed by the Guarantors, if applicable, that are identical in all material respects to the Exchange Notes except for the placement of a restrictive legend on such Private Exchange Notes. The Private Exchange Notes shall be issued pursuant to the same indenture as the Exchange Notes and bear the same CUSIP number as the Exchange Notes if permitted by the CUSIP Global Services.

In connection with the Exchange Offer, the Issuers shall:

(1) deliver, or cause to be delivered, to each Holder of record entitled to participate in the Exchange Offer a copy of the Prospectus forming part of the Exchange Offer Registration Statement, together with an appropriate letter of transmittal and related documents;

(2) use their commercially reasonable efforts to keep the Exchange Offer open for at least 20 Business Days from the date that notice of the Exchange Offer is delivered to Holders of the applicable series of Notes (or longer if required by applicable law);

(3) [Reserved];

(4) permit Holders to withdraw tendered Notes at any time prior to the close of business, New York time, on the last Business Day on which the Exchange Offer remains open; and

(5) otherwise comply in all material respects with all laws, rules and regulations applicable to the Exchange Offer.

As soon as practicable after the expiration of the Exchange Offer and any Private Exchange, the Issuers shall:

(1) accept for exchange all Registrable Securities validly tendered and not validly withdrawn pursuant to the Exchange Offer and any Private Exchange;

(2) deliver to the applicable Trustee for cancellation all Registrable Securities so accepted for exchange; and

(3) cause the applicable Trustee to authenticate and deliver promptly to each Holder of Notes, Exchange Notes or Private Exchange Notes, as the case may be, equal in principal amount to the applicable series of Notes of such Holder so accepted for exchange; provided that, in the case of any Notes held in global form by a depositary, authentication and delivery to such depositary of one or more replacement Notes of the applicable series in global form in an equivalent principal amount thereto for the account of such Holders in accordance with the Indenture shall satisfy such authentication and delivery requirement.

The Exchange Offer and the Private Exchange shall not be subject to any conditions, other than that (i) the Exchange Offer or Private Exchange, as the case may be, does not violate applicable law or any applicable interpretation of the staff of the SEC; (ii) no action or proceeding shall have been instituted or threatened in any court or by any governmental agency which might materially impair the ability of the Issuers and the Guarantors to proceed with the Exchange Offer or the Private Exchange, and no material adverse development shall have occurred in any existing action or proceeding with respect to the Issuers or the Guarantors; (iii) all governmental approvals shall have been obtained, which approvals the Issuers deem necessary for the consummation of the Exchange Offer or Private Exchange; and (iv) the accuracy of customary representations of the Holders and other representations as may reasonably be necessary under applicable SEC rules, regulations or interpretations, the satisfaction by the Holders of customary conditions relating to the delivery of Exchange Securities and the Private Exchange Notes (and related guarantees) and the execution and delivery of customary documentation relating to the Exchange Offer.

(c) The Exchange Securities and the Private Exchange Notes (and related guarantees) shall be issued under (i) the Indenture or (ii) an indenture identical in all material respects to the Indenture and which, in either case, has been qualified under the TIA or is exempt from such qualification and shall provide that the Exchange Securities shall not be subject to the transfer restrictions set forth in the Indenture. The Indenture or such indenture shall provide that the Exchange Notes, the Private Exchange Notes and the Notes of a series outstanding shall vote and consent together on all matters as one class and that none of the Exchange Notes, the Private Exchange Notes or the Notes outstanding of a series will have the right to vote or consent as a separate class on any matter.

(d) If, (i) because of any change in law or in currently prevailing interpretations of the staff of the SEC, the Issuers are not permitted to effect the Exchange Offer, (ii) the Exchange

Offer is not consummated within five years of the Issue Date, (iii) any holder of Private Exchange Notes so requests in writing to the Issuers at any time within 30 days after the consummation of the Exchange Offer, or (iv) in the case of any Holder that participates in the Exchange Offer, such Holder does not receive Exchange Securities on the date of the exchange that may be sold without restriction under state and federal securities laws (other than due solely to the status of such Holder as an affiliate of the Issuers within the meaning of the Securities Act) and so notifies the Issuers within 30 days after such Holder first becomes aware of such restrictions, in the case of each of clauses (i) to and including (iv) of this sentence, then the Issuers shall promptly (but, for the avoidance of doubt, no earlier than the date that is five years after the Issue Date) deliver to the applicable Trustee (to deliver to the Holders of the applicable series of Notes) written notice thereof (the "Shelf Notice") and shall file a Shelf Registration pursuant to Section 3 hereof.

3. Shelf Registration

If at any time a Shelf Notice is delivered as contemplated by Section 2(d) hereof, then:

(a) Shelf Registration. The Issuers shall as promptly as practicable file with the SEC a Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 covering all of the Registrable Securities (the "Initial Shelf Registration"). The Issuers and the Guarantors shall use commercially reasonable efforts to file with the SEC the Initial Shelf Registration on or prior to the Filing Date. The Initial Shelf Registration shall be on Form S-1, Form S-3 or another appropriate form permitting registration of such Registrable Securities for resale by Holders in the manner or manners designated by them (including, without limitation, one or more underwritten offerings).

The Issuers and the Guarantors shall use commercially reasonable efforts to cause the Shelf Registration to be declared effective under the Securities Act on or prior to the Effectiveness Date and to keep the Initial Shelf Registration continuously effective under the Securities Act until the earliest of (i) the date that is seven years after the Issue Date, (ii) such shorter period ending when all Registrable Securities covered by the Initial Shelf Registration have been sold in the manner set forth and as contemplated in the Initial Shelf Registration or, if applicable, a Subsequent Shelf Registration or (iii) the date upon which all Registrable Securities are resold to the public pursuant to Rule 144 (the "Effectiveness Period"); provided, however, that the Effectiveness Period in respect of the Initial Shelf Registration shall be extended to the extent required to permit dealers to comply with the applicable prospectus delivery requirements of Rule 174 under the Securities Act and as otherwise provided herein. Notwithstanding anything to the contrary in this Agreement, at any time, the Issuers may delay the filing of any Initial Shelf Registration Statement or delay or suspend the effectiveness thereof, for a reasonable period of time, but not in excess of 90 consecutive days or more than three (3) times during any calendar year (each, a "Shelf Suspension Period"), if the Boards of Directors of the Issuers determine reasonably and in good faith that the filing of any such Initial Shelf Registration Statement or the continuing effectiveness thereof would require the disclosure of non-public material information that, in the reasonable judgment of the Boards of Directors of the Issuers, would be detrimental to the Issuers if so disclosed or would otherwise materially adversely affect a financing, acquisition, disposition, merger or other material transaction or such disclosure is required by applicable law.

Notwithstanding anything in this Agreement to the contrary, neither the Issuers nor the Guarantors shall be obligated to file a Shelf Registration, or cause a Shelf Registration to be effective or continue to be effective, prior to the date that is five years after the Issue Date.

(b) Withdrawal of Stop Orders; Subsequent Shelf Registrations. If the Initial Shelf Registration or any Subsequent Shelf Registration ceases to be effective for any reason at any time during the Effectiveness Period (other than because of the sale of all of the Securities registered thereunder or a Shelf Suspension Period), the Issuers and the Guarantors shall use commercially reasonable efforts to obtain the prompt withdrawal of any order suspending the effectiveness thereof, and in any event shall file an additional Shelf Registration Statement pursuant to Rule 415 covering all of the Registrable Securities covered by and not sold under the Initial Shelf Registration or an earlier Subsequent Shelf Registration (each, a "Subsequent Shelf Registration"). If a Subsequent Shelf Registration is filed, the Issuers shall use commercially reasonable efforts to cause the Subsequent Shelf Registration to be declared effective under the Securities Act as soon as practicable after such filing and to keep such subsequent Shelf Registration continuously effective for a period equal to the number of days in the Effectiveness Period less the aggregate number of days during which the Initial Shelf Registration or any Subsequent Shelf Registration was previously continuously effective. As used herein the term "Shelf Registration" means the Initial Shelf Registration and any Subsequent Shelf Registration.

(c) Supplements and Amendments. The Issuers shall promptly supplement and amend the Shelf Registration if required by the rules, regulations or instructions applicable to the registration form used for such Shelf Registration, if required by the Securities Act, or if reasonably requested by the Holders of a majority in aggregate principal amount of the Registrable Securities (or their counsel) covered by such Registration Statement with respect to the information included therein with respect to one or more of such Holders, or, if reasonably requested by any underwriter of such Registrable Securities, with respect to the information included therein with respect to such underwriter.

4. [Reserved].

5. Additional Interest

(a) The Issuers, the Guarantors and the Initial Purchasers agree that the Holders will suffer damages if the Issuers or the Guarantors fail to fulfill their respective obligations under Section 2 or Section 3 hereof and that it would not be feasible to ascertain the extent of such damages with precision. Accordingly, the Issuers and the Guarantors agree to pay, jointly and severally, as liquidated damages, additional interest on the Registrable Securities of the applicable series of Notes ("Additional Interest") if (A) the Issuers have neither (i) exchanged Exchange Securities for all Securities of such series validly tendered in accordance with the terms of the Exchange Offer nor (ii) had a Shelf Registration Statement declared effective, in either case on or prior to the day that is five years after the Issue Date or (B) if applicable, a Shelf Registration has been declared effective and such Shelf Registration ceases to be effective at any time during the Effectiveness Period (other than because of the sale of all of the Securities registered thereunder), then Additional Interest shall accrue on the principal amount of the applicable series of Notes at a rate of 0.25% per annum (which rate will be increased by an additional 0.25% per annum for each subsequent 90-day period that such Additional Interest continues to accrue, provided that the rate at which such Additional Interest accrues may in no event exceed 1.00% per annum) (such Additional Interest to be calculated by the Issuers) commencing on the (x) the day after the date that is five years after the Issue Date, in the case of (A) above or (y) the day such Shelf Registration (if required) ceases to be effective in the case of (B) above; provided, however, that upon the exchange of the Exchange Securities for all Securities of such series tendered (in the case of clause (A) of this Section 5), or upon the effectiveness of the applicable Shelf Registration

Statement which had ceased to remain effective (in the case of (B) of this Section 5), Additional Interest on the Notes of such series in respect of which such events relate as a result of such clause (or the relevant subclause thereof), as the case may be, shall cease to accrue. Notwithstanding any other provisions of this Section 5, none of the Issuers or the Guarantors shall be obligated to pay Additional Interest provided in Section 5(a)(B) during a Shelf Suspension Period permitted by Section 3(a) hereof; provided, that no Additional Interest shall accrue on the Notes following the seventh anniversary of the Issue Date.

Notwithstanding anything in this Agreement to the contrary, neither the Issuers nor the Guarantors shall be obligated to pay any Additional Interest, and no Additional Interest shall accrue, on any series of Notes prior to the date that is five years after the Issue Date.

(b) The Issuers shall notify the applicable Trustee within three business days after each and every date on which an event occurs in respect of which Additional Interest is required to be paid (an "Event Date"). Any amounts of Additional Interest due pursuant to clause (a) of this Section 5 will be payable in cash semiannually on the interest payment dates stated in the Indenture with respect to the applicable series of Notes (to the holders of record of such series of Notes on the record dates stated in the Indenture with respect to such series of Notes immediately preceding such dates), commencing with the first such date occurring after any such Additional Interest commences to accrue with respect to such series of Notes. The amount of Additional Interest will be determined by the Issuers by multiplying the applicable Additional Interest rate by the principal amount of the applicable series of Registrable Securities, multiplied by a fraction, the numerator of which is the number of days such Additional Interest rate was applicable during such period (determined on the basis of a 360 day year comprised of twelve 30 day months and, in the case of a partial month, the actual number of days elapsed), and the denominator of which is 360.

6. Registration Procedures

In connection with the filing of any Registration Statement pursuant to Section 2 or 3 hereof, the Issuers shall effect such registrations to permit the sale of the securities covered thereby in accordance with the intended method or methods of disposition thereof, and pursuant thereto and in connection with any Registration Statement filed by the Issuers hereunder, the Issuers and the Guarantors shall:

(a) Prepare and file with the SEC (prior to the applicable Filing Date in the case of a Shelf Registration), a Registration Statement or Registration Statements as prescribed by Section 2 or 3 hereof, and use reasonable best efforts to cause each such Registration Statement to become effective and remain effective as provided herein; provided, however, that if (1) such filing is pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period relating thereto from whom the Issuers have received prior written notice that it will be a Participating Broker-Dealer in the Exchange Offer, before filing any Registration Statement or Prospectus or any amendments or supplements thereto, the Issuers shall furnish to and afford counsel for the Holders of the Registrable Securities covered by such Registration Statement (with respect to a Registration Statement filed pursuant to Section 3 hereof) or counsel for such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, and counsel to the managing underwriters, if any, a reasonable opportunity to review copies of all such documents (including copies of any documents to be incorporated by reference therein and all exhibits thereto) proposed to be filed (in each case at least three business days prior to such filing). The Issuers shall not file any Registration Statement or Prospectus or any amendments or supplements thereto if the Holders of a majority in aggregate principal amount of the Registrable Securities covered by such Registration Statement, their counsel, or the managing underwriters, if any, shall reasonably object.

(b) Prepare and file with the SEC such amendments and post-effective amendments to each Shelf Registration Statement or Exchange Offer Registration Statement, as the case may be, as may be necessary to maintain the effectiveness of such Registration Statement during the Effectiveness Period (other than during a Shelf Suspension Period), the Applicable Period or until consummation of the Exchange Offer, as the case may be; cause the related prospectus to be supplemented by any prospectus supplement required by applicable law, and as so supplemented to be filed pursuant to Rule 424; and comply with the provisions of the Securities Act and the Exchange Act applicable to it with respect to the disposition of all securities covered by such Registration Statement as so amended or in such Prospectus as so supplemented and with respect to the subsequent resale of any securities being sold by an Participating Broker-Dealer covered by any such Prospectus in all material respects. The Issuers and the Guarantors shall be deemed not to have used commercially reasonable efforts to keep a Registration Statement effective if they voluntarily take any action that is reasonably expected to result in selling Holders of the Registrable Securities covered thereby or Participating Broker-Dealers seeking to sell Exchange Securities not being able to sell such Registrable Securities or such Exchange Securities during that period unless such action is required by applicable law or permitted by this Agreement.

(c) If (1) a Shelf Registration is filed pursuant to Section 3 hereof or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period relating thereto from whom the Issuers have received written notice that it will be a Participating Broker-Dealer in the Exchange Offer, notify the selling Holders of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, their counsel and the managing underwriters, if any, promptly (but in any event within three Business Days), and confirm such notice in writing, (i) when a Prospectus or any prospectus supplement or post-effective amendment has been filed, and, with respect to a Registration Statement or any post-effective amendment, when the same has become effective under the Securities Act (including in such notice a written statement that any Holder may, upon request, obtain, at the sole expense of the Issuers, one conformed copy (which may be in electronic form) of such Registration Statement or post-effective amendment including financial statements and schedules, documents incorporated or deemed to be incorporated by reference and exhibits), (ii) of the issuance by the SEC of any stop order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of any preliminary prospectus or the initiation of any proceedings for that purpose, (iii) if at any time when a prospectus is required by the Securities Act to be delivered in connection with sales of the Registrable Securities or resales of Exchange Securities by Participating Broker-Dealers the representations and warranties of the Issuers contained in any agreement (including any underwriting agreement) contemplated by Section 6(m) hereof cease to be true and correct, (iv) of the receipt by the Issuers of any notification with respect to the suspension of the qualification or exemption from qualification of a Registration Statement or any of the Registrable Securities or the Exchange Securities to be sold by any Participating Broker-Dealer for offer or sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose, (v) of the happening of any event, the existence of any condition or any information becoming known that makes any statement made in such Registration Statement or related Prospectus untrue in any material respect or that requires the making of any changes in or amendments or supplements to such Registration Statement or Prospectus so that, in the case of the Registration Statement, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, and that in the case of the Prospectus, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (vi) of the Issuers' determination that a post-effective amendment to a Registration Statement would be appropriate.

(d) Use commercially reasonable efforts to prevent the issuance of any order suspending the effectiveness of a Registration Statement or of any order preventing or suspending the use of a Prospectus or suspending the qualification (or exemption from qualification) of any of the Registrable Securities or the Exchange Securities to be sold by any Participating Broker-Dealer, for sale in any jurisdiction.

(e) If a Shelf Registration is filed pursuant to Section 3 and if requested during the Effectiveness Period by the managing underwriter or underwriters (if any) or the Holders of a majority in aggregate principal amount of the Registrable Securities being sold in connection with an underwritten offering, (i) as promptly as practicable incorporate in a prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters (if any), such Holders or counsel for either of them reasonably request to be included therein, (ii) make all required filings of such prospectus supplement or such post-effective amendment as soon as practicable after the Issuers have received notification of the matters to be incorporated in such prospectus supplement or post-effective amendment, and (iii) supplement or make amendments to such Registration Statement.

(f) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, furnish to each selling Holder of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof) and to each such Participating Broker-Dealer who so requests (with respect to any such Registration Statement) and to its counsel and each managing underwriter, if any, at the sole expense of the Issuers, one conformed copy (which may be in electronic form) of the Registration Statement or Registration Statements and each post-effective amendment thereto, including financial statements and schedules, and, if requested, all documents incorporated or deemed to be incorporated therein by reference and all exhibits.

(g) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, deliver to each selling Holder of Registrable Securities (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, its counsel, and the underwriters, if any, at the sole expense of the Issuers, as many copies (which may be in electronic form) of the Prospectus or Prospectuses (including each form of preliminary prospectus) and each amendment or supplement thereto and any documents incorporated by reference therein as such Persons may reasonably request; and, subject to the last paragraph of this Section 6, the Issuers hereby consent to the use of the Prospectus contained in any Shelf Registration or Exchange Offer Registration Statement and each amendment or supplement thereto by each of the selling Holders of Registrable Securities or each such Participating Broker-Dealer, as the case may be, and the underwriters or agents, if any, and dealers, if any, in connection with the offering and sale of the Registrable Securities covered by, or the sale by Participating Broker-Dealers of the Exchange Securities pursuant to, such Prospectus and any amendment or supplement thereto.

(h) Prior to any public offering of Registrable Securities or any delivery of a Prospectus contained in the Exchange Offer Registration Statement by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, use reasonable best efforts to register or qualify, and to cooperate with the selling Holders of Registrable Securities or each such Participating Broker-Dealer, as the case may be, the managing underwriter or underwriters, if any, and their respective counsel in connection with the registration or qualification (or exemption from such registration or qualification) of such Registrable Securities for offer and sale under the securities or Blue Sky laws of such jurisdictions within the United States as any selling Holder, Participating Broker-Dealer, or the managing underwriter or underwriters reasonably request in writing; provided, however, that where Exchange Securities held by Participating Broker-Dealers or Registrable Securities are offered other than through an underwritten offering, the Issuers agree to cause their counsel to perform Blue Sky investigations and file registrations and qualifications required to be filed pursuant to this Section 6(h), keep each such registration or qualification (or exemption therefrom) effective during the period such Registration Statement is required to be kept effective and do any and all other acts or things necessary or advisable to enable the disposition in such jurisdictions of the Exchange Securities held by Participating Broker-Dealers or the Registrable Securities covered by the applicable Registration Statement; provided, further, however, that none of the Issuers or the Guarantors shall be required to (A) qualify generally to do business in any jurisdiction where they are not then so qualified, (B) take any action that would subject them to general service of process in any such jurisdiction where they are not then so subject or (C) subject themselves to taxation in any such jurisdiction where they are not then so subject.

(i) If a Shelf Registration is filed pursuant to Section 3 hereof, cooperate with the selling Holders of Registrable Securities and the managing underwriter or underwriters, if any, to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be sold, which certificates shall not bear any restrictive legends and shall be in a form eligible for deposit with The Depository Trust Company; and enable such Registrable Securities to be in such denominations (subject to applicable requirements contained in the Indenture) and registered in such names as the managing underwriter or underwriters, if any, or Holders may request.

(j) Use reasonable best efforts to cause the Registrable Securities covered by the Registration Statement to be registered with or approved by such other U.S. governmental agencies or authorities as may be necessary to enable the seller or sellers thereof or the underwriter or underwriters, if any, to consummate the disposition of such Registrable Securities, except as may be required solely as a consequence of the nature of such selling Holder's business, in which case the Issuers will cooperate in all respects with the filing of such Registration Statement and the granting of such approvals.

(k) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, upon the occurrence of any event contemplated by paragraph 6(c)(v) or 6(c)(vi) hereof, as promptly as practicable prepare and (subject to Section 6(a) hereof) file with the SEC, at the sole expense of the Issuers, a supplement or post-effective amendment to the Registration Statement or a supplement to the related Prospectus or any document incorporated therein by reference, or file any other required document so that, as thereafter delivered to the purchasers of the Registrable Securities being sold thereunder (with respect to a Registration Statement filed pursuant to Section 3 hereof) or to the purchasers of the Exchange Securities to whom such Prospectus will be delivered by a Participating Broker-Dealer (with respect to any such Registration Statement), any such Prospectus will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(l) Prior to the effective date of the first Registration Statement relating to the Registrable Securities, (i) provide the applicable Trustee with certificates for the Registrable Securities in a form eligible for deposit with The Depository Trust Company and (ii) provide a CUSIP number for the applicable series of Registrable Securities.

(m) In connection with any underwritten offering of Registrable Securities pursuant to a Shelf Registration, enter into an underwriting agreement as is customary in underwritten offerings of debt securities similar to the Securities (including, without limitation, a customary condition to the obligations of the underwriters that the underwriters shall have received "comfort" letters and updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters from the independent certified public accountants of the Issuers (and, if necessary, any other independent certified public accountants of the Issuers, or of any business acquired by the Issuers, for which financial statements and financial data are, or are required to be, included or incorporated by reference in the Registration Statement), addressed to representatives of the underwriters, such letters to be in customary form and covering matters of the type customarily covered in "comfort" letters in connection with underwritten offerings of debt securities similar to the Securities), and take all such other actions as are reasonably requested by the managing underwriter or underwriters in order to expedite or facilitate the registration or the disposition of such Registrable Securities and, in such connection, (i) make such representations and warranties to, and covenants with, the underwriters with respect to the business of the Issuers (including any acquired business, properties or entity, if applicable), and the Registration Statement, Prospectus and documents, if any, incorporated or deemed to be incorporated by reference therein, in each case, as are customarily made by Issuers to underwriters in underwritten offerings of debt securities similar to the Securities; (ii) obtain a written opinion of counsel to the Issuers, and written updates thereof in form, scope and substance reasonably satisfactory to the managing underwriter or underwriters, addressed to representatives of the underwriters covering the matters customarily covered in opinions reasonably requested in underwritten offerings; and (iii) if an underwriting agreement is entered into, the same shall contain indemnification provisions and procedures substantially consistent with those set forth in Section 8 hereof, taken as a whole (or such other provisions and procedures reasonably acceptable to Holders of a majority in aggregate principal amount of the applicable series of Registrable Securities covered by such Registration Statement and the managing underwriter or underwriters or agents, if any). The above shall be done at each closing under such underwriting agreement, or as and to the extent required thereunder.

(n) If (1) a Shelf Registration is filed pursuant to Section 3 hereof, or (2) a Prospectus contained in the Exchange Offer Registration Statement filed pursuant to Section 2 hereof is required to be delivered under the Securities Act by any Participating Broker-Dealer who seeks to sell Exchange Securities during the Applicable Period, make available for inspection by any Initial Purchaser, any selling Holder of such Registrable Securities being sold (with respect to a Registration Statement filed pursuant to Section 3 hereof), or each such Participating Broker-Dealer, as the case may be, any underwriter participating in any such disposition of Registrable Securities, if any, and any attorney, accountant or other agent retained by any such selling Holder or each such Participating Broker-Dealer (with respect to any such Registration Statement), as the case may be, or underwriter who, in each case, shall certify to the Issuers that they have, or, in the case of any attorney, accountant or other agent, that they are acting on behalf of one or more Selling Holders, Participating Broker-Dealers or underwriters, as applicable, who has a current intention to sell Registrable Securities pursuant to the Shelf Registration (any such Initial Purchasers, Holders, Participating Broker-Dealers, underwriters, attorneys, accountants or agents, collectively, the "Inspectors"), upon written request, at the offices where normally kept, during reasonable business hours, all pertinent financial and other records, pertinent corporate documents and instruments of the Issuers and subsidiaries of the Issuers (collectively, the "Records"), as shall be reasonably necessary, in the opinion of counsel for such Inspector, to enable them to exercise any applicable due diligence responsibilities, and cause the officers, directors and employees of the Issuers and any of its subsidiaries to supply all information ("Information") reasonably requested by any such Inspector in connection with such due diligence responsibilities. Each Inspector shall agree in writing that it will keep the Records and Information confidential, to use the Information only for due diligence purposes, to abstain from using the Information as the basis for any market transactions in securities of the Issuers, the Guarantors or any of their respective subsidiaries and that it will not disclose any of the Records or Information that the Issuers determine, in good faith, to be confidential and notifies the Inspectors in writing are confidential unless (i) the disclosure of such Records or Information is necessary to avoid or correct a material misstatement or material omission in such Registration Statement or Prospectus, (ii) the release of such Records or Information is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, (iii) disclosure of such Records or Information is necessary or advisable, in the opinion of counsel for any Inspector, in connection with any action, claim, suit or proceeding, directly or indirectly, involving or potentially involving such Inspector and arising out of, based upon, relating to, or involving this Agreement or the Purchase Agreement, or any transactions contemplated hereby or thereby or arising hereunder or thereunder, or (iv) the information in such Records or Information has been made generally available to the public other than by an Inspector or an "affiliate" (as defined in Rule 405) thereof; provided, however, that prior notice shall be provided as soon as practicable to the Issuers of the potential disclosure of any information by such Inspector pursuant to clauses (i) or (ii) of this sentence to permit the Issuers to obtain a protective order (or waive the provisions of this paragraph (n)) and that such Inspector shall take such actions as are reasonably necessary to protect the confidentiality of such information (if practicable) to the extent such action is otherwise not inconsistent with, an impairment of or in derogation of the rights and interests of the Holder or any Inspector.

(o) Provide an indenture trustee for the Registrable Securities or the Exchange Securities, as the case may be, and cause the Indenture or the trust indentures provided for in Section 2(a) hereof, as the case may be, to be qualified under the TIA not later than the effective date of the first Registration Statement relating to the Registrable Securities; and in connection therewith, cooperate with the trustee under any such indentures and the Holders of the Registrable Securities, to effect such changes (if any) to such indentures as may be required for such indentures to be so qualified in accordance with the terms of the TIA; and execute, and use its commercially reasonable best efforts to cause such trustee to execute, all documents as may be required to effect such changes, and all other forms and documents required to be filed with the SEC to enable such indenture to be so qualified in a timely manner.

(p) Comply in all material respects with all applicable rules and regulations of the SEC and make generally available to its securityholders with regard to any applicable Registration Statement, a consolidated earning statement satisfying the provisions of Section 11(a) of the Securities Act and Rule 158 thereunder (or any similar rule promulgated under the Securities Act) no later than 45 days after the end of any fiscal quarter of Holdings (or 90 days after the end of any 12-month period if such period is a fiscal year of Holdings) (i) commencing at the end of any fiscal quarter of Holdings in which Registrable Securities are sold to underwriters in a firm commitment or best efforts underwritten offering and (ii) if not sold to underwriters in such an offering, commencing on the first day of the first fiscal quarter of Holdings, after the effective date of a Registration Statement, which statements shall cover said 12-month periods; provided that this requirement shall be deemed satisfied by the Issuers complying with Section 4.03 of the Indenture.

(q) Upon consummation of the Exchange Offer or a Private Exchange, obtain an opinion of counsel to the Issuers, in a form customary for underwritten transactions, addressed to the applicable Trustee for the benefit of all Holders of Registrable Securities participating in the Exchange Offer or the Private Exchange, as the case may be, that the Exchange Securities or Private Exchange Notes (and the related Guarantees), as the case may be, the related guarantee, if applicable, and the related indenture constitute legal, valid and binding obligations of the Issuers and the Guarantors, as applicable, enforceable against the Issuers and the Guarantors, as applicable, in accordance with their respective terms, subject to customary exceptions and qualifications. If the Exchange Offer or a Private Exchange is to be consummated, upon delivery of the Registrable Securities by Holders to the Issuers (or to such other Person as directed by the Issuers), in exchange for the applicable series of Exchange Securities or the Private Exchange Notes (and the related Guarantees), as the case may be, the Issuers shall mark, or cause to be marked, on such Registrable Securities that such Registrable Securities are being cancelled in exchange for the applicable series of Exchange Securities or the Private Exchange Notes (and the related Guarantees), as the case may be; in no event shall such Registrable Securities be marked as paid or otherwise satisfied.

(r) Use reasonable efforts to cooperate with each seller of Registrable Securities covered by any Registration Statement and each underwriter, if any, participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with the Financial Industry Regulatory Authority Inc. ("FINRA").

(s) Use reasonable efforts to take all other steps reasonably necessary to effect the registration of the Exchange Securities and/or Registrable Securities covered by a Registration Statement contemplated hereby.

The Issuers may require each seller of Registrable Securities as to which any registration is being effected to furnish to the Issuers such information regarding such seller and the distribution of such Registrable Securities as the Issuers may, from time to time, reasonably request. The Issuers may exclude from such registration the Registrable Securities of any seller so long as such seller fails to furnish such information within a reasonable time after receiving such request. Each seller as to which any Shelf Registration is being effected agrees to furnish promptly to the Issuers all information required to be disclosed in order to make the information previously furnished to the Issuers by such seller so that any prospectus relating to such Shelf Registration shall not contain, with respect to such Seller, an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

If any such Registration Statement refers to any Holder by name or otherwise as the holder of any securities of the Issuers, then such Holder shall have the right to require (i) the insertion therein of language, in form and substance reasonably satisfactory to such Holder, to the effect that the holding by such Holder of such securities is not to be construed as a recommendation by such Holder of the investment quality of the securities covered thereby and that such holding does not imply that such Holder will assist in meeting any future financial requirements of the Issuers, or (ii) in the event that such reference to such Holder by name or otherwise is not required by the Securities Act or any similar federal statute then in force, the deletion of the reference to such Holder in any amendment or supplement to the Registration Statement filed or prepared subsequent to the time that such reference ceases to be required.

Each Holder of Registrable Securities and each Participating Broker-Dealer agrees by its acquisition of such Registrable Securities or Exchange Securities to be sold by such Participating Broker-Dealer, as the case may be, that, upon actual receipt of any notice from the Issuers of the happening of any event of the kind described in Section 6(c)(ii), 6(c)(iv), 6(c)(v), or 6(c)(vi) hereof, such Holder or Participating Broker-Dealer will forthwith discontinue disposition of such Registrable Securities covered by such Registration Statement or Prospectus or Exchange Securities to be sold by such Holder or Participating Broker-Dealer, as the case may be, until such Holder's or Participating Broker-Dealer's receipt of the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof, or until it is advised in writing (the "Advice") by the Issuers that the use of the applicable Prospectus may be resumed, and has received copies of any amendments or supplements thereto. In the event that the Issuers shall give any such notice, each of the Applicable Period and the Effectiveness Period shall be extended by the number of days during such periods from and including the date of the giving of such notice to and including the date when each seller of Registrable Securities covered by such Registration Statement or Exchange Securities to be sold by such Participating Broker-Dealer, as the case may be, shall have received (x) the copies of the supplemented or amended Prospectus contemplated by Section 6(k) hereof or (y) the Advice.

7. Registration Expenses

All fees and expenses incident to the performance of or compliance with this Agreement by the Issuers or the Guarantors of their respective obligations under Sections 2, 3, 6 and 9 shall be borne by the Issuers and the Guarantors, whether or not the Exchange Offer Registration Statement or any Shelf Registration Statement is filed or becomes effective or the Exchange Offer is consummated, including, without limitation, (i) all registration and filing fees (including, without limitation, (A) fees with respect to filings required to be made with the FINRA in connection with an underwritten offering and (B) fees and expenses of compliance with state securities or Blue Sky laws (including, without limitation, reasonable fees and disbursements of counsel in connection with Blue Sky qualifications of the Registrable Securities or Exchange Securities and determination of the eligibility of the Registrable Securities or Exchange Securities for investment under the laws of such jurisdictions in the United States (x) where the holders of Registrable Securities are located, in the case of the Exchange Securities, or (y) as provided in Section 6(h) hereof, in the case of Registrable Securities or Exchange Securities to be sold by a Participating Broker-Dealer during the Applicable Period)), (ii) printing expenses, including, without limitation, printing prospectuses if the printing of prospectuses is requested by the managing underwriter or underwriters, if any, or by the Holders of a majority in aggregate principal amount of the Registrable Securities included in any Registration Statement or if the Prospectus is in respect of Registrable Securities or Exchange Securities to be sold by any Participating Broker-Dealer during the Applicable Period, as the case may be, (iii) fees and expenses of the applicable Trustee, any exchange agent and their counsel, (iv) fees and disbursements of counsel for the Issuers and, in the case of a Shelf Registration, reasonable fees and disbursements of one special counsel for all of the sellers of Registrable Securities selected by the Holders of a majority in aggregate principal amount of Registrable Securities covered by such Shelf Registration (which counsel shall be reasonably satisfactory to the Issuers) exclusive of any counsel retained pursuant to Section 8 hereof, (v) fees and disbursements of all independent certified public accountants referred to in Section 6(m) hereof (including, without limitation, the expenses of any "comfort" letters required by or incident to such performance),

(vi) rating agency fees, if any, and any fees associated with making the Registrable Securities or Exchange Securities eligible for trading through The Depository Trust Company, (vii) Securities Act liability insurance, if the Issuers desire such insurance, (viii) fees and expenses of all other Persons retained by the Issuers, (ix) internal expenses of the Issuers and the Guarantors (including, without limitation, all salaries and expenses of officers and employees of the Issuers and the Guarantors performing legal or accounting duties), (x) the expense of any annual audit, (xi) any fees and expenses incurred in connection with the listing of the securities to be registered on any securities exchange, and the obtaining of a rating of the securities, in each case, if applicable and (xii) the expenses relating to printing, word processing and distributing all Registration Statements, underwriting agreements, indentures and any other documents necessary in order to comply with this Agreement.

8. Indemnification and Contribution

(a) The Issuers and the Guarantors, jointly and severally, agree to indemnify and hold harmless each Holder of Registrable Securities and each Participating Broker-Dealer selling Exchange Securities during the Applicable Period, and each Person, if any, who controls such Person within the meaning of Section 15 of the Act or Section 20 of the Exchange Act (each, a "Participant") against any losses, claims, damages or liabilities, joint or several, to which any Participant may become subject under the Securities Act, the Exchange Act or otherwise, insofar as any such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon:

(i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement (or any amendment thereto) or Prospectus included therein (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus; or

(ii) the omission or alleged omission to state, in any Registration Statement (or any amendment thereto) or Prospectus included therein (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus or any other document or any amendment or supplement thereto, in respect of such Registration Statement (or any amendment thereto), a material fact required to be stated therein or necessary to make the statements therein not misleading, or, in respect of such Prospectus (or any amendment or supplement thereto), a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

except, in each case, insofar as such losses, claims, damages or liabilities are arising out of or based upon any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with any information relating to any Initial Purchaser or any Holder furnished to the Issuers in writing through the Initial Purchasers or any selling Holder expressly for use therein;

and agree (subject to the limitations set forth in the proviso to this sentence) to reimburse, as incurred, the Participant for any reasonable legal or other out of pocket expenses incurred by the Participant in connection with investigating, defending against or appearing as a third-party witness in connection with any such loss, claim, damage, liability or action; provided, however, neither the Issuers nor the Guarantors will be liable in any such case to the extent that any such loss, claim, damage, or liability arises out of or is based upon any untrue statement or alleged untrue statement or omission or alleged omission made in any Registration Statement (or any amendment thereto) or Prospectus (as amended or supplemented if the Issuers shall have furnished any amendments or supplements thereto) or any preliminary prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information relating to any Participant furnished to the Issuers by such Participant specifically for use therein. The indemnity provided for in this Section 8 will be in addition to any liability that the Issuers may otherwise have to the indemnified parties. The Issuers and the Guarantors shall not be liable under this Section 8 to any indemnified party regarding any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent is consented to by the Issuers and the Guarantors, which consent shall not be unreasonably withheld.

(b) Each Participant, severally and not jointly, agrees to indemnify and hold harmless the Issuers, the Guarantors, their respective directors (or equivalent), their respective officers who sign any Registration Statement, affiliates and each person, if any, who controls the Issuers within the meaning of Section 15 of the Act or Section 20 of the Exchange Act against any losses, claims, damages or liabilities to which the Issuers, the Guarantors or any such director, officer, affiliate or controlling person may become subject under the Act, the Exchange Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement or Prospectus, any amendment or supplement thereto, or any preliminary prospectus, or (ii) the omission or the alleged omission to state therein a material fact necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Participant, furnished to the Issuers by or on behalf of such Participant, specifically for use therein; and subject to the limitation set forth immediately preceding this clause, will reimburse, as incurred, any reasonable legal or other expenses incurred by the Issuers, the Guarantors or any such director, officer, affiliate or controlling person in connection with investigating or defending against or appearing as a third party witness in connection with any such loss, claim, damage, liability or action in respect thereof. The indemnity provided for in this Section 8 will be in addition to any liability that the Participants may otherwise have to the indemnified parties. The Participants shall not be liable under this Section 8 to any indemnified party regarding any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent is consented to by the Participants, which consent shall not be unreasonably withheld.

(c) Promptly after receipt by an indemnified party under this Section 8 of written notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party of the commencement thereof in writing; but the omission to so notify the indemnifying party (i) will not relieve it from any liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure materially prejudices the indemnifying party (through the forfeiture of substantive rights and defenses) and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraphs (a) and (b) above. The indemnifying party shall be entitled to appoint counsel (including local counsel) of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the indemnifying party, retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel (including local counsel) to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest (based on the advice of counsel to the indemnified person); (ii) such action includes both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded (based on the advice of counsel to the indemnified person) that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. It is understood and agreed that the indemnifying person shall not, in connection with any proceeding or separate but related or substantially similar proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel that is required to effectively defend against any such proceedings) representing the indemnified parties under paragraph (a) or paragraph (b) of this Section 8, as the case may be, who are parties to such action or actions. Any such separate firm for any Participants shall be designated in writing by Participants who sold a majority in aggregate principal amount of the Registrable Securities and Exchange Securities sold by all such Participants in the case of paragraph (a) of this Section 8 or the Issuers in the case of paragraph (b) of this Section 8. In the event that any Participants are indemnified persons collectively entitled, in connection with a proceeding or separate but related or substantially similar proceedings in a single jurisdiction, to the payment of fees and expenses of a single separate firm under this Section 8(c), and any such Participants cannot agree to a mutually acceptable separate firm to act as counsel thereto, then such separate firm for all such indemnified parties shall be designated in writing by Participants who sold a majority in aggregate principal amount of the Registrable Securities and Exchange Securities sold by all such Participants. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include any statement as to, or any admission of, fault, culpability or failure to act by or on behalf of any indemnified party. All fees and expenses reimbursed pursuant to this paragraph (c) shall be reimbursed as they are incurred.

(d) After notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof and approval by such indemnified party of counsel appointed to defend such action, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses, other than reasonable costs of investigation, subsequently incurred by such indemnified party in connection with the defense thereof, unless (i) the indemnified party shall have employed separate counsel in accordance with the third sentence of paragraph (c) of this Section 8 or (ii) the indemnifying party has authorized in writing the employment of counsel for the indemnified party at the expense of the indemnifying party. After such notice from the indemnifying party to such indemnified party, the indemnifying party will not be liable for the costs and expenses of any settlement of such action effected by such indemnified party without the prior written consent of the indemnifying party (which consent shall not be unreasonably withheld), unless such indemnified party waived in writing its rights under this Section 8, in which case the indemnified party may effect such a settlement without such consent.

(e) In circumstances in which the indemnity agreement provided for in the preceding paragraphs of this Section 8 is unavailable to, or insufficient to hold harmless, an indemnified party in respect of any losses, claims, damages or liabilities (or actions in respect thereof) (other than by virtue of the failure of an indemnified party to notify the indemnifying party of its right to indemnification pursuant to paragraph (a) or (b) of this Section 8, where such failure materially prejudices the indemnifying party (through the forfeiture of substantive rights or defenses)), each indemnifying party, in order to provide for just and equitable contribution, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect (i) the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party on the other from the offering of the Securities or (ii) if the allocation provided by the foregoing clause (i) is not permitted by applicable law, not only such relative benefits but also the relative fault of the indemnifying party or parties on the one hand and the indemnified party on the other in connection with the statements or omissions or alleged statements or omissions that resulted in such losses, claims, damages or liabilities (or actions in respect thereof). The relative benefits received by the Issuers and the Guarantors on the one hand and such Participant on the other shall be deemed to be in the same proportion that the total net proceeds from the offering (before deducting expenses) of the Securities received by the Issuers bear to the total discounts and commissions received by such Participant in connection with the sale of the Securities (or if such Participant did not receive discounts or commissions, the value of receiving the Securities, Private Exchange Securities or Exchange Securities registered under the Securities Act). The relative fault of the parties shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuers and the Guarantors on the one hand, or the Participants on the other, the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission or alleged statement or omission, and any other equitable considerations appropriate in the circumstances. The parties agree that it would not be equitable if the amount of such contribution were determined by pro rata or per capita allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the first sentence of this paragraph (e). Notwithstanding any other provision of this paragraph (e), no Participant shall be obligated to make contributions hereunder that in the aggregate exceed the total discounts, commissions and other compensation or net proceeds on the sale of Securities received by such Participant in connection with the sale of the Securities, less the aggregate amount of any damages that such Participant has otherwise been required to pay by reason of the untrue or alleged untrue statements or the omissions or alleged omissions to state a material fact, and no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this paragraph (d), each person, if any, who controls a Participant within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act shall have the same rights to contribution as the Participants, and each director of the Issuers and the Guarantors, each officer of the Issuers and the Guarantors and each person, if any, who controls any of the Issuers and the Guarantors within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, shall have the same rights to contribution as the Issuers.

9. Rule 144A

The Issuers covenant and agree that they will use reasonable best efforts to file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder in a timely manner in accordance with the requirements of the Securities Act and the Exchange Act (it being understood that the foregoing shall be deemed to be satisfied upon the filing of any reports by Holdings as required by the Securities Act and the Exchange Act and the rules and regulations adopted by the SEC thereunder, so long as Holdings remains a Guarantor under the Notes) and, if at any time the Issuers are not required to file such reports, the Issuers will, upon the reasonable request of any Holder or beneficial owner of Registrable Securities, make available such information necessary to permit sales pursuant to Rule 144A. The Issuers further covenant and agree, for so long as any Registrable Securities remain outstanding that they will take such further action as any Holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by Rule 144A unless the Issuers are then subject to Section 13 or 15(d) of the Exchange Act and reports filed thereunder satisfy the information requirements of Rule 144A then in effect.

10. Underwritten Registrations

The Issuers and the Guarantors shall not be required to assist in an underwritten offering unless requested by the Holders of a majority in aggregate principal amount of the Registrable Securities. If any of the Registrable Securities covered by any Shelf Registration are to be sold in an underwritten offering, the investment banker or investment bankers and manager or managers that will manage the offering will be selected by the Holders of a majority in aggregate principal amount of such Registrable Securities included in such offering and shall be reasonably acceptable to the Issuers.

No Holder of Registrable Securities may participate in any underwritten registration hereunder unless such Holder (a) agrees to sell such Holder’s Registrable Securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

11. Miscellaneous

(a) No Inconsistent Agreements. The Issuers and the Guarantors shall not enter into any agreement with respect to any of its securities that is inconsistent with the rights granted to the Holders of Registrable Securities in this Agreement or otherwise conflicts with the provisions hereof. The rights granted to the Holders hereunder do not in any way conflict with and are not inconsistent with the rights granted to the holders of the Issuers' other issued and outstanding securities under any such agreements. The Issuers and the Guarantors shall not enter into any agreement (other than this Agreement) with respect to any of the Securities which will grant to any Person piggy-back registration rights with respect to any Registration Statement.

(b) Adjustments Affecting Registrable Securities. The Issuers and the Guarantors shall not, directly or indirectly, take any action with respect to the Registrable Securities as a class that would adversely affect the ability of the Holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement.

(c) Amendments and Waivers. The provisions of this Agreement with respect to each series of Notes may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, otherwise than with the prior written consent of (I) the Issuers, and (II) (A) the Holders of not less than a majority in aggregate principal amount of the then outstanding Registrable Securities of such series of Notes and (B) in circumstances that would adversely affect the Participating Broker-Dealers, the Participating Broker-Dealers holding not less than a majority in aggregate principal amount of the applicable series of Exchange Notes held by all Participating Broker-Dealers; provided, however, that Section 8 and this Section 11(c) may not be amended, modified or supplemented without the prior written consent of each Holder and each Participating Broker-Dealer (including any person who was a Holder or Participating Broker-Dealer of Registrable Securities or Exchange Securities, as the case may be, disposed of pursuant to any Registration Statement) affected by any such amendment, modification or supplement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders of Registrable Securities of a series of Notes whose securities are being sold pursuant to a Registration Statement and that does not directly or indirectly affect, impair, limit or compromise the rights of other Holders of Registrable Securities of such series that are not being sold pursuant to such Registration Statement may be given by Holders of at least a majority in aggregate principal amount of the Registrable Securities of the applicable series of Notes being sold pursuant to such Registration Statement.

(d) Notices. All notices and other communications (including, without limitation, any notices or other communications to the applicable Trustee) provided for or permitted hereunder shall be made in writing by hand-delivery, registered first-class mail, next-day air courier or facsimile:

(i) if to a Holder of the Registrable Securities or any Participating Broker-Dealer, at the most current address of such Holder or Participating Broker-Dealer set forth on the records of the registrar under the Indenture, with a copy in like manner to the Initial Purchasers as follows:

BofA Securities, Inc.
50 Rockefeller Plaza
NY1-050-12-01
New York, New York 10020
Attention: High Grade Transaction Management/Legal

with a copy to:

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Attention: Douglas Horowitz, Esq. and Joshua Zelig, Esq.

(ii) if to the Initial Purchasers, at the address specified in Section 11(d)(i);

(iii) if to the Issuers, at the address as follows:

Dell Inc.
One Dell Way, RR1-33
Round Rock, Texas 78682
Attention: Robert Potts

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Ave.
New York, New York 10017
Attention: Kenneth B. Wallach, Esq., Hui Lin, Esq. and Will Golden, Esq.

All such notices and communications shall be deemed to have been duly given: when delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; one Business Day after being timely delivered to a next-day air courier; and upon written confirmation, if sent by facsimile.

Copies of all such notices, demands or other communications shall be concurrently delivered by the Person giving the same to the Trustee at the address and in the manner specified in such Indenture.

(e) Sole Remedy. Notwithstanding anything in this Agreement to the contrary, except as provided in Section 8, the payment of Additional Interest as set forth in Section 5 shall be the sole and exclusive remedy available to any party to this Agreement, the Holders of Registrable Securities and Participating Broker-Dealers for any failure by any of the Issuers or the Guarantors to perform its or their obligations under this Agreement and each of the parties hereto and, by its acceptance of Notes, Exchange Notes or Private Exchange Notes, each Holder of Registrable Securities and each Participating Broker-Dealer agree that such parties, the Holders of Registrable Securities and Participating Broker-Dealers shall not be entitled to any other remedy for such failure, including, without limitation, specific performance of any obligation or term of this Agreement.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties hereto, the Holders and the Participating Broker-Dealers; provided, however, that nothing herein shall be deemed to permit any assignment, transfer or other disposition of Registrable Securities in violation of the terms of the Purchase Agreement or the Indenture.

(g) Counterparts. This Agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

(h) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(i) **Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. EACH OF THE PARTIES HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.**

(j) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(k) Notes Held by the Issuers or their Affiliates. Whenever the consent or approval of Holders of a specified percentage of Registrable Securities is required hereunder, Registrable Securities held by the Issuers or their affiliates (as such term is defined in Rule 405 under the Securities Act) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

(l) Third-Party Beneficiaries. Holders of Registrable Securities and Participating Broker-Dealers are intended third-party beneficiaries of this Agreement, and this Agreement may be enforced by such Persons.

(m) Entire Agreement. This Agreement, together with the Purchase Agreement and the Indenture, is intended by the parties as a final and exclusive statement of the agreement and understanding of the parties hereto in respect of the subject matter contained herein and therein and any and all prior oral or written agreements, representations, or warranties, contracts, understandings, correspondence, conversations and memoranda between the Holders on the one hand and the Issuers and the Guarantors on the other, or between or among any agents, representatives, parents, subsidiaries, affiliates, predecessors in interest or successors in interest with respect to the subject matter hereof and thereof are merged herein and replaced hereby.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Very truly yours,

DELL INTERNATIONAL L.L.C.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President & Assistant Secretary

EMC CORPORATION

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President & Assistant Secretary

DELL TECHNOLOGIES INC.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President, Corporate Securities and Finance Counsel and Assistant Secretary

DENALI INTERMEDIATE INC.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

DELL INC.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

ASAP SOFTWARE EXPRESS, INC.
CREDANT TECHNOLOGIES, INC.
DATA DOMAIN LLC
DELL AMERICA LATINA CORP.
DELL COLOMBIA INC.
DELL COMPUTER HOLDINGS L.P.
DELL DFS CORPORATION
DELL DFS GROUP HOLDINGS L.L.C.
DELL FEDERAL SYSTEMS CORPORATION
DELL FEDERAL SYSTEMS GP L.L.C.
DELL FEDERAL SYSTEMS L.P.
DELL FEDERAL SYSTEMS LP L.L.C.
DELL GLOBAL HOLDINGS L.L.C.
DELL GLOBAL HOLDINGS XV L.L.C.
DELL MARKETING CORPORATION
DELL MARKETING GP L.L.C.
DELL MARKETING L.P.
DELL MARKETING LP L.L.C.
DELL PRODUCTS CORPORATION
DELL PRODUCTS GP L.L.C.
DELL PRODUCTS L.P.
DELL PRODUCTS LP L.L.C.
DELL REVOLVER FUNDING L.L.C.
DELL USA CORPORATION
DELL USA GP L.L.C.
DELL USA L.P.
DELL USA LP L.L.C.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

DELL WORLD TRADE CORPORATION
DELL WORLD TRADE GP L.L.C.
DELL WORLD TRADE L.P.
DELL WORLD TRADE LP L.L.C.
FORCE10 NETWORKS GLOBAL, INC.
FORCE10 NETWORKS INTERNATIONAL, INC.
FORCE10 NETWORKS, INC.
WYSE TECHNOLOGY L.L.C.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

EMC INTERNATIONAL U.S. HOLDINGS L.L.C.
EMC PUERTO RICO, INC.
ISILON SYSTEMS LLC

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

DCC EXECUTIVE SECURITY INC.
DELL PRODUCT AND PROCESS
INNOVATION SERVICES CORP.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Secretary

RSA SECURITY LLC

By: /s/ Robert L. Potts

Name: Robert L. Potts

Title: Assistant Secretary

DELL REVOLVER COMPANY L.P.

By: DELL REVOLVER GP L.L.C., its General Partner

By: /s/ Robert L. Potts

Name: Robert L. Potts

Title: Senior Vice President and Assistant Secretary

DELL REVOLVER GP L.L.C.

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

FLANDERS ROAD HOLDINGS LLC
NBT INVESTMENT PARTNERS LLC
NEWFOUND INVESTMENT PARTNERS LLC
SCALEIO LLC

By: EMC CORPORATION, its Member

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

EMC IP HOLDING COMPANY LLC

By: DENALI INTERMEDIATE INC., its Member

By: /s/ Robert L. Potts
Name: Robert L. Potts
Title: Senior Vice President and Assistant Secretary

DELL FINANCIAL SERVICES L.L.C.

By: /s/ Tyler W. Johnson
Name: Tyler W. Johnson
Title: Senior Vice President

DELL TECHNOLOGIES CAPITAL, LLC

By: Dell Inc., its managing member

By: /s/ Robert L. Potts

Name: Robert L. Potts

Title: Senior Vice President and Assistant Secretary

The foregoing Agreement is hereby confirmed
and accepted as of the date first above written.

BOFA SECURITIES, INC.
BARCLAYS CAPITAL INC.
CITIGROUP GLOBAL MARKETS INC.
CREDIT SUISSE SECURITIES (USA) LLC
GOLDMAN SACHS & CO. LLC
J.P. MORGAN SECURITIES LLC

BOFA SECURITIES, INC.,
as Authorized Representative

By: /s/ Keith Harman
Name: Keith Harman
Title: Managing Director

BARCLAYS CAPITAL INC.,
as Authorized Representative

By: /s/ E. Peter Contrucci III
Name: E. Peter Contrucci III
Title: Managing Director

CITIGROUP GLOBAL MARKETS INC.,
as Authorized Representative

By: /s/ Brian D. Bednarski
Name: Brian D. Bednarski
Title: Managing Director

CREDIT SUISSE SECURITIES (USA) LLC,
as Authorized Representative

By: /s/ Matthew Joseph
Name: Matthew Joseph
Title: Director

By: /s/ Neal Nisargand
Name: Neal Nisargand
Title: Director

GOLDMAN SACHS & CO. LLC,
as Authorized Representative

By: /s/ Sam Chaffin
Name: Sam Chaffin
Title: Vice President

J.P. MORGAN SECURITIES LLC,
as Authorized Representative

By: /s/ Som Bhattacharyya
Name: Som Bhattacharyya
Title: Executive Director

Exhibit 4.9

DELL TECHNOLOGIES INC.

AMENDMENT NO. 2 TO THE
SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

THIS AMENDMENT NO. 2 TO THE SECOND AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT, dated as of April 15, 2020 (this "Amendment"), is entered into by and among Dell Technologies Inc. (the "Company"), a Delaware corporation, and each of the following (hereinafter severally referred to as a "Stockholder" and collectively referred to as the "Stockholders"):

(a) Michael S. Dell and Susan Lieberman Dell Separate Property Trust (collectively, the "MD Stockholders");

(b) SL SPV-2, L.P., a Delaware limited partnership, Silver Lake Partners IV, L.P., a Delaware limited partnership, Silver Lake Technology Investors IV, L.P., a Delaware limited partnership, Silver Lake Partners V DE (AIV), L.P., a Delaware limited partnership, and Silver Lake Technology Investors V, L.P., a Delaware limited partnership (collectively, the "SLP Stockholders"); and

(c) Venezio Investments Pte. Ltd., a Singapore corporation (the "Temasek Stockholder").

Capitalized terms used but not defined in this Amendment shall have the meanings ascribed to such terms in the Second Amended and Restated Registration Rights Agreement, dated as of December 25, 2018, as amended by Amendment No. 1, dated as of May 27, 2019 (as so amended, the "Registration Rights Agreement"), by and among the Company and the Stockholders referred to therein. Capitalized terms defined in this Amendment shall have the meanings ascribed to them herein for purposes of this Amendment and the Registration Rights Agreement.

WHEREAS, pursuant to Section 2.1(a) of the Registration Rights Agreement, the Company is required to use its reasonable best efforts to file a Shelf Registration Statement for a public offering of all Registrable Securities (or such lesser amount agreed in accordance with the terms and conditions of the Registration Rights Agreement) no later than the first day on which such filing can be made with the SEC on or after April 15, 2020 (such date, the "Shelf Registration Filing Deadline");

WHEREAS, the Company and the Stockholders wish to amend Section 2.1(a) of the Registration Rights Agreement to extend the Shelf Registration Filing Deadline;

WHEREAS, any amendment, modification, supplement or waiver of or to any provision of the Registration Rights Agreement shall be effected in accordance with Section 3.11 thereof;

WHEREAS, each of the undersigned Stockholders, on behalf of such Stockholder and such Stockholder's designated transferees or successors, wishes to consent to the amendment of Section 2.1(a) of the Registration Rights Agreement provided for herein;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned parties agree as follows:

1. Amendment of Section 2.1(a). Section 2.1(a) of the Registration Rights Agreement is hereby amended by deleting the first sentence thereof in its entirety and replacing such deleted first sentence with the following:

> Following the Merger, the Company shall use reasonable best efforts to (i) file a Shelf Registration Statement for a public offering of all Registrable Securities (or such lesser amount as the Sponsor Stockholders holding Registrable Securities agree, provided, that (x) all Registrable Securities of the Management Holders must be registered under such Shelf Registration Statement, (y) all Registrable Securities held by the Temasek Holders must be registered under such Shelf Registration Statement, and (z) upon the request of any such Sponsor Stockholder, the Company shall increase the number of Registrable Securities registered under such Shelf Registration Statement by the amount requested by such Sponsor Stockholder (or, in the event that no Shelf Registration Statement is effective at the time of such request, shall file and cause to become effective a Shelf Registration Statement covering such number of Registrable Securities), and this parenthetical shall apply to successive requests by Sponsor Stockholders holding Registrable Securities) pursuant to Rule 415 promulgated under the Securities Act no later than the first day on which such filing can be made with the SEC on or after September 15, 2020 and (ii) cause such Shelf Registration Statement to become effective as soon as possible thereafter.

2. No Further Amendment. Except as expressly provided by this Amendment, the Registration Rights Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and reaffirmed. Except as expressly set forth in this Amendment, no other terms and conditions of the Registration Rights Agreement are hereby amended, modified, supplemented or waived. Upon the effectiveness of this Amendment, each reference in the Registration Rights Agreement to “this Agreement,” “hereunder,” “hereof,” “herein” or words of similar import shall mean and be a reference to the Registration Rights Agreement as amended by this Amendment.

3. Governing Law. This Amendment and all claims or causes of action (whether in tort, contract or otherwise) that may be based upon, arise out of or relate to this Amendment or the negotiation, execution, interpretation or performance of this Amendment (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Amendment) shall be governed by and construed in accordance with the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable rules or principles of conflicts of laws.

4. Counterparts. This Amendment may be executed in any number of counterparts (which delivery may be via facsimile transmission or e-mail if in .pdf format), each of which shall be deemed an original, but all of which together shall constitute a single instrument.

[Signature pages follow.]

IN WITNESS WHEREOF, the undersigned have executed and delivered this Amendment effective as of the date set forth above.

CORPORATION:

DELL TECHNOLOGIES INC.

By:______________

Name: Robert L. Potts

Title: Senior Vice President and Assistant Secretary

MD STOCKHOLDER / MD HOLDER:

Michael S. Dell

MD STOCKHOLDER / MD HOLDER:

SUSAN LIEBERMAN DELL SEPARATE PROPERTY TRUST

By:________________

Name: Marc R. Lisker

Title: President of Trustee

SLP STOCKHOLDER / SLP HOLDER:

SL SPV-2, L.P.

By: SLTA SPV-2, L.P., its General Partner

By: SLTA SPV-2 (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By:________________

Name: Andrew J. Schader

Title: Managing Director

SLP STOCKHOLDER / SLP HOLDER:

SILVER LAKE PARTNERS IV, L.P.

By: Silver Lake Technology Associates IV, L.P., its General Partner

By: SLTA IV (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By:________________

Name: Andrew J. Schader

Title: Managing Director

SLP STOCKHOLDER / SLP HOLDER:

SILVER LAKE TECHNOLOGY INVESTORS IV, L.P.

By: Silver Lake Technology Associates IV, L.P., its General Partner

By: SLTA IV (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By:________________

Name: Andrew J. Schader

Title: Managing Director

SLP STOCKHOLDER / SLP HOLDER:

SILVER LAKE PARTNERS V DE (AIV), L.P.

By: Silver Lake Technology Associates V, L.P., its General Partner

By: SLTA V (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By:________________
Name: Andrew J. Schader
Title: Managing Director__

SLP STOCKHOLDER / SLP HOLDER:

SILVER LAKE TECHNOLOGY INVESTORS V, L.P.

By: Silver Lake Technology Associates V, L.P., its General Partner

By: SLTA V (GP), L.L.C., its General Partner

By: Silver Lake Group, L.L.C., its Managing Member

By:________________
Name: Andrew J. Schader
Title: Managing Director__

TEMASEK STOCKHOLDER / TEMASEK HOLDER:

VENEZIO INVESTMENTS PTE. LTD.

By:________________

Name: Rohit Sipahimalani

Title: Joint Head – Investment Group

Exhibit 10.1

DELL INC.

ANNUAL BONUS PLAN

Dell Inc., a Delaware corporation, adopts this Dell Inc. Annual Bonus Plan, consisting of certain annual bonus programs as designated from time to time, for the purpose of rewarding team members for helping the company meet or exceed its pre-defined performance goals, for delivering strong individual performance over the course of our fiscal year, and for acting in a manner consistent with the mission and values of the Company. The terms of the Dell Inc. Annual Bonus Plan shall be incorporated by reference into each Plan, as defined below.

1. Definitions

As used herein, the following terms shall have the respective meanings indicated:

"Annual Bonus" shall mean, for each Eligible Employee, the bonus award payable for a Plan Year under a Plan.

"Board" shall mean the Board of Directors of the Company.

"Bonus Pool" shall mean, with respect to each Plan, the aggregate amount of bonus for a Plan Year that is payable to Eligible Employees under the Plan.

"Committee" shall mean the Nominating and Governance Committee of the Board.

"Company" shall mean Dell Inc., a Delaware corporation.

"Eligible Earnings" shall mean, with respect to each Plan, the earnings that the Committee determines shall form the basis for awards under that Plan for each country, consistent with their respective legal and practical requirements. The Committee may determine inclusions and exclusions from Eligible Earnings to apply to each Plan and to groups of employees on a country-wide or business unit/organizational basis as the Committee deems necessary or appropriate. In the case of an employee who is an Eligible Employee of a Plan for a portion of a Plan Year, Eligible Earnings with respect to that Plan shall mean eligible earnings, as determined by the Committee, during the portion of the Plan Year for which he or she was an Eligible Employee in the Plan.

"Eligible Employee" shall mean, with respect to each Plan, each employee of the Company or any of its subsidiaries that the Committee determines, in its discretion, is eligible to participate in the Plan. The Committee may exclude groups of employees due to job function or on a country-wide, location, and/or business unit/organizational basis as the Committee deems necessary or appropriate.

"Executive Officer" shall mean an Executive Officer of the Company, as designated from time to time by the Board.

"Annual Bonus Plan" shall mean the Dell Inc. Annual Bonus Plan.

"Plan Year" shall mean the Company's fiscal year performance period, unless otherwise specified for a Plan.

"Plan" shall mean an annual bonus plan listed in Exhibit 1 hereto, which shall incorporate by reference the terms of the Annual Bonus Plan.

2. Eligibility

Eligibility under a Plan shall be determined in accordance with the terms of such Plan, subject to the terms and limitations of the Annual Bonus Plan. Except as explicitly provided in a Plan, employees participating in a Plan are not eligible to simultaneously participate in any other Plan.

Because employee retention is an important objective of this Plan, an Eligible Employee who separates from employment prior to payment of an Annual Bonus will not receive such Annual Bonus under any Plan unless designated by the Committee.

3. Annual Bonus Calculation

Annual Bonuses for a Plan shall be calculated in accordance with the terms of the applicable Plan, subject to the terms and limitations of the Annual Bonus Plan.

Failure to meet applicable performance objectives, including, without limitation, failure to complete annual compliance training requirements will result in an Annual Bonus of $0.

Subject to the provisions of applicable law, the Committee shall have complete and absolute authority and discretion to reduce the amount of any Annual Bonus that would otherwise be payable to an Eligible Employee (including a reduction in such amount to zero) for any reasons that the Committee shall deem appropriate.

4. Annual Bonus Terms and Conditions

Annual Bonuses will be subject to such additional terms, provisions and conditions that the Committee determines are appropriate. Such terms and conditions may be evidenced by an electronic transmission (including an e-mail or reference to a website or other URL) sent to the recipient through the Company's normal process for communicating electronically with its employees. As a condition to receiving an Annual Bonus payout, each Eligible Employee must accept and agree to such terms, provisions and conditions in such a manner as the Committee may prescribe.

5. Payment of Annual Bonuses

Annual Bonuses shall be paid in cash at such times and on such terms as are determined by the Committee in its sole and absolute discretion, provided that Annual Bonus payments will be paid no later than the 15th day of the third month of the Plan Year following the end of the Plan Year for which the Annual Bonuses were earned.

6. General Provisions

6.1 Taxes. The Company shall have the right to withhold, or require an Eligible Employee to remit to the Company, an amount sufficient to satisfy any applicable federal, state, local or foreign withholding tax requirements imposed with respect to the payment of any Annual Bonus.

6.2 Inapplicability in Certain Jurisdictions. The Plans will not be available to Employees who are subject to the laws of any jurisdiction which prohibits any provisions of this Plan or in which tax or other business considerations make participation impracticable in the judgment of the Committee.

6.3 No Right to Compensation or Employment. Neither the establishment of the Plans, the provision for or payment of any amounts hereunder nor any action of the Company, or the Committee with respect to any Plan shall be held or construed to confer upon any person (a) any legal right to receive, or any interest in, an Annual Bonus or any other benefit under any Plan or (b) any legal right to continue to serve as an employee of the Company or any subsidiary or affiliate of the Company. The Plans and any individual award are offered as a gratuitous award at the sole discretion of the Company. Each Plan does not create vested rights of any nature nor does it constitute a contract of employment or a contract of any other kind. Each Plan does not create any customary concession or privilege to which there is any entitlement from year-to-year, except to the extent required under applicable law. Nothing in any Plan entitles an Employee to any remuneration or benefits not set forth in such Plan nor does it restrict the Company's rights to increase or decrease the compensation of any Employee, except as otherwise required under applicable law.

Except as explicitly provided by law, the awards shall not become a part of any employment condition, regular salary, remuneration package, contract or agreement, but shall remain gratuitous in all respects. Annual Bonuses are not to be taken into account for determining overtime pay, severance pay, termination pay, pay in lieu of notice, or any other form of pay or compensation.

6.4 Plan Subject to Change. Except as explicitly provided by law, each Plan is provided at the Company's sole discretion and the Committee may modify or terminate it at any time, prospectively or retroactively, without notice or obligation for any reason. In addition, there is no obligation to extend a Plan or establish a replacement plan in subsequent years. Notwithstanding anything in any Plan to the contrary, to the extent a minimum US Bonus Pool commitment for a Plan is established before the end of the Plan Year, the Committee does not have authority to decrease or terminate that commitment following the end of the Plan Year. Any Annual Bonus payable from a Bonus Pool to eligible employees who are both US persons and who perform services in the US, that are not paid as a result of a termination of employment prior to final payment of all individual awards will be returned to the overall Bonus Pool for the applicable Plan and redistributed to remaining US eligible employees under the Plan to the extent necessary to meet any minimum bonus commitment established before the end of the Plan Year.

6.5 Unfunded Plan. The Company shall have no obligation to reserve or otherwise fund in advance any amounts that are or may in the future become payable under any Plan. Any funds that the Company, acting in its sole and absolute discretion, determines to reserve for future payments under the Plans may be commingled with other funds of the Company and need not in any way be segregated from other assets or funds held by the Company. An Eligible Employee's rights to payment under any Plan shall be limited to those of an unsecured general creditor of the Company.

6.6 Compliance with Section 409A. Each Plan is intended to comply with the requirements of Section 409A of the Internal Revenue Code, regulations, rulings and other guidance issued there under, and shall be interpreted and administered accordingly. Each Plan is intended to be excluded from coverage under Section 409A of the Internal Revenue Code pursuant to the "short-term deferral exception" under Section 1.409A-1(b)(4). If any provision of any Plan would otherwise conflict with this intent, the Company may amend the Plan to the extent necessary to comply with Section 409A of the Internal Revenue Code.

6.7 Nontransferability. Except as expressly provided by the Committee, the rights and benefits under the Plans are personal to an Eligible Employee and shall not be subject to any voluntary or involuntary alienation, assignment, pledge, transfer or other disposition.

7. Administration

7.1 General Administrative Powers. The general administration of each Plan and the duty to carry out its provisions shall be vested in the Committee. The Committee shall have the power to make reasonable rules and regulations required in the administration of each Plan, to make all determinations necessary for the Plan's administration, to construe and interpret the Plan wherever necessary to carry out its intent and purpose, and to facilitate its administration. The Committee shall have the exclusive right to determine eligibility for coverage and benefits under each Plan and the Committee's good faith interpretation of the Plan shall be binding and conclusive on all persons. Any dispute as to eligibility, type, amount, or duration of benefits under a Plan or any amendment or modification thereof shall be resolved by the Committee under and pursuant to the Plan, in its sole and absolute discretion, and its decision of the dispute shall be binding and final on all parties to the dispute.

Any claims for payments under a Plan or any other matter relating to the Plan must be presented in writing to the Committee within 60 days after the event that is the subject of the claim. The Committee will then provide a response within 60 days, which shall be final and binding.

7.2 Delegation. The Committee may delegate any or all of its authority and responsibilities with respect to each Plan, on such terms and conditions as it considers appropriate, to the members of the Company's management as it may determine; provided, however, that determinations and decisions regarding the Plan impacting Executive Officers may not be delegated and shall be made by the Committee. All references to "Committee" herein shall include those persons to whom the Committee has properly delegated authority and responsibility pursuant to this subsection.

8. Governing Law

The validity, interpretation and effect of any Plan, and the rights of all persons hereunder, shall be governed by and determined in accordance with the laws of the State of Delaware, other than the choice of law rules thereof.

Exhibit 1

Dell Inc. Incentive Bonus Plan

DELL INC. INCENTIVE BONUS PLAN

Dell Inc., a Delaware corporation, adopts this Dell Inc. Incentive Bonus Plan for the purpose of rewarding team members for helping the company meet or exceed its pre-defined performance goals, for delivering strong individual performance over the course of our fiscal year, and for acting in a manner consistent with the mission and values of the Company. The terms of the Dell Inc. Annual Bonus Plan are incorporated herein by reference. In the event of any conflict between the terms of the Dell Inc. Incentive Bonus Plan and the Dell Inc. Annual Bonus Plan, the terms of the Dell Inc. Annual Bonus Plan shall control.

1. Definitions

As used herein, the following terms shall have the respective meanings indicated:

"Business Performance Modifier", if any, shall mean a percentage modifier based on the Company's or business unit's performance against the pre-established financial and/or non-financial metrics and strategic objectives as determined by the CEO and Committee on an annual basis.

"Incentive Bonus" shall mean an Annual Bonus payable hereunder pursuant to Section 2 of the Corporate IBP and calculated in accordance with Section 3 of the Corporate IBP.

"Corporate IBP" shall mean the Dell Inc. Incentive Bonus Plan.

"Corporate IBP Pool" shall mean the aggregate amount of bonus for a Plan Year that is payable to Eligible Employees under the Corporate IBP.

"Incentive Target" shall mean, for each Eligible Employee, a pre-determined percentage of Eligible Earnings.

"Individual Performance Modifier", if any, shall mean a percentage modifier based on an Eligible Employee's achievement of (1) the goals and objectives assigned by the Eligible Employee's manager and (2) such performance objectives and expectations as established by the Committee. An Individual Performance Modifier may be measured on an absolute basis or in relation to other employees.

2. Eligibility

Eligibility under this Corporate IBP for an Annual Bonus is limited to Eligible Employees designated by the Committee in its sole and absolute discretion as eligible for such award. No employee is an Eligible Employee until such designation. Any Incentive Bonus payable to Eligible Employees who are both US persons and who perform services in the US, that are not paid as a result of a termination of employment prior to final payment of all individual awards will be returned to the overall Bonus Pool and redistributed to remaining US Eligible Employees to the extent necessary to meet any minimum bonus commitment established before the end of the Plan Year.

3. Incentive Bonus Calculation

Eligible Employees will receive an Incentive Bonus calculated as follows:

Eligible Earnings x Incentive Target x Business Performance Modifier, if any x Individual Performance Modifier, if any

Exhibit 10.2

DELL TECHNOLOGIES INC.

Amended and Restated
Compensation Program for Independent Non-Employee Directors

Each independent non-employee member (a "director") of the Board of Directors ("Board") of Dell Technologies Inc. (the "Company") shall be entitled to the payments described below while serving as a director on the Board. Other directors of the Board shall receive no compensation for their Board service. Any director compensation policies enacted from time to time hereafter are deemed to be incorporated herein upon their effective date, except as otherwise provided therein.

EFFECTIVE DATE: [________], 2020

ANNUAL COMPENSATION:

- Annual Board Retainer: $325,000, payable as follows:
  - $100,000 in cash (the "Annual Cash Retainer"), unless the independent non-employee director (hereafter, a "director") makes a timely election to receive all or a portion of the Annual Cash Retainer in the form of deferred stock units over Class C common stock of the Company ("Class C Shares," and such units, "DSUs"), Class C Shares ("Stock") or a combination thereof (in each case subject to the limitations described below), and
  - $225,000 (the "Annual Equity Retainer") in restricted stock units that settle in Class C Shares ("DTAs"), unless the director makes a timely election to receive all or a portion of the DTAs as DSUs (subject to the limitations described below), in which case the director shall receive DSUs in lieu of such DTAs (in whole or in part).

- Committee Chair Retainers: $25,000, all payable in cash unless the director makes a timely election to receive all or a portion of such payment in DSUs, Stock or a combination thereof (in each case subject to the limitations described below), in which case the director shall receive the form or forms of award elected, in lieu of such cash payment (in whole or in part).
- All of the foregoing equity-based awards will be granted under the Dell Technologies Inc. 2013 Stock Incentive Plan, as amended and restated from time to time (the "Plan"), with all awards being granted annually. The equity awards are subject to vesting as described below, to the extent applicable.

TIMING OF ELECTIONS:

- Generally: Elections to receive DSUs, Stock or a combination thereof must be made prior to the beginning of the calendar year to which they relate.
- New directors: Each new director may make an election to receive DSUs, Stock or a combination thereof within 30 days after becoming a director, but this election will only apply to the portion of the Annual Board Retainer or Committee Chair Retainer (if applicable) earned after the date of the election.
- Once the calendar year to which a director's elections relate commences, all elections are irrevocable with respect to that year. A director may submit a new election for each subsequent calendar year prior to the beginning of that calendar year (and, if no new elections are submitted, the current elections will remain in effect for subsequent years as provided in the election form).

<u>INDIVIDUAL COMPENSATION ELECTIONS</u>:

- Directors may elect the forms of payment of their compensation on an individual basis.
- Elections must be made in multiples as follows:
  - Allocation of the Annual Cash Retainer among DSUs, Stock and cash (including a combination thereof) must be made in each case in multiples of 25% (up to a maximum of 100%).
  - Allocation of the Annual Equity Retainer to DSUs must be made in multiples of 25% (up to a maximum of 100%).
  - Allocation of the Committee Chair Retainer among DSUs, Stock and cash (including a combination thereof) must be made in each case in multiples of 25% (up to a maximum of 100%).

ANNUAL BOARD RETAINER SUMMARY

Payment Form	Maximum Allocation	Payment Timing /Transfer Restrictions	Vesting+	Default Form of Payment?
Cash	$100,000	Lump sum following annual shareholders meeting. A director appointed other than pursuant to election at the annual meeting shall be entitled to pro-rated payment of the annual retainer fee for the partial year of service, payable in a lump sum upon his or her commencement of service on the Board.	Not applicable	Yes (for $100,000 of the $325,000 retainer)
DTAs	$225,000*	Granted on or after the date of the Company's annual shareholders meeting and settling in Class C Shares following vesting. A director appointed other than pursuant to election at the annual meeting shall be entitled to the pro-rated portion of the annual DTA grant for the partial year of service, payable on or after his or her commencement of service on the Board. The Class C Shares previously received in settlement of the DTAs are subject to certain restrictions as set forth in the Company's Second Amended and Restated Management Stockholders Agreement.	Cliff vesting after one year	Yes (for $225,000 of the $325,000 retainer)
DSUs	$325,000*	Granted on or after the date of the Company's annual shareholders meeting (or, if a director is appointed other than pursuant to election at the annual meeting, at a time following such appointment determined by the Board that is compliant with Internal Revenue Code Section 409A) and settled in Class C Shares on the earlier of (i) the termination of service as a director for any reason and (ii) a Change in Control (as defined in the Plan) that also constitutes a "change in control event" under Internal Revenue Code Section 409A regulations.	Cliff vesting after one year.	No (Director may elect to receive all or a portion of each of the Annual Cash Retainer and the DTAs as DSUs)
Stock	$100,000*	Granted on or after the date of the Company's annual shareholders meeting (or, if a director is appointed other than pursuant to election at the annual meeting, at a time following such appointment determined by the Board that is compliant with Internal Revenue Code Section 409A).	Fully vested upon issuance.	No (Director may elect to receive all or a portion of the Annual Cash Retainer as Stock)

*The actual number of DTAs, DSUs and/or shares of Stock that will be granted will be determined by dividing the portion of the Annual Board Retainer allocated to such award by the fair market value of Class C Shares.

+ Upon the director's termination from the Board:

- Vesting of unvested awards is fully accelerated in event of death, permanent disability or a termination without Cause (as defined in the Plan).

- All unvested equity awards are forfeited upon termination for Cause (as defined in the Plan).
- Vested Options (as defined in the Plan) granted to directors under prior independent non-employee director compensation program will remain exercisable until the earliest of (i) the nine-month anniversary of the date of termination, (ii) the expiration of the Option's 10-year term and (iii) the date on which the director is terminated for Cause (as defined in the Plan).

+ All outstanding DTAs and DSUs will vest on a Change in Control (as defined in the Plan).

COMMITTEE CHAIR RETAINER SUMMARY

Payment Form	**Maximum Allocation**	**Payment Timing**	**Vesting+**	**Default Form of Payment?**
Cash	100%	Lump sum following annual meeting.	Not applicable	Yes
DSUs	100%	Settled in Class C Shares on the earlier of (i) the termination of service as a director for any reason and (ii) a Change in Control (as defined in the Plan) that also constitutes a "change in control event" under Internal Revenue Code Section 409A regulations.	Cliff vesting after one year*	No (Director may elect to receive all or a portion of the Committee Chair Retainer as DSUs)
Stock	100%	Granted on or after the date of the Company's annual shareholders meeting (or, if a director is appointed other than pursuant to election at the annual meeting, at a time following such appointment determined by the Board that is compliant with Internal Revenue Code Section 409A).	Fully vested upon issuance.	No (Director may elect to receive all or a portion of the Committee Chair Retainer as Stock)

* See Annual Board Retainer Summary for how the number of DSUs or shares of Stock granted is determined.

+ See Annual Board Retainer Summary for vesting of DSUs upon termination and Change in Control (as defined in the Plan).

The Company does not pay any Board retainers or fees or provide any Board equity grants not set forth above. These retainers, fees, or grants may be modified or adjusted from time to time as determined by the Board.

This Amended and Restated Compensation Program for Independent Non-Employee Directors supersedes all prior agreements or policies concerning director compensation.

Exhibit 31.1

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) 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
   (d) 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.

June 8, 2020

/s/ MICHAEL S. DELL

Michael S. Dell

Chairman and Chief Executive Officer

Exhibit 31.2

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) 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

   (d) 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.

June 8, 2020

/s/ THOMAS W. SWEET

Thomas W. Sweet

Executive Vice President and Chief Financial Officer

Exhibit 32.1

**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 three months ended May 1, 2020, 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.

June 8, 2020	/s/ MICHAEL S. DELL
	Michael S. Dell
	Chairman and Chief Executive Officer
June 8, 2020	/s/ THOMAS W. SWEET
	Thomas W. Sweet
	Executive Vice President and Chief Financial Officer