

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 October 28, 2016

or

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

For the transition period from _____ to _____

Commission file number: 001-37867

Dell Technologies Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

80-0890963

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

One Dell Way, Round Rock, Texas 78682

(Address of principal executive offices) (Zip Code)

1-800-289-3355

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report.)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of December 5, 2016, there were 784,615,686 shares of the registrant's common stock outstanding, consisting of 216,122,097 outstanding shares of Class V Common Stock, 409,905,538 outstanding shares of Class A Common Stock, 136,986,858 outstanding shares of Class B Common Stock, and 21,601,193 outstanding shares of Class C Common Stock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The words "may," "will," "anticipate," "estimate," "expect," "intend," "plan," "aim," "seek" and similar expressions as they relate to us or our management are intended to identify these forward-looking statements. All statements by us regarding our expected financial position, revenues, cash flows and other operating results, business strategy, legal proceedings, and similar matters are forward-looking statements. Our expectations expressed or implied in these forward-looking statements may not turn out to be correct. Our results could be materially different from our expectations because of various risks, including the risks described in this report, in the sections titled "Risk Factors - Risk Factors Relating to the Combined Company" and "Risk Factors — Risk Factors Relating to Denali, Dell and EMC — Risk Factors Relating to Denali and Dell" of the proxy statement/prospectus dated June 6, 2016 forming part of our registration statement on Form S-4 (Registration No. 333-208524), and in our periodic and current reports filed with the Securities and Exchange Commission. Any forward-looking statement speaks only as of the date as of which such statement is made, and, except as required by law, we undertake no obligation to update any forward-looking statement after the date as of which such statement was made, whether to reflect changes in circumstances or our expectations, the occurrence of unanticipated events, or otherwise.

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PART I — FINANCIAL INFORMATION

ITEM 1 — FINANCIAL STATEMENTS

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

	ASSETS	October 28, 2016	January 29, 2016
Current assets:			
Cash and cash equivalents	\$ 8,822	\$ 6,322	6,322
Short-term investments	1,857	—	—
Accounts receivable, net	8,830	4,887	4,887
Short-term financing receivables, net	3,049	2,915	2,915
Inventories, net	3,504	1,619	1,619
Other current assets	4,441	3,497	3,497
Current assets held for sale	5,904	4,333	4,333
Total current assets	<u>36,407</u>	<u>23,573</u>	<u>23,573</u>
Property, plant, and equipment, net	5,805	1,649	1,649
Long-term investments	4,285	114	114
Long-term financing receivables, net	2,390	2,177	2,177
Goodwill	38,840	8,406	8,406
Intangible assets, net	36,571	8,577	8,577
Other non-current assets	1,334	626	626
Total assets	<u>\$ 125,632</u>	<u>\$ 45,122</u>	<u>\$ 45,122</u>
LIABILITIES, REDEEMABLE SHARES, AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Short-term debt	\$ 8,388	\$ 2,981	2,981
Accounts payable	14,644	12,881	12,881
Accrued and other	7,445	4,217	4,217
Short-term deferred revenue	9,215	3,632	3,632
Current liabilities held for sale	1,677	1,599	1,599
Total current liabilities	<u>41,369</u>	<u>25,310</u>	<u>25,310</u>
Long-term debt (Note 8)	47,284	10,650	10,650
Long-term deferred revenue	7,907	4,089	4,089
Other non-current liabilities	9,066	3,501	3,501
Total liabilities	<u>105,626</u>	<u>43,550</u>	<u>43,550</u>
Commitments and contingencies (Note 12)			
Redeemable shares	187	106	106
Stockholders' equity:			
Common stock and capital in excess of \$.01 par value (Note 17)	19,925	5,727	5,727
Treasury stock at cost	(175)	—	—
Accumulated deficit	(5,366)	(3,937)	(3,937)
Accumulated other comprehensive loss	(504)	(324)	(324)
Total Dell Technologies Inc. stockholders' equity	<u>13,880</u>	<u>1,466</u>	<u>1,466</u>
Non-controlling interests	5,939	—	—
Total stockholders' equity	<u>19,819</u>	<u>1,466</u>	<u>1,466</u>
Total liabilities, redeemable shares, and stockholders' equity	<u>\$ 125,632</u>	<u>\$ 45,122</u>	<u>\$ 45,122</u>

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

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net revenue:				
Products	\$ 12,366	\$ 10,638	\$ 33,510	\$ 32,100
Services	3,881	2,036	8,058	6,132
Total net revenue	<u>16,247</u>	<u>12,674</u>	<u>41,568</u>	<u>38,232</u>
Cost of net revenue:				
Products	10,562	9,328	28,856	28,355
Services	1,786	1,214	4,284	3,744
Total cost of net revenue	<u>12,348</u>	<u>10,542</u>	<u>33,140</u>	<u>32,099</u>
Gross margin	3,899	2,132	8,428	6,133
Operating expenses:				
Selling, general, and administrative	4,556	1,943	8,647	5,849
Research and development	855	267	1,365	772
Total operating expenses	<u>5,411</u>	<u>2,210</u>	<u>10,012</u>	<u>6,621</u>
Operating loss	(1,512)	(78)	(1,584)	(488)
Interest and other, net	(794)	(203)	(1,362)	(600)
Loss from continuing operations before income taxes	(2,306)	(281)	(2,946)	(1,088)
Income tax benefit	(669)	(17)	(623)	(88)
Net loss from continuing operations	(1,637)	(264)	(2,323)	(1,000)
Income (loss) from discontinued operations, net of income taxes	(438)	84	875	51
Net loss	(2,075)	(180)	(1,448)	(949)
Less: Net loss attributable to non-controlling interests	(11)	—	(12)	—
Net loss attributable to Dell Technologies Inc.	<u>\$ (2,064)</u>	<u>\$ (180)</u>	<u>\$ (1,436)</u>	<u>\$ (949)</u>
Earnings (loss) per share attributable to Dell Technologies Inc. - basic:				
Continuing operations - Class V Common Stock - basic	\$ 0.79	\$ —	\$ 0.79	\$ —
Continuing operations - DHI Group - basic	\$ (3.62)	\$ (0.65)	\$ (5.70)	\$ (2.47)
Discontinued operations - DHI Group - basic	\$ (0.88)	\$ 0.21	\$ 2.01	\$ 0.13
Earnings (loss) per share attributable to Dell Technologies Inc. - diluted:				
Continuing operations - Class V Common Stock - diluted	\$ 0.78	\$ —	\$ 0.78	\$ —
Continuing operations - DHI Group - diluted	\$ (3.63)	\$ (0.65)	\$ (5.70)	\$ (2.47)
Discontinued operations - DHI Group - diluted	\$ (0.88)	\$ 0.21	\$ 2.01	\$ 0.13

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		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net loss	\$ (2,075)	\$ (180)	\$ (1,448)	\$ (949)
<i>Other comprehensive income (loss), net of tax</i>				
Foreign currency translation adjustments	(256)	(21)	(214)	(68)
Investments:				
Change in unrealized losses	(5)	—	(5)	—
Reclassification adjustment for net (gains) losses realized in net loss	—	—	—	—
Net change in market value of investments	(5)	—	(5)	—
Cash flow hedges:				
Change in unrealized gains (losses)	82	12	(25)	72
Reclassification adjustment for net (gains) losses included in net loss	(17)	(39)	64	(311)
Net change in cash flow hedges	65	(27)	39	(239)
Total other comprehensive loss, net of tax benefit (expense) of \$(3) and \$4, respectively and \$2 and \$12, respectively	(196)	(48)	(180)	(307)
Comprehensive loss, net of tax	(2,271)	(228)	(1,628)	(1,256)
Less: Net loss attributable to non-controlling interests	(11)	—	(12)	—
Less: Other comprehensive income (loss) attributable to non-controlling interests	—	—	—	—
Comprehensive loss attributable to Dell Technologies Inc.	\$ (2,260)	\$ (228)	\$ (1,616)	\$ (1,256)

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

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

	Nine Months Ended	
	October 28, 2016	October 30, 2015
Cash flows from operating activities:		
Net loss	\$ (1,448)	\$ (949)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,897	2,156
Stock-based compensation expense	183	53
Effects of exchange rate changes on monetary assets and liabilities denominated in foreign currencies	52	84
Deferred income taxes	(2,036)	(403)
Provision for doubtful accounts — including financing receivables	80	115
Other	170	75
Changes in assets and liabilities, net of effects from acquisitions:		
Accounts receivable	(1,156)	(75)
Financing receivables	(253)	(330)
Inventories	152	159
Other assets	(65)	51
Accounts payable	968	(269)
Deferred revenue	1,019	666
Accrued and other liabilities	983	(142)
Change in cash from operating activities	<u>1,546</u>	<u>1,191</u>
Cash flows from investing activities:		
Investments:		
Purchases	(511)	(26)
Maturities and sales	561	1
Capital expenditures	(417)	(340)
Proceeds from sale of facilities, land, and other assets	24	88
Capitalized software development costs	(85)	—
Collections on purchased financing receivables	31	71
Acquisition of businesses, net of cash acquired	(37,614)	—
Divestitures of businesses, net of cash transferred	—	8
Other	(48)	—
Change in cash from investing activities	<u>(38,059)</u>	<u>(198)</u>

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

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

	Nine Months Ended	
	October 28, 2016	October 30, 2015
Cash flows from financing activities:		
Payment of dissenting shares obligation	(446)	—
Proceeds from the issuance of DHI Group Common Stock	4,404	—
Proceeds from the issuance of common stock of subsidiaries	1	—
Repurchases of DHI Group Common Stock	(10)	—
Repurchases of Class V Common Stock	(132)	—
Repurchases of common stock of subsidiaries	(611)	—
Contributions from non-controlling interests, net	100	—
Issuance of common stock under employee plans	—	2
Payments for debt issuance costs	(849)	(10)
Proceeds from debt	45,986	4,893
Repayments of debt	(9,638)	(5,208)
Other	5	2
Change in cash from financing activities	<u>38,810</u>	<u>(321)</u>
Effect of exchange rate changes on cash and cash equivalents	31	(88)
Change in cash and cash equivalents	2,328	584
Cash and cash equivalents at beginning of the period, including amounts held for sale	6,576	5,398
Cash and cash equivalents at end of the period	<u>\$ 8,904</u>	<u>\$ 5,982</u>
Less: Cash included in current assets held for sale	82	328
Cash and cash equivalents from continuing operations	<u>\$ 8,822</u>	<u>\$ 5,654</u>

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

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

	Common Stock and Capital in Excess of Par Value		Treasury Stock		Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Dell Technologies Stockholders' Equity	Non-Controlling Interest	Total Stockholders' Equity
	Issued Shares	Amount	Shares	Amount					
Balances as of January 29, 2016	405	\$ 5,727	—	\$ —	\$ (3,937)	\$ (324)	\$ 1,466	\$ —	\$ 1,466
Net loss	—	—	—	—	(1,436)	—	(1,436)	(12)	(1,448)
Foreign currency translation adjustments	—	—	—	—	—	(214)	(214)	—	(214)
Investments, net change	—	—	—	—	—	(5)	(5)	—	(5)
Cash flow hedges, net change	—	—	—	—	—	39	39	—	39
Non-controlling interests assumed	—	—	—	—	—	—	—	6,097	6,097
Issuance of common stock	386	14,468	—	—	—	—	14,468	—	14,468
Stock-based compensation expense	—	183	—	—	—	—	183	—	183
Tax benefit from share-based compensation	—	2	—	—	—	—	2	—	2
Treasury stock repurchases	—	—	4	(175)	—	—	(175)	—	(175)
Redeemable shares	—	(81)	—	—	—	—	(81)	—	(81)
Impact from equity transactions of non-controlling interest	—	(361)	—	—	—	—	(361)	(146)	(507)
Other	—	(13)	—	—	7	—	(6)	—	(6)
Balances as of October 28, 2016	791	\$ 19,925	4	\$ (175)	\$ (5,366)	\$ (504)	\$ 13,880	\$ 5,939	\$ 19,819

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

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

Common Stock and Capital in Excess of Par Value			Retained Earnings/ (Accumulated Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total Stockholders' Equity
Issued Shares	Amount				
Balances as of January 30, 2015	405	\$ 5,708	\$ (2,833)	\$ 29	\$ 2,904
Net loss	—	—	(949)	—	(949)
Foreign currency translation adjustments	—	—	—	(68)	(68)
Cash flow hedges, net change	—	—	—	(239)	(239)
Issuance of common stock	—	—	—	—	—
Stock-based compensation expense	—	53	—	—	53
Revaluation of redeemable shares	—	(12)	—	—	(12)
Balances as of October 30, 2015	405	\$ 5,749	\$ (3,782)	\$ (278)	\$ 1,689

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

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

NOTE 1 — EMC MERGER TRANSACTION, OTHER TRANSACTIONS AND BASIS OF PRESENTATION

EMC Merger Transaction — On September 7, 2016, EMC Corporation, a Massachusetts corporation ("EMC"), became a wholly-owned subsidiary of Dell Technologies Inc. ("the Company") as a result of the merger of Universal Acquisition Co., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), with and into EMC, with EMC surviving as a wholly-owned subsidiary of the Company (the "EMC merger transaction"). The EMC merger transaction was effected pursuant to the Agreement and Plan of Merger, dated as of October 12, 2015, by and among the Company, Dell Inc., a Delaware corporation ("Dell"), Merger Sub, and EMC, as amended by the First Amendment to Agreement and Plan of Merger, dated as of May 16, 2016, by and among the Company, Dell, Merger Sub, and EMC. See Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on the EMC merger transaction.

Divestitures — On March 27, 2016, Dell entered into a definitive agreement with NTT Data International L.L.C. to divest substantially all of Dell Services for cash consideration of approximately \$3.0 billion. On June 19, 2016, Dell entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to divest substantially all of Dell Software Group ("DSG") for cash consideration of approximately \$2.4 billion. On September 12, 2016, EMC entered into a definitive agreement with OpenText Corporation to divest the Dell EMC Enterprise Content Division ("ECD") for cash consideration of approximately \$1.6 billion. In accordance with applicable accounting guidance, the results of Dell Services, DSG, and ECD are presented as discontinued operations in the Condensed Consolidated Statements of Income (Loss) and, as such, have been excluded from both continuing operations and segment results for all periods presented. Further, the Company has reclassified the related assets and liabilities as held for sale in the accompanying Condensed Consolidated Statements of Financial Position. See Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information.

SecureWorks Initial Public Offering — On April 27, 2016, SecureWorks Corp. ("SecureWorks") completed a registered underwritten initial public offering ("IPO") of its Class A common stock. As of October 28, 2016, the Company held approximately 87.5% of the outstanding equity interest in SecureWorks. The results of the SecureWorks operations are included in other businesses. See Note 15 and Note 20 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information.

Going-Private Transaction — On October 29, 2013, Dell was acquired by Denali Holding Inc. (which changed its name to Dell Technologies Inc. on August 25, 2016) in a merger transaction pursuant to an agreement and plan of merger, dated as of February 5, 2013, as amended. Dell Technologies is a Delaware corporation owned by Michael S. Dell and a separate property trust for the benefit of Mr. Dell's wife (the "MD Stockholders"), investment funds affiliated with Silver Lake Partners (the "SLP Stockholders"), investment funds affiliated with MSD Partners, L.P. (the "MSDC Stockholders"), members of Dell's management, and other investors. Mr. Dell serves as Chairman and Chief Executive Officer of Dell Technologies and Dell.

Basis of Presentation — The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, the accompanying Condensed Consolidated Financial Statements reflect all adjustments of a normal recurring nature considered necessary to fairly state the financial position of Dell Technologies Inc. (individually and together with its consolidated subsidiaries, "the Company" or "Dell Technologies") as of October 28, 2016 and January 29, 2016, the results of its operations and corresponding comprehensive income (loss) for the three and nine months ended October 28, 2016 and October 30, 2015, and its cash flows for the nine months ended October 28, 2016 and October 30, 2015. The accompanying Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Audited Consolidated Financial Statements and accompanying Notes for the fiscal year ended January 29, 2016 ("Fiscal 2016") included in the proxy statement/prospectus dated June 6, 2016 forming part of the Company's registration statement on Form S-4 (Registration No. 333-208524).

As a result of the EMC merger transaction completed on September 7, 2016, the Company's results for the fiscal periods reflected in the accompanying Unaudited Condensed Consolidated Financial Statements are not directly comparable. The results of the businesses acquired in the EMC merger transaction (the "acquired businesses") are included in the consolidated results of Dell Technologies for the three and nine months ended October 28, 2016, and represent the results of the acquired businesses from September 7, 2016, the date of the EMC merger transaction, through October 28, 2016, the end of the third

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

fiscal quarter of Dell Technologies. The results of the acquired businesses will be reported on the basis of Dell Technologies' fiscal year end to align with the fiscal periods for which Dell Technologies reports its results.

The standalone results of VMware, Inc. ("VMware") will continue to be publicly reported on a calendar year end basis through the end of December 31, 2016, after which VMware will effect a change in its year end, and will be publicly reported on the basis of Dell Technologies' fiscal year end beginning February 4, 2017, to align with the fiscal periods for which Dell Technologies reports its results.

The Dell Technologies balance sheet reflects the full consolidation of EMC's assets and liabilities as a result of the close of the EMC merger transaction on September 7, 2016. The Company's purchase accounting remains preliminary as contemplated by GAAP and, as a result, there may be upon further review future changes to the value and allocation of the acquired assets, liabilities assumed, associated amortization expense, and goodwill. These changes may be material.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's Condensed Consolidated Financial Statements and the accompanying Notes. Actual results could differ materially from those estimates. The results of operations, comprehensive income (loss), and cash flows for the three and nine months ended October 28, 2016 and October 30, 2015 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 ending February 3, 2017 ("Fiscal 2017") will be a 53-week period.

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

NOTE 2 — INTERIM UPDATE TO SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following interim update to the Company's significant accounting policies reflects the changes as a result of the EMC merger transaction.

Principles of Consolidation — These consolidated financial statements include the accounts of Dell Technologies and its wholly-owned subsidiaries, as well as the accounts of SecureWorks, VMware, and Pivotal Software Inc. ("Pivotal"), companies which are majority-owned by Dell Technologies. All intercompany transactions have been eliminated.

On April 27, 2016, SecureWorks completed a registered underwritten IPO of its Class A common stock. As of October 28, 2016, Dell Technologies held approximately 87.5% of the outstanding equity interest in SecureWorks. Since the date of the IPO, the financial results of SecureWorks remain consolidated with those of Dell Technologies as Dell Technologies is the controlling stockholder of SecureWorks. The portion of the results of operations of SecureWorks allocable to its other owners is shown as net income attributable to the non-controlling interests in the Condensed Consolidated Statements of Income (Loss), as an adjustment to net income attributable to Dell Technologies stockholders. Additionally, the cumulative portion of the results of operations of SecureWorks allocable to its other owners, along with the interest in the net assets of SecureWorks attributable to those other owners, is shown as a component of non-controlling interests in the Condensed Consolidated Statements of Financial Position.

As of October 28, 2016, Dell Technologies held approximately 83.3% of the outstanding equity interest in VMware. VMware's financial results have been consolidated with those of Dell Technologies as Dell Technologies is VMware's controlling stockholder. The results of VMware presented in the accompanying Condensed Consolidated Financial Statements represent the results of the acquired businesses from September 7, 2016, the date of the EMC merger transaction, through October 28, 2016, the end of the third fiscal quarter of Dell Technologies. The portion of the results of operations of VMware allocable to its other owners is shown as net income attributable to the non-controlling interests in the Condensed Consolidated Statements of Income (Loss) as an adjustment to net income attributable to Dell Technologies stockholders. Additionally, the cumulative portion of the results of operations of VMware allocable to its other owners, along with the interest in the net assets of VMware attributable to those other owners, is shown as a component of non-controlling interests in the Condensed Consolidated Statements of Financial Position as of October 28, 2016.

As of October 28, 2016, Dell Technologies held approximately 77.4% of the outstanding equity interest in Pivotal. Pivotal's financial results have been consolidated with those of Dell Technologies as Dell Technologies is Pivotal's controlling stockholder. The results of Pivotal presented in the accompanying Condensed Consolidated Financial Statements represent the results of the acquired businesses from September 7, 2016, the date of the EMC merger transaction, through October 28, 2016, the end of the third fiscal quarter of Dell Technologies. A portion of the non-controlling interest in Pivotal is held by third parties in the form of a preferred equity instrument. Accordingly, there is no net income attributable to this non-controlling interest in the Condensed Consolidated Statements of Income (Loss). The portion of the results of operations of Pivotal allocable to its other owners, whose interests are held in the form of common stock, and the interest in the net assets of Pivotal attributable to those other owners are shown as net income attributable to the non-controlling interest in the Condensed Consolidated Statements of Income (Loss) as an adjustment to net income attributable to Dell Technologies stockholders, and as component of non-controlling interests in the Condensed Consolidated Statements of Financial Position as of October 28, 2016, respectively.

Investments — All debt security investments with remaining maturities in excess of one year and substantially all equity and other securities are recorded as long-term investments in the Condensed Consolidated Statements of Financial Position. In comparison, debt security instruments with a remaining maturity shorter than one year are classified as short-term investments in the Condensed Consolidated Statements of Financial Position.

Unrealized gains and temporary loss positions on investments classified as available-for-sale are included within accumulated other comprehensive income (loss), net of any related tax effect. Upon realization, those amounts are reclassified from accumulated other comprehensive income (loss) to interest and other, net. Realized gains and losses and other-than-temporary impairments are reflected in the consolidated income statement in interest and other, net. Investments accounted for under the cost method are measured at fair value initially. Subsequently, when there is an indicator of impairment, the impairment is recognized.

DELL TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Revenue Recognition — Net revenue primarily includes sales of hardware, services, software licenses, and peripherals. The Company recognizes revenue for these products and services when it is realized or realizable and earned. Revenue is recognized when persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the Company's fee to its customer is fixed or determinable; and collection of the resulting receivable is reasonably assured. This policy is applicable to all sales, including sales to resellers and end-users.

Revenue from third-party software sales and extended warranties for third-party products, for which the Company does not meet the criteria for gross revenue recognition, is recognized on a net basis. All other revenue is recognized on a gross basis.

Services revenue and cost of services revenue captions in the Consolidated Statements of Income (Loss) include the Company's services, third-party software revenue, and support services related to the Company-owned software offerings.

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

Products

Product revenue consists of computer hardware, enterprise hardware, and software licenses sales that are delivered, sold as a subscription or sold on a consumption basis. Computer hardware and enterprise hardware include notebooks and desktop PCs, servers, storage hardware, and other hardware-related devices. Software license sales include optional, stand-alone software applications. Software applications provide customers with resource management, backup and archiving, information security, information management and intelligence, data analytics and server virtualization capabilities. Revenue from the sale of hardware products and systems is recognized when title and risk of loss pass to the customer. Delivery is considered complete when products have been shipped to the Company's customer, title and risk of loss have transferred to the customer, and customer acceptance has been satisfied. Customer acceptance is satisfied if acceptance is obtained from the customer, if all acceptance provisions lapse, or if the Company has evidence that all acceptance provisions have been satisfied. Depending on the nature of the arrangement, software license sales is generally recognized upon shipment or electronic delivery. For certain arrangements, revenue is recognized based on usage or ratably over the term of the arrangement. License revenue from royalty arrangements is recognized upon either receipt of royalty reports or payments from third parties.

The Company records reductions to revenue for estimated customer sales returns, rebates, and certain other customer incentive programs. These reductions to revenue are made based upon reasonable and reliable estimates that are determined by historical experience, contractual terms, and current conditions. The primary factors affecting the Company's accrual for estimated customer returns include estimated return rates as well as the number of units shipped that have a right of return that has not expired as of the balance sheet date. If returns cannot be reliably estimated, revenue is not recognized until a reliable estimate can be made or the return right lapses.

The Company sells its products directly to customers as well as through other distribution channels, such as retailers, distributors, and resellers. The Company recognizes revenue on these sales when the reseller has economic substance apart from the Company; any credit risk has been identified and quantified; title and risk of loss have passed to the sales channel; the fee paid to the Company is not contingent upon resale or payment by the end user; and the Company has no further obligations related to bringing about resale or delivery.

Sales through the Company's distribution channels are primarily made under agreements allowing for limited rights of return, price protection, rebates, and marketing development funds. The Company has generally limited return rights through contractual caps or has an established selling history for these arrangements. Therefore, there is sufficient data to establish reasonable and reliable estimates of returns for the majority of these sales. To the extent price protection or return rights are not limited and a reliable estimate cannot be made, all of the revenue and related costs are deferred until the product has been sold to the end-user or the rights expire. The Company records estimated reductions to revenue or an expense for distribution channel programs at the later of the offer or the time revenue is recognized.

The Company defers the cost of shipped products awaiting revenue recognition until revenue is recognized.

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Services

Services revenue consists of hardware and software maintenance, installation services, professional services, training revenue, third-party software revenue, and software sold as a service. The Company recognizes revenue from fixed-price support or maintenance contracts sold for both hardware and software ratably over the contract period and recognizes the costs associated with these contracts as incurred. For sales of extended warranties with a separate contract price, the Company defers revenue equal to the separately stated price. Revenue associated with undelivered elements is deferred and recorded when delivery occurs or services are provided. Revenue from extended warranty and service contracts, for which the Company is obligated to perform, is recorded as deferred revenue and subsequently recognized over the term of the contract on a straight-line basis or when the service is completed and the costs associated with these contracts are recognized as incurred.

Multiple Deliverables

When an arrangement has more than one element, such as hardware, software, and services contained in a single arrangement, the Company first allocates revenue based upon the relative selling price into two categories: (1) non-software components, such as hardware and any hardware-related items, such as required system software that functions with the hardware to deliver the essential functionality of the hardware and related post-contract customer support, software as a service subscriptions and other services; and (2) software components, such as optional software applications and related items, such as post-contract customer support and other services. The Company then allocates revenue within the non-software category to each element based upon its relative selling price using a hierarchy of vendor-specific objective evidence ("VSOE"), third-party evidence of selling price ("TPE"), or estimated selling prices ("ESP"), if VSOE or TPE does not exist. The Company allocates revenue within the software category to the undelivered elements based upon their fair value using VSOE, with the residual revenue allocated to the delivered elements. If the Company cannot objectively determine the VSOE of the fair value of any undelivered software element, it defers revenue for all software components until all elements are delivered and services have been performed, until fair value can objectively be determined for any remaining undelivered elements, or until software maintenance is the only undelivered element, in which case revenue is recognized over the maintenance term for all software elements.

The Company allocates the amount of revenue recognized for delivered elements to the amount that is not subject to forfeiture or refund or contingent on the future delivery of products or services.

Customers under software maintenance agreements are entitled to receive updates and upgrades on a when-and-if-available basis, and various types of technical support based on the level of support purchased. In the event specific features, functionality, entitlements, or the release version of an upgrade or new product have been announced but not delivered, and customers will receive that upgrade or new product as part of a current software maintenance contract, a specified upgrade is deemed created and product revenues are deferred on purchases made after the announcement date until delivery of the upgrade or new product. The amount and elements to be deferred are dependent on whether the Company has established VSOE of fair value for the upgrade or new product.

Other

The Company records revenue from the sale of equipment under sales-type leases as product revenue in an amount equal to the present value of minimum lease payments at the inception of the lease. Sales-type leases also produce financing income, which is included in net revenue in the Condensed Consolidated Statements of Income (Loss) and is recognized at consistent rates of return over the lease term. Revenue from operating leases is recognized over the lease period. The Company also offers qualified customers revolving credit lines for the purchase of products and services offered by the Company. Financing income attributable to these revolving loans is recognized in net revenue on an accrual basis.

The Company accrues for the estimated costs of systems' warranty at the time of sale. Systems' warranty costs are estimated based upon historical experience and specific identification of systems' requirements.

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The Company reports revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Deferred Revenue — Deferred revenue represents amounts received in advance for extended warranty services, deferred hardware, software maintenance, prepaid professional services, and unearned license fees, which are recognized ratably over the contract term as either product or services revenue depending on the nature of the item. The Company also has deferred revenue related to internally-developed software offerings, and deferred profit on third-party software offerings, which are generally recognized ratably over the contract term as either product or services revenue depending on the nature of the item.

Research and Development — Research and development ("R&D") costs are expensed as incurred. R&D costs include salaries and benefits and other personnel-related costs associated with product development. Also included in R&D expenses are infrastructure costs, which consist of equipment and material costs, facilities-related costs, depreciation expense, and intangible asset amortization.

Capitalized Software Development Costs — In accordance with the applicable accounting standards, software development costs related to the development of new product offerings are capitalized subsequent to the establishment of technological feasibility, which is demonstrated by the completion of a detailed program design or working model, if no program design is completed. GAAP requires that annual amortization expense of the capitalized software development costs be the greater of the amounts computed using the ratio of gross revenue to a product's total current and anticipated revenues, or the straight-line method over the product's remaining estimated economic life. Capitalized costs are amortized over periods ranging from eighteen months to two years which represents the product's estimated economic life.

Amounts capitalized for the period from September 7, 2016 through October 28, 2016 were \$85 million, and are included in other non-current assets, net in the accompanying Condensed Consolidated Statements of Financial Position. Amortization expense for the period from September 7, 2016 through October 28, 2016 was \$0.4 million. Prior to the EMC merger transaction, there were no significant capitalized software development costs specific to the legacy businesses of Dell Technologies Inc.

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers — In May 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance on the recognition of revenue from contracts with customers. The objective of the new standard is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance, including industry-specific guidance. The new standard requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB approved a one-year deferral of the effective date of this standard. Public entities are required to adopt the new standard for fiscal years, and interim periods within those years, beginning after December 15, 2017. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the method of adoption and the impact that the new standard will have on the Consolidated Financial Statements.

Presentation of Debt Issuance Costs — In April 2015, the FASB issued amended guidance which changes the classification of debt issuance costs in the Consolidated Statements of Financial Position. The new guidance requires debt issuance costs to be presented as a direct deduction from the carrying amount of the related debt liability consistent with the presentation of debt discounts, rather than as an asset. The guidance related to recognition and measurement of debt issuance costs remains unchanged. The Company implemented the new presentation in the nine months ended October 28, 2016 on a retrospective basis, and except for the reclassification of debt issuance costs of \$128 million as of January 29, 2016 in the accompanying Condensed Consolidated Statements of Financial Position, there was no other impact on the Consolidated Financial Statements.

Recognition and Measurement of Financial Assets and Financial Liabilities — In January 2016, the FASB issued amended guidance on Recognition and Measurement of Financial Assets and Financial Liabilities. The standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Public entities must adopt the new guidance for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently evaluating the impact that the standard will have on the Consolidated Financial Statements.

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

Improvements to Employee Share-Based Payment Accounting — In March 2016, the FASB issued amended guidance on the accounting for employee share-based payments. The topics that were amended in the update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Public entities must adopt the new guidance for fiscal years, and interim periods within those years, beginning after December 2016. The Company is currently evaluating the impact that the standard will have on the Consolidated Financial Statements.

Measurement of Credit Losses on Financial Instruments — In June 2016, the FASB issued amended guidance which replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Public entities must adopt the new guidance for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All entities may adopt the amendments in the new standard as of fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. However, earlier adoption is not permitted. The Company is currently evaluating the impact that the standard will have on the Consolidated Financial Statements.

Classification of Certain Cash Receipts and Cash Payments — In August 2016, the FASB issued amended guidance on the presentation and classification of eight specific cash flow issues with the objective of reducing existing diversity in practice. Public entities must adopt the new guidance for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. Companies should reflect any adjustments on a retrospective basis, if practicable; otherwise adoption is required to be applied as of the earliest date practicable. The Company is currently evaluating the timing of adoption as well as the impact that the standard will have on the Consolidated Financial Statements.

Intra-Entity Transfers of Assets Other Than Inventory — In October 2016, the FASB issued amended guidance on the accounting for income taxes. The new guidance requires companies to recognize the income tax effects of intra-entity asset transfers, other than transfers of inventory, when the transfer occurs instead of when the asset is sold to a third party, as current GAAP requires. Public entities must adopt the new guidance for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted at the beginning of an annual period. The new guidance is required to be applied retrospectively with the cumulative effect recognized as of the beginning of the period of adoption. The Company is currently evaluating the timing of adoption as well as the impact that the standard will have on the Consolidated Financial Statements.

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NOTE 3 — BUSINESS COMBINATIONS

EMC Merger Transaction

On September 7, 2016, EMC became a wholly-owned subsidiary of the Company as a result of the merger of Merger Sub with and into EMC, with EMC surviving as a wholly-owned subsidiary of the Company. The EMC merger transaction was effected pursuant to the Agreement and Plan of Merger, dated as of October 12, 2015, by and among the Company, Dell, Merger Sub, and EMC, as amended by the First Amendment to Agreement and Plan of Merger, dated as of May 16, 2016, by and among the Company, Dell, Merger Sub, and EMC.

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

The Class V Common Stock is a type of common stock commonly referred to as a tracking stock, which is a class of common stock that is intended to track the economic performance of a defined set of assets and liabilities. The approximately 223 million shares of Class V Common Stock issued by Dell Technologies on September 7, 2016 are intended to track the economic performance of approximately 65% of the Company's economic interest in the Class V Group as of the closing date of the EMC merger transaction. As of the closing date of the EMC merger transaction, the Class V Group, which consists of the Company's economic interest in the VMware business, consisted of approximately 343 million shares of common stock, par value \$0.01 per share, of VMware held by the Company. As of such date, the DHI Group retained approximately 35% of the Company's economic interest in the Class V Group. The DHI Group generally refers, in addition to such retained interest, to the direct and indirect interest of Dell Technologies in all of Dell Technologies' business, assets, properties, liabilities, and preferred stock other than those attributable to the Class V Group.

Although the Class V Common Stock is intended to track the performance of approximately 65% of the Company's economic interest in the VMware business as of the closing date of the EMC merger transaction, there can be no assurance that the market price of the Class V Common Stock will, in fact, reflect the performance of such economic interest. Holders of the Class V Common Stock are subject to all risks associated with an investment in Dell Technologies and all of its businesses, assets, and liabilities. The holders of the Class V Common Stock do not have any special rights related to, direct ownership interest in, or recourse against the assets and liabilities attributed to the Class V Group. While the Class V Group initially consists of the Company's economic interest in the shares of VMware common stock attributed to it, the Class V Group in the future may have different assets and liabilities attributed to it.

EMC, including its subsidiaries and affiliates, enables customers to build cloud-based infrastructures for existing applications while at the same time helping customers build and run new applications. EMC's businesses include Information Storage, VMware, Pivotal, RSA Information Security, and Virtustream. The EMC merger transaction represents a key element of the Company's strategy to provide the essential infrastructure for organizations to build their digital future, transform IT, and protect their most important asset, information. Revenues of approximately \$3.6 billion and net loss of approximately \$0.6 billion attributable to EMC were included in the Condensed Consolidated Statements of Income (Loss) from the transaction date to October 28, 2016. Both revenues and net loss attributable to EMC include the impact of purchase accounting as a result of the EMC merger transaction.

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Fair Value of Consideration Transferred

The following table summarizes the consideration transferred to effect the EMC merger transaction:

	Purchase Price (in millions)
<i>Consideration transferred:</i>	
Cash	\$ 47,694
Expense and other (a)	968
Class V Common Stock (b)	10,041
Total consideration transferred	58,703
Non-controlling interests (c)	6,097
Less: Post-merger stock compensation expense (d)	(800)
Total purchase price to allocate	<u>\$ 64,000</u>

- (a) Expense and other primarily consists of cash payment for post-merger stock compensation expense, as described in footnote (d), and the value related to pre-merger services of EMC equity awards converted to deferred cash awards
- (b) The fair value of the Class V Common Stock is based on the issuance of approximately 223 million shares with a per-share fair value of \$45.07 (the opening share price of the Class V Common Stock on the NYSE on September 7, 2016, the first day of trading), which shares are intended to track the economic performance of approximately 65% of the Company's economic interest in the VMware business, as of the closing date of the EMC merger transaction.
- (c) Non-controlling interests in VMware and Pivotal was \$6.1 billion as of September 7, 2016. The fair value of the non-controlling interest relating to VMware was calculated by multiplying outstanding shares of VMware common stock that were not owned by EMC by \$73.28 (the opening share price of VMware common stock on the NYSE on September 7, 2016). The fair value of the non-controlling interest relating to Pivotal was calculated based on the fair value of Pivotal, the ownership percentage of the non-controlling interests, and a discount for lack of control related to the non-controlling interest.
- (d) Pursuant to the guidelines of ASC 805, a portion of the consideration related to accelerated EMC equity awards was recorded as post-merger day one stock compensation expense. This expense is attributable to post-merger services not rendered due to the acceleration.

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Assets Acquired and Liabilities Assumed

The EMC merger transaction has been accounted for as a business combination under the acquisition method of accounting. The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed by major class as of the transaction date. Due to the timing of this acquisition, these amounts are preliminary estimates and subject to change. Any changes resulting from the facts and circumstances that existed as of the transaction date may result in retrospective adjustments to the preliminary amounts recognized at the transaction date. The Company expects to finalize these amounts as soon as practicable, but not later than one year from the transaction date.

	Preliminary Allocation
	(in millions)
<i>Preliminary purchase price allocation (a):</i>	
Current assets:	
Cash and cash equivalents	\$ 10,080
Short-term investments	1,765
Accounts receivable (b)	2,810
Short-term financing receivables	64
Inventories, net	1,993
Other current assets	903
Total current assets	17,615
Property, plant, and equipment	4,490
Long-term investments	4,317
Long-term financing receivables, net	65
Goodwill (c)	31,275
Purchased intangibles (d)	31,218
Other non-current assets	522
Total assets	\$ 89,502
Current liabilities:	
Short-term debt (e)	\$ 905
Accounts payable	728
Accrued and other	3,259
Short-term deferred revenue	4,954
Total current liabilities	9,846
Long-term debt (e)	5,474
Long-term deferred revenue	3,469
Deferred tax liabilities	6,389
Other non-current liabilities	324
Total liabilities	\$ 25,502
Total net assets	\$ 64,000

- (a) Includes amounts allocated to ECD, which were classified as held for sale as of October 28, 2016. See Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information on discontinued operations.
- (b) Accounts receivable is comprised primarily of customer trade receivables. As such, the fair value of accounts receivable approximates the net carrying value of \$2,810 million. The gross amount due is \$2,919 million, of which \$109 million is not expected to be collected.
- (c) The Company recorded \$31.3 billion in goodwill related to this transaction, which is primarily related to expected synergies from the transaction. This amount represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed associated with this transaction. This goodwill is not deductible for tax purposes. See Note 10 of the Notes to the Unaudited Condensed Consolidated Financial Statements for preliminary goodwill allocation by reportable segment.

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- (d) Identifiable intangible assets are required to be measured at fair value. The fair value of identifiable intangible assets is determined primarily using variations of the income approach, which is based on the present value of the future after-tax cash flows attributable to each identifiable intangible asset. Some of the more significant assumptions inherent in the development of intangible asset values, from the perspective of a market participant, include, but are not limited to, the amount and timing of projected future cash flows (including revenue and profitability); the discount rate selected to measure the risks inherent in the future cash flows; the assessment of the asset's life cycle; the competitive trends impacting the asset; technology migration factors; and customer turnover.
- (e) Deferred revenue represents the fair value of remaining performance obligations and was determined based on estimates of costs incurred to-date by the acquiree or costs to be incurred by the Company and a reasonable profit margin. Profit margins were determined based on comparable service provider margins, and the resulting profits were discounted using market participant discount rates to determine fair value.

The preliminary fair values of EMC's identifiable intangible assets and their weighted-average useful lives have been estimated as follows:

	Estimated Fair Value	Weighted Average Useful Life
	(in millions)	(in years)
Developed technology	\$ 13,460	6
Customer relationships	13,440	11
Trade names (Indefinite lived)	2,320	Indefinite
Trade names (Definite lived)	980	8
In-process research and development	890	Indefinite
Leasehold assets (liabilities)	128	25
Total identifiable intangible assets	\$ 31,218	

The total weighted-average amortization period for the intangible assets subject to amortization is 8 years.

Acquisition-related Costs

From inception through October 28, 2016, the Company incurred \$1.2 billion of acquisition-related costs in connection with the EMC merger transaction. Of this amount, \$0.8 billion are capitalized debt issuance costs which were primarily presented as a direct reduction of the carrying amount of the related debt liability in the Condensed Consolidated Statements of Financial Position. The remaining \$0.4 billion of costs were recognized in the Condensed Consolidated Statements of Income (Loss) for the periods presented as follows:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
Acquisition-related costs:				
Selling, general, and administrative expenses (a)	\$ 211	\$ 11	\$ 252	\$ 11
Interest and other, net (b)	98	—	98	—
Total	\$ 309	\$ 11	\$ 350	\$ 11

(a) Acquisition-related costs recognized in selling, general, and administrative expenses primarily consist of advisory fees.

(b) Acquisition-related costs recognized in interest and other, net consist of expensed debt issuance costs.

In addition to the acquisition-related costs disclosed above, the Company incurred \$0.8 billion in stock-based compensation charges related to the acceleration of vesting on EMC stock awards, and \$0.1 billion in special retention cash awards issued to certain key employees. These expenses were recognized during the three months ended October 28, 2016.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Pro Forma Revenue and Earnings

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions; except per share amounts)				
Total net revenue	\$ 17,826	\$ 18,068	\$ 53,860	\$ 53,709
Net loss attributable to Dell Technologies Inc.	\$ (931)	\$ (721)	\$ (2,140)	\$ (4,205)
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - basic (a):</i>				
Continuing operations - Class V Common Stock	\$ 0.75	\$ 0.60	\$ 1.75	\$ 1.45
Continuing operations - DHI Group	\$ (1.94)	\$ (1.51)	\$ (4.47)	\$ (8.01)
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - diluted (a):</i>				
Continuing operations - Class V Common Stock	\$ 0.75	\$ 0.60	\$ 1.74	\$ 1.44
Continuing operations - DHI Group	\$ (1.94)	\$ (1.51)	\$ (4.47)	\$ (8.01)

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

The pro forma information for the three and nine months ended October 28, 2016 combines the Company's historical results for the three and nine months ended October 28, 2016 with EMC's historical results for the period from August 1, 2016 to September 6, 2016 and the period from February 1, 2016 to September 6, 2016, respectively. The pro forma information for the three and nine months ended October 30, 2015 combines the Company's historical results for the three and nine months ended October 30, 2015 with EMC's results for the three and nine months ended September 30, 2015. The historical results have been adjusted in the supplemental pro forma information to give effect to pro forma events that are (a) directly attributable to the EMC merger transaction, (b) factually supportable, and (c) expected to have a continuing impact on the combined company's results. The pro forma information is presented for informational purposes only. The pro forma information does not purport to represent what the combined company's results of operations or financial condition would have been had the EMC merger transaction actually occurred on the date indicated, and does not purport to project the combined company's results of operations for any future period or as of any future date.

Defined Benefit Pension Plan

In connection with the EMC merger transaction completed on September 7, 2016, the Company assumed all of EMC's defined benefit obligations and related plan assets, including a noncontributory defined benefit pension plan (the "Pension Plan"). The under-funded status of the Pension Plan as of September 7, 2016 was \$97 million, which is classified as a component of other long-term liabilities in the Condensed Consolidated Statements of Financial Position. As of September 7, 2016, the Pension Plan had assets with a fair value of \$493 million, which included common collective trusts of \$341 million, corporate debt securities of \$151 million, and U.S. Treasury securities of \$1 million. In addition, certain of EMC's foreign subsidiaries also have defined benefit pension plans which were assumed as part of the EMC merger transaction and are not material to the results of operations or financial position of the Company.

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NOTE 4 —DISCONTINUED OPERATIONS

Dell Services Divestiture — On March 27, 2016, Dell entered into a definitive agreement with NTT Data International L.L.C. to divest substantially all of Dell Services, including the Dell Services Federal Government business. Dell Services includes business process outsourcing, application management, and infrastructure services. The transaction does not include the global support, deployment, and professional services offerings. During the three months ended October 28, 2016, as the result of continued negotiations and finalization of terms of the sale, the Company reclassified an immaterial amount of financial results, accounts payable, and accounts receivable from discontinued operations to continuing operations for all periods presented, to reflect the updated terms.

On November 2, 2016, subsequent to the Company's third quarter of Fiscal 2017, the parties closed the transaction. Total cash consideration received by the Company through the date of this report was approximately \$3.0 billion, resulting in an estimated pre-tax gain on sale of approximately \$1.5 billion.

Dell Software Group Divestiture — On June 19, 2016, Dell entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to divest substantially all of DSG. The transaction includes DSG's systems and information management, security solutions, and Statistica businesses. The transaction does not include the Company's cloud integration business.

On October 31, 2016, subsequent to the close of the Company's third quarter of Fiscal 2017, the parties closed the transaction. At the completion of the sale, total cash consideration received by the Company was approximately \$2.4 billion, resulting in an estimated pre-tax gain on sale of approximately \$1.2 billion.

Enterprise Content Division Divestiture — On September 12, 2016, EMC entered into a definitive agreement with OpenText Corporation to divest the Dell EMC Enterprise Content Division (including the Documentum, InfoArchive, and LEAP families of products) for cash consideration of approximately \$1.6 billion. The pending transaction is expected to close in the fourth quarter of Fiscal 2017, subject to the satisfaction of customary closing conditions, including approvals from regulatory authorities.

Discontinued Operations Presentation — In accordance with applicable accounting guidance, the Company concluded that Dell Services, DSG, and ECD have met the criteria for discontinued operations reporting as of March 27, 2016, June 19, 2016, and September 7, 2016, respectively. Accordingly, the Company reclassified the financial results of Dell Services and DSG as discontinued operations in the Condensed Consolidated Statements of Income (Loss) for all periods presented. The Company classified the results of ECD as discontinued operations for the period from September 7, 2016 to October 28, 2016 due to the ECD business only being included in the Company's consolidated results since the closing of the EMC merger transaction. These financial results are presented as "Income (loss) from discontinued operations, net of income taxes" in the accompanying Condensed Consolidated Statements of Income (Loss) for the three and nine months ended October 28, 2016 and October 30, 2015. The Company reclassified the related assets and liabilities as "Current assets held for sale" and "Current liabilities held for sale" in the accompanying Condensed Consolidated Statements of Financial Position as of October 28, 2016 and January 29, 2016. Cash flows from the Company's discontinued operations are included in the Condensed Consolidated Statements of Cash Flows.

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Dell Services

The following table presents key financial results of Dell Services included in "Income (loss) from discontinued operations, net of income taxes" for the three and nine months ended October 28, 2016 and October 30, 2015:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net revenue	\$ 658	\$ 675	\$ 1,968	\$ 2,011
Cost of net revenue	523	521	1,555	1,611
Operating expenses	116	88	322	289
Income from discontinued operations before income taxes	19	66	91	111
Income tax provision (benefit) (a)	(37)	(11)	(955)	35
Income from discontinued operations, net of income taxes	\$ 56	\$ 77	\$ 1,046	\$ 76

(a) The tax benefits of \$37 million and \$955 million for the three and nine months ended October 28, 2016, respectively, were primarily due to the Company's determination that it could no longer assert permanent reinvestment in the outside basis of the entities that will be divested when the Company entered into a definitive agreement to divest the business. The Company has recorded a deferred tax asset of approximately \$1 billion for the outside basis differences for the entities held for sale, and has determined the asset is realizable.

The following table presents the major classes of assets and liabilities as of October 28, 2016 and January 29, 2016 related to Dell Services which were classified as held for sale:

	October 28, 2016		January 29, 2016		
	(in millions)				
ASSETS					
Current assets:					
Accounts receivable, net	\$ 456	\$ 404			
Other current assets	67	73			
Total current assets	523	477			
Property, plant, and equipment, net	566	515			
Goodwill	252	252			
Intangible assets, net	376	388			
Other non-current assets	53	50			
Total assets	\$ 1,770	\$ 1,682			
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 28	\$ 38			
Accrued and other	159	180			
Short-term deferred revenue	83	82			
Total current liabilities	270	300			
Long-term deferred revenue	42	53			
Other non-current liabilities	40	31			
Total liabilities	\$ 352	\$ 384			

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The significant cash flow items from Dell Services for the nine months ended October 28, 2016 and October 30, 2015 were as follows:

	Nine Months Ended	
	October 28, 2016	October 30, 2015
Depreciation and amortization (a)	\$ 32	\$ 161
Capital expenditures	\$(82)	\$(65)

(a) Amounts represent depreciation and amortization recognized up until March 27, 2016, the date on which Dell Services met the criteria for discontinued operations reporting. Depreciation and amortization ceased upon determination that the held for sale criteria were met.

Dell Software Group

The following table presents key financial results of DSG included in "Income (loss) from discontinued operations, net of income taxes" for the three and nine months ended October 28, 2016 and October 30, 2015:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net revenue	\$ 326	\$ 318	\$ 968	\$ 961
Cost of net revenue	74	97	249	282
Operating expenses	233	234	721	695
Interest and other, net	(8)	(2)	(1)	(8)
Income (loss) from discontinued operations before income taxes	11	(15)	(3)	(24)
Income tax provision (benefit) (a)	489	(22)	152	1
Income (loss) from discontinued operations, net of income taxes	\$ (478)	\$ 7	\$ (155)	\$ (25)

(a) The tax expenses of \$489 million and \$152 million for the three and nine months ended October 28, 2016, respectively, were primarily due to the Company's determination that it could no longer assert permanent reinvestment in the outside basis of the DSG entities held for sale when the Company entered into a definitive agreement to divest the business. The additional tax recorded in the three months ended October 28, 2016 primarily resulted from structuring transactions in preparation for the disposition of these entities.

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The following table presents the major classes of assets and liabilities as of October 28, 2016 and January 29, 2016 related to DSG which were classified as held for sale:

	October 28, 2016	January 29, 2016			
	(in millions)				
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 82	\$ 254	254		
Accounts receivable, net	200	244	244		
Inventories, net	19	24	24		
Other current assets	3	11	11		
Total current assets	304	533	533		
Property, plant, and equipment, net	116	106	106		
Goodwill	1,391	1,391	1,391		
Intangible assets, net	557	613	613		
Other non-current assets	9	8	8		
Total assets	<u>\$ 2,377</u>	<u>\$ 2,651</u>	<u>\$ 2,651</u>		
LIABILITIES					
Current liabilities:					
Accounts payable	14	15	15		
Accrued and other	140	160	160		
Short-term deferred revenue	621	625	625		
Total current liabilities	775	800	800		
Long-term deferred revenue	338	333	333		
Other non-current liabilities	80	82	82		
Total liabilities	<u>\$ 1,193</u>	<u>\$ 1,215</u>	<u>\$ 1,215</u>		

The significant cash flow items from DSG for the nine months ended October 28, 2016 and October 30, 2015 were as follows:

	Nine Months Ended	
	October 28, 2016	October 30, 2015
(in millions)		
Depreciation and amortization (a)	\$ 66	\$ 125
Capital expenditures	\$ (20)	\$ (20)

(a) Amounts represent depreciation and amortization recognized up until June 19, 2016, the date on which DSG met the criteria for discontinued operations reporting. Depreciation and amortization ceased upon determination that the held for sale criteria were met.

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Enterprise Content Division

The following table presents key financial results of ECD included in “Income (loss) from discontinued operations, net of income taxes” for the period from September 7, 2016 through October 28, 2016:

	September 7, 2016 through October 28, 2016
	(in millions)
Net revenue	\$ 74
Cost of net revenue	28
Operating expenses	66
Loss from discontinued operations before income taxes	(20)
Income tax benefit	(4)
Loss from discontinued operations, net of income taxes	<u>\$ (16)</u>

The following table presents the major classes of assets and liabilities as of October 28, 2016 related to ECD which were classified as held for sale:

	October 28, 2016
	(in millions)
ASSETS	
Current assets:	
Other current assets	6
Total current assets	6
Property, plant, and equipment	15
Goodwill	661
Intangible assets	1,070
Total assets	<u>\$ 1,752</u>
LIABILITIES	
Current liabilities:	
Accrued and other	8
Short-term deferred revenue	114
Total current liabilities	122
Long-term deferred revenue	10
Total liabilities	<u>\$ 132</u>

Depreciation and amortization for ECD ceased upon determination that the held for sale criteria were met. Capital expenditures for ECD were immaterial for the period from September 7, 2016 through October 28, 2016.

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NOTE 5 — FAIR VALUE MEASUREMENTS

The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of October 28, 2016 and January 29, 2016:

	October 28, 2016 (a)						January 29, 2016							
	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 equivalents:														
Money market funds	\$ 4,222	\$ —	\$ —				\$ 4,222	\$ 3,832	\$ —				\$ 3,832	
Municipal obligations	—	—	15				—	—	—				—	
Debt securities:														
U.S. government and agencies	479	520	—				999	—	—				—	
U.S. corporate	—	1,946	—				1,946	—	—				—	
Foreign	—	2,201	—				2,201	—	—				—	
Municipal obligations	—	382	—				382	—	—				—	
Asset-backed securities	—	4	—				4	—	—				—	
Equity and other securities	158	—	—				158	—	—				—	
Derivative instruments	—	204	—				204	—	195				195	
Common stock purchase agreement	—	—	—				—	—	—			10	10	
Total assets	<u>\$ 4,859</u>	<u>\$ 5,272</u>	<u>\$ —</u>				<u>\$ 10,131</u>	<u>\$ 3,832</u>	<u>\$ 195</u>			<u>\$ 10</u>	<u>\$ 4,037</u>	
Liabilities:														
Derivative instruments	\$ —	\$ 18	\$ —				\$ 18	\$ —	\$ 12				\$ 12	
Debt - Other	—	—	—				—	—	—			28	28	
Total liabilities	<u>\$ —</u>	<u>\$ 18</u>	<u>\$ —</u>				<u>\$ 18</u>	<u>\$ —</u>	<u>\$ 12</u>			<u>\$ 28</u>	<u>\$ 40</u>	

(a) The Company did not transfer any securities between levels during the nine months ended October 28, 2016.

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 October 28, 2016, the Company's U.S. portfolio had no material exposure to money market funds with a fluctuating net asset value.

Cash Equivalent Municipal Obligations — The Company's municipal obligations that are classified as cash equivalents have original maturities of 90 days or less and are recognized at fair value. The valuation methodology for these securities is the same as the methodology for non-cash equivalent municipal obligations as described in the Debt Securities section below.

Debt Securities — The majority of the Company's debt securities consist of various fixed income securities such as U.S. government and agencies, U.S. corporate, and foreign. Valuation is based on pricing models whereby all significant inputs,

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including benchmark yields, reported trades, broker-dealer quotes, issue spreads, benchmark securities, bids, offers, and other market related data, are observable or can be derived from or corroborated by observable market data for substantially the full term of the asset. Inputs are documented in accordance with the fair value measurements hierarchy. The Company reviews security pricing and assesses liquidity on a quarterly basis. See Note 6 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information about investments.

Equity 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 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for a description of the Company's derivative financial instrument activities.

Debt - Other — As of January 29, 2016, the Company recognized a portion of its short-term debt at fair value. This debt was represented by promissory notes issued on August 3, 2015 and September 14, 2015, which were extinguished during the nine months ended October 28, 2016. The Company determined fair value using a discounted cash flow model which included significant unobservable inputs and assumptions. The unobservable inputs used include projected cash outflows over varying possible maturity dates, weighted by the probability of those possible outcomes, along with assumed discount rates.

Common Stock Purchase Agreements — On September 7, 2016, in connection with the EMC merger transaction, the Company issued and sold the following shares of the Company's common stock at a purchase price of \$27.50 per share to the persons identified below for an aggregate purchase price of \$4.4 billion, pursuant to four separate common stock purchase agreements:

- 86,909,091 shares of Class A Common Stock to the MD Stockholders
- 16,104,050 shares of Class A Common Stock to the MSDC Stockholders
- 38,805,040 shares of Class B Common Stock to the SLP Stockholders
- 18,181,818 shares of Class C Common Stock to Temasek Holdings Private Limited ("Temasek")

The Company applied the proceeds from the sale of the shares to finance a portion of the consideration for the EMC merger transaction. Each agreement provided for price protection in the event additional equity investors purchased common stock of the Company at a lower price. The agreements with Michael S. Dell, the MSDC Stockholders, and the SLP Stockholders were not required to be remeasured to fair value and were effectively capital commitments, because of the degree of control and influence such persons could exercise over the Company. The provision relating to price protection was considered substantive to Temasek as an unrelated party. Consequently, the Company recognized the contract as an asset or liability, initially recorded at fair value of zero, with subsequent changes in fair value recorded in earnings. The Company determined the fair value of this forward contract using a Black-Scholes valuation model, which included significant unobservable inputs and assumptions.

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 and investments accounted for under the cost method. See Note 10 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information about goodwill and intangible assets. Investments accounted for under the cost method are measured at fair value initially. Subsequently, when there is an indicator of impairment, the impairment is recognized.

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Carrying Value and Estimated Fair Value of Outstanding Debt — The following table summarizes the carrying value and estimated fair value of the Company's outstanding debt as described in Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements, including the current portion, as of the dates indicated:

	October 28, 2016			January 29, 2016		
	Carrying Value	Fair Value	(in billions)	Carrying Value	Fair Value	
Term Loan Facilities	\$ —	\$ —		6.1	\$ —	6.2
Senior Secured Credit Facilities	\$ 15.6	\$ 15.9		—	\$ —	—
Senior First Lien Notes	\$ —	\$ —		1.4	\$ —	1.5
First Lien Notes	\$ 19.6	\$ 21.7		—	\$ —	—
Unsecured Notes and Debentures	\$ 2.3	\$ 2.5		2.7	\$ —	2.7
Senior Notes	\$ 3.1	\$ 3.5		—	\$ —	—
EMC Notes	\$ 5.5	\$ 5.3		—	\$ —	—
Bridge Facilities	\$ 6.1	\$ 6.2		—	\$ —	—

The fair values of the outstanding Term Loan Facilities and Senior First Lien Notes obtained in connection with the going-private transaction, the outstanding Unsecured Notes and Debentures issued prior to the going-private transaction, the outstanding EMC Notes that remained outstanding after the EMC merger transaction, and the outstanding First Lien Notes, Senior Notes, Senior Secured Credit Facilities, and Bridge Facilities issued in connection with the EMC merger transaction were determined based on observable market prices in a less active market and were categorized as Level 2 in the fair value hierarchy. The fair values of the other short-term debt and the structured financing debt approximate their carrying values due to their short-term maturities.

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NOTE 6 — INVESTMENTS

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

	October 28, 2016				January 29, 2016			
	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)	Carrying Value	Cost	Unrealized Gain	Unrealized (Loss)
(in millions)								
Investments:								
U.S. government and agencies	\$ 186	\$ 186	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. corporate debt securities	550	550	—	—	—	—	—	—
Foreign debt securities	755	755	—	—	—	—	—	—
Municipal obligations	366	366	—	—	—	—	—	—
Total short-term investments	1,857	1,857	—	—	—	—	—	—
U.S. government and agencies	813	815	—	(2)	—	—	—	—
U.S. corporate debt securities	1,396	1,401	—	(5)	—	—	—	—
Foreign debt securities	1,446	1,451	—	(5)	—	—	—	—
Municipal obligations	16	16	—	—	—	—	—	—
Asset-backed securities	4	4	—	—	—	—	—	—
Equity and other securities (a)	610	602	8	—	114	114	—	—
Total long-term investments	4,285	4,289	8	(12)	114	114	—	—
Total investments	\$ 6,142	\$ 6,146	\$ 8	\$ (12)	\$ 114	\$ 114	\$ —	\$ —

(a) The majority of equity and other securities are investments accounted for under the cost method, while the remainder are investments that are measured at fair value on a recurring basis. See Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on investments measured at fair value on a recurring basis.

The Company's investments in debt securities are classified as available-for-sale securities, which are carried at fair value. As of October 28, 2016, all investments in an unrealized loss position have been in a continuous unrealized loss position for less than 12 months.

The contractual maturities of debt securities held at October 28, 2016 are as follows:

	Carrying Value (in millions)	Amortized Cost	
		\$	\$
Due within one year	\$ 1,721	\$	1,721
Due after 1 year through 5 years	3,441	\$	3,451
Due after 5 years through 10 years	117	\$	118
Due after 10 years	253	\$	254
Total	\$ 5,532	\$	5,544

Short-term investments on the Condensed Consolidated Statements of Financial Position includes \$136 million in variable rate notes which have contractual maturities ranging from 2021 through 2048, and are not classified within investments due within one year above.

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NOTE 7 — FINANCIAL SERVICES**Dell Financial Services**

The Company offers or arranges various financing options and services for its business and consumer customers in the United States, Canada, Europe, and Mexico through Dell Financial Services and its affiliates (collectively, "DFS"). The key activities of DFS include the origination, collection, and servicing of customer receivables primarily related to the purchase of Dell products and services. New financing originations, which represent the amounts of financing provided by DFS to customers for equipment and related software and services, including third-party originations, were \$1.1 billion and \$0.9 billion for the three months ended October 28, 2016 and October 30, 2015, respectively, and \$3.0 billion and \$2.8 billion for the nine months ended October 28, 2016 and October 30, 2015, respectively.

In connection with the EMC merger transaction, the Company acquired an existing notes receivable portfolio, which is included in the fixed-term customer receivables balance in the table below. See Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information about the financing receivables acquired.

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

- **Revolving loans** — Revolving loans offered under private label credit financing programs provide qualified customers with a revolving credit line for the purchase of products and services offered by Dell. These private label credit financing programs are referred to as Dell Preferred Account ("DPA") and Dell Business Credit ("DBC"). The DPA product is primarily offered to individual consumer customers, and the DBC product is primarily offered to small and medium-sized commercial customers. Revolving loans in the United States bear interest at a variable annual percentage rate that is tied to the prime rate. Based on historical payment patterns, revolving loan transactions are typically repaid within twelve months on average.
- **Fixed-term sales-type leases and loans** — The Company enters into sales-type lease arrangements with customers who desire lease financing. Leases with business customers have fixed terms of generally two to four years. Future maturities of minimum lease payments as of October 28, 2016 were as follows: Fiscal 2017 - \$505 million; Fiscal 2018 - \$1,462 million; Fiscal 2019 - \$883 million; Fiscal 2020 - \$331 million; Fiscal 2021 and beyond - \$74 million. The Company also offers fixed-term loans to qualified small businesses, large commercial accounts, governmental organizations, educational entities, and certain individual consumer customers. These loans are repaid in equal payments including interest and have defined terms of generally three to five years.

The following table summarizes the components of the Company's financing receivables segregated by portfolio segment as of October 28, 2016 and January 29, 2016:

	October 28, 2016			January 29, 2016		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
(in millions)						
Financing Receivables, net:						
Customer receivables, gross	\$ 1,008	\$ 4,116	\$ 5,124	\$ 1,173	\$ 3,637	\$ 4,810
Allowances for losses	(95)	(51)	(146)	(118)	(58)	(176)
Customer receivables, net	913	4,065	4,978	1,055	3,579	4,634
Residual interest	—	461	461	—	458	458
Financing receivables, net	\$ 913	\$ 4,526	\$ 5,439	\$ 1,055	\$ 4,037	\$ 5,092
Short-term	\$ 913	\$ 2,136	\$ 3,049	\$ 1,055	\$ 1,860	\$ 2,915
Long-term	\$ —	\$ 2,390	\$ 2,390	\$ —	\$ 2,177	\$ 2,177

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The following table summarizes the changes in the allowance for financing receivable losses for the respective periods:

	Three Months Ended					
	October 28, 2016			October 30, 2015		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
(in millions)						
Allowance for financing receivable losses:						
Balance at beginning of period	\$ 100	\$ 56	\$ 156	\$ 127	\$ 50	\$ 177
Charge-offs, net of recoveries	(21)	(8)	(29)	(25)	(3)	(28)
Provision charged to income statement	16	3	19	19	4	23
Balance at end of period	\$ 95	\$ 51	\$ 146	\$ 121	\$ 51	\$ 172
Nine Months Ended						
	October 28, 2016			October 30, 2015		
	Revolving	Fixed-term	Total	Revolving	Fixed-term	Total
(in millions)						
Allowance for financing receivable losses:						
Balance at the beginning of period	\$ 118	\$ 58	\$ 176	\$ 145	\$ 49	\$ 194
Charge-offs, net of recoveries	(69)	(13)	(82)	(77)	(12)	(89)
Provision charged to income statement	46	6	52	53	14	67
Balance at end of period	\$ 95	\$ 51	\$ 146	\$ 121	\$ 51	\$ 172

The following table summarizes the aging of the Company's customer financing receivables, gross, including accrued interest, as of October 28, 2016 and January 29, 2016, segregated by class:

	October 28, 2016						January 29, 2016					
	Past Due 1 — 90			Total			Past Due 1 — 90			Past Due 1 — 90		
	Current	Days	Past Due > 90 Days	Current	Days	Past Due > 90 Days	Current	Days	Past Due > 90 Days	Current	Days	Past Due > 90 Days
(in millions)												
Revolving — DPA	\$ 696	\$ 84	\$ 28	\$ 808	\$ 812	\$ 99	\$ 36	\$ 947				
Revolving — DBC	178	17	5	200	202	20	4	226				
Fixed-term — Consumer and Small Commercial	339	16	2	357	315	13	1	329				
Fixed-term — Medium and Large Commercial	3,564	179	16	3,759	3,131	171	6	3,308				
Total customer receivables, gross	\$ 4,777	\$ 296	\$ 51	\$ 5,124	\$ 4,460	\$ 303	\$ 47	\$ 4,810				

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Credit Quality

The following table summarizes customer receivables, gross, including accrued interest, by credit quality indicator segregated by class, as of October 28, 2016 and January 29, 2016. The categories shown in the table below segregate customer receivables based on the relative degrees of credit risk. The credit quality indicators for DPA revolving accounts are measured primarily as of each quarter-end date, while all other indicators are generally updated on a periodic basis.

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

	October 28, 2016					January 29, 2016						
	Higher		Mid		Lower	Total	Higher		Mid		Lower	Total
						(in millions)						
Revolving — DPA	\$ 131	\$ 248	\$ 429	\$ 808	\$ 148	\$ 270	\$ 529	\$ 947				
Revolving — DBC	\$ 58	\$ 59	\$ 83	\$ 200	\$ 68	\$ 65	\$ 93	\$ 226				
Fixed-term — Consumer and Small Commercial	\$ 111	\$ 144	\$ 102	\$ 357	\$ 93	\$ 136	\$ 100	\$ 329				
Fixed-term — Medium and Large Commercial	\$ 1,811	\$ 1,205	\$ 743	\$ 3,759	\$ 1,597	\$ 1,075	\$ 636	\$ 3,308				

Securitizations and Structured Financing Debt

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

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

	October 28, 2016		January 29, 2016		
	(in millions)				
<i>Financing receivables held by consolidated VIEs, net:</i>					
Short-term, net		\$ 2,073	\$ 2,125		
Long-term, net		1,239	1,215		
Financing receivables held by consolidated VIEs, net		\$ 3,312	\$ 3,340		

Financing receivables transferred via securitization through SPEs were \$0.6 billion and \$0.7 billion for the three months ended October 28, 2016 and October 30, 2015, respectively, and \$2.0 billion and \$2.5 billion for the nine months ended October 28, 2016 and October 30, 2015, respectively.

Some of the SPEs have entered into financing arrangements with multi-seller conduits that, in turn, issue asset-backed debt securities in the capital markets. The structured financing debt outstanding, collateralized by the financing receivables held by

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the consolidated VIEs, was \$2.8 billion as of both October 28, 2016 and January 29, 2016. The Company's risk of loss related to securitized receivables is limited to the amount by which the Company's right to receive collections for assets securitized exceeds the amount required to pay interest, principal, and fees and expenses related to the asset-backed securities. The Company provides credit enhancement to the securitization in the form of over-collateralization.

The Company's total structured financing debt, which is collateralized by financing receivables in the United States, Canada, and Europe, was \$3.4 billion as of both October 28, 2016 and January 29, 2016 under the following programs:

- The structured financing debt program in the United States, which is related to the fixed-term lease and loan securitization program and the revolving loan securitization program, was \$1.1 billion and \$1.3 billion as of October 28, 2016 and January 29, 2016, respectively. This debt is collateralized solely by the U.S. financing receivables in the programs. The debt has a variable interest rate and the duration of this debt is based on the terms of the underlying financing receivables. As of October 28, 2016, the total debt capacity related to the securitization programs was \$2.1 billion. The Company enters into interest swap agreements to effectively convert the portion of its structured financing debt from a floating rate to a fixed rate. See Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information about interest rate swaps.
- The Company's securitization programs became effective on October 29, 2013. The revolving program, which was extended during the third quarter of Fiscal 2017, is effective for four and one-half years. The fixed term program, which was extended during the first quarter of Fiscal 2016, is effective for four and one-half years. The programs contain standard structural features related to the performance of the securitized receivables which include defined credit losses, delinquencies, average credit scores, and minimum collection requirements. In the event one or more of these criteria are not met and the Company is unable to restructure the program, no further funding of receivables will be permitted and the timing of the Company's expected cash flows from over-collateralization will be delayed. As of October 28, 2016, these criteria were met.
- The Company may periodically issue asset-backed debt securities to private investors. As of October 28, 2016, the associated debt balance of these securities was \$1.7 billion. The asset-backed debt securities are collateralized solely by the U.S. fixed-term financing receivables in the offerings, which are held by SPEs. The interest rate on these securities is fixed and ranges from 0.26% to 3.61% and the duration of these securities is based on the terms of the underlying financing receivables.
- In connection with the Company's international financing operations, the Company has entered into revolving structured financing debt programs related to its fixed-term lease and loan products sold in Canada and Europe. As of October 28, 2016, the Canadian program, which was extended during the nine months ended October 28, 2016, had a total debt capacity of \$164 million. This program is effective for two years, beginning on April 15, 2016, and is collateralized solely by the Canadian financing receivables. The European program, which was extended during the three months ended May 1, 2015, is effective for four years, beginning on December 23, 2013. The program is collateralized solely by the European financing receivables and had a total debt capacity of \$654 million as of October 28, 2016. The aggregate outstanding balances of the Canadian and European revolving structured loans as of October 28, 2016 and January 29, 2016 were \$576 million and \$559 million, respectively.

Financing Receivable Sales

To manage certain concentrations of customer credit exposure, the Company may sell selected fixed-term financing receivables to unrelated third parties on a periodic basis. The amount of financing receivables sold was \$200 million and \$40 million during the nine months ended October 28, 2016 and October 30, 2015, respectively.

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NOTE 8 — DEBT

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

	October 28, 2016	January 29, 2016
	(in millions)	
Secured Debt		
Structured financing debt	\$ 3,426	\$ 3,411
3.75% Floating rate due October 2018 ("Term Loan C Facility")	—	1,003
4.00% Floating rate due April 2020 ("Term Loan B Facility")	—	4,329
4.00% Floating rate due April 2020 ("Term Loan Euro Facility")	—	891
5.625% due October 2020 ("Senior First Lien Notes")	—	1,400
EMC merger transaction financing issued on September 7, 2016 ("Senior Secured Credit Facilities"):		
4.00% Term Loan B Facility due September 2023	5,000	—
2.53% Term Loan A-1 Facility due December 2018	3,700	—
2.78% Term Loan A-2 Facility due September 2021	3,925	—
2.53% Term Loan A-3 Facility due December 2018	1,800	—
2.53% Revolving Credit Facility due September 2021	1,475	—
EMC merger transaction financing issued on June 1, 2016 ("First Lien Notes"):		
3.48% due June 2019	3,750	—
4.42% due June 2021	4,500	—
5.45% due June 2023	3,750	—
6.02% due June 2026	4,500	—
8.10% due June 2036	1,500	—
8.35% due June 2046	2,000	—
Unsecured Notes and Debentures		
Notes and debentures issued prior to going-private transaction:		
3.10% due April 2016	—	400
5.65% due April 2018	500	500
5.875% due June 2019	600	600
4.625% due April 2021	400	400
7.10% due April 2028	300	300
6.50% due April 2038	388	388
5.40% due September 2040	265	265
EMC merger transaction financing issued on June 22, 2016 ("Senior Notes"):		
5.875% due June 2021	1,625	—
7.125% due June 2024	1,625	—
Existing EMC notes assumed as part of the EMC merger transaction ("EMC Notes"):		
1.875% due June 2018	2,500	—
2.650% due June 2020	2,000	—
3.375% due June 2023	1,000	—
Bridge Facilities		
4.875% Asset Sale Bridge Facility due September 2017	2,200	—
2.28% Margin Bridge Facility due September 2017	2,500	—
2.28% VMware Note Bridge Facility due September 2017	1,500	—
Other	58	93
Total debt, principal amount	<hr/> 56,787	<hr/> 13,980

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	October 28, 2016	January 29, 2016
	(in millions)	
Total debt, principal amount	56,787	13,980
Unamortized discount, net of unamortized premium	(310)	(221)
Debt issuance costs	(805)	(128)
Total debt, carrying value	\$ 55,672	\$ 13,631
Total short-term debt	\$ 8,388	\$ 2,981
Total long-term debt	\$ 47,284	\$ 10,650

Upon the closing of the EMC merger transaction, the Company repaid and terminated the ABL Credit Facility and the Term Loan Facilities obtained in connection with the going-private transaction, and redeemed the Senior First Lien Notes issued in connection with the going-private transaction. During the nine months ended October 28, 2016, the Company repaid \$0.5 billion of the Revolving Credit Facility obtained in connection with the EMC merger transaction and \$0.4 billion of maturing Unsecured Notes and Debentures.

To finance the EMC merger transaction, the Company issued \$45.9 billion in new debt, which included proceeds from the sale of the First Lien Notes and Senior Unsecured Notes in June 2016, as well as borrowings under the Senior Secured Credit Facilities (including the Revolving Credit Facility), the Asset Sale Bridge Facility, the Margin Bridge Facility, and the VMware Note Bridge Facility at the closing of the transaction. The Company incurred approximately \$245 million of other expenses related to these debt extinguishments and new borrowings. Under the terms of the agreements relating to the issuance of the First Lien Notes and Senior Unsecured Notes, the proceeds of the offerings were deposited into escrow and included in restricted cash in the Condensed Consolidated Statements of Financial Position until the closing of the EMC merger transaction, at which time such proceeds were released to finance the transaction. Upon the closing of the EMC merger transaction, the Company received pre-funded interest in the amount of \$58 million that the Company had previously paid into escrow and which will be paid to the holders of the First Lien Notes and Senior Unsecured Notes on the scheduled interest payment dates, as well as investment income earned of approximately \$14 million on that pre-funded interest.

Senior Secured Credit Facilities — At the closing of the EMC merger transaction on September 7, 2016, the Company entered into a credit agreement (the "Senior Secured Credit Agreement") that provides for senior secured credit facilities (the "Senior Secured Credit Facilities") in the aggregate principal amount of \$17.575 billion comprising (a) term loan facilities and (b) a senior secured Revolving Credit Facility, which includes capacity for up to \$0.5 billion of letters of credit and for borrowings of up to \$0.4 billion under swing-line loans. Dell International L.L.C. ("Dell International") and EMC are the borrowers under the Senior Secured Credit Facilities. As of October 28, 2016, available borrowings under the Revolving Credit Facility totaled \$1.6 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 in an aggregate principal amount of up to (a) the greater of (i) \$10.0 billion and (ii) 100% of Consolidated EBITDA (as defined in the Senior Secured Credit Agreement) plus (b) an amount equal to voluntary prepayments of the term loan facilities and the revolving credit facility, subject to certain requirements, plus (c) an additional unlimited amount subject to a pro forma net first lien leverage ratio of 3.25:1.0.

Borrowings under the Senior Secured Credit Facilities bear interest at a rate per annum equal to an applicable margin, plus, at the borrowers' option, either (a) a base rate, which, under the Term Loan B Facility, is subject to an interest rate floor of 1.75% per annum, and under all other borrowings is subject to an interest rate floor of 0% per annum, or (b) a London interbank offered rate ("LIBOR"), which, under the Term Loan B Facility, is subject to an interest rate floor of 0.75% per annum, and under all other borrowings is subject to an interest rate floor of 0% per annum. The applicable margin under the Term Loan B Facility is subject to reduction based on a first lien leverage ratio test. The applicable margins under the Term Loan A-1 Facility, the Term Loan A-2 Facility, the Term Loan A-3 Facility and the Revolving Credit Facility vary based upon a corporate ratings-based pricing schedule.

The Term Loan A-1 Facility will mature on December 31, 2018 and has no amortization. The Term Loan A-2 Facility will mature on September 7, 2021 and amortizes in equal quarterly installments in aggregate annual amounts equal to 5% of the original principal amount in each of the first two years after the date of the closing of the EMC merger transaction, 10% of the original principal amount in each of the third and fourth years after the date of the closing of the EMC merger transaction, and 70% of the original principal amount in the fifth year after the date of the closing of the EMC merger transaction. The Term

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Loan A-3 Facility will mature on December 31, 2018 and has no amortization. The Term Loan B Facility will mature on September 7, 2023 and amortizes in equal quarterly installments in aggregate annual amounts equal to 1% of the original principal amount. The Revolving Credit Facility will mature on September 7, 2021 and has no amortization. The Term Loan A-1 and A-3 Facilities require the borrowers to prepay outstanding borrowings under these facilities with 100% of the net cash proceeds of certain non-ordinary course asset sales or dispositions after fully prepaying the Asset Sale Bridge Facility. The borrowers may voluntarily repay outstanding loans under the Term Loan and Revolving Credit Facilities 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 their affiliates and certain other persons are guaranteed by Denali Intermediate Inc. ("Denali Intermediate"), Dell, certain subsidiaries of Denali Intermediate, and each existing and subsequently acquired or organized direct or indirect material wholly-owned domestic restricted subsidiary of Dell, with customary exceptions. All such obligations under the Senior Secured Credit Facilities (and the guarantees thereof) 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 and each wholly-owned material restricted subsidiary of the borrowers and the guarantors, in each case subject to certain thresholds, exceptions and permitted liens.

First Lien Notes — The senior secured notes (collectively, the "First Lien Notes") were issued on June 1, 2016 in an aggregate principal amount of \$20.0 billion. As of the closing of the EMC merger transaction, Dell International and EMC are the co-issuers of the First Lien Notes. The First Lien Notes are guaranteed, subject to certain exceptions, on a joint and several basis by Dell Technologies, Denali Intermediate, Dell, and Denali Intermediate's direct and indirect wholly-owned material domestic subsidiaries that guarantee the Senior Secured Credit Facilities. The First Lien Notes are secured, on a pari passu basis with the Senior Secured Credit Facilities, on a first-priority basis by substantially all of the tangible and intangible assets of the issuers and guarantors that secure obligations under the Senior Secured Credit Facilities, including pledges of all capital stock of the issuers, of Dell, and of certain wholly-owned material subsidiaries of the issuers and the guarantors, subject to certain exceptions.

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. As of the closing of the EMC merger transaction, Dell International and EMC are the co-issuers of the Senior Notes. The Senior Notes are guaranteed, subject to certain exceptions, on a joint and several basis, by Dell Technologies, Denali Intermediate, Dell, and Denali Intermediate's direct and indirect wholly-owned material domestic subsidiaries that guarantee the Senior Secured Credit Facilities.

Repayment and Termination of Credit Facilities — At the closing of the EMC merger transaction on September 7, 2016, the Company repaid approximately \$6.1 billion of borrowings (including accrued and unpaid interest thereon) under the Company's ABL Credit Facility and Term Loan Facilities obtained in connection with the going-private transaction and terminated such credit facilities and related credit agreements and documents.

The ABL Credit Facility provided for an asset-based senior secured revolving credit facility in an initial aggregate principal amount of approximately \$2.0 billion, subject to a borrowing base consisting of certain receivables and inventory. The Term Loan Facilities originally provided for senior secured term loan facilities consisting of a \$4.7 billion Term Loan B Facility, a \$1.5 billion Term Loan C Facility and a €0.7 billion Term Loan Euro Facility.

Redemption of Senior First Lien Notes — In connection with the EMC merger transaction, the Company issued and delivered notices of conditional redemption to holders of the outstanding 5.625% Senior First Lien Notes due 2020 issued by them in October 2013 in connection with Dell's going private transaction (the "Senior First Lien Notes") to redeem (a) \$0.15 billion in aggregate principal amount of the Senior First Lien Notes at a redemption price of 103% of the principal amount thereof and (b) \$1.25 billion in aggregate principal amount of the Senior First Lien Notes at a redemption price equal to 100% of the principal amount thereof plus a "make-whole" premium calculated in accordance with the indenture governing the Senior First Lien Notes, in each case, plus accrued and unpaid interest thereon to but excluding the redemption date. Such redemption notices were conditioned upon, among other matters, the closing of the EMC merger transaction. On September 7, 2016, substantially concurrently with the consummation of the EMC merger transaction, the Company deposited with the trustee of the Senior First

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Lien Notes the applicable redemption payments to fund such redemptions and thereby redeemed all of the outstanding Senior First Lien Notes. The Senior First Lien Notes were issued in an aggregate original principal amount of \$1.5 billion.

EMC Notes — As of September 7, 2016, EMC had outstanding approximately \$2.5 billion aggregate principal amount of its 1.875% Notes due June 2018, approximately \$2.0 billion aggregate principal amount of its 2.650% Notes due June 2020 and approximately \$1.0 billion aggregate principal amount of its 3.375% Notes due June 2023 (collectively, the “EMC Notes”), all of which were issued pursuant to an Indenture dated as of June 6, 2013. The EMC Notes remain outstanding following the closing of the EMC merger transaction. The EMC Notes are senior unsecured obligations of EMC and are not guaranteed by any subsidiaries of EMC or by the Company or any other subsidiaries of the Company.

Structured Financing Debt — As of October 28, 2016 and January 29, 2016, the Company had \$3.4 billion and \$3.4 billion, respectively, in outstanding structured financing debt, which was primarily related to the fixed-term lease and loan securitization programs and the revolving loan securitization programs. See Note 7 and Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for further discussion of the structured financing debt and the interest rate swap agreements that hedge a portion of that debt.

Unsecured Notes and Debentures — The Company has Unsecured Notes and Debentures that were issued prior to the going-private transaction. Interest on these borrowings is payable semiannually. See “Senior Notes” above for a discussion of the Senior Unsecured Notes issued in connection with the EMC merger transaction.

Asset Sale Bridge Facility — On September 7, 2016, certain subsidiaries of the Company entered into a credit agreement providing for a senior unsecured asset sale bridge facility in an aggregate principal amount of \$2.2 billion (the “Asset Sale Bridge Facility”). Dell International and EMC are the borrowers under the Asset Sale Bridge Facility, which is guaranteed by Denali Intermediate, certain subsidiaries of Denali Intermediate, Dell, and each existing and subsequently acquired or organized direct or indirect material wholly-owned domestic restricted subsidiary of Dell that guarantees the Senior Secured Credit Facilities.

Borrowings under the Asset Sale Bridge Facility bear interest (a) at a fixed rate of 4.875% per annum until the date that is the three-month anniversary of the closing date of the facility, (b) at a LIBOR-based rate plus a marginal rate of 7.50% per annum from the date that is the three-month anniversary of the closing date of the facility until the date that is the six-month anniversary of the closing date of the facility, and (c) thereafter, at a LIBOR-based rate, subject to increases of 50 basis points on the applicable margin rate every three months thereafter. Interest is payable, at the end of each interest period (but at least every three months), in arrears.

The Asset Sale Bridge Facility will mature on September 6, 2017 and has no amortization. The Asset Sale Bridge Facility requires the borrowers to prepay outstanding borrowings under the facility with 100% of the net cash proceeds of certain non-ordinary course asset sales or dispositions. The borrowers may voluntarily repay outstanding loans under the Asset Sale Bridge Facility at any time without premium or penalty, other than customary “breakage” costs.

See Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements for information regarding the repayment and termination of the Asset Sale Bridge Facility that occurred subsequent to October 28, 2016.

Margin Bridge Facility — On September 7, 2016, Merger Sub and EMC entered into a credit agreement providing for a senior secured margin bridge facility in an aggregate principal amount of \$2.5 billion (the “Margin Bridge Facility”). EMC is the borrower under the Margin Bridge Facility, which is secured solely by 77,033,442 shares of Class B common stock of VMware and any proceeds thereof.

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

The Margin Bridge Facility will mature on September 6, 2017 and has no amortization. The Margin Bridge Facility requires the borrower to prepay outstanding borrowings under the Margin Bridge Facility with 100% of the net cash proceeds of any asset sale or other disposition of the pledged VMware shares. The borrower may voluntarily repay outstanding loans under the

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Margin Bridge Facility at any time without premium or penalty, other than customary "breakage" costs, subject to certain minimum threshold amounts for prepayment.

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

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

The VMware Note Bridge Facility will mature on September 6, 2017 and has no amortization. The VMware Note Bridge Facility requires the borrower to prepay outstanding borrowings under the VMware Note Bridge Facility with 100% of the net cash proceeds of any asset sale or other disposition of the pledged VMware promissory notes. The borrower may voluntarily repay outstanding loans under the VMware Note Bridge Facility at any time without premium or penalty, other than customary "breakage" costs, subject to certain minimum threshold amounts for prepayment.

Aggregate Future Maturities — As of October 28, 2016, aggregate future maturities of the Company's debt were as follows:

	Maturities by Fiscal Year								(in millions)	
	2017 (remaining three months)		2018		2019		2020			
	\$	\$	\$	\$	\$	\$	\$	\$		
Structured Financing Debt	\$ 581	\$ 1,754	\$ 911	\$ 150	\$ 27	\$ 3	\$ 3,426			
Senior Secured Credit Facilities and First Lien Notes	62	246	5,795	4,193	332	25,272	35,900			
Unsecured Notes and Debentures	—	—	500	600	—	1,353	2,453			
Senior Notes and EMC Notes	—	—	2,500	—	2,000	4,250	8,750			
Bridge Facilities	—	6,200	—	—	—	—	6,200			
Other	17	13	2	—	—	26	58			
Total maturities, principal amount	660	8,213	9,708	4,943	2,359	30,904	56,787			
Associated carrying value adjustments	(1)	(76)	(113)	(63)	—	(862)	(1,115)			
Total maturities, carrying value amount	\$ 659	\$ 8,137	\$ 9,595	\$ 4,880	\$ 2,359	\$ 30,042	\$ 55,672			

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Covenants and Unrestricted Net Assets — The credit agreements for the Senior Secured Credit Facilities and the Asset Sale Bridge Facility contain customary negative covenants that generally limit the ability of Denali 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's other restricted subsidiaries to incur additional debt or issue certain preferred shares, pay dividends on or make other distributions in respect of capital stock or make other restricted payments, make certain investments, sell or transfer certain assets, create liens on certain assets to secure debt, consolidate, merge, sell, or otherwise dispose of all or substantially all assets, enter into certain transactions with affiliates, and designate subsidiaries as unrestricted subsidiaries. The negative covenants under such credit agreements and indenture are subject to certain exceptions, qualifications and "baskets." The indentures governing the First Lien Notes, the Unsecured Notes and Debentures, and the EMC Notes variously impose limitations, subject to specified exceptions, on creating certain liens, entering into sale and lease-back transactions, and entering into certain asset sales. As of October 28, 2016, 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. As of October 28, 2016, unrestricted net assets of the consolidated subsidiaries were approximately \$32.8 billion. The foregoing credit agreements and indentures contain customary events of default, including failure to make required payments, failure to comply with covenants, and the occurrence of certain events of bankruptcy and insolvency.

The Term Loan A-1 Facility, the Term Loan A-2 Facility, the Term Loan A-3 Facility, and the Revolving Credit Facility are subject to a first lien net leverage ratio covenant that will be 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 this financial covenant as of October 28, 2016.

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NOTE 9 — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**Derivative Instruments**

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

The Company's objective is to offset gains and losses resulting from these exposures with gains and losses on the derivative contracts used to hedge the exposures, thereby reducing volatility of earnings and protecting the fair values of assets and liabilities. For derivatives designated as cash flow hedges, the Company assesses hedge effectiveness both at the onset of the hedge and at regular intervals throughout the life of the derivative and recognizes any ineffective portion of the hedge in earnings as a component of interest and other, net. Hedge ineffectiveness recognized in earnings was not material during the three and nine months ended October 28, 2016 and October 30, 2015.

In connection with the EMC merger transaction, the Company acquired foreign exchange derivative instruments with a fair value of approximately \$7.0 million as of the closing date of the transaction. The portfolio of instruments is comprised of foreign currency forward and option contracts that mature at various times within 12 months. The Company elected to leave the acquired instruments undesignated from a hedge accounting perspective.

Foreign Exchange Risk

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

During the three and nine months ended October 28, 2016 and October 30, 2015, the Company did not discontinue any cash flow hedges related to foreign exchange contracts that had a material impact on the Company's results of operations due to the probability that the forecasted cash flows would not occur.

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

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

Interest Rate Risk

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

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

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National Amounts of Outstanding Derivative Instruments

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

	October 28, 2016	January 29, 2016
	(in millions)	
Foreign Exchange Contracts		
Designated as cash flow hedging instruments	\$ 3,699	\$ 3,947
Non-designated as hedging instruments	3,016	985
Total	\$ 6,715	\$ 4,932
Interest Rate Contracts		
Non-designated as hedging instruments	\$ 979	\$ 1,017

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

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in Accumulated OCI, Net of Tax, on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)
(in millions)					
<i>For the three months ended October 28, 2016</i>					
Foreign exchange contracts	\$ 82	Total net revenue	\$ 23		
Interest rate contracts	—	Total cost of net revenue	(6)		
Total	<u>\$ 82</u>	Interest and other, net	<u>—</u>	Interest and other, net	<u>\$ —</u>
			<u>\$ 17</u>		<u>\$ —</u>
<i>For the three months ended October 30, 2015</i>					
Foreign exchange contracts	\$ 12	Total net revenue	\$ 25		
Interest rate contracts	—	Total cost of net revenue	14		
Total	<u>\$ 12</u>	Interest and other, net	<u>—</u>	Interest and other, net	<u>\$ —</u>
			<u>\$ 39</u>		<u>\$ —</u>
<i>For the nine months ended October 28, 2016</i>					
Foreign exchange contracts	\$ (25)	Total net revenue	\$ (44)		
Interest rate contracts	—	Total cost of net revenue	(20)		
Total	<u>\$ (25)</u>	Interest and other, net	<u>—</u>	Interest and other, net	<u>\$ —</u>
			<u>\$ (64)</u>		<u>\$ —</u>
<i>For the nine months ended October 30, 2015</i>					
Foreign exchange contracts	\$ 72	Total net revenue	\$ 280		
Interest rate contracts	—	Total cost of net revenue	32		
Total	<u>\$ 72</u>	Interest and other, net	<u>—</u>	Interest and other, net	<u>\$ (1)</u>
			<u>\$ 312</u>		<u>\$ (1)</u>

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

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

	October 28, 2016					
	Other Current Assets	Other Non-Current Assets	Other Current Liabilities	Other Non-Current Liabilities	Total Fair Value	
Derivatives Designated as Hedging Instruments						
Foreign exchange contracts in an asset position						
Foreign exchange contracts in a liability position	\$ 123	\$ —	\$ 10	\$ —	\$ 133	
Net asset (liability)	<u>(3)</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>(4)</u>	
	<u>120</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>129</u>	
Derivatives not Designated as Hedging Instruments						
Foreign exchange contracts in an asset position	260	8	83	—	351	
Foreign exchange contracts in a liability position	(184)	—	(109)	—	(293)	
Interest rate contracts in an asset position	—	—	—	—	—	
Interest rate contracts in a liability position	—	—	—	(1)	(1)	
Net asset (liability)	76	8	(26)	(1)	57	
Total derivatives at fair value	<u>\$ 196</u>	<u>\$ 8</u>	<u>\$ (17)</u>	<u>\$ (1)</u>	<u>\$ 186</u>	
	January 29, 2016					
	Other Current Assets	Other Non-Current Assets	Other Current Liabilities	Other Non-Current Liabilities	Total Fair Value	
Derivatives Designated as Hedging Instruments						
Foreign exchange contracts in an asset position	\$ 100	\$ —	\$ —	\$ —	\$ 100	
Foreign exchange contracts in a liability position	(11)	—	—	—	(11)	
Net asset (liability)	<u>89</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>89</u>	
Derivatives not Designated as Hedging Instruments						
Foreign exchange contracts in an asset position	301	1	—	—	302	
Foreign exchange contracts in a liability position	(198)	—	(5)	(3)	(206)	
Interest rate contracts in an asset position	—	2	—	—	2	
Interest rate contracts in a liability position	—	—	—	(4)	(4)	
Net asset (liability)	103	3	(5)	(7)	94	
Total derivatives at fair value	<u>\$ 192</u>	<u>\$ 3</u>	<u>\$ (5)</u>	<u>\$ (7)</u>	<u>\$ 183</u>	

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

	October 28, 2016							Net Amount	
	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position					
				Financial Instruments	Cash Collateral Received or Pledged				
(in millions)									
Derivative Instruments									
Financial assets	\$ 484	\$ (280)	\$ 204	\$ —	\$ —	\$ —	\$ 204		
Financial liabilities	(298)	280	(18)	—	—	—	(18)		
Total Derivative Instruments	<u>\$ 186</u>	<u>\$ —</u>	<u>\$ 186</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 186</u>		
January 29, 2016									
	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets/ (Liabilities) Presented in the Statement of Financial Position	Gross Amounts not Offset in the Statement of Financial Position				Net Amount	
				Financial Instruments	Cash Collateral Received or Pledged				
	(in millions)								
Derivative Instruments									
Financial assets	\$ 404	\$ (209)	\$ 195	\$ —	\$ —	\$ —	\$ 195		
Financial liabilities	(221)	209	(12)	—	—	—	(12)		
Total Derivative Instruments	<u>\$ 183</u>	<u>\$ —</u>	<u>\$ 183</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 183</u>		

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NOTE 10 — GOODWILL AND INTANGIBLE ASSETSGoodwill

The following table presents goodwill allocated to the Company's business segments as of October 28, 2016 and January 29, 2016, and changes in the carrying amount of goodwill for the respective periods:

	Client Solutions Group		Infrastructure Solutions Group		VMware	Other Businesses (a)	Total
			(in millions)				
Balances at January 29, 2016	\$ 4,428	\$ 3,907	\$ 15,117	\$ 71	\$ 8,406		31,275
Goodwill acquired (b)	—	12,561	—	3,597			
Impact of foreign currency translation	—	(137)	—	(43)			(180)
Goodwill reclassified as held for sale (c)	—	(661)	—	—			(661)
Other adjustments (d)	(191)	(169)	—	360			—
Balances at October 28, 2016	\$ 4,237	\$ 15,501	\$ 15,117	\$ 3,985			\$ 38,840

(a) Other Businesses, previously referred to as Corporate, consists of offerings by RSA Information Security, SecureWorks, Pivotal, and Boomi, Inc. ("Boomi").

(b) In connection with the EMC merger transaction on September 7, 2016, the Company recorded approximately \$31.3 billion in goodwill, which has been preliminarily allocated to ISG, VMware, and Other Businesses. This amount represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed with this transaction. See Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on the EMC merger transaction.

(c) Goodwill reclassified as held for sale represents goodwill attributable to ECD, which was acquired as a part of the EMC merger transaction and subsequently classified as held for sale. See Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on the ECD divestiture.

(d) Following the completion of the SecureWorks IPO during the nine months ended October 28, 2016, goodwill attributable to the SecureWorks business was re-allocated in a manner consistent with goodwill recognized by SecureWorks on a stand-alone basis.

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

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

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Intangible Assets

The Company's intangible assets as of October 28, 2016 and January 29, 2016 were as follows:

	October 28, 2016			January 29, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(in millions)					
Customer relationships	\$ 22,706	\$ (4,895)	\$ 17,811	\$ 9,869	\$ (3,600)	\$ 6,269
Developed technology	14,552	(1,667)	12,885	1,536	(871)	665
Trade names	1,268	(164)	1,104	318	(110)	208
Leasehold assets (liabilities)	128	(1)	127	—	—	—
Finite-lived intangible assets	38,654	(6,727)	31,927	11,723	(4,581)	7,142
In-process research and development	890	—	890	—	—	—
Indefinite-lived trade names	3,754	—	3,754	1,435	—	1,435
Total intangible assets	\$ 43,298	\$ (6,727)	\$ 36,571	\$ 13,158	\$ (4,581)	\$ 8,577

In connection with the EMC merger transaction on September 7, 2016, the Company recorded approximately \$31.2 billion of identifiable intangible assets, which represents the respective fair values as of the transaction date. Of that amount, approximately \$1.1 billion is related to the ECD divestiture, which is classified as held for sale and is not included in the above table. See Note 3 and Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements for additional information on the EMC merger transaction and the ECD divestiture, respectively.

Amortization expense related to finite-lived intangible assets was approximately \$1,164 million and \$492 million during the three months ended October 28, 2016 and October 30, 2015, respectively, and \$2,146 million and \$1,478 million during the nine months ended October 28, 2016 and October 30, 2015, respectively. There were no material impairment charges related to intangible assets during the three and nine months ended October 28, 2016 and October 30, 2015.

Estimated future annual pre-tax amortization expense of finite-lived intangible assets as of October 28, 2016 over the next five fiscal years and thereafter is as follows:

Fiscal Years	(in millions)
2017 (remaining three months)	\$ 1,492
2018	6,787
2019	5,899
2020	4,107
2021	3,214
Thereafter	10,428
Total	\$ 31,927

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NOTE 11 — WARRANTY LIABILITY

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

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
<i>Warranty liability:</i>				
Warranty liability at beginning of period	\$ 565	\$ 653	\$ 574	\$ 679
Warranty liability assumed through EMC merger transaction	125	—	125	—
Costs accrued for new warranty contracts and changes in estimates for pre-existing warranties (a) (b)	196	189	578	592
Service obligations honored	(248)	(226)	(639)	(655)
Warranty liability at end of period	<u>\$ 638</u>	<u>\$ 616</u>	<u>\$ 638</u>	<u>\$ 616</u>
Current portion	\$ 425	\$ 408	\$ 425	\$ 408
Non-current portion	\$ 213	\$ 208	\$ 213	\$ 208

(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.

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NOTE 12 — COMMITMENTS AND CONTINGENCIES

Lease Commitments — The Company leases property and equipment, manufacturing facilities, and office space under non-cancelable leases. Certain of these leases obligate the Company to pay taxes, maintenance, and repair costs. At October 28, 2016, future minimum lease payments under these non-cancelable leases were as follows: \$63 million in Fiscal 2017; \$473 million in Fiscal 2018; \$373 million in Fiscal 2019; \$285 million in Fiscal 2020; \$221 million in Fiscal 2021; and \$963 million thereafter.

For the three and nine months ended October 28, 2016, rent expense under all leases totaled \$110 million and \$179 million, respectively. For the three and nine months ended October 30, 2015, rent expense under all leases totaled \$33 million and \$99 million, respectively.

Purchase Obligations — The Company has contractual obligations to purchase goods or services, which specify significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. As of October 28, 2016, the Company had \$2,510 million, \$137 million, and \$112 million in purchase obligations for Fiscal 2017, Fiscal 2018, and Fiscal 2019 and thereafter, respectively.

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 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:

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

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

The complaints in the IBEW, Barrett, Graulich, Vassallo, City of Miami, Lasker, Local Union No. 373, City of Lakeland, and Ma actions generally allege that the EMC directors breached their fiduciary duties to EMC shareholders in connection with the EMC merger by, among other things, failing to maximize shareholder value and agreeing to provisions in the EMC merger agreement that discourage competing bids. The complaints generally further allege that there were various conflicts of interest in the proposed transaction. The IBEW, Graulich, City of Miami, and Ma plaintiffs brought suit against the Company, Dell, and Universal for injunctive relief. The Barrett, Vassallo, Lasker, Lakeland, and Local Union No. 373 plaintiffs brought suit against the Company, Dell, and Universal as alleged aiders and abettors. After consolidating the nine complaints, by decision dated December 7, 2015, the Business Litigation Session of the Suffolk County Superior Court in Massachusetts, dismissed all nine complaints for failure to make a demand on the EMC board of directors. Three of the nine plaintiffs in the consolidated actions appealed the judgment dismissing their complaints. The Massachusetts Supreme Judicial Court granted an application for direct appellate review, and heard oral argument on the appeal on November 7, 2016. The outcome of the appeal is uncertain.

The complaints in the Walsh, Stull, Pancake, and Booth actions allege that the EMC directors breached their fiduciary duties to EMC shareholders in connection with the EMC merger by, among other things, failing to maximize shareholder value and agreeing to provisions in the EMC merger agreement that discourage competing bids. The complaints generally further allege that there were various conflicts of interest in the proposed transaction and that the preliminary SEC Form S-4 filed by the Company on December 14, 2015 in connection with the transaction contained material misstatements and omissions, in violation of Section 14(a) of the Securities Exchange Act of 1934 (the

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"Exchange Act") and SEC Rule 14a-9 promulgated thereunder ("Rule 14a-9"). Under the amended complaints, the plaintiffs in the Walsh, Stull, and Pancake actions have brought suit against the Company, Dell, and Universal under Section 20(a) of the Exchange Act as alleged controlling persons of EMC. The plaintiffs in the Booth action have brought suit against the Company, Dell, and Universal under Section 14(a) of the Exchange Act and Rule 14a-9. On April 26, 2016, the Court consolidated the actions and entered an order appointing Plaintiff Stull as lead plaintiff and his choice of counsel as lead and liaison counsel. On June 6, 2016, the Securities and Exchange Commission declared effective the Company's registration statement on Form S-4 relating to the EMC merger (the "SEC Form S-4"), including the amendments thereto. On June 17, 2016, the parties to the Walsh, Stull, Pancake, and Booth actions submitted to the Court a Stipulation and Proposed Order Dismissing Action and Retaining Jurisdiction to Determine Plaintiffs' Counsel's Application for an Award of Attorneys' Fees and Reimbursement of Expenses. In the stipulation, the plaintiffs represented to the Court that they believe sufficient information had been disclosed to warrant dismissal of the actions as moot in light of the disclosures in the SEC Form S-4, including the amendments thereto. The Court has entered the proposed order and the cases are now dismissed.

The amended complaints in the Jacobs and Ford actions allege that EMC, as the majority stockholder of VMware, Inc. ("VMware"), and the individual defendants, who are directors of EMC, VMware, or both, breached their fiduciary duties to minority stockholders of VMware in connection with the proposed EMC merger by allegedly entering into or approving a merger that favors the interests of EMC and Dell at the expense of the minority stockholders. Under the amended complaint, the plaintiffs in the Jacobs action also brought suit against the Company, Dell, and Universal as alleged aiders and abettors. Effective December 2, 2016, the parties entered into an agreement to resolve the Jacobs action, pursuant to which the plaintiff has voluntarily dismissed the action with prejudice. Under the amended complaint, the plaintiffs in the Ford action have also brought suit against the Company and Dell for alleged breach of fiduciary duties to VMware and its stockholders, and against the Company, Dell, and Universal for aiding and abetting the alleged breach of fiduciary duties by EMC and VMware's directors. On November 17, 2015, the plaintiffs in the Ford action moved for a preliminary injunction and for expedited discovery. Certain defendants filed motions to dismiss the amended complaint in the Ford action on February 26, 2016 and February 29, 2016. On June 7, 2016, the plaintiffs in the Ford action filed a second amended complaint. Certain defendants filed motions to dismiss the second amended complaint on June 21, 2016. A hearing on the motions is scheduled for February 3, 2017. No trial date has been set in the Ford action, and the outcome is uncertain.

An adverse judgment for monetary damages on any of the EMC merger litigations could have an adverse effect on the Company's operations.

Appraisal Proceedings — Holders of shares of Dell common stock who did not vote on September 12, 2013 in favor of the proposal to adopt the amended going-private transaction agreement and who properly demanded appraisal of their shares and who otherwise comply with the requirements of Section 262 of the Delaware General Corporate Law ("DGCL") are entitled to seek appraisal for, and obtain payment in cash for the judicially determined "fair value" (as defined pursuant to Section 262 of the DGCL) of, their shares in lieu of receiving the going-private transaction consideration. Dell initially recorded a liability of \$13.75 for each share with respect to which appraisal has been demanded and as to which the demand has not been withdrawn, together with interest at the statutory rate discussed below. As of October 28, 2016, this liability was approximately \$129 million, compared to approximately \$593 million as of January 29, 2016, as the Company settled a substantial portion of the liability during the nine months ended October 28, 2016. Also during the nine months ended October 28, 2016, as discussed further below, the Court of Chancery ruled that that the fair value of the appraisal shares as of October 29, 2013, the date on which the going-private transaction became effective, was \$17.62 per share. On November 21, 2016, the Chancery Court entered final judgment in the appraisal action. On November 22, 2016, Dell filed a notice of appeal to the Delaware Supreme Court. That appeal is pending. The Company believes it was adequately reserved for the appraisal proceedings as of October 28, 2016.

Between October 29, 2013 and February 25, 2014, former Dell stockholders filed petitions in thirteen separate matters commencing appraisal proceedings in the Delaware Court of Chancery in which they seek a determination of the fair value of a total of approximately 38 million shares of Dell common stock plus interest, costs, and attorneys' fees. These matters have been consolidated as In Re Appraisal of Dell (C.A. No. 9322-VCL). The trial took place during the week of October 5, 2015.

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The appraisal proceedings were conducted in accordance with the rules of the Delaware Court of Chancery. In these proceedings, the Court of Chancery determined the fair value of the shares as to which appraisal has been properly demanded, exclusive of any element of value arising from the accomplishment or expectation of the going-private transaction. Interest on such fair value from the effective time of the going-private transaction through the date of payment of the judgment will be compounded quarterly and will accrue at a per annum rate of 5% over the Federal Reserve discount rate (including any surcharge) as established from time to time. Any payment in respect of the shares subject to appraisal rights will be required to be paid in cash.

The petitioners sought \$28.61 per share, plus interest. Dell, by contrast, believes that the fair value of Dell on the day the going-private transaction was completed was \$12.68 per share. The number of shares subject to appraisal demands, including shares held by those parties who have sought appraisal but not filed petitions, originally was 38,766,982. By orders dated June 27 and September 10, 2014, and May 13, May 14, July 13 and July 28, 2015, the Court of Chancery dismissed claims of holders of approximately 2,530,322 shares for failure to comply with the statutory requirements for seeking appraisal. On July 30, 2015, Dell moved for summary judgment seeking to dismiss claims of holders of an additional 30,730,930 shares (as well as a number of shares previously disqualified on other grounds) because those shares were voted in favor of the going-private transaction, and thus failed to comply with the statutory requirements for seeking appraisal. On May 11, 2016, the Court of Chancery granted Dell's motion and dismissed the appraisal claims of the holders of the 30,730,930 shares, determining that they were entitled to the merger consideration without interest. On May 18, 2016, the petitioners filed a motion for an equitable award of interest, which was denied by the Court on May 31, 2016.

The Court of Chancery ruled on May 31, 2016, that the fair value of shares as of October 29, 2013, the date on which the going-private transaction became effective, was \$17.62 per share. This ruling would entitle the holders of the remaining 5,505,730 shares to \$17.62 per share, plus interest at a statutory rate, compounded quarterly. On June 6, 2016, the petitioners filed a motion to amend the Court's memorandum opinion, which was denied by the Court on June 16, 2016. On November 21, 2016, the Chancery Court entered final judgment in the appraisal action. On November 22, 2016, Dell filed a notice of appeal to the Delaware Supreme Court. That appeal is pending.

On June 29, 2016, the Company, Dell, and certain funds affiliated with T. Rowe entered into a settlement agreement to resolve a dispute regarding the fair value and interest due on approximately 31,653,905 shares held by the funds, representing the 30,730,930 shares subject to claims that were dismissed on May 11, 2016 plus an additional 922,975 shares that had been previously disqualified on other grounds. The terms of the T. Rowe settlement, among other matters, provide that, in exchange for a release and dismissal of all asserted claims, the Company pay \$13.75 per share for a total sum of approximately \$463 million, including interest. On June 29, 2016, the Court entered an order approving the settlement, which was subsequently consummated. The remaining 5,505,730 shares not subject to the settlement agreement remain subject to the appraisal proceedings. On November 21, 2016, the Chancery Court entered final judgment in the appraisal action. On November 22, 2016, Dell filed a notice of appeal to the Delaware Supreme Court. That appeal is pending.

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

Copyright Levies — The Company's obligation to collect and remit copyright levies in certain European Union ("EU") countries may be affected by the resolution of legal proceedings pending in Germany against various companies, including Dell's German subsidiary, and elsewhere in the EU against other companies in Dell's industry. The plaintiffs in those proceedings, some of which are described below, generally seek to impose or modify the levies with respect to sales of such equipment as multifunction devices, phones, personal computers, and printers, alleging that such products enable the copying of copyrighted materials. Some of the proceedings also challenge whether the levy

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schemes in those countries comply with EU law. Certain EU member countries that do not yet impose levies on digital devices are expected to implement legislation to enable them to extend existing levy schemes, while some other EU member countries are expected to limit the scope of levy schemes and their applicability in the digital hardware environment. Dell, other companies, and various industry associations have opposed the extension of levies to the digital environment and have advocated alternative models of compensation to rights holders. The Company continues to collect levies in certain EU countries where it has determined that based on local laws it is probable that it has a payment obligation. The amount of levies is generally based on the number of products sold and the per-product amounts of the levies, which vary. The Company accrues a liability when it believes that it is both probable that a loss has been incurred and when it can reasonably estimate the amount of the loss.

On December 29, 2005, Zentralstelle für private Überspielungsrechte ("ZPÜ"), a joint association of various German collecting societies, instituted arbitration proceedings against Dell's German subsidiary before the Board of Arbitration at the German Patent and Trademark Office in Munich, and subsequently filed a lawsuit in the German Regional Court in Munich on February 21, 2008, seeking levies to be paid on each personal computer sold by Dell in Germany through the end of calendar year 2007. On December 23, 2009, ZPÜ and the German industry association, BCH, reached a settlement regarding audio-video copyright levy litigation (with levies ranging from €3.15 to €13.65 per unit). Dell joined this settlement on February 23, 2010, and has paid the amounts due under the settlement. On March 25, 2014, ZPÜ and Dell reached a settlement for levies to be paid on each personal computer sold for the period of January 2, 2011 through December 31, 2016. The amount of the settlement is not material to the Company. The amount of any levies payable after calendar year 2016, as well as the Company's ability to recover such amounts through increased prices, remains uncertain.

German courts are also considering a lawsuit originally filed in July 2004 by VG Wort, a German collecting society representing certain copyright holders, against Hewlett-Packard Company in the Stuttgart Civil Court seeking levies on printers, and a lawsuit originally filed in September 2003 by the same plaintiff against Fujitsu Siemens Computer GmbH in Munich Civil Court in Munich, Germany seeking levies on personal computers. In each case, the civil and appellate courts held that the subject classes of equipment were subject to levies. In July 2011, the German Federal Supreme Court, to which the lower court holdings have been appealed, referred each case to the Court of Justice of the European Union, submitting a number of legal questions on the interpretation of the European Copyright Directive which the German Federal Supreme Court deems necessary for its decision. In August 2014, the German Supreme Court delivered an opinion ruling that printers and personal computers are subject to levies, and referred the case back to the Court of Appeals. Dell joined the industry settlement in the Fujitsu Siemens case, and Dell believes it has no remaining material obligations in either case.

Proceedings seeking to impose or modify copyright levies for sales of digital devices also have been instituted in courts in other EU member states. Even in countries where Dell is not a party to such proceedings, decisions in those cases could impact Dell's business and the amount of copyright levies Dell may be required to collect.

The ultimate resolution of these proceedings and the associated financial impact to the Company, if any, including the number of units potentially affected, the amount of levies imposed, and the ability of the Company to recover such amounts, remain uncertain at this time. Should the courts determine there is liability for previous units shipped beyond the amount of levies the Company has collected or accrued, the Company would be liable for such incremental amounts. Recovery of any such amounts from others by the Company would be possible only on future collections related to future shipments.

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

As of October 28, 2016, 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

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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.

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NOTE 13 — INCOME AND OTHER TAXES

For the three and nine months ended October 28, 2016, the Company's effective income tax rates for continuing operations were 29.0% and 21.1% on pre-tax losses from continuing operations of \$2.3 billion and \$2.9 billion, respectively. For the three and nine months ended October 30, 2015, the Company's effective income tax rates were 6.0% and 8.1% on pre-tax losses from continuing operations of \$0.3 billion and \$1.1 billion, respectively. The change in the Company's effective income tax rate was primarily attributable to tax benefits from charges associated with the EMC merger transaction, including purchase accounting adjustments, interest charges, and stock-based compensation expense. These benefits were partially offset by a higher mix of operating income in higher-tax jurisdictions. See Note 1 and Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information on the EMC merger transaction. The income tax rate for future quarters of Fiscal 2017 will be impacted by the actual mix of jurisdictions in which income is generated.

The differences between the estimated effective income tax rates and the U.S. federal statutory rate of 35% principally result from the Company's geographical distribution of income and differences between the book and tax treatment of certain items. A portion of the Company's operations is subject to a reduced tax rate or is free of tax under various tax holidays. A significant portion of these income tax benefits is related to a tax holiday that will expire on December 31, 2016. The Company has negotiated new terms for the affected subsidiary, which provides for a reduced income tax rate and will be effective for a two-year bridge period expiring in January 2019. The Company's other tax holidays will expire in whole or in part during Fiscal 2019 through Fiscal 2023. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met.

With the EMC merger transaction, the Company acquired \$6.2 billion of net deferred tax liabilities, which are included in other non-current assets and other non-current liabilities in the Condensed Consolidated Statements of Financial Position. The Company has not provided deferred taxes on undistributed earnings and other basis differences of EMC's foreign subsidiaries as it is the Company's intention for these to remain permanently reinvested.

Subsequent to October 28, 2016, the Company effectively settled its Internal Revenue Service ("IRS") audit for fiscal years 2004 through 2006. See Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information about the settlement. The Company's U.S. federal income tax returns for fiscal years 2007 through 2009 are currently under examination by the IRS, which issued a Revenue Agent's Report ("RAR") related to those years during the nine months ended October 28, 2016. The IRS has proposed adjustments relating to certain tax positions taken on the tax returns with which the Company disagrees and will contest through the IRS administrative appeals procedures. Prior to the merger, EMC received an RAR for its tax years 2009 and 2010. The Company disagrees with certain proposed adjustments in this RAR and is currently contesting through the IRS administrative appeals process.

The Company is also currently under income tax audits in various state and foreign jurisdictions. The Company is undergoing negotiations, and in some cases contested proceedings, relating to tax matters with the taxing authorities in these jurisdictions. The Company believes that it has provided adequate reserves related to all matters contained in tax periods open to examination. Although the Company believes it has made adequate provisions for the uncertainties surrounding these audits, should the Company experience unfavorable outcomes, such outcomes could have a material impact on its results of operations, financial position, and cash flows. With respect to major U.S. state and foreign taxing jurisdictions, the Company is generally not subject to tax examinations for years prior to fiscal year 2000.

Judgment is required in evaluating the Company's uncertain tax positions and determining the Company's provision for income taxes. The Company's net unrecognized tax benefits, included in accrued and other, and other non-current liabilities in the Condensed Consolidated Statements of Financial Position was \$3.8 billion and \$3.1 billion as of October 28, 2016 and January 29, 2016, respectively. Included in the balance as of October 28, 2016 is \$547 million of unrecognized tax benefits acquired as a part of the EMC merger transaction. Other than the IRS settlement described above, the Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next twelve months.

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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 normal course of business, the Company's positions and conclusions related to its non-income taxes could be challenged and assessments may be made. To the extent new information is obtained and the Company's views on its positions, probable outcomes of assessments, or litigation change, changes in estimates to the Company's accrued liabilities would be recorded in the period in which such a determination is made. In the resolution process for income tax and non-income tax audits, the Company may be required to provide collateral guarantees or indemnification to regulators and tax authorities until the matter is resolved.

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NOTE 14 — ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

	Foreign Currency Translation Adjustments	Investments	Cash Flow Hedges	Accumulated Other Comprehensive Loss
(in millions)				
<i>Balances at January 29, 2016</i>	\$ (358)	\$ —	\$ 34	\$ (324)
Other comprehensive loss before reclassifications	(214)	(5)	(25)	(244)
Amounts reclassified from accumulated other comprehensive loss	—	—	64	64
Total change for the period	(214)	(5)	39	(180)
Less: Change in comprehensive income (loss) attributable to non-controlling interests	—	—	—	—
<i>Balances at October 28, 2016</i>	<u>\$ (572)</u>	<u>\$ (5)</u>	<u>\$ 73</u>	<u>\$ (504)</u>

Amounts related to investments are reclassified to net income when gains and losses are realized. See Note 5 and Note 6 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information on the Company's investments. Amounts related to the Company's cash flow hedges are reclassified to net income during the same period in which the items being hedged are recognized in earnings. In addition, any hedge ineffectiveness related to cash flow hedges is recognized currently in net income. See Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information on the Company's derivative instruments.

The following table presents reclassifications out of accumulated other comprehensive loss, net of tax, which consists entirely of gains and losses related to cash flow hedges, to net income (loss) for the periods presented:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
<i>Total reclassifications, net of tax:</i>				
Net revenue	\$ 23	\$ 25	\$ (44)	\$ 280
Cost of net revenue	(6)	14	(20)	32
Interest and other, net	—	—	—	(1)
Total reclassifications, net of tax benefit (expense) of \$(2) and \$4, respectively and \$3 and \$12, respectively	<u>\$ 17</u>	<u>\$ 39</u>	<u>\$ (64)</u>	<u>\$ 311</u>

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NOTE 15 — NON-CONTROLLING INTERESTS

SecureWorks — On April 27, 2016, SecureWorks completed a registered underwritten IPO of its Class A common stock. The non-controlling interests' share of equity in SecureWorks is reflected as a component of the non-controlling interests in the accompanying Condensed Consolidated Statements of Financial Position and was \$88 million and \$0 million as of October 28, 2016 and January 29, 2016, respectively. As of October 28, 2016, Dell Technologies held approximately 87.5% of the outstanding equity interest in SecureWorks.

The following non-controlling interests were assumed on September 7, 2016 in connection with the EMC merger transaction:

VMware — The non-controlling interests' share of equity in VMware is reflected as a component of the non-controlling interests on the accompanying Condensed Consolidated Statements of Financial Position and was \$4,967 million as of October 28, 2016. As of October 28, 2016, the Company held approximately 83.3% of the outstanding equity interest in VMware.

Pivotal — A portion of the non-controlling interest in Pivotal is held by third parties in the form of a preferred equity instrument. Consequently, there is no net income attributable to such interest in Pivotal in the Condensed Consolidated Statements of Income (Loss). Additionally, due to the terms of the preferred equity instrument, the non-controlling interests in the Condensed Consolidated Statements of Financial Position are generally not impacted by Pivotal's equity-related activity. The preferred equity instrument is convertible into common shares at the non-controlling owner's election at any time.

The portion of the results of operations of Pivotal allocable to its other owners, whose interest is held in the form of common stock, is reflected as an adjustment to net income attributable to Dell Technologies in the accompanying Condensed Consolidated Statements of Income. The non-controlling interests' share of equity in Pivotal is reflected as a component of the non-controlling interests in the accompanying Condensed Consolidated Statements of Financial Position and was \$884 million as of October 28, 2016. As of October 28, 2016, the Company held approximately 77.4% of the outstanding equity interest in Pivotal.

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

	Nine Months Ended October 28, 2016
	(in millions)
Net loss attributable to Dell Technologies Inc.	\$ (1,436)
Transfers (to) from the non-controlling interests:	
Increase in Dell Technologies' additional paid-in-capital for equity issuances	37
Decrease in Dell Technologies' additional paid-in-capital for other equity activity	(398)
Net transfers to non-controlling interests	(361)
Change from net loss attributable to Dell Technologies Inc. and transfers to the non-controlling interests	\$ (1,797)

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NOTE 16 — EARNINGS (LOSS) PER SHARE

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

The Company has two groups of common stock, denoted as the DHI Group Common Stock and the Class V Common Stock. The DHI Group Common Stock consists of four classes of common stock, referred to as Class A Common Stock, Class B Common Stock, Class C Common Stock, and Class D Common Stock. The DHI Group generally refers to the direct and indirect interest of Dell Technologies in all of Dell Technologies' business, assets, properties, liabilities, and preferred stock other than those attributable to the Class V Group, as well as its retained interest in the Class V Group equal to approximately 35% of the Company's economic interest in the Class V Group as of the closing date of the EMC merger transaction. The Class V Common Stock is intended to track the economic performance of approximately 65% of the Company's economic interest in the Class V Group as of such date. As of the closing date of the EMC merger transaction, the Class V Group consisted of approximately 343 million shares of common stock of VMware held by the Company. See Note 17 of the Notes to the Unaudited Condensed Consolidated Financial Statements and Exhibit 99.1 filed with this report for more information regarding the allocation of earnings from Dell Technologies' interest in VMware between the DHI Group and the Class V Common Stock.

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

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions, except per share amounts)				
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - basic:</i>				
Continuing operations - Class V Common Stock - basic	\$ 0.79	\$ —	\$ 0.79	\$ —
Continuing operations - DHI Group - basic	\$ (3.62)	\$ (0.65)	\$ (5.70)	\$ (2.47)
Discontinued operations - DHI Group - basic	\$ (0.88)	\$ 0.21	\$ 2.01	\$ 0.13
<i>Earnings (loss) per share attributable to Dell Technologies Inc. - diluted:</i>				
Continuing operations - Class V Common Stock - diluted	\$ 0.78	\$ —	\$ 0.78	\$ —
Continuing operations - DHI Group - diluted	\$ (3.63)	\$ (0.65)	\$ (5.70)	\$ (2.47)
Discontinued operations - DHI Group - diluted	\$ (0.88)	\$ 0.21	\$ 2.01	\$ 0.13

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions, except per share amounts)				
Numerator: Continuing operations - Class V Common Stock				
Net income from continuing operations attributable to Class V Common Stock - basic	\$ 175	\$ —	\$ 175	\$ —
Incremental dilution from VMware attributable to Class V Common Stock (a)	(2)	—	(2)	—
Net income from continuing operations attributable to Class V Common Stock - diluted	<u>\$ 173</u>	<u>\$ —</u>	<u>\$ 173</u>	<u>\$ —</u>
Numerator: Continuing operations - DHI Group				
Net loss from continuing operations attributable to DHI Group - basic	\$ (1,801)	\$ (264)	\$ (2,486)	\$ (1,000)
Incremental dilution from VMware attributable to DHI Group (a)	(1)	—	(1)	—
Net loss from continuing operations attributable to DHI Group - diluted	<u>\$ (1,802)</u>	<u>\$ (264)</u>	<u>\$ (2,487)</u>	<u>\$ (1,000)</u>
Numerator: Discontinued operations - DHI Group				
Income (loss) from discontinued operations, net of income taxes - basic and diluted	\$ (438)	\$ 84	\$ 875	\$ 51
Denominator: Class V Common Stock weighted-average shares outstanding				
Weighted-average shares outstanding - basic	222	—	222	—
Dilutive effect of options, restricted stock units, restricted stock, and other (b)	—	—	—	—
Weighted-average shares outstanding - diluted	<u>222</u>	<u>—</u>	<u>222</u>	<u>—</u>
Weighted-average shares outstanding - antidilutive (b)	—	—	—	—
Denominator: DHI Group weighted-average shares outstanding				
Weighted-average shares outstanding - basic	497	405	436	405
Dilutive effect of options, restricted stock units, restricted stock, and other	—	—	—	—
Weighted-average shares outstanding - diluted	<u>497</u>	<u>405</u>	<u>436</u>	<u>405</u>
Weighted-average shares outstanding - antidilutive (c)	33	55	30	54

(a) The incremental dilution from VMware represents the impact of VMware's dilutive securities on the DHI Group and Class V Common Stock's respective diluted earnings (loss) per share and is calculated by multiplying the difference between VMware's basic and diluted earnings (loss) per share by the number of VMware shares owned by the Company.

(b) The dilutive effect of Class V stock-based incentive awards was not material to the calculation of the weighted-average Class V Common Stock outstanding. The antidilutive effect of these awards was also not material.

(c) Stock-based incentive awards have been excluded from the calculation of the DHI Group's diluted earnings (loss) per share because their effect would have been antidilutive, as the Company had a net loss from continuing operations attributable to the DHI Group for the periods presented.

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

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	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
Net income from continuing operations attributable to Class V Common Stock	175	—	175	—
Net loss from continuing operations attributable to DHI Group	(1,801)	(264)	(2,486)	(1,000)
Net loss from continuing operations attributable to Dell Technologies Inc.	(1,626)	(264)	(2,311)	(1,000)
Income (loss) from discontinued operations, net of income taxes	(438)	84	875	51
Net loss attributable to Dell Technologies Inc.	(2,064)	(180)	(1,436)	(949)

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NOTE 17 — CAPITALIZATION

Reclassification — On September 5, 2016, before the registration of the Class V Common Stock of Dell Technologies under Section 12 of the Securities Exchange Act of 1934 in connection with the EMC merger transaction, holders of a majority of the outstanding shares of the Company's Series A Common Stock, Series B Common Stock, and Series C Common Stock approved the Fourth Amended and Restated Certificate of Incorporation of the Company (the "Amended and Restated Certificate of Incorporation") and the Amended and Restated Bylaws of the Company (the "Amended and Restated Bylaws"). The Amended and Restated Certificate of Incorporation and the Amended and Restated Bylaws became effective on September 7, 2016 before the closing of the EMC merger transaction. Upon the effectiveness of the Amended and Restated Certificate of Incorporation, the outstanding shares of the Company's Series A Common Stock, Series B Common Stock, and Series C Common Stock were automatically reclassified on a one-for-one basis into newly authorized shares of the Company's Class A Common Stock, Class B Common Stock, and Class C Common Stock, respectively (the "Reclassification"). The Amended and Restated Certificate of Incorporation also amended the Company's prior certificate of incorporation to authorize the Class D Common Stock and the Class V Common Stock. The Reclassification did not affect the Company's consolidated financial position or results of operations. Share information in the Condensed Consolidated Financial Statements has been restated to reflect the Reclassification.

The following table summarizes the Company's common stock for the periods indicated:

	Authorized	Issued	Outstanding
	(in millions)		
<i>Common stock as of January 29, 2016</i>			
Series A	350	307	307
Series B	150	98	98
Series C	200	—	—
	700	405	405
<i>Common stock as of October 28, 2016</i>			
Class A	600	409	409
Class B	200	137	137
Class C	900	22	22
Class D	100	—	—
Class V	343	223	219
	2,143	791	787

Preferred Stock — Dell Technologies is authorized to issue one million shares of preferred stock, par value \$.01 per share. As of October 28, 2016, no shares of preferred stock were issued or outstanding.

Common Stock

DHI Group 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 the DHI Group Common Stock. The par value for all classes of DHI Group Common Stock is \$.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.

Class V Common Stock — In connection with the EMC merger transaction, Dell Technologies authorized the issuance of 343 million shares of Class V Common Stock. Dell Technologies issued 223 million shares of Class V Common Stock to EMC shareholders on September 7, 2016 in connection with the closing of the EMC merger transaction. These 223 million shares are intended to track the economic performance of approximately 65% of Dell Technologies' economic interest in the Class V Group as of the closing date of the EMC merger transaction, while the remaining 120 million authorized and unissued shares represent the DHI Group's retained interest in approximately 35% of Dell Technologies' economic interest in the Class V Group.

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as of such date. As of the closing date of the EMC merger transaction, the assets of the Class V Group consisted solely of 343 million shares of VMware common stock held by the Company. Each share of Class V Common Stock is identical in all respects and has equal rights, powers, and privileges to each other share of Class V Common Stock.

Dell Technologies' board of directors may, with the approval of the independent capital stock committee of the board of directors, reallocate assets or liabilities between the Class V Group and the DHI Group, which could result in a change to the DHI Group's retained interest in the Class V Group. The relative economic interests of the two Groups, including the DHI Group's retained interest in the Class V Group, could also change further if the Company issues or repurchases additional shares of Class V Common Stock.

See Exhibit 99.1 for more information regarding Unaudited Attributed Financial Information for Class V Group.

The Company has the authority and discretion to declare and pay (or to refrain from declaring and paying) dividends on outstanding shares of DHI Group Common Stock and dividends on outstanding shares of Class V Common Stock, in equal or unequal amounts, or only on the DHI Common Stock or the Class V Common Stock. In the event of a liquidation, dissolution, distribution of assets, or winding up of the Company, the holders of shares of DHI Common Stock and the holders of shares of Class V Common Stock will be entitled to receive their proportionate interests in the assets of the Company remaining for distribution to holders of stock in proportion to the respective number of liquidation units per share of DHI Common Stock and Class V Common Stock, respectively.

Repurchases of Common Stock

Class V Common Stock Repurchases and Treasury Stock — On September 7, 2016, the Company's board of directors approved a stock repurchase program under which the Company is authorized to use assets of the DHI Group to repurchase up to \$1.0 billion of shares of the Class V Common Stock over a two-year period. During the three months ended October 28, 2016, the Company repurchased 4 million shares of Class V Common Stock for \$165 million, leaving 219 million shares outstanding as of the end of the quarter. The 4 million shares of Class V Common Stock were repurchased using cash of the DHI Group and are being held as treasury stock at cost. As of October 28, 2016, as a result of these repurchases, the holders of the Class V Common Stock owned shares which in the aggregate track the economic performance of approximately 64% of Dell Technologies' economic interest in the Class V Group, and the remaining 36% economic interest in the Class V Group was retained by the DHI Group. At October 28, 2016, the Company's remaining authorized amount for share repurchases was \$835 million.

DHI Group Common Stock Repurchases and Treasury Stock — During the nine months ended October 28, 2016, the Company repurchased an immaterial number of shares of DHI Group Common Stock for approximately \$10 million.

VMware Class A Common Stock Repurchases — In April 2016, VMware's board of directors authorized the repurchase of up to \$1.2 billion of VMware's Class A common stock through the end of 2016. All shares repurchased under VMware's stock repurchase programs are retired. During the period from September 7, 2016 through October 28, 2016, VMware repurchased \$611 million of its Class A common stock. The authorized amount for repurchases of VMware common stock was entirely utilized as of October 28, 2016.

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NOTE 18 — STOCK-BASED COMPENSATION

Dell Technologies Inc. 2013 Stock Incentive Plan — On September 7, 2016, at the effective time of the EMC merger transaction, the Denali Holding Inc. 2013 Stock Incentive Plan (the “2013 Plan”) was amended and restated as the Dell Technologies Inc. 2013 Stock Incentive Plan (the “Restated Plan”). Employees, consultants, non-employee directors, and other service providers of the Company or its affiliates are eligible to participate in the Restated Plan. The Restated Plan authorizes the issuance of an aggregate of 75 million shares of the Company’s Class C Common Stock and 500,000 shares of the Company’s Class V Common Stock, of which approximately 61 million shares of Class C Common Stock were previously reserved for issuance under the 2013 Plan. The Restated Plan authorizes the Company to grant stock options, restricted stock units (“RSUs”), stock appreciation rights (“SARs”), restricted stock awards (“RSAs”), and dividend equivalents.

As of October 28, 2016 and January 29, 2016, there were approximately 21 million and 17 million shares, respectively, of common stock of Dell Technologies available for future grants under the Restated Plan and the 2013 Plan.

Stock Option Agreements — Stock options granted under the Restated Plan include service-based awards and performance-based awards. A majority of the service-based stock options vest pro-rata at each option anniversary date over a five year period. Performance-based stock options, with a market condition, become exercisable upon achievement of return on equity (“ROE”) metrics up to the seven year anniversary of the going-private transaction date, depending upon the achievement of the market condition. Both service-based and performance-based stock options are granted with option exercise prices equal to the fair market value of the Company’s common stock, as determined by the Company’s board of directors. Generally, common stock issued under both service-based and performance-based awards are subject to liquidity events, such as an initial public offering, change in control, sales of common stock under an annual company liquidity program, and calls and puts resulting upon the occurrence of specified events. A majority of the stock options expire ten years after the date of grant. Compensation expense for service-based stock options is recognized on a straight-line basis over the requisite service period, while compensation expense for performance-based stock options, with a market condition, is recognized on a graded accelerated basis net of estimated forfeitures over the requisite service period.

Stock Option Activity — The following table summarizes stock option activity during the nine months ended October 28, 2016:

	Number of Options (in millions)	Weighted-Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Options outstanding, January 29, 2016	54	\$ 14.30		
Granted	2	28.04		
Exercised	(1)	14.22		
Forfeited	(2)	17.97		
Canceled/expired	—	—		
Options outstanding, October 28, 2016 (a)	<u>53</u>	\$ 14.79	7.0	\$ 682
Options vested and expected to vest (net of estimated forfeitures), October 28, 2016	50	\$ 14.79	7.0	\$ 635
Options exercisable, October 28, 2016	11	\$ 14.14	6.9	\$ 143

(a) Of the 53 million stock options outstanding on October 28, 2016, 23 million related to performance-based awards and 30 million related to service-based awards.

The total fair value of options vested was \$1 million and \$4 million for the three and nine months ended October 28, 2016, respectively, and \$18 million and \$20 million for the three and nine months ended October 30, 2015, respectively. The intrinsic value of the options exercised was \$9 million and \$14 million for the three and nine months ended October 28, 2016, respectively, and immaterial and \$3 million for the three and nine months ended October 30, 2015, respectively. As of October 28, 2016 and January 29, 2016, there was \$122 million and \$183 million, respectively, of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 2.9 years and 3.6 years, respectively.

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The tax benefit related to stock option expense was \$9 million and \$24 million for the three and nine months ended October 28, 2016, respectively, and \$7 million and \$19 million for the three and nine months ended October 30, 2015, respectively.

In connection with the EMC merger transaction and in accordance with the merger agreement, certain executives holding unvested restricted stock units of EMC ("EMC RSUs") were given the opportunity to elect to exchange each unvested EMC RSU held by such executives that would otherwise have vested in the ordinary course on or after January 1, 2017 for (a) a deferred cash award having a cash value equal to the closing price of a share of EMC common stock on the last trading day before the closing date of the EMC merger transaction, or \$29.05, and (b) an option ("rollover option") to purchase a share of Class C Common Stock of Dell Technologies ("the rollover opportunity"). The rollover options have a three-year term and a per share exercise price equal to the fair market value of a share of Class C Common Stock on the date of grant, or \$27.50, and, to the extent vested, may be exercised using a cashless exercise method for both the exercise price and the applicable minimum required tax withholding (subject to certain limitations). Each deferred cash award will vest, and each rollover option will vest and thereby become exercisable, on the same schedule as the EMC RSU for which they were exchanged (with any performance-vesting condition deemed satisfied at the target level of performance upon the closing of the EMC merger transaction). Pursuant to the rollover opportunity, options to purchase shares of Class C Common Stock were issued and have been included within the stock option activity table above as granted options.

Valuation of Service-Based Stock Option Awards — For service-based stock options granted under the 2013 Plan and the Restated Plan, the Company utilized the Black-Scholes option pricing model to estimate the fair value of stock options at the grant date. The Black-Scholes option pricing model incorporates various assumptions, including leveraged adjusted volatility of a public peer group, expected term, risk-free interest rates, and dividend yields. The weighted assumptions utilized for valuation of options under this model as well as the weighted-average grant date fair value of stock options granted during the respective periods are presented below.

The expected term is based on historical experience and on the terms and conditions of the stock awards granted to employees. For the periods presented, option valuations used leverage-adjusted volatility of a peer group and the expected term was based on analysis of the Company's historical option settlement experience and on the terms and conditions of the stock awards granted.

The assumptions utilized in this model as well as the weighted-average grant date fair value of stock options granted are presented below:

	Nine Months Ended	
	October 28, 2016	October 30, 2015
Weighted-average grant date fair value of stock options granted per option	\$ 10.39	\$ 10.05
Expected term (in years)	3.3	5.1
Risk-free rate (U.S. Government Treasury Note)	1.0%	1.5%
Expected volatility	52%	46%
Expected dividend yield	—%	—%
Forfeiture Rate	6.1%	6.1%

Valuation of Performance-Based Stock Option Awards — For performance-based stock options granted under the 2013 Plan and the Restated Plan, the Company utilized the Monte Carlo valuation model to simulate probabilities of achievement of the market condition and the grant date fair value. The valuation model for performance-based option grants during the nine months ended October 28, 2016 and October 30, 2015 used a weighted-average leverage adjusted 5 years peer volatility and corresponding risk free interest rate. Upon fulfillment of a ROE condition, a specific portion of the performance options become exercisable. An embedded binomial lattice option pricing model was used to determine the value of these exercisable options using the assumption that each option will be exercised at the midpoint between the date of satisfaction of a ROE condition and the expiration date of such option.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The assumptions utilized in this model as well as the weighted-average grant date fair value of stock options granted are presented below:

	Nine Months Ended	
	October 28, 2016	October 30, 2015
Weighted-average grant date fair value of stock options granted per option	\$ 8.83	\$ 10.85
Expected term (in years)	—	—
Risk-free rate (U.S. Government Treasury Note)	1.7%	2.0%
Expected volatility	44%	50%
Expected dividend yield	—%	—%
Forfeiture Rate	6.1%	6.1%

Restricted Stock Unit Awards — The Company's restricted stock primarily consists of RSU awards granted to employees. RSUs are valued based on the Company's Class C Common Stock price on the date of grant. The shares underlying the RSU awards are not issued until the RSU vests. Upon vesting, each RSU converts into one share of Class C Common Stock.

The Company's restricted stock also includes performance stock units ("PSU") awards, which have been granted to certain of the Company's executives and employees. The PSU awards include performance conditions and, in certain cases, a time-based vesting component. For PSU awards granted under the 2013 Plan and the Restated Plan, the Company utilized the Monte Carlo valuation model to simulate the probabilities of achievement of the market condition and the grant date fair value. The vesting and payout of the PSU awards depends upon the return on equity achieved on various measurement dates and liquidity events. Upon fulfillment of a ROE condition, a specific portion of the PSU award becomes exercisable.

The following table summarizes non-vested restricted stock and restricted stock units activity during the nine months ended October 28, 2016:

	Number of Shares	Weighted- Average Grant Date Fair Value
	(in millions)	(per share)
Non-vested restricted stock unit balance, January 29, 2016	—	\$ —
Granted	11	19.58
Vested	—	—
Forfeited	—	—
Non-vested restricted stock unit balance, October 28, 2016 (a)	<u>11</u>	<u>\$ 19.58</u>

(a) Of the 11 million non-vested restricted stock units, 6 million related to performance-based awards and 5 million related to service-based awards.

As of October 28, 2016 and January 29, 2016 there was \$174 million and \$1 million, respectively, of unrecognized stock-based compensation expense, net of estimated forfeitures, related to these awards expected to be recognized over a weighted-average period of approximately 2.9 years and 1.9 years, respectively.

SecureWorks Long-Term Incentive Plan — In connection with the SecureWorks IPO, its board of directors adopted the SecureWorks 2016 Long-Term Incentive Plan ("2016 Plan"). The 2016 Plan became effective on April 18, 2016 and will expire on the tenth anniversary of the effective date unless the 2016 Plan is terminated earlier by the board of directors or in connection with a change in control of SecureWorks Corp. SecureWorks has reserved 8,500,000 shares of Class A common stock for issuance pursuant to awards under the 2016 Plan. The 2016 Plan provides for the grant of options, SARs, RSAs, RSUs, deferred stock units, unrestricted stock, dividend equivalent rights, other equity-based awards and cash bonus awards. Awards may be granted under the 2016 Plan to individuals who are employees, officers, or non-employee directors of SecureWorks or any of its affiliates, consultants and advisors who perform services for SecureWorks or any of its affiliates, and

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any other individual whose participation in the 2016 Plan is determined to be in the best interests of SecureWorks by the compensation committee of the board of directors.

The stock option and restricted stock units activity under the 2016 Plan was not material during the nine months ended October 28, 2016.

VMware

The following VMware stock incentive plans were assumed on September 7, 2016 in connection with the EMC merger transaction:

VMware Equity Plans — In June 2007, VMware adopted its 2007 Equity and Incentive Plan (the “2007 Plan”). As of October 28, 2016, the number of authorized shares under the 2007 Plan was 122 million. The number of shares underlying outstanding equity awards that VMware assumes in the course of business acquisitions are also added to the 2007 Plan reserve on an as-converted basis. VMware has assumed 4 million shares, which accordingly have been added to the authorized shares under the 2007 Plan reserve.

Awards under the 2007 Plan may be in the form of stock-based awards such as RSUs or stock options. Generally, restricted stock grants made under the 2007 Plan have a three-year to four-year period over which they vest and vest 25% the first year and semi-annually thereafter. VMware’s Compensation and Corporate Governance Committee determines the vesting schedule for all equity awards. VMware’s restricted stock also include PSU awards, which have been granted to certain VMware executives and employees. The PSU awards include performance conditions and, in certain cases, a time-based vesting component. Upon vesting, each PSU award will convert into VMware’s Class A common stock at various ratios ranging from 0.5 to 2.0 shares per PSU, depending upon the degree of achievement of the performance target designated by each individual award. If minimum performance thresholds are not achieved, then no shares will be issued.

The exercise price for a stock option awarded under the 2007 Plan shall not be less than 100% of the fair market value of VMware Class A common stock on the date of grant. Most options granted under the 2007 Plan vest 25% after the first year and monthly thereafter over the following three years and expire between six and seven years from the date of grant. VMware utilizes both authorized and unissued shares to satisfy all shares issued under the 2007 Plan. As of October 28, 2016, there were an aggregate of 15 million shares of common stock available for issuance pursuant to future grants under the 2007 Plan.

VMware Stock Options — The following table summarizes stock option activity for VMware employees in VMware stock options:

	Number of Options (in millions)	Weighted-Average Exercise Price (per share)	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in millions)
Options outstanding, September 7, 2016	2	\$ 65.01			
Granted	—	—			
Exercised	—	—			
Forfeited	—	—			
Canceled/Expired	—	—			
Options outstanding, October 28, 2016 (a)	2	\$ 65.80		4.6	\$ 44
Options vested and expected to vest (net of estimated forfeitures), October 28, 2016	2	\$ 65.44		4.6	\$ 44
Options exercisable, October 28, 2016	1	\$ 64.95		4.5	\$ 29

(a) Stock option activity during the period was immaterial. The ending weighted-average exercise price was calculated based on underlying options outstanding as of October 28, 2016.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The above table includes stock options granted in conjunction with unvested stock options assumed in business combinations. As a result, the weighted-average exercise price per share may vary from the VMware stock price at time of grant. Aggregate intrinsic values represent the total pretax intrinsic values based on VMware's closing stock price of \$77.65 as of October 28, 2016 as reported on the NYSE, which would have been received by the option holders had all in-the-money options been exercised as of that date. The total fair value of VMware stock options that vested during the period from September 7, 2016 through October 28, 2016 was \$4 million. The intrinsic value of the options exercised during the period from September 7, 2016 through October 28, 2016 was \$3 million. During the period from September 7, 2016 through October 28, 2016, \$1 million in cash was received from the stock option exercises.

The tax benefit related to stock option expense was \$1 million from the period from September 7, 2016 through October 28, 2016. As of October 28, 2016, there was \$21 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested stock options expected to be recognized over a weighted-average period of 0.8 years.

Fair Value of VMware Options — The fair value of each option to acquire VMware Class A common stock granted is estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average grant date fair value of VMware stock options can fluctuate from period to period primarily due to higher valued options assumed through business combinations with exercise prices lower than the fair market value of VMware's stock on the date of grant.

For all equity awards granted, volatility is based on an analysis of historical stock prices and implied volatilities of VMware's Class A common stock. The expected term is based on historical exercise patterns and post-vesting termination behavior, the term of the purchase period for grants made under VMware's employee stock purchase plan, or the weighted-average remaining term for options assumed in acquisitions. VMware's expected dividend yield input was zero as it has not historically paid, nor expects in the future to pay, cash dividends on its common stock. The risk-free interest rate is based on a U.S. Treasury instrument whose term is consistent with the expected term of the stock options.

There were no options granted during the period from September 7, 2016 through October 28, 2016.

VMware Restricted Stock — The following table summarizes VMware's restricted stock activity since September 7, 2016:

	Number of Shares <small>(in millions)</small>	Weighted- Average Grant Date Fair Value <small>(per share)</small>
Non-vested restricted stock unit balance, September 7, 2016	22	\$ 67.01
Granted	—	—
Vested	—	—
Forfeited	—	—
Non-vested restricted stock unit balance, October 28, 2016	<hr/> 22	<hr/> \$ 66.92

(a) Stock option activity during the period was immaterial. The ending weighted-average exercise price was calculated based on underlying unvested RSU balance as of October 28, 2016.

As of October 28, 2016, restricted stock representing 22 million shares of VMware's Class A common stock was outstanding, with an aggregate intrinsic value of \$1,690 million based on VMware's closing price as of October 28, 2016 as reported on the NYSE. The total fair value of VMware restricted stock awards that vested during the period from September 7, 2016 through October 28, 2016 was \$20 million. As of October 28, 2016, there was \$998 million of unrecognized stock-based compensation expense, net of estimated forfeitures, related to these awards expected to be recognized over a weighted-average period of approximately 1.5 years.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Stock-based Compensation Expense — Stock-based compensation expense for the Company was allocated as follows for the respective periods:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
Stock-based compensation expense (a) (b):				
Cost of net revenue	\$ 13	\$ 3	\$ 17	\$ 7
Operating expenses	137	16	166	46
Stock-based compensation expense before taxes	150	19	183	53
Income tax benefit	(47)	(7)	(59)	(19)
Stock-based compensation expense, net of income taxes	\$ 103	\$ 12	\$ 124	\$ 34

(a) As a result of the EMC merger transaction, stock-based compensation expense for the three and nine months ended October 28, 2016 includes \$108 million related to VMware plans for the period from September 7, 2016 through October 28, 2016.

(b) Stock-based compensation expense for the three and nine months ended October 28, 2016 does not include \$807 million of post-merger stock compensation expense and related taxes resulting from the EMC merger transaction. See Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements for more information on the EMC merger transaction.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 19 — REDEEMABLE SHARES

Awards under the Restated Plan and the 2013 Plan described in Note 18 of the Notes to the Unaudited Condensed Consolidated Financial Statements include certain rights that allow the holder to exercise a put feature for the underlying Class C Common Stock after a six-month holding period following the issuance of such common stock, requiring the Company to purchase the stock at its fair market value. Accordingly, these awards are subject to reclassification from equity to temporary equity, and the Company determines the amounts to be classified as temporary equity as follows:

- For stock options 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 SARS, RSUs, and 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 not reclassified to temporary equity until the contingency has been satisfied.

The amount of redeemable shares classified as temporary equity as of October 28, 2016 and January 29, 2016 was \$187 million and \$106 million, respectively. As of October 28, 2016, the redeemable shares consisted of 1.0 million issued and outstanding common shares, 8.0 million RSUs, 2.7 million RSAs, and 36.0 million outstanding stock options. As of January 29, 2016, the redeemable shares consisted of 0.9 million issued and outstanding common shares, 0.1 million unvested restricted stock units, and 18.6 million outstanding stock options.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 20 — SEGMENT INFORMATION

With the closing of the EMC merger transaction on September 7, 2016 and the classification of Dell Services and DSG as discontinued operations during the nine months ended October 28, 2016, the Company now has three reportable segments that are based on the following business units: Client Solutions Group ("CSG"); Infrastructure Solutions Group ("ISG"); and VMware. The ISG segment represents the Company's previous Enterprise Solutions Group ("ESG") segment and EMC's Information Storage segment. There was no change in the way Dell's legacy business results are allocated between the CSG and ESG (now referred to as ISG) segments as a result of the EMC merger transaction.

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

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

DELL TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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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 (loss) to the Company's consolidated operating income (loss):

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
Consolidated net revenue:				
Client Solutions Group	\$ 9,187	\$ 8,936	\$ 26,978	\$ 27,040
Infrastructure Solutions Group	5,989	3,711	13,381	11,182
VMware	1,289	—	1,289	—
Reportable segment net revenue	<u>16,465</u>	<u>12,647</u>	<u>41,648</u>	<u>38,222</u>
Other businesses (a)	312	104	530	279
Unallocated transactions (b)	—	30	63	101
Impact of purchase accounting (c)	(530)	(107)	(673)	(370)
Total net revenue	<u>\$ 16,247</u>	<u>\$ 12,674</u>	<u>\$ 41,568</u>	<u>\$ 38,232</u>
Consolidated operating income (loss):				
Client Solutions Group	\$ 634	\$ 384	\$ 1,503	\$ 926
Infrastructure Solutions Group	897	257	1,389	776
VMware	548	—	548	—
Reportable segment operating income	<u>2,079</u>	<u>641</u>	<u>3,440</u>	<u>1,702</u>
Other businesses (a)	(13)	(15)	(48)	(50)
Unallocated transactions (b)	(91)	(19)	(122)	(82)
Impact of purchase accounting (c)	(850)	(149)	(1,054)	(475)
Amortization of intangibles	(1,164)	(492)	(2,146)	(1,478)
Transaction-related expenses (d)	(1,200)	(27)	(1,329)	(67)
Other corporate expenses (e)	(273)	(17)	(325)	(38)
Total operating loss	<u>\$ (1,512)</u>	<u>\$ (78)</u>	<u>\$ (1,584)</u>	<u>\$ (488)</u>

(a) Other businesses consist of RSA Information Security, SecureWorks, Pivotal, and Boomi offerings, and do not constitute a reportable segment.

(b) Unallocated transactions includes long-term incentives, certain short-term incentive compensation expenses, and other corporate items that are not allocated to Dell Technologies' reportable segments.

(c) Impact of purchase accounting includes non-cash purchase accounting adjustments that are primarily related to the EMC merger transaction, as well as the going-private transaction.

(d) Transaction-related expenses includes acquisition and integration-related costs.

(e) Other corporate expenses includes severance and facility action costs as well as stock-based compensation expense.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following table presents net revenue by business unit categories:

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
	(in millions)			
Net revenue:				
<i>Client Solutions Group (a):</i>				
Commercial	\$ 6,400	\$ 6,437	\$ 19,343	\$ 19,778
Consumer	2,787	2,499	7,635	7,262
Total CSG net revenue	<u>9,187</u>	<u>8,936</u>	<u>26,978</u>	<u>27,040</u>
<i>Infrastructure Solutions Group:</i>				
Servers and networking	2,910	3,163	9,222	9,527
Storage	3,079	548	4,159	1,655
Total ISG net revenue	<u>5,989</u>	<u>3,711</u>	<u>13,381</u>	<u>11,182</u>
<i>VMware</i>				
Total VMware net revenue	<u>1,289</u>	<u>—</u>	<u>1,289</u>	<u>—</u>
Total segment net revenue	\$ 16,465	\$ 12,647	\$ 41,648	\$ 38,222

(a) During the nine months ended October 28, 2016, the Company redefined the categories within the Client Solutions Group business unit. None of these changes impacted the Company's consolidated or total business unit results.

DELL TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 21 — SUPPLEMENTAL CONSOLIDATED FINANCIAL INFORMATION**Supplemental Consolidated Statements of Financial Position Information**

The following table provides information on amounts included in inventories, net and other non-current liabilities as of October 28, 2016 and January 29, 2016:

	October 28, 2016	January 29, 2016
	(in millions)	
<i>Inventories, net:</i>		
Production materials	\$ 973	\$ 657
Work-in-process	789	189
Finished goods	1,742	773
Total inventories, net	\$ 3,504	\$ 1,619
<i>Other non-current liabilities:</i>		
Warranty liability	213	193
Unrecognized tax benefits, net	3,008	2,271
Deferred tax liabilities	5,305	939
Other	540	98
Total other non-current liabilities	\$ 9,066	\$ 3,501

DELL TECHNOLOGIES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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NOTE 22 — SUBSEQUENT EVENTS

Dell Software Group Divestiture — On October 31, 2016, the parties closed the DSG divestiture transaction. Dell received total cash consideration for the sale of approximately \$2.4 billion. The Company expects to realize an estimated pre-tax gain on sale of \$1.2 billion.

Dell Services Divestiture — On November 2, 2016, the parties closed the Dell Services divestiture transaction. Dell received total cash consideration for the sale of approximately \$3.0 billion. The Company expects to realize an estimated pre-tax gain on sale of \$1.5 billion.

Repayment and Termination of Asset Sale Bridge Facility — On November 8, 2016, the Company applied cash proceeds from the sale of substantially all of the Company's Dell Services business unit and the sale of substantially all of the Company's Dell Software Group business unit to repay the outstanding \$2.2 billion principal amount of the Asset Sale Bridge Facility without premium or penalty and accrued and unpaid interest thereon, and terminated the Asset Sale Bridge Facility and the Asset Sale Bridge Credit Agreement and related documents.

Repayment of Term Loan A-1 Facility — On November 8, 2016, the Company applied cash proceeds from the sale of substantially all of the Company's Dell Services business unit and the sale of substantially all of the Company's Dell Software Group business unit and other cash to repay approximately \$2.1 billion principal amount of the Term Loan A-1 Facility without premium or penalty and accrued and unpaid interest thereon.

IRS Audit Settlement — On November 9, 2016, the Company effectively settled the IRS audit for fiscal years 2004 through 2006. The settlement amount payable to the IRS in early 2017 is approximately \$545 million and the Company expects to record an income tax benefit of approximately \$300 million in the fourth quarter of Fiscal 2017. However, the Company is currently evaluating the impact of the settlement on its uncertain tax positions; therefore, the actual amount of any tax impact to be recorded in future quarters is still uncertain.

Repayment of Revolving Credit Facility — On November 17, 2016, the Company repaid approximately \$1 billion principal amount of the Revolving Credit Facility and accrued and unpaid interest thereon.

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

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

This management's discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements and accompanying Notes for the fiscal year ended January 29, 2016 included in the proxy statement/prospectus dated June 6, 2016 forming part of our registration statement on Form S-4 (Registration No. 333-208529) and the Unaudited Condensed 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, or GAAP. Additionally, unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.

Our fiscal year is the 52- or 53-week period ending on the Friday nearest January 31. We refer to our fiscal years ended February 3, 2017 and January 29, 2016 as "Fiscal 2017" and "Fiscal 2016", respectively. Fiscal 2016 included 52 weeks. Fiscal 2017 will include 53 weeks, with the extra week to be included in the fourth quarter of Fiscal 2017.

We changed our name from Denali Holding Inc. to Dell Technologies Inc. on August 25, 2016. Unless the context indicates otherwise, references in this management's discussion and analysis to "we," "us," "our," and "Dell Technologies" mean Dell Technologies Inc. and its consolidated subsidiaries, and references to "Dell" mean Dell Inc. and Dell Inc.'s consolidated subsidiaries.

On September 7, 2016, we completed our acquisition by merger of EMC Corporation. Unless the context indicates otherwise, references in this management's discussion and analysis to "EMC" mean EMC Corporation and EMC Corporation's consolidated subsidiaries. The consolidated results of EMC are included in Dell Technologies' consolidated results for the Fiscal 2017 periods presented. Revenues of approximately \$3.6 billion and net loss of approximately \$(0.6) billion attributable to EMC were included in the Condensed Consolidated Statements of Income (Loss) for the period from September 7, 2016 through October 28, 2016.

On March 27, 2016, Dell Inc. entered into a definitive agreement with NTT Data International L.L.C. to sell substantially all of Dell Services for cash consideration of approximately \$3.0 billion. On June 19, 2016, Dell Inc. entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to sell substantially all of Dell Software Group, or DSG, for cash consideration of approximately \$2.4 billion. On September 12, 2016, EMC Corporation entered into a definitive agreement with OpenText Corporation to divest the Dell EMC Enterprise Content Division, or ECD, and its product portfolio (including the Documentum, InfoArchive, and LEAP families of products) for cash consideration of approximately \$1.6 billion. Accordingly, the results of operations of Dell Services, Dell Software Group, and ECD have been excluded from the results of continuing operations in the periods presented in this management's discussion and analysis.

INTRODUCTION

Dell Technologies is a strategically aligned family of businesses that brings together the entire infrastructure from hardware to software to services — from the edge to the data center to the cloud. Dell Technologies is a leader in the traditional technology of today and a leader in the cloud-native infrastructure of tomorrow. We are a leading provider of scalable information technology ("IT") solutions enabling customers to be more efficient, mobile, informed, and secure. Through our recent combination with EMC, Dell Technologies is now comprised of the businesses of Dell, Dell EMC, VMware, Pivotal, RSA, SecureWorks, Virtustream and Boomi. We are a collective force of innovative capabilities trusted to provide technology solutions and services that accelerate digital transformation. We believe technology exists to drive human progress on a global scale — to create new markets, reshape industries, and improve lives. Our capabilities power true transformation for people and organizations. We are positioned to help customers of any size build the essential infrastructure to modernize IT and enable digital business, and are differentiated by our practical innovation and efficient, simple, and affordable solutions.

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

We believe the combined strength of Dell and EMC will benefit our customers through complementary product portfolios, sales teams, and research and development strategies. During this period of transition and integration, we remain focused on supporting our customers with outstanding solutions, products, and services. We will continue our focus on building superior customer relationships through our direct model and our network of channel partners, which includes value-added resellers, system integrators, distributors, and retailers. We also will continue investing in strategic solutions and enhancing our go-to-market sales and marketing capabilities as we seek to create a leading global technology company poised for long-term sustainable growth and innovation.

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

- To extend our market leading position through our Client and Infrastructure Solutions Groups offerings for traditional workloads, both on- and off-premises
- To grow our strong position in IT infrastructure for cloud-native workloads, both on- and off-premises
- To innovate with winning technology that spans and unites on- and off-premises applications and infrastructure

As part of this strategy, we may supplement organic growth with strategic investments and disciplined acquisitions targeting businesses that will complement our existing portfolio of solutions.

We operate a diversified business model with the majority of our net revenue and operating income derived from commercial clients that consist of large enterprises, small and medium-sized businesses, and public sector customers. We have a large global presence with approximately 50% of our revenue generated by sales to customers outside of the United States during the first nine months of Fiscal 2017 and the first nine months of Fiscal 2016. We continue to view emerging markets, which include the vast majority of the world's population, as a long-term growth opportunity. Accordingly, we continue to pursue the development of technology solutions that meet the needs of these markets.

Products and Services

We design, develop, manufacture, market, sell and support a wide range of products and services. We are organized into the following business units, which are our reportable segments: Client Solutions Group, Infrastructure Solutions Group, and VMware. Due to our pending divestitures of Dell Services, Dell Software Group, and the Enterprise Content Division of EMC, the results of these businesses have been excluded from this management's discussion and analysis for all periods presented, except as otherwise indicated. See "Divestitures" below for more information regarding the sale of Dell Services, Dell Software Group, and ECD.

- **Client Solutions Group (CSG)** — Offerings by CSG (formerly referred to as Client Solutions) include branded hardware, such as desktop PCs, notebooks and tablets, and branded peripherals, such as monitors, printers, 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 PC business, we also have a portfolio of thin client offerings that is well-positioned to benefit from the growth trends in cloud computing. CSG hardware and services also provide the architecture to enable the Internet of Things and connected ecosystems to securely and efficiently capture massive amounts of data for analytics and actionable insights for commercial customers. CSG also offers attached software, peripherals and services, including support and deployment, configuration, and extended warranty services.

Generally, over half of CSG revenue is generated by sales to customers in the Americas, with the remaining portion derived from sales to customers in Europe, the Middle East and Africa, referred to as EMEA, and Asia Pacific and Japan, referred to as APJ.

- **Infrastructure Solutions Group (ISG)** — EMC's Information Storage segment and our existing Enterprise Solutions Group were merged to create the Infrastructure Solutions Group, or ISG. ISG will enable the digital transformation of our enterprise customers through our trusted cloud and big data solutions which are built upon a modern data center infrastructure. The comprehensive portfolio of advanced storage solutions includes traditional storage solutions as

well as next-generation storage solutions (including all flash arrays, scale-out file and object platforms, and other solutions). The server portfolio includes high-performance rack, blade, tower, and hyperscale servers. The networking portfolio will help our business customers transform and modernize their infrastructure, mobilize and enrich end-user experiences, and accelerate business applications and processes. Strengths in core server and storage solutions will enable us to offer leading converged and hyper-converged solutions, which will allow our customers to accelerate their IT transformation by buying scalable integrated IT solutions instead of building and assembling their own IT platforms. Similar to CSG, ISG also offers attached software, peripherals, and services, including support and deployment, configuration, and extended warranty services.

ISG includes Virtustream product and service offerings. Virtustream's cloud software and infrastructure-as-a-service solutions enable customers to migrate, run, and manage mission-critical applications in cloud-based IT environments, and represents a key element of our strategy to help customers support their applications in a variety of cloud native environments.

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

- **VMware** — VMware (NYSE: VMW) is a leader in virtualization and cloud infrastructure solutions, which enable organizations to leverage synergies and manage IT resources across complex multi-cloud, multi-device environments. VMware has expanded beyond its core business of compute virtualization to offer a broad portfolio of virtualization technologies across three main product groups: software-defined data center; hybrid cloud computing and end-user computing. VMware's software-defined data center includes the fundamental compute layer for the data center (vSphere); storage and availability to offer cost-effective holistic data storage and protection options (vSAN); network and security (VMware NSX); and management and automation (vRealize) products. VMware provides two offerings, VMware vCloud Air Network Service Providers and VMware vCloud Air, that enable companies to consume off-premise vSphere-based computing capacity. VMware's end-user computing offerings (such as AirWatch mobile solutions and Horizon application and desktop virtualization solutions) enable IT organizations to efficiently deliver more secure access to applications, data, and devices for their end users by leveraging VMware's software-defined data center solutions to extend the value of virtualization from data centers to devices.

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

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

- *RSA Information Security* provides essential cybersecurity solutions engineered to enable organizations to detect, investigate, and respond to advanced attacks, confirm and manage identities, and, ultimately, help reduce IP theft, fraud, and cybercrime.
- *SecureWorks* (NASDAQ: SCWX) is a leading global provider of intelligence-driven information security solutions exclusively focused on protecting its clients from cyber attacks. On April 27, 2016, SecureWorks completed a registered underwritten initial public offering, or IPO, of its Class A common stock. As of October 28, 2016, Dell Technologies held approximately 87.5% of the outstanding equity interest in SecureWorks. See Note 15 and Note 20 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about SecureWorks and our other businesses.
- *Pivotal* is a leading provider of application and data infrastructure software, agile development services, and data science consulting. Pivotal's cloud native platform enables leading companies to transform their operations with an approach that is focused on building software, rather than buying it.
- *Boomi* specializes in cloud-based integration, connecting information between existing on-premise and cloud-based applications to ensure business processes are optimized, data is accurate and workflow is reliable.

We also offer or arrange various financing options and services for our commercial and consumer customers in the United States, Canada, Europe, and Mexico through Dell Financial Services, or DFS, and its affiliates. DFS services include originating, collecting, and servicing customer receivables primarily related to the purchase of Dell products. The results of these operations are allocated to our segments based on the underlying product or service financed.

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

Business Trends and Challenges

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

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

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

We manage our business on a U.S. dollar basis. However, we have a large global presence, generating approximately 50% of our revenue by sales to customers outside of the United States during the first nine months of Fiscal 2017 and the first nine months of Fiscal 2016. Our revenues, therefore, can be impacted by fluctuations in foreign currency exchange rates. We utilize a comprehensive hedging strategy intended to mitigate the impact of foreign currency volatility over time, and we adjust pricing when possible to further minimize foreign currency impacts. Our percentage of revenues generated in regions outside of the United States did not change substantially as a result of the EMC merger transaction.

EMC Merger Transaction

As described in Note 1 and Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report, on September 7, 2016, a merger subsidiary of Dell Technologies merged with and into EMC Corporation, with EMC Corporation surviving the merger as a wholly-owned subsidiary of Dell Technologies.

At the effective time of the EMC merger transaction, each share of EMC common stock issued and outstanding immediately prior to the effective time of the EMC merger transaction (other than shares owned by Dell Technologies, our merger subsidiary, EMC, or any of EMC's wholly-owned subsidiaries, and other than shares with respect to which EMC's shareholders are entitled to and properly exercise appraisal rights) was converted into the right to receive the merger consideration, consisting of (1) \$24.05 in cash, without interest, and (2) 0.11146 validly issued, fully paid and non-assessable shares of common stock of Dell Technologies designated as Class V Common Stock equal to the quotient (rounded to the nearest five decimal points) obtained by dividing (A) 222,966.450 by (B) the aggregate number of shares of EMC common stock issued and outstanding immediately prior to the effective time of the EMC merger, plus cash in lieu of any fractional shares.

Each currently outstanding EMC stock option vested and became fully exercisable prior to 11:59 p.m., New York City time, on the last trading day prior to the effective time of the EMC merger transaction, referred to as the vesting effective time of the merger. Each EMC stock option that remained outstanding immediately prior to the vesting effective time of the merger was automatically exercised immediately prior to the vesting effective time of the merger on a net exercise basis, such that shares of EMC common stock with a value equal to the aggregate exercise price and applicable tax withholding reduced the number of shares of EMC common stock otherwise issuable. Except for any restricted stock units that were granted following the date of the merger agreement and that continued in effect as cash awards following the effective time of the EMC merger transaction, each EMC restricted stock unit outstanding immediately prior to the vesting effective time of the merger became fully vested.

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immediately prior to the vesting effective time of the merger (with performance vesting units vesting at the target level of performance) and the holder hereof became entitled to receive the merger consideration with respect to the shares of EMC common stock subject to the award (which was calculated net of the number of shares withheld in respect of taxes upon the vesting of the award).

In connection with the EMC merger transaction and in accordance with the merger agreement, certain executives holding unvested restricted stock units of EMC, or EMC RSUs, were given the opportunity to elect to exchange each unvested EMC RSU held by such executives that would otherwise have vested in the ordinary course on or after January 1, 2017 for (a) a deferred cash award having a cash value equal to the closing price of a share of EMC common stock on the last trading day before the closing date of the EMC merger transaction, or \$29.05, and (b) an option, referred to as a rollover option, to purchase a share of Class C Common Stock of Dell Technologies, referred to as the rollover opportunity. The rollover options have a three-year term and a per share exercise price equal to the fair market value of a share of Class C Common Stock on the date of grant, or \$27.50, and, to the extent vested, may be exercised using a cashless exercise method for both the exercise price and the applicable minimum required tax withholding (subject to certain limitations). Each deferred cash award will vest, and each rollover option will vest and thereby become exercisable, on the same schedule as the EMC RSU for which they were exchanged (with any performance-vesting condition deemed satisfied at the target level of performance upon the closing of the EMC merger transaction). We issued, pursuant to the rollover opportunity, options to purchase 1,779,072 shares of Class C Common Stock.

In addition, in connection with the EMC merger transaction and in accordance with the merger agreement, certain EMC executives were given the opportunity to purchase, for cash and at fair market value, shares of Class C Common Stock. We issued, pursuant to this cash investment opportunity, 152,724 shares of Class C Common Stock, for a purchase price equal to \$27.50 per share, resulting in aggregate cash consideration to us of approximately \$4.2 million.

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

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

See Note 3, Note 5, and Note 8 to the Unaudited Condensed Consolidated Financial Statements included in this report for additional information regarding the EMC merger transaction and the related financing transactions.

Divestitures

Dell Services Divestiture — On March 27, 2016, Dell Inc. entered into a definitive agreement with NTT Data International L.L.C. to sell substantially all of Dell Services, including the Dell Services Federal Government business. Dell Services includes business process outsourcing, application management, and infrastructure services. The transaction does not include Dell's global support, deployment, professional services offerings, or any EMC offerings. During the third quarter of Fiscal 2017, as the result of continued negotiations and finalization of terms of the sale, we reclassified an immaterial amount of financial results, accounts payable, and accounts receivables from discontinued operations to continuing operations for all periods presented, to reflect the updated terms. On November 2, 2016, subsequent to the third quarter of Fiscal 2017, the parties closed the transaction. At the completion of the sale, we received total cash consideration of approximately \$3.0 billion, resulting in an estimated pre-tax gain on sale of approximately \$1.5 billion.

Dell Software Group Divestiture — On June 19, 2016, Dell Inc. entered into a definitive agreement with Francisco Partners and Elliot Management Corporation to divest substantially all of DSG. The transaction includes DSG's systems and information management, security solutions, and Statistica businesses. The transaction does not include the cloud integration business or any EMC offerings. On October 31, 2016, subsequent to the close of our third quarter of Fiscal 2017, the parties closed the

transaction. At the completion of the sale, we received total cash consideration of approximately \$2.4 billion, resulting in an estimated pre-tax gain on sale of \$1.2 billion.

ECD Divestiture — On September 12, 2016, EMC Corporation entered into a definitive agreement with OpenText Corporation to divest the Dell EMC Enterprise Content Division and its product portfolio (including the Documentum, InfoArchive, and LEAP families of products) for cash consideration of approximately \$1.6 billion. The pending transaction is expected to close in the fourth quarter of Fiscal 2017, subject to the satisfaction of customary closing conditions, including approvals from regulatory authorities.

Discontinued Operations Presentation — The results of Dell Services, DSG, and ECD are presented as discontinued operations in our Condensed Consolidated Statements of Income (Loss), and as such, have been excluded from both continuing operations and segment results for all periods presented. Further, we have reclassified the related assets and liabilities as held for sale in our Condensed Consolidated Statements of Financial Position. See Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for additional information regarding these discontinued operations.

Going-Private Transaction

On October 29, 2013, Dell was acquired by Dell Technologies in a merger transaction pursuant to an agreement and plan of merger, dated as of February 5, 2013, as amended. Dell Technologies is a Delaware corporation owned by Michael S. Dell, a separate property trust for the benefit of Mr. Dell's wife, investment funds affiliated with Silver Lake Partners, investment funds affiliated with MSD Partners, L.P., members of Dell's management, and other investors. Mr. Dell serves as Chairman and Chief Executive Officer of Dell Technologies and Dell.

NON-GAAP FINANCIAL MEASURES

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

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

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

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

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

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

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

- **Amortization of Intangible Assets** — Amortization of intangible assets primarily consists of amortization of customer relationships, developed technology, and trade names. In connection with the EMC merger transaction and the going-private transaction, all of the tangible and intangible assets and liabilities of EMC and Dell, respectively, were accounted for and recognized at fair value on the transaction dates. Accordingly, for the periods presented, amortization of intangible assets represents amortization associated with intangible assets recognized in connection with the EMC merger transaction and the going-private transaction. Amortization charges for purchased intangible assets are significantly impacted by the timing and magnitude of our acquisitions, and these charges may vary in amount from period to period. We exclude these charges for purposes of calculating the non-GAAP financial measures presented below to facilitate a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- **Transaction-related Expenses** — Transaction related expenses consists of acquisition and integration related charges which are expensed as incurred and consist primarily of consulting and advisory services and retention payments. In addition, during the third quarter of Fiscal 2017, acquisition-related expenses includes \$807 million in day one stock-based compensation charges primarily related to the acceleration of vesting of EMC stock options and related taxes incurred in connection with the EMC merger transaction. During the third quarter and first nine months of Fiscal 2017, substantially all transaction-related expenses relate to the EMC merger transaction. Although not material in the periods presented, we anticipate that integration costs will increase in the next twelve months, primarily as the result of the integration of processes and systems of the EMC acquired businesses.
- **Other Corporate Expenses** — Other corporate expenses consists of severance and facility action costs, primarily related to severance and benefits for employees terminated pursuant to cost savings initiatives, and stock-based compensation expense associated with equity awards. Although not material in the periods presented, we expect facility action costs to increase in the next twelve months due to our plan to integrate owned and leased facilities, as we seek opportunities for operational efficiencies and cost savings. Other corporate expenses vary from period to period and are significantly impacted by the timing and nature of these events. Therefore, although we may incur these types of expenses in the future, we believe that eliminating these charges for purposes of calculating the non-GAAP financial measures presented below facilitates a more meaningful evaluation of our current operating performance and comparisons to our past operating performance.
- **Aggregate Adjustment for Income Taxes** — The aggregate adjustment for income taxes is the estimated combined income tax effect for the adjustments described above. During the first nine months of Fiscal 2017, this category also includes tax charges of approximately \$201 million, recorded during the first six months of Fiscal 2017, on previously untaxed earnings of a foreign subsidiary that will no longer be permanently reinvested as a result of the Dell Services and DSG divestitures. The tax effects are determined based on the tax jurisdictions where the above items were incurred. No similar tax charges on divestitures were recorded during the third quarter of Fiscal 2017.

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

	Three Months Ended				Nine Months Ended			
	October 28, 2016		% Change		October 30, 2015		October 28, 2016	
					(in millions, except percentages)		% Change	
Product net revenue	\$ 12,366	16%	\$ 10,638	\$ 33,510	4%	\$ 32,100		
Non-GAAP adjustments:								
Impact of purchase accounting	261		(6)	260		(20)		
Non-GAAP product net revenue	<u>\$ 12,627</u>	19%	<u>\$ 10,632</u>	<u>\$ 33,770</u>	5%	<u>\$ 32,080</u>		
Services net revenue	\$ 3,881	91%	\$ 2,036	\$ 8,058	31%	\$ 6,132		
Non-GAAP adjustments:								
Impact of purchase accounting	269		113	413		390		
Non-GAAP services net revenue	<u>\$ 4,150</u>	93%	<u>\$ 2,149</u>	<u>\$ 8,471</u>	30%	<u>\$ 6,522</u>		
Net revenue	\$ 16,247	28%	\$ 12,674	\$ 41,568	9%	\$ 38,232		
Non-GAAP adjustments:								
Impact of purchase accounting	530		107	673		370		
Non-GAAP net revenue	<u>\$ 16,777</u>	31%	<u>\$ 12,781</u>	<u>\$ 42,241</u>	9%	<u>\$ 38,602</u>		
Product gross margin	\$ 1,804	38%	\$ 1,310	\$ 4,654	24%	\$ 3,745		
Non-GAAP adjustments:								
Impact of purchase accounting	437		12	461		22		
Amortization of intangibles	604		98	806		295		
Transaction-related expenses	18		—	16		1		
Other corporate expenses	10		3	14		6		
Non-GAAP product gross margin	<u>\$ 2,873</u>	102%	<u>\$ 1,423</u>	<u>\$ 5,951</u>	46%	<u>\$ 4,069</u>		
Services gross margin	\$ 2,095	155%	\$ 822	\$ 3,774	58%	\$ 2,388		
Non-GAAP adjustments:								
Impact of purchase accounting	292		112	436		386		
Amortization of intangibles	—		—	—		—		
Transaction-related expenses	12		2	9		5		
Other corporate expenses	52		—	54		1		
Non-GAAP services gross margin	<u>\$ 2,451</u>	162%	<u>\$ 936</u>	<u>\$ 4,273</u>	54%	<u>\$ 2,780</u>		
Gross margin	\$ 3,899	83%	\$ 2,132	\$ 8,428	37%	\$ 6,133		
Non-GAAP adjustments:								
Impact of purchase accounting	729		124	897		408		
Amortization of intangibles	604		98	806		295		
Transaction-related expenses	30		2	25		6		
Other corporate expenses	62		3	68		7		
Non-GAAP gross margin	<u>\$ 5,324</u>	126%	<u>\$ 2,359</u>	<u>\$ 10,224</u>	49%	<u>\$ 6,849</u>		

	Three Months Ended			Nine Months Ended		
	October 28, 2016	% Change	October 30, 2015	October 28, 2016	% Change	October 30, 2015
(in millions, except percentages)						
Operating expenses	\$ 5,411	145 %	\$ 2,210	\$ 10,012	51 %	\$ 6,621
Non-GAAP adjustments:						
Impact of purchase accounting	(121)		(25)	(157)		(67)
Amortization of intangibles	(560)		(394)	(1,340)		(1,183)
Transaction-related expenses	(1,170)		(25)	(1,304)		(61)
Other corporate expenses	(211)		(14)	(257)		(31)
Non-GAAP operating expenses	<u>\$ 3,349</u>	91 %	<u>\$ 1,752</u>	<u>\$ 6,954</u>	32 %	<u>\$ 5,279</u>
Operating loss	\$ (1,512)	NM	\$ (78)	\$ (1,584)	(225)%	\$ (488)
Non-GAAP adjustments:						
Impact of purchase accounting	850		149	1,054		475
Amortization of intangibles	1,164		492	2,146		1,478
Transaction-related expenses	1,200		27	1,329		67
Other corporate expenses	273		17	325		38
Non-GAAP operating income	<u>\$ 1,975</u>	225 %	<u>\$ 607</u>	<u>\$ 3,270</u>	108 %	<u>\$ 1,570</u>
Net loss from continuing operations	\$ (1,637)	(520)%	\$ (264)	\$ (2,323)	(132)%	\$ (1,000)
Non-GAAP adjustments:						
Impact of purchase accounting	850		149	1,054		475
Amortization of intangibles	1,164		492	2,146		1,478
Transaction-related expenses	1,200		21	1,326		41
Other corporate expenses	273		23	325		58
Aggregate adjustment for income taxes	(880)		(127)	(932)		(381)
Non-GAAP net income from continuing operations	<u>\$ 970</u>	230 %	<u>\$ 294</u>	<u>\$ 1,596</u>	138 %	<u>\$ 671</u>

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

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

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

	Three Months Ended			Nine Months Ended		
	October 28, 2016	% Change	October 30, 2015	October 28, 2016	% Change	October 30, 2015
(in millions, except percentages)						
Net loss from continuing operations	\$ (1,637)	(520)%	\$ (264)	\$ (2,323)	(132)%	\$ (1,000)
Adjustments:						
Interest and other, net (a)	794		203	1,362		600
Income tax benefit	(669)		(17)	(623)		(88)
Depreciation and amortization	1,576		627	2,799		1,871
EBITDA	\$ <u>64</u>	(88)%	\$ <u>549</u>	\$ <u>1,215</u>	(12)%	\$ <u>1,383</u>
EBITDA	\$ 64	(88)%	\$ 549	\$ 1,215	(12)%	\$ 1,383
Adjustments:						
Stock based compensation expense	144		17	177		46
Impact of purchase accounting (b)	693		118	851		392
Transaction-related expenses (c)	1,200		21	1,366		41
Other corporate expenses (d)	129		6	148		18
Adjusted EBITDA	\$ <u>2,230</u>	214 %	\$ <u>711</u>	\$ <u>3,757</u>	100 %	\$ <u>1,880</u>

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

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

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

(d) Consists of severance and facility action costs.

RESULTS OF OPERATIONS**Consolidated Results**

The following table summarizes our consolidated results from continuing operations for the third quarter and first nine months of October 28, 2016 and October 30, 2015. Unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.

	Three Months Ended						Nine Months Ended					
	October 28, 2016			October 30, 2015			October 28, 2016			October 30, 2015		
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	
(in millions, except percentages)												
Net revenue:												
Product	\$ 12,366	76.1 %	16 %	\$ 10,638	83.9 %	\$ 33,510	80.6 %	4 %	\$ 32,100	84.0 %		
Services	3,881	23.9 %	91 %	2,036	16.1 %	8,058	19.4 %	31 %	6,132	16.0 %		
Total net revenue	\$ 16,247	100.0 %	28 %	\$ 12,674	100.0 %	\$ 41,568	100.0 %	9 %	\$ 38,232	100.0 %		
Gross margin:												
Product	\$ 1,804	14.6 %	38 %	\$ 1,310	12.3 %	\$ 4,654	13.9 %	24 %	\$ 3,745	11.7 %		
Services	2,095	54.0 %	155 %	822	40.4 %	3,774	46.8 %	58 %	2,388	38.9 %		
Total gross margin	\$ 3,899	24.0 %	83 %	\$ 2,132	16.8 %	\$ 8,428	20.3 %	37 %	\$ 6,133	16.0 %		
Operating expenses	5,411	33.3 %	145 %	2,210	17.4 %	10,012	24.1 %	51 %	6,621	17.3 %		
Operating loss	\$ (1,512)	(9.3)%	NM	\$ (78)	(0.6)%	\$ (1,584)	(3.8)%	(225)%	\$ (488)	(1.3)%		
Net loss from continuing operations	\$ (1,637)	(10.1)%	(520)%	\$ (264)	(2.1)%	\$ (2,323)	(5.6)%	(132)%	\$ (1,000)	(2.6)%		
Net loss attributable to Dell Technologies Inc.	\$ (2,064)	(12.7)%	NM	\$ (180)	(1.4)%	\$ (1,436)	(3.5)%	(51)%	\$ (949)	(2.5)%		
Other Financial Information												
Non-GAAP net revenue	\$ 16,777	N/A	31 %	\$ 12,781	N/A	\$ 42,241	N/A	9 %	\$ 38,602	N/A		
Non-GAAP gross margin	\$ 5,324	31.7 %	126 %	\$ 2,359	18.5 %	\$ 10,224	24.2 %	49 %	\$ 6,849	17.7 %		
Non-GAAP operating expenses	\$ 3,349	20.0 %	91 %	\$ 1,752	13.7 %	\$ 6,954	16.5 %	32 %	\$ 5,279	13.7 %		
Non-GAAP operating income	\$ 1,975	11.8 %	225 %	\$ 607	4.7 %	\$ 3,270	7.7 %	108 %	\$ 1,570	4.1 %		
Non-GAAP net income from continuing operations	\$ 970	5.8 %	230 %	\$ 294	2.3 %	\$ 1,596	3.8 %	138 %	\$ 671	1.7 %		
EBITDA	\$ 64	0.4 %	(88)%	\$ 549	4.3 %	\$ 1,215	2.9 %	(12)%	\$ 1,383	3.6 %		
Adjusted EBITDA	\$ 2,230	13.3 %	214 %	\$ 711	5.6 %	\$ 3,757	8.9 %	100 %	\$ 1,880	4.9 %		

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

As a result of the EMC merger transaction completed on September 7, 2016, our results for the fiscal periods discussed below are not directly comparable.

Overview

During the third quarter and first nine months of Fiscal 2017, our net revenue increased 28% and 9%, respectively, and our non-GAAP net revenue increased 31% and 9%, respectively. The increase in net revenue and non-GAAP net revenue was attributable to revenue from the EMC acquired businesses, while revenue from our legacy businesses remained relatively unchanged. The EMC merger transaction had an impact on the mix of revenue contributed by our business units. CSG net revenue represented approximately 57% of our total net revenue during the third quarter of Fiscal 2017, and 65% of our total net revenue during and first nine months of Fiscal 2017. In comparison, CSG net revenue represented a higher proportion of our revenue prior to the EMC merger transaction, comprising approximately 71% of our total net revenue for both the third quarter and the first nine months of Fiscal 2016.

During the third quarters of Fiscal 2017 and Fiscal 2016, our operating loss was \$1.5 billion and \$0.1 billion, respectively. During the first nine months of Fiscal 2017 and Fiscal 2016, our operating loss was \$1.6 billion and \$0.5 billion, respectively. The increase in our operating loss for the third quarter and first nine months of Fiscal 2017 was primarily attributable to an increase in purchase accounting adjustments and amortization of intangible assets related to the EMC merger transaction, and an increase in compensation and benefits expense. The increases in operating expenses were partially offset by the favorable impact of gross margin from the EMC acquired businesses.

Our operating loss was impacted by purchase accounting adjustments associated with the EMC merger transaction and the going-private transaction, amortization of intangible assets, costs related to acquisition, integration, and divestitures, and other corporate expenses. In aggregate, these items totaled \$3.5 billion and \$4.9 billion for the third quarter and first nine months of Fiscal 2017, respectively. Non-GAAP operating income increased 225% to \$2.0 billion during the third quarter of Fiscal 2017, and 108% to \$3.3 billion during the first nine months of Fiscal 2017. The increases in non-GAAP operating income were primarily attributable to the favorable impact of operating income from the EMC acquired businesses of \$1.2 billion in both periods. In the first nine months of Fiscal 2017, the increase in operating income was also due to higher gross margin from our legacy businesses.

Cash provided by operating activities was \$1.5 billion and \$1.2 billion during the first nine months of Fiscal 2017 and Fiscal 2016, respectively. Positive operating cash flows in both periods were attributable to more profitable operations and to favorable changes in working capital resulting from extended payment terms with suppliers. During the first nine months of Fiscal 2017, the favorable effects of these factors were offset partially by cash used for transaction-related expenses. The terms of our supplier arrangements will evolve as we continue to integrate the businesses acquired through the EMC merger transaction. See "Market Conditions, Liquidity, and Capital Commitments" for further information on our cash flow metrics.

Net Revenue

During the third quarter of Fiscal 2017 and first nine months of Fiscal 2017, our net revenue increased 28% and 9%, respectively. Net revenue during both the third quarter and first nine months of Fiscal 2017 benefited from the impact of the net revenue from the EMC acquired businesses of approximately \$3.9 billion, partially offset by purchase accounting adjustments of approximately \$0.5 billion. An increase of 3% in CSG net revenue also contributed to higher net revenue in the third quarter, while CSG net revenue for the first nine months of Fiscal 2017 remained relatively unchanged. During the third quarter and first nine months of Fiscal 2017, our non-GAAP revenue increased 31% and 9%, respectively, primarily due to the impact from the EMC acquired businesses.

- **Product Net Revenue** — Product net revenue includes revenue from the sale of hardware products and Dell Technologies-owned software licenses. During the third quarter and first nine months of Fiscal 2017, product net revenue increased 16% and 4%, respectively, and non-GAAP product revenue increased 19% and 5%, respectively, primarily due to the impact from the EMC acquired businesses.
- **Services Net Revenue** — Services net revenue includes revenue from our services offerings, third-party software revenue, and support services related to Dell Technologies-owned software. During the third quarter and the first nine months of Fiscal 2017, revenue attributable to these services increased 91% and 31%, respectively, due to the impact from the EMC acquired businesses. Non-GAAP net revenue attributable to services increased 93% and 30%, respectively, during the third quarter and first nine months of Fiscal 2017.

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

From a geographical perspective, net revenue generated by sales to customers in all regions increased during the third quarter and first nine months of Fiscal 2017 primarily as a result of the impact from the EMC acquired businesses. Our mix of revenues generated in the Americas, EMEA and APJ did not change substantially as a result of the EMC merger transaction.

Gross Margin

During the third quarter and first nine months of Fiscal 2017, our total gross margin increased 83% to \$3.9 billion and 37% to \$8.4 billion, respectively. During the third quarter and first nine months of Fiscal 2017, our gross margin percentage increased 720 basis points to 24.0% and 430 basis points to 20.3%, respectively. Our gross margins for the third quarter and first nine months of Fiscal 2017 included the effect of \$1.3 billion and \$1.7 billion, respectively, of purchase accounting adjustments and amortization of intangibles related to the EMC merger transaction and the going-private transaction. In comparison, the impacts of purchase accounting adjustments and amortization of intangibles were \$0.2 billion and \$0.7 billion in the third quarter and first nine months of Fiscal 2016, respectively, and in these periods related only to the going-private transaction. During the third quarter and first nine months of Fiscal 2017, our total non-GAAP gross margin increased 126% to \$5.3 billion and 49% to \$10.2 billion, respectively. During the third quarter and first nine months of Fiscal 2017, our non-GAAP gross margin percentage increased 1320 basis points to 31.7% and 650 basis points to 24.2%, respectively.

The increase in our total gross margin in dollars and percentages, and our total non-GAAP gross margin in dollars and percentages, during the third quarter and first nine months of Fiscal 2017 was primarily attributable to incremental gross margins dollars of approximately \$2.7 billion from the EMC acquired businesses, which had a combined gross margin above 60%. During the third quarter of Fiscal 2017, cost favorability in CSG also contributed to the improvement in total gross margin dollars and percentages, but to a lesser extent. The effects of these factors on total gross margin dollars and percentages in the Fiscal 2017 periods were partially offset by the impact of purchase accounting adjustments and amortization of intangibles related to the EMC merger transaction and the going-private transaction.

- *Products* — During the third quarter of Fiscal 2017, product gross margin dollars increased 38%, and product gross margin percentage increased 230 basis points to 14.6%. During the first nine months of Fiscal 2017, product gross margin dollars increased 24%, and product gross margin percentage increased 220 basis points to 13.9%.

The increases in product gross margin in dollars and percentages during the third quarter of Fiscal 2017 were due in equal portions to an increase in CSG gross margin and the incremental product gross margins attributable to the EMC acquired businesses. The increases in product gross margin in dollars and percentages during the first nine months of Fiscal 2017 were driven primarily by an increase in CSG gross margin and, to a lesser extent, by the incremental product gross margins attributable to the EMC acquired businesses.

During the third quarter of Fiscal 2017, non-GAAP product gross margin dollars increased 102%, and non-GAAP product gross margin percentage increased 940 basis points to 22.8%. During the first nine months of Fiscal 2017, non-GAAP product margin dollars increased 46%, and non-GAAP product gross margin percentage increased 490 basis points to 17.6%.

The increases in non-GAAP product gross margin in dollars and percentages during the third quarter of Fiscal 2017 were primarily driven by incremental product gross margin attributable to the EMC acquired businesses. The increases in non-GAAP product gross margin in dollars and percentages during the first nine months of Fiscal 2017, were primarily attributable to the incremental product gross margin from the EMC acquired businesses and an increase in CSG gross margin.

In the third quarter of Fiscal 2017, we entered into a settlement agreement with a vendor to resolve a dispute regarding past pricing practices. Our gross margin for the third quarter of Fiscal 2017 included a benefit of \$80 million related to receipt of this settlement. Vendor settlements are allocated to our segments based on the relative amount of affected vendor products sold by each segment.

- *Services* — During the third quarter of Fiscal 2017, our gross margin dollars for services increased 155%, and services gross margin percentage increased 1360 basis points to 54.0%. The increase in services gross margin dollars and percentage was primarily attributable to incremental gross margin associated with the EMC acquired businesses, which

have services gross margin generally above 50%. The impact of purchase accounting adjustments was \$292 million in the third quarter of Fiscal 2017, compared to \$112 million in the third quarter of Fiscal 2016. Excluding these adjustments and other non-GAAP adjustments, non-GAAP gross margin dollars for services increased 162% during the third quarter of Fiscal 2017, while non-GAAP services gross margin percentage was 59.1%.

During the first nine months of Fiscal 2017, our gross margin dollars for services increased 58% and services gross margin percentage increased 790 basis points to 46.8%. The increase in services gross margin dollars and percentage was primarily attributable to the incremental product gross margin attributable to the EMC acquired businesses. Purchase accounting adjustments totaled \$436 million during the first nine months of Fiscal 2017, compared to \$386 million during the first nine months of Fiscal 2016. During the first nine months of Fiscal 2017, non-GAAP gross margin dollars for services increased 54% and services gross margin percentage increased 780 basis points to 50.4%.

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 third quarter and first nine months of Fiscal 2017 and Fiscal 2016 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 quarters. These settlements are allocated to our segments based on the relative amount of affected vendor products used by each segment. As discussed above, a pricing settlement was recorded in the third quarter of Fiscal 2017 that benefited product gross margins by \$80 million in the third quarter and first nine months of Fiscal 2017. No such vendor pricing settlements were recorded in the third quarter and first nine months of Fiscal 2016 that had a material impact on gross margin in those periods, or affected the comparability with gross margin in the Fiscal 2017 periods.

Operating Expenses

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

	Three Months Ended						Nine Months Ended					
	October 28, 2016			October 30, 2015			October 28, 2016			October 30, 2015		
	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	% Change	Dollars	% of Net Revenue	
(in millions, except percentages)												
Operating expenses:												
Selling, general, and administrative	\$ 4,556	28.0%	134%	\$ 1,943	15.3%	20.8%	\$ 8,647	48%	\$ 5,849	15.3%		
Research and development	855	5.3%	220%	267	2.1%	77%	1,365	3.3%	772	2.0%		
Total operating expenses	<u>\$ 5,411</u>	33.3%	145%	<u>\$ 2,210</u>	17.4%	24.1%	<u>\$ 10,012</u>	51%	<u>\$ 6,621</u>	17.3%		
Other Financial Information												
Non-GAAP operating expenses	\$ 3,349	20.0%	91%	\$ 1,752	13.7%	16.5%	\$ 6,954	32%	\$ 5,279	13.7%		

During the third quarter and first nine months of Fiscal 2017, our total operating expenses increased 145% and 51%, respectively. During the third quarter of Fiscal 2017 and first nine months of Fiscal 2017, we recognized \$0.7 billion and \$1.5 billion, respectively, in purchase accounting adjustments and amortization of intangibles related to the EMC merger transaction and the going-private transaction. In comparison, during the third quarter and first nine months of Fiscal 2016, we recognized \$0.4 billion and \$1.3 billion, respectively, in purchase accounting adjustments and amortization of intangibles related to the going-private transaction. Excluding these costs as well as other corporate expenses, total non-GAAP operating expenses increased 91% and 32% during the third quarter and first nine months of Fiscal 2017, respectively. These increases in total operating expenses and total non-GAAP operating expenses were primarily due to approximately \$1.5 billion of incremental costs associated with the EMC acquired businesses.

- **Selling, General, and Administrative** — Selling, general, and administrative expenses, or SG&A expenses, increased 134% and 48% during the third quarter and first nine months of Fiscal 2017, respectively. The increases in SG&A expenses were primarily driven by incremental costs associated with the EMC acquired businesses, and also reflected the impact of increased investment in sales capabilities and marketing costs.
- **Research and Development** — Research and development expenses, or R&D expenses, are primarily composed of personnel-related expenses related to product development. R&D expenses were approximately 5.3% and 2.1% of net revenues for the third quarter and first nine months of Fiscal 2017 and Fiscal 2016, respectively, compared to 3.3% and 2.0% of net revenue for the first nine months of Fiscal 2017 and Fiscal 2016, respectively. The increases in R&D expenses were attributable to the expansion of our R&D capability through the EMC merger transaction. As our industry continues to change and as the needs of our customers evolve, we intend to support R&D initiatives as we innovate and introduce new and enhanced products and solutions into the market.

We will continue to maintain cost discipline while investing in strategic areas such as our sales force, marketing, and R&D.

Operating Income/Loss

Our operating loss was \$1.5 billion and \$0.1 billion during the third quarters of Fiscal 2017 and Fiscal 2016, respectively. Operating loss was \$1.6 billion and \$0.5 billion during the first nine months of Fiscal 2017 and Fiscal 2016, respectively. The increases in operating loss were primarily attributable to higher operating expenses, partially offset by increases in gross margin.

Our operating income/loss includes purchase accounting adjustments associated with the EMC merger transaction and the going-private transaction, amortization of intangible assets, costs related to acquisition, integration, and divestitures, and other corporate expenses. In aggregate, these items totaled \$3.5 billion and \$4.9 billion for the third quarter and first nine months of Fiscal 2017, respectively. On a non-GAAP basis, operating income increased 225% to \$2.0 billion during the third quarter of Fiscal 2017 and 108% to \$3.3 billion during the first nine months of Fiscal 2017. The increases in non-GAAP operating income were primarily attributable to higher gross margins, partially offset by increases in operating expenses.

Interest and Other, Net

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

	Three Months Ended		Nine Months Ended	
	October 28, 2016	October 30, 2015	October 28, 2016	October 30, 2015
(in millions)				
<i>Interest and other, net:</i>				
Investment income, primarily interest	\$ 38	\$ 9	\$ 62	\$ 30
Loss on investments, net	(6)	—	(4)	(3)
Interest expense	(585)	(167)	(1,100)	(516)
Foreign exchange	4	(30)	(51)	(79)
Other	(245)	(15)	(269)	(32)
Total interest and other, net	\$ (794)	\$ (203)	\$ (1,362)	\$ (600)

During the third quarter and first nine months of Fiscal 2017, changes in interest and other, net were unfavorable by \$591 million and \$762 million, respectively, primarily due to an increase in interest expense from higher average debt balances from debt issued in connection with the EMC merger transaction, and to approximately \$245 million of other expenses related to debt extinguishment and new borrowings associated with that transaction. See Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for further information regarding our debt.

Income and Other Taxes

For the third quarter and first nine months of Fiscal 2017, our effective income tax rates for continuing operations were 29.0% and 21.1% on pre-tax losses from continuing operations of \$2.3 billion and \$2.9 billion, respectively. In comparison, for the third quarter and first nine months of Fiscal 2016, our effective income tax rates for continuing operations were 6.0% and 8.1% on pre-tax losses from continuing operations of \$0.3 billion and \$1.1 billion, respectively. The change in our effective income tax rate was primarily attributable to tax benefits from charges associated with the EMC merger transaction, including purchase accounting adjustments, interest charges, and stock based compensation expenses. These benefits were partially off-set by a higher mix of operating income in higher-tax jurisdictions. See Note 1 and Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information on the EMC merger transaction. The income tax rate for future periods will be impacted by the actual mix of jurisdictions in which income is generated.

Our effective tax rate can fluctuate depending on the geographic distribution of our world-wide earnings, as our foreign earnings are generally taxed at lower rates than in the United States. In certain jurisdictions, our tax rate is significantly less than the applicable statutory rate as a result of tax holidays. The majority of our foreign income that is subject to these tax holidays and lower tax rates is attributable to Singapore, China, and Malaysia. A significant portion of these income tax benefits is related to a tax holiday that will expire on December 31, 2016. We have negotiated new terms for the affected subsidiary, which provides for a reduced income tax rate that will be effective for a two-year bridge period expiring in January.

2019. Our other tax holidays will expire in whole or in part during Fiscal 2019 through Fiscal 2023. Many of these tax holidays and reduced tax rates may be extended when certain conditions are met or may be terminated early if certain conditions are not met. The differences between our effective tax rate and the U.S. federal statutory rate of 35% principally resulted from the geographical distribution of taxable income discussed above and permanent differences between the book and tax treatment of certain items. We continue to assess our business model and its impact in various taxing jurisdictions.

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

Subsequent to the third quarter of Fiscal 2017, on November 9, 2016, we effectively settled an Internal Revenue Service audit for fiscal years 2004 through 2006. The settlement amount payable to the Internal Revenue Service in early 2017 is approximately \$545 million, and we expect to record an income tax benefit of approximately \$300 million in the fourth quarter of Fiscal 2017. However, we are currently evaluating the impact of the settlement on its unrecognized tax liabilities; therefore, the actual amount of tax benefit to be recorded in future quarters is still uncertain. See Note 13 and Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about the settlement.

Net Income/Loss from Continuing Operations

During the third quarter and first nine months of Fiscal 2017, net loss from continuing operations increased 520% to a net loss of \$1.6 billion and 132% to a net loss of \$2.3 billion, respectively. The increases in net loss for the third quarter and first nine months of Fiscal 2017 were primarily attributable to an increase in operating loss, and to an increase in interest and other, net, expense due to an increase in interest expense as the result of higher average debt balances from debt issued in connection with the EMC merger transaction. For the third quarter and first nine months of Fiscal 2017, an increase in tax benefit partially offset higher operating expense and interest and other, net expense during the period. See Note 13 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information regarding our effective tax rate.

Net loss for the third quarter and first nine months of Fiscal 2017 included amortization of intangible assets, purchase accounting adjustments, costs related to acquisition, integration, and divestitures, and other corporate expenses. Excluding these costs, during the third quarter and first nine months of Fiscal 2017, non-GAAP net income from continuing operations increased 230% to \$1.0 billion, and 138% to \$1.6 billion, respectively. The increases in non-GAAP net income for the third quarter and first nine months of Fiscal 2017 were primarily attributable to an increase in operating income, the effect of which was primarily offset by an increase in interest and other, net, expense due to an increase in interest expense as the result of higher average debt balances from debt issued in connection with the EMC merger transaction.

Non-controlling Interests

We have non-controlling interests reflected in our consolidated financial statements, for the portions of equity of SecureWorks, VMware and Pivotal that are not owned by Dell Technologies, Inc. During the third quarter and first nine months of Fiscal 2017, the net loss attributable to the non-controlling interest in SecureWorks was \$1 million and \$2 million, respectively. During both the third quarter and first nine months of Fiscal 2017, net loss attributable to the non-controlling interest in VMware was \$10 million. During the third quarter and first nine months of Fiscal 2016, Dell Technologies did not have any non-controlling interests. For more information about our non-controlling interests see Note 15 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

Net Loss Attributable to Dell Technologies Inc.

Net loss attributable to Dell Technologies Inc. represents net income/loss from continuing and discontinued operations, and the adjustment for non-controlling interests. During the third quarter of Fiscal 2017 and Fiscal 2016, the net loss attributable to Dell Technologies Inc. was \$2.1 billion and \$0.2 billion, respectively, which was primarily due to an increase in net loss from continuing and discontinued operations.

During the first nine months of Fiscal 2017 and Fiscal 2016, the net loss attributable to Dell Technologies Inc. was \$1.4 billion and \$0.9 billion, respectively, which was due to an increase in net loss from continuing operations, offset partially by an increase in income from discontinued operations. For more information regarding our discontinued operations see Note 4 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

Business Unit Results

Our reportable segments are based on the following business units: Client Solutions Group, or CSG; Infrastructure Solutions Group, or ISG; and VMware. A description of our three business units is provided under "Introduction." See Note 20 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for a reconciliation of net revenue by reportable segment to consolidated net revenue.

Client Solutions Group:

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

	Three Months Ended			Nine Months Ended		
	October 28, 2016	% Change	October 30, 2015	October 28, 2016	% Change	October 30, 2015
(in millions, except percentages)						
Net Revenue (a):						
Commercial	\$ 6,400	(1)%	\$ 6,437	\$ 19,343	(2)%	\$ 19,778
Consumer	2,787	12 %	2,499	7,635	5 %	7,262
Total CSG net revenue	\$ 9,187	3 %	\$ 8,936	\$ 26,978	— %	\$ 27,040
Operating Income:						
CSG operating income	\$ 634	65 %	\$ 384	\$ 1,503	62 %	\$ 926
% of segment net revenue		6.9%		4.3%	5.6%	

(a) In the first quarter of Fiscal 2017, we redefined the categories within the CSG business unit. None of these changes impacted our consolidated or total business unit results. Prior period amounts have been recast to provide comparability.

Net Revenue — During the third quarter of Fiscal 2017, CSG net revenue increased 3% driven by an increase in consumer net revenue, offset by a decrease in commercial net revenue. Commercial net revenue experienced a decrease in overall average selling prices that was partially mitigated by a shift in mix to sales of more premium notebook and workstation units. The increase in consumer net revenue was driven by an increase in notebook units sold, partially offset by an overall decrease in average selling prices. Both commercial and consumer businesses experienced an overall decline in average selling prices as we strategically managed our pricing position given the favorable cost environment and competitive environment.

From a geographical perspective, net revenue attributable to CSG increased in the Americas and APJ during the third quarter of Fiscal 2017, partially offset by a decrease in net revenue in EMEA.

During the first nine months of Fiscal 2017, CSG net revenue was relatively unchanged as the decrease in commercial net revenue was offset by the increase in consumer net revenue. The decrease in commercial net revenue was attributable to an overall decrease in average selling prices, while demand was relatively unchanged. The increase in consumer net revenue was primarily driven by an increase in notebook units sold, partially offset by an overall decrease in average selling prices. Both commercial and consumer operations experienced an overall decline in average selling prices as we strategically managed our pricing position given the favorable cost environment.

From a geographical perspective, net revenue attributable to CSG decreased in EMEA and APJ during the first nine months of Fiscal 2017, partially offset by an increase in net revenue in the Americas.

Operating Income — Operating income as a percentage of net revenue attributable to CSG increased 260 basis points to 6.9% during the third quarter of Fiscal 2017 and increased 220 basis points to 5.6%, during the first nine months of Fiscal 2017. These increases were driven by an increase in our gross margin percentage, which was principally the result of a favorable cost position and a richer product mix of premium notebooks and workstations. The increase in our gross margin percentages also benefited from an \$80 million vendor pricing settlement received during the third quarter of Fiscal 2017, which resulted in an incremental benefit of 90 basis points and 30 basis points to our operating income percentage during the third quarter and first nine months of Fiscal 2017, respectively.

Infrastructure Solutions Group:

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

	Three Months Ended			Nine Months Ended		
	October 28, 2016	% Change	October 30, 2015	October 28, 2016	% Change	October 30, 2015
(in millions, except percentages)						
Net Revenue:						
Servers and networking	\$ 2,910	(8)%	\$ 3,163	\$ 9,222	(3)%	\$ 9,527
Storage	3,079	462 %	548	4,159	151 %	1,655
Total ISG net revenue	<u>\$ 5,989</u>	<u>61 %</u>	<u>\$ 3,711</u>	<u>\$ 13,381</u>	<u>20 %</u>	<u>\$ 11,182</u>
Operating Income:						
ISG operating income	\$ 897	249 %	\$ 257	\$ 1,389	79 %	\$ 776
% of segment net revenue	15.0%		6.9%	10.4%		6.9%

Net Revenue — During the third quarter of Fiscal 2017, ISG net revenue increased 61% due to incremental net revenue associated with the EMC acquired storage business, which caused storage revenue to increase 462%. The increase in storage revenue was partially offset by an 8% decrease in revenue from servers and networking. The decline in revenue from servers and networking was primarily a result of a decline in sales of PowerEdge units due to evolving trends as customer demand shifts to cloud and hyperscale servers. The decline in servers and networking net revenue was also attributable to a decrease in average selling prices due to competitive pressures.

During the first nine months of Fiscal 2017, ISG net revenue increased 20% due to the incremental net revenue associated with the EMC acquired storage businesses which caused storage revenue to increase 151%. The increase in storage revenue was offset partially by a decrease of 3% in servers and networking that was primarily attributable to declines in PowerEdge units sold. In servers and networking, the decline in net revenue from sales of PowerEdge servers was partially offset by an increase in revenue from sales of cloud servers and other cloud products. The decrease in PowerEdge server units sold was attributable to evolving trends as customer demand shifts to cloud and hyperscale servers.

From a geographical perspective, during the third quarter and first nine months of Fiscal 2017, ISG net revenue increased in all regions due to the incremental revenue from the EMC acquired storage business. The EMC acquired storage business operates on a world-wide basis with a geographic mix similar to that of the legacy Dell ISG business.

Operating Income — During the third quarter of Fiscal 2017, ISG operating income as a percentage of net revenue increased 810 basis points to 15.0%. The increase in ISG operating income percentage was primarily driven by the favorable impact of higher gross margins percentages and operating income percentages from the EMC acquired businesses, and, to a lesser extent, by an increase in gross margin percentage on servers and networking, which was principally the result of a favorable cost position.

During the first nine months of Fiscal 2017, ISG operating income as a percentage of net revenue increased 350 basis points to 10.4%. The increase in ISG operating income percentage was primarily driven by the favorable impact of higher gross margin percentages and operating income percentages from the EMC acquired businesses. The operating income percentage for the legacy Dell ISG business was relatively flat over the period.

VMware:

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

	Three Months Ended			Nine Months Ended		
	October 28, 2016	% Change	October 30, 2015	October 28, 2016	% Change	October 30, 2015
(in millions, except percentages)						
<i>Net Revenue:</i>						
VMware net revenue	\$ 1,289	NA	\$ —	\$ 1,289	NA	\$ —
<i>Operating Income:</i>						
VMware operating income	\$ 548	NA	\$ —	\$ 548	NA	\$ —
% of segment net revenue	42.5%		NA	42.5%		NA

Net Revenue — VMware net revenue during the third quarter and first nine months of Fiscal 2017 represents revenue from the EMC merger transaction date of September 7, 2016 through October 28, 2016. VMware net revenue for the third quarter of Fiscal 2017 primarily consists of revenue from the sale of software licenses under perpetual licenses, related software maintenance and support, training, consulting services, and hosted services.

From a geographical perspective, approximately half of VMware net revenue during the third quarter of Fiscal 2017 was generated from sales to customers in the United States.

Operating Income — VMware operating income was 42.5% during the third quarter of Fiscal 2017. The VMware operating income percentage for the periods presented was impacted by the timing of the completion of the EMC merger transaction.

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 \$8.8 billion and \$4.9 billion as of October 28, 2016 and January 29, 2016, respectively. We maintain an allowance for doubtful accounts to cover receivables that may be deemed uncollectible. The allowance for losses is based on a provision for accounts that are collectively evaluated based on historical bad debt experience as well as specific identifiable customer accounts that are deemed at risk. As of October 28, 2016 and January 29, 2016, the allowance for doubtful accounts was \$50 million and \$36 million, respectively. Based on our assessment, we believe that we are adequately reserved for expected credit losses. We monitor the aging of our accounts receivable and continue to take actions to reduce our exposure to credit losses.

Dell Financial Services and Financing Receivables

Dell Financial Services, referred to as DFS, offers a wide range of financial services, including originating, collecting, and servicing customer receivables primarily related to the purchase of Dell products. Following the closing of the EMC merger transaction, DFS began offering similar financial services related to the purchase of Dell EMC and VMware products. In some cases, we originate financing activities for our commercial customers related to the purchase of third-party technology products that complement our portfolio of products and services. New financing originations, which represent the amounts of financing provided by DFS to customers for equipment and related software and services, including third-party originations, were \$1.1 billion and \$0.9 billion for third quarter of Fiscal 2017 and Fiscal 2016, respectively, and \$3.0 billion and \$2.8 billion for the first nine months of Fiscal 2017 and Fiscal 2016, respectively. As of October 28, 2016 and January 29, 2016, our financing receivables, net were \$5.4 billion and \$5.1 billion, respectively.

We have securitization programs to fund revolving loans and fixed-term leases and loans through consolidated special purpose entities, referred to as SPEs, which we account for as secured borrowings. We transfer certain U.S. customer financing receivables to these SPEs, whose purpose is to facilitate the funding of customer receivables through financing arrangements with multi-seller conduits that issue asset-backed debt securities in the capital markets and to private investors. During the third quarters of Fiscal 2017 and Fiscal 2016, we transferred \$0.6 billion and \$0.7 billion to these SPEs, respectively, and during the first nine months of Fiscal 2017 and Fiscal 2016, we transferred \$2.0 billion and \$2.5 billion, respectively. The structured financing debt related to all of our securitization programs included as secured borrowing was \$2.8 billion as of both October 28, 2016 and January 29, 2016. In addition, the carrying amount of the corresponding financing receivables was \$3.3 billion as of both October 28, 2016 and January 29, 2016. As a result of the EMC merger transaction, we plan to expand our existing securitization programs to allow for additional funding of customer receivables in the capital markets.

We maintain an allowance to cover expected financing receivable credit losses and evaluate credit loss expectations based on our total portfolio. For the third quarters of Fiscal 2017 and Fiscal 2016, the principal charge-off rate for our total portfolio was 2.2% and 2.0%, respectively. For the first nine months of Fiscal 2017 and Fiscal 2016, the principal charge-off rate for our total portfolio was 2.1% and 2.5%, respectively. The credit quality of our financing receivables has improved in recent years due to an overall improvement in the credit environment and as the mix of high-quality commercial accounts in our portfolio has increased. The allowance for losses is determined based on various factors, including historical and anticipated experience, past due receivables, receivable type, and customer risk profile. At October 28, 2016 and January 29, 2016, the allowance for financing receivable losses was \$146 million and \$176 million, respectively. In general, the loss rates on our financing receivables have improved over the periods presented. We expect relatively stable loss rates in future periods, with movements in these rates being primarily driven by seasonality and a continued shift in portfolio composition to lower risk commercial assets. We continue to monitor broader economic indicators and their potential impact on future loss performance. We have an extensive process to manage our exposure to customer credit risk, including active management of credit lines and our collection activities. We also sell selected fixed-term financing receivables to unrelated third parties on a periodic basis, primarily to manage certain concentrations of customer credit exposure. Based on our assessment of the customer financing receivables, we believe that we are adequately reserved.

See Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for additional information about our financing receivables and the associated allowance.

Deferred Revenue

Deferred revenue represents amounts received in advance for extended warranty services, deferred hardware, software maintenance, unearned license fees, which are recognized ratably over the contract term as either product or services revenue depending on the nature of the item, and deferred professional services. We also have deferred revenue related to internally-developed software offerings, and deferred profit on third-party software offerings, which are generally recognized ratably over the contract term as either product or services revenue depending on the nature of the item.

Our total deferred revenue was \$17.1 billion and \$7.7 billion as of October 28, 2016 and January 29, 2016, respectively, and increased \$9.4 billion, or 122%, over that period. This increase was primarily attributable to the deferred revenue assumed in the EMC merger transaction, which was recorded at its fair value of \$8.4 billion. A majority of deferred revenue as of October 28, 2016 is expected to be recognized over the next two years. See Note 1 and Note 3 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for additional information on the EMC merger transaction.

Off-Balance Sheet Arrangements

As of October 28, 2016, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition or results of operations.

MARKET CONDITIONS, LIQUIDITY, AND CAPITAL COMMITMENTS

Market Conditions

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

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

We use derivative instruments to hedge certain foreign currency exposures. We use forward contracts and purchased options designated as cash flow hedges to protect against the foreign currency exchange rate risks inherent in our forecasted transactions denominated in currencies other than the U.S. dollar. In addition, we primarily use forward contracts and may use purchased options to hedge monetary assets and liabilities denominated in a foreign currency. See Note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about our use of derivative instruments.

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

Liquidity and Capital Resources

To support our ongoing business operations, we rely on operating cash flows as our primary source of liquidity. We monitor the efficiency of our balance sheet to ensure that we have adequate liquidity to support our strategic initiatives. In addition to internally generated cash, we have access to other capital sources to finance our strategic initiatives and fund growth in our financing operations, as evidenced by our actions to raise capital for the EMC merger transaction. We have undertaken strategic divestitures, some of which were completed subsequent to the close of our third quarter of Fiscal 2017. We used the net proceeds from those divestitures to pay down a portion of the EMC merger transaction financing. For more information on repayment of this debt, see Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report. As of October 28, 2016, we had \$8.8 billion of total cash and cash equivalents, a majority of which was held outside of the United States. Our strategy is to deploy capital from any potential source, whether internally generated cash or debt, depending on the adequacy and availability of that source of capital and whether it can be accessed in a cost-effective manner. We made available \$3.0 billion of cash on hand from legacy Dell entities and \$4.8 billion of cash on hand from legacy EMC entities to consummate the EMC merger transaction, some of which was repatriated from foreign jurisdictions. We did not incur material tax or other material costs as a result of the repatriation.

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

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The following table summarizes our cash and cash equivalents as well as our available borrowings as of October 28, 2016 and January 29, 2016:

	October 28, 2016	January 29, 2016
(in millions)		
Cash and cash equivalents, and available borrowings:		
Cash and cash equivalents	\$ 8,822	\$ 6,322
Remaining available borrowings under the Revolving Credit Facility	1,566	—
Remaining available borrowings under the asset-backed credit line ("ABL Credit Facility")	—	1,676
Total cash, cash equivalents, and available borrowings	<u>\$ 10,388</u>	<u>\$ 7,998</u>

At the closing of the EMC merger transaction on September 7, 2016, we entered into the Revolving Credit Facility and terminated the ABL Credit Facility. The Revolving Credit Facility has maximum aggregate borrowings of approximately \$3.2 billion. Available borrowings under the Revolving Credit Facility are reduced by draws on the facility as well as outstanding letters of credit. As of October 28, 2016, remaining available borrowings under this facility totaled approximately \$1.6 billion.

We believe that our current cash and cash equivalents, along with cash that will be provided by future operations and borrowings expected to be available under the Revolving Credit Facility, will be sufficient over at least the next twelve months to fund our operations, capital expenditures, share repurchases, and debt service requirements, as well as any tax audit settlements described in Note 13 and Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

Debt

The following table summarizes our outstanding debt as of October 28, 2016 and January 29, 2016:

	October 28, 2016	January 29, 2016
(in millions)		
Outstanding Debt:		
Term loan facilities and Senior First Lien Notes issued in connection with going-private transaction	\$ —	\$ 7,623
Unsecured notes and debentures issued prior to going-private transaction	2,453	2,853
Structured financing debt	3,426	3,411
Senior Secured Credit Facilities and First Lien Notes issued in connection with EMC merger transaction	35,900	—
Senior Notes issued in connection with EMC merger transaction	3,250	—
Existing EMC notes outstanding after the EMC merger transaction ("EMC Notes")	5,500	—
Bridge facilities issued in connection with EMC merger transaction	6,200	—
Other	58	93
Total debt, principal amount	<u>56,787</u>	<u>13,980</u>
Carrying value adjustments	(1,115)	(349)
Total debt, carrying value	<u>\$ 55,672</u>	<u>\$ 13,631</u>

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

Upon the closing of the EMC merger transaction, we repaid and terminated the ABL Credit Facility and the Term Loan Facilities obtained in connection with the going-private transaction and redeemed the Senior First Lien Notes issued in connection with the going-private transaction. Further, during the first nine months of Fiscal 2017, we repay \$0.4 billion of maturing Unsecured Notes and Debentures and \$0.5 billion of the Revolving Credit Facility obtained in connection with the EMC merger transaction.

Our requirements for cash to pay principal and interest have increased significantly due to the borrowings that were required to finance the EMC merger transaction. We expect the increased cash flows from the combined businesses will be sufficient to meet these requirements. We or our affiliates, at our or their sole discretion, may purchase, redeem, prepay, refinance, or otherwise retire our outstanding indebtedness under the terms of such indebtedness, in open market or negotiated transactions with the holders of such indebtedness, or otherwise.

We balance the use of our securitization programs with working capital and other sources of liquidity to fund growth in our global financial services business. Of the \$56.8 billion in outstanding principal debt as of October 28, 2016, \$4.8 billion, which includes \$3.4 billion in structured financing debt, is used to fund this business.

Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about our debt.

Cash Flows

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

	Nine Months Ended	
	October 28, 2016	October 30, 2015
(in millions)		
<i>Net change in cash from:</i>		
Operating activities	\$ 1,546	\$ 1,191
Investing activities	(38,059)	(198)
Financing activities	38,810	(321)
Effect of exchange rate changes on cash and cash equivalents	31	(88)
Change in cash and cash equivalents	\$ 2,328	\$ 584

Operating Activities — Cash provided by operating activities was \$1.5 billion and \$1.2 billion for the first nine months of Fiscal 2017 and Fiscal 2016, respectively. Strong operating cash flows in both periods were attributable to more profitable operations and to favorable changes in working capital resulting from extending payment terms with suppliers. During the first nine months of Fiscal 2017, the favorable effects of these factors were partially offset by the cash used for transaction-related expenses. The terms of our supplier arrangements will evolve as we continue to integrate the businesses acquired through the EMC merger transaction.

Investing Activities — Investing activities consist of cash used to fund strategic acquisitions, capital expenditures for property, plant, and equipment, collections on purchased financing receivables, and proceeds from sale of facilities, land and other assets. Cash used in investing activities was \$38.1 billion and \$0.2 billion during the first nine months of Fiscal 2017 and Fiscal 2016, respectively, which included \$104 million and \$85 million, respectively, in capital expenditures attributable to discontinued operations. The increase in cash used by investing activities was driven by \$37.6 billion, net cash used to fund our acquisition of EMC.

Financing Activities — Financing activities primarily consist of the proceeds and repayments of debt. During the first nine months of Fiscal 2017, cash provided by financing activities was \$38.8 billion. Cash provided by financing activities consisted primarily of \$46.0 billion in cash proceeds from debt, \$43.2 billion of which was issued in connection with the EMC merger transaction, and \$4.4 billion in proceeds from the sale and issuance of our Class A, Class B, and Class C Common Stock for financing of that transaction. These issuances were partially offset by \$9.6 billion in repayments of debt, \$0.8 billion in

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payments for debt issuance costs, \$0.8 billion in payments to repurchase common stock, and \$0.4 billion in payments related to the appraisal litigation from the going-private transaction. See Note 12 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about the appraisal shares litigation. In comparison, during the first nine months of Fiscal 2016, cash used in financing activities was \$0.3 billion as we issued \$0.8 billion, net, in additional structured financing debt, repaid \$0.7 billion in maturing Unsecured Notes and Debentures, and repaid \$0.4 billion, net, in Term Loan Facilities issued in connection with the going-private transaction and related foreign currency derivative settlements.

See Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about our securitization programs, and Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about our debt.

Key Performance Metrics

We previously presented our cash conversion cycle metric on a basis which included our discontinued businesses. However, since we completed the Dell Services and DSG divestitures subsequent to the end of the third quarter of Fiscal 2017, we believe that a cash conversion cycle metric which excludes our discontinued operations provides a better indication of our cash conversion cycle and is a better basis for evaluating our potential future cash operations. Accordingly, we have derived the components of our cash conversion cycle for the periods presented below using balances and results of operations which exclude Dell Services, DSG, and ECD.

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

	Three Months Ended	
	October 28, 2016	October 30, 2015
Days of sales outstanding (a)	52	42
Days of supply in inventory (b)	23	13
Days in accounts payable (c)	(115)	(111)
Cash conversion cycle (d)	(40)	(56)

- (a) Days of sales outstanding, referred to as DSO, calculates the average collection period of our receivables. DSO is based on the ending net trade receivables and the most recent quarterly non-GAAP net revenue for each period. DSO also includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets. DSO is calculated by adding accounts receivable, net of allowance for doubtful accounts, and customer shipments in transit and dividing that sum by average non-GAAP net revenue per day for the current quarter (90 days for all fiscal quarters presented herein). At October 28, 2016, DSO and days of customer shipments not yet recognized were 47 and 5 days, respectively. At October 30, 2015, DSO and days of customer shipments not yet recognized were 37 and 5 days, respectively.
- (b) Days of supply in inventory, referred to as DSi, measures the average number of days from procurement to sale of our products. DSi is based on ending inventory adjusted to exclude purchase accounting adjustments and non-GAAP cost of goods sold for each period. DSi is calculated by dividing ending inventory by average non-GAAP cost of goods sold per day for the current quarter (90 days for all fiscal quarters presented herein).
- (c) Days in accounts payable, referred to as DPO, calculates the average number of days our payables remain outstanding before payment. DPO is based on ending accounts payable and non-GAAP cost of goods sold for each period. DPO is calculated by dividing accounts payable by average non-GAAP cost of goods sold per day for the current quarter (90 days for all fiscal quarters presented herein).
- (d) We calculate our cash conversion cycle using non-GAAP net revenue and non-GAAP cost of goods sold because we believe that excluding certain items from the GAAP results facilitates management's understanding of this key performance metric.

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

	Three Months Ended	
	October 28, 2016	October 30, 2015
(in millions)		
Cost of goods sold	\$ 12,348	\$ 10,542
Non-GAAP adjustments:		
Impact of purchase accounting	(199)	(17)
Amortization of intangibles	(604)	(98)
Transaction-related expenses	(30)	(2)
Other corporate expenses	(62)	(3)
Non-GAAP cost of goods sold	<u>\$ 11,453</u>	<u>\$ 10,422</u>

	October 28, 2016	October 30, 2015
(in millions)		
Inventory	\$ 3,504	\$ 1,477
Less: Impact of purchase accounting	(565)	—
Inventory adjusted to exclude purchase accounting adjustments	<u>\$ 2,939</u>	<u>\$ 1,477</u>

For the three months ended October 28, 2016, changes in our cash conversion cycle were unfavorable by sixteen days when compared to the three months ended October 30, 2015. This was primarily driven by a ten day increase in DSO and a ten day increase in DSI. DSO, DSI, and DPO were all impacted to varying degrees by the timing of the EMC merger transaction as we assumed all of EMC's accounts receivable, inventory, and accounts payable, but only included the portion of EMC's revenue and cost of goods sold for the period from September 7, 2016 to October 28, 2016. This timing impact was the primary driver for the increase in DSO. The increase in DSI was primarily due to our acquisition of EMC and the longer inventory cycle associated with the acquired product lines. The increases in DSO and DSI were partially offset by a four day increase in DPO, which was primarily the result of extended supplier payment terms, partially offset by the timing of the EMC merger transaction. We believe our business model allows us to maintain an efficient cash conversion cycle, which compares favorably with that of others in our industry.

Capital Commitments

Capital Expenditures — During the first nine months of Fiscal 2017 and Fiscal 2016, we spent \$417 million and \$340 million, respectively, on property, plant, and equipment, which included \$104 million and \$85 million, respectively, attributable to discontinued operations. These expenditures were primarily incurred in connection with our global expansion efforts and infrastructure investments made to support future growth. Product demand, product mix, and the increased 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 2017, which will be primarily related to infrastructure investments and strategic initiatives, are currently expected to total approximately \$0.5 billion.

Share Repurchase Program — On September 7, 2016, our board of directors approved a stock repurchase program under which we are authorized to use assets of the DHI Group to repurchase up to \$1.0 billion of shares of our Class V Common Stock over a two-year period. During the three months ended October 28, 2016, we repurchased \$165 million of Class V Common Stock under the program. At October 28, 2016, our remaining authorized amount for share repurchases under the program was \$835 million. For more information regarding our repurchase of Class V Common Stock, see Note 17 of Notes to the Unaudited Condensed Financial Statements included in this report, and "Part II — Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds."

In April 2016, VMware's board of directors authorized the repurchase of up to \$1.2 billion of VMware's Class A common stock through the end of 2016. All shares repurchased under VMware's stock repurchase programs are retired. During the period from September 7, 2016 through October 28, 2016, VMware repurchased \$611 million in shares of its Class A common stock. The authorized amount for repurchases of VMware Class A common stock was entirely utilized as of October 28, 2016.

Contractual Cash Obligations

The following table summarizes our contractual cash obligations as of October 28, 2016:

	Total	Payments Due by Fiscal Year									
		2017 (remaining three months)		2018-2019		2020-2021					
(in millions)											
Contractual cash obligations:											
Principal payments on debt	\$ 56,787	\$ 660	\$ 17,921	\$ 7,302	\$ 30,904						
Interest	18,903	966	4,326	3,384	10,227						
Purchase obligations	2,759	2,510	200	35	14						
Operating leases	2,378	63	846	506	963						
Uncertain tax positions (a)	—	—	—	—	—						
Contractual cash obligations	\$ 80,827	\$ 4,199	\$ 23,293	\$ 11,227	\$ 42,108						

(a) We have approximately \$3.8 billion in additional liabilities associated with uncertain tax positions as of October 28, 2016. We expect to pay \$545 million within the next 12 months. See Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for more information about subsequent events. We are unable to reliably estimate the expected payment dates for any remaining liabilities for uncertain tax positions.

Principal Payments on Borrowings — Our expected principal cash payments on borrowings are exclusive of discounts and premiums. We have outstanding long-term notes with varying maturities. As of October 28, 2016, the future principal payments related to structured financing debt were expected to be \$0.6 billion in Fiscal 2017 (remaining three months), \$2.7 billion in Fiscal 2018-2019, and \$0.2 billion thereafter. For additional information about our debt, see Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

Subsequent to October 28, 2016, we repaid \$2.2 billion principal amount of our asset sale bridge facility and \$2.1 billion principal amount of our term loan A-1 facility, each of which was issued on September 7, 2016 in connection with the EMC

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merger transaction. For additional information, see Note 22 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

Interest — See Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report for further discussion of our debt and related interest expense.

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

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

Operating Leases — We lease property and equipment, manufacturing facilities, and office space under non-cancelable leases. Certain of these leases obligate us to pay taxes, maintenance, and repair costs.

ITEM 3 — QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Dell Technologies is exposed to a variety of market risks, including risks associated with foreign currency exchange rate fluctuations, interest rate changes affecting its variable-rate debt, and changes in the market value of investments. In the normal course of business, Dell Technologies employs established policies and procedures to manage these risks.

Foreign Currency Risk

During the third quarter and first nine months of Fiscal 2017, the principal foreign currencies in which Dell Technologies transacted business were the Euro, Chinese Renminbi, Japanese Yen, British Pound, Canadian Dollar, and Australian Dollar. The objective of Dell Technologies in managing its exposures to foreign currency exchange rate fluctuations is to reduce the impact of adverse fluctuations associated with foreign currency exchange rate changes on earnings and cash flows. Accordingly, Dell Technologies utilizes foreign currency option contracts and forward contracts to hedge its exposure on forecasted transactions and firm commitments for certain currencies. Dell Technologies monitors its foreign currency exchange exposures to ensure the overall effectiveness of its foreign currency hedge positions. However, there can be no assurance that the foreign currency hedging activities will continue to substantially offset the impact of fluctuations in currency exchange rates on the results of operations and financial position in the future.

As of October 28, 2016, based on the outstanding foreign currency hedge instruments of Dell Technologies, which include designated and non-designated instruments, there was a maximum potential one-day loss at a 95% confidence level in fair value of approximately \$27.5 million using a Value-at-Risk, referred to as VAR, model. By using market implied rates and incorporating volatility and correlation among the currencies of a portfolio, the VAR model simulates 10,000 randomly generated market prices and calculates the difference between the fifth percentile and the average as the Value-at-Risk. The VAR model is a risk estimation tool and is not intended to represent actual losses in fair value that could be incurred. Additionally, as Dell Technologies utilizes foreign currency instruments for hedging forecasted and firmly committed transactions, a loss in fair value for those instruments is generally offset by increases in the value of the underlying exposure.

Interest Rate Risk

Dell Technologies is primarily exposed to interest rate risk related to its variable-rate debt and investment portfolio.

As of October 28, 2016, Dell Technologies had \$15.9 billion of outstanding borrowings under its Senior Secured Credit Facilities and \$4.0 billion of outstanding borrowings under its Margin Bridge Facility and VMware Note Bridge Facility. Amounts outstanding under these facilities generally bear interest at variable rates equal to applicable margins plus specified base rates or LIBOR-based rates. For information about this debt, see Note 8 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report. Accordingly, Dell Technologies is exposed to market risk based on fluctuations in interest rates on borrowings under the facilities. As of October 28, 2016, outstanding borrowings under the facilities accrued interest at an annual rate between 2.39% and 4.00%. Based on this variable-rate debt outstanding as of October 28, 2016, a 100 basis point increase in interest rates would have resulted in an increase of approximately \$188 million in annual interest expense.

As of October 28, 2016, Dell Technologies had \$3.4 billion of outstanding structured financing debt that accrued interest at variable rates. For information about this debt, see Note 7 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report. Dell Technologies mitigates the interest rate risk related to its structured financing debt through the use of interest rate swaps to hedge the variability in cash flows related to the interest rate payments on such debt.

We maintain an investment portfolio consisting of debt and equity securities of various types and maturities which is exposed to interest rate risk. The investments are classified as available-for-sale and are all denominated in U.S. dollars. These securities are recorded on the consolidated balance sheet at market value, with any unrealized gain or temporary non-credit related loss recorded in other comprehensive loss. These instruments are not leveraged and are not held for trading purposes. Dell Technologies mitigates the risks related to its investment portfolio by investing primarily in high-quality credit securities, limiting the amount that can be invested in any single issuer and investing in short-to-intermediate-term investments. As of October 28, 2016, a 100 basis point increase or decrease in interest rates would have resulted in an \$85 million impact on the fair value of this portfolio.

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, or Exchange Act. See Exhibits 31.1 and 31.2 to this report. This Item 4 includes information concerning the controls and control evaluations referred to in those certifications.

Evaluation of Disclosure Controls and Procedures

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

In connection with the preparation of this report, our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of October 28, 2016. Based on that evaluation, our management has concluded that our disclosure controls and procedures were effective as of October 28, 2016.

Changes in Internal Control over Financial Reporting

On September 7, 2016, we completed our acquisition by merger of EMC Corporation as described elsewhere in this report. Revenues of approximately \$3.6 billion and net loss of approximately \$0.6 billion attributable to EMC were included in the Condensed Consolidated Statements of Income (Loss) for the period from September 7, 2016 through October 28, 2016.

We continue to integrate policies, processes, people, technology, and operations relating to this transaction, and will continue to evaluate the impact of any related changes to our internal control over financial reporting. Except for any changes in our internal control over financial reporting related to the integration of EMC, there were no changes in our internal control over financial reporting during the third quarter of Fiscal 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

On August 25, 2016, Denali Holding Inc., or Denali, changed its name to Dell Technologies, Inc. On September 7, 2016, as described elsewhere in this report, Dell Technologies completed its acquisition of EMC by merger.

ITEM 1 — LEGAL PROCEEDINGS

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

Additional information on our commitments and contingencies can be found in "Denali Financial Statements" for our fiscal year ended January 29, 2016 included in the proxy statement/prospectus dated June 6, 2016, or Form S-4 proxy statement/prospectus, forming part of our registration statement on Form S-4 (Registration No. 333-208524) filed with the SEC.

ITEM 1A — RISK FACTORS

In addition to the other information set forth in this report, the factors described in the section titled "Risk Factors — Risk Factors Relating to Denali, Dell and EMC — Risk Factors Relating to Denali and Dell" of the Form S-4 proxy statement/prospectus could materially affect our business, financial condition, or operating results. Further, as a result of our acquisition of EMC and related transactions, we are subject to additional risks, including the risks described in the section titled "Risk Factors — Risk Factors Relating to the Combined Company" of the Form S-4 proxy statement/prospectus and the following additional risks:

Our financial performance is affected by the financial performance of VMware.

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

- fluctuations in demand, adoption rates, sales cycles (which have been increasing in length) and pricing levels for VMware's products and services;
- changes in customers' budgets for information technology purchases and in the timing of its purchasing decisions;
- the timing of recognizing revenues in any given quarter, which can be affected by a number of factors, including product announcements, beta programs and product promotions that can cause revenue recognition of certain orders to be deferred until future products to which customers are entitled become available;
- the timing of announcements or releases of new or upgraded products and services by VMware or by its competitors;
- the timing and size of business realignment plans and restructuring charges;
- VMware's ability to maintain scalable internal systems for reporting, order processing, license fulfillment, product delivery, purchasing, billing and general accounting, among other functions;
- VMware's ability to control costs, including its operating expenses;
- credit risks of VMware's distributors, who account for a significant portion of VMware's product revenues and accounts receivable;
- seasonal factors, such as the end of fiscal period budget expenditures by VMware's customers and the timing of holiday and vacation periods;
- renewal rates and the amounts of the renewals for enterprise agreements, as the original terms of such agreements expire;
- the timing and amount of software development costs that may be capitalized;
- unplanned events that could affect market perception of the quality or cost-effectiveness of VMware's products and solutions; and
- VMware's ability to predict accurately the degree to which customers will elect to purchase its subscription-based offerings in place of licenses to its on-premises offerings.

Dell Technologies' pension plan assets are subject to market volatility.

Through the EMC merger transaction, Dell Technologies assumed a noncontributory defined pension plan, originally part of the EMC legacy acquisition of Data General. The plan's assets are invested in common stocks, bonds, and cash. The expected long-term rate of return on the plan's assets was 6.50%. This rate represents the average of the expected long-term rates of return weighted by the plan's assets as of December 31, 2015. As market conditions permit, we expect to continue to shift the asset allocation to lower the percentage of investments in equities and increase the percentage of investments in long-duration fixed-income securities. The effect of such a change could result in a reduction in the long-term rate of return on plan assets and an increase in future pension expense. As of December 31, 2015, the ten-year historical rate of return on plan assets was 6.45%, and the inception-to-date return on plan assets was 6.46%. In 2015, the legacy EMC business experienced a 2.42% loss on plan assets. Should we not achieve the expected rate of return on the plan's assets or if the plan experiences a decline in the fair value of its assets, we may be required to contribute assets to the plan, which could materially adversely affect our results of operations or financial condition.

The risks described in the Form S-4 proxy statement/prospectus and other risks described above 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 may also materially adversely affect our business, financial condition, or operating results.

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

On September 7, 2016, shares of our Series C Common Stock were reclassified on a one-for-one basis into shares of our newly authorized Class C Common Stock. For information about the reclassification, see Note 17 of the Notes to the Unaudited Condensed Consolidated Financial Statements included in this report.

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From July 30, 2016 through September 6, 2016, we did not issue any shares of our Series C Common Stock pursuant to exercises of stock options granted under the Denali Holding Inc. 2013 Stock Incentive Plan and the Dell Inc. 2012 Long-Term Incentive Plan. From September 7, 2016 through October 28, 2016, we issued to certain employees a total of 209,128 shares of our Class C Common Stock at per share purchase prices ranging from \$2.91 to \$13.75 pursuant to exercises of stock options granted under the Dell Technologies Inc. 2013 Stock Incentive Plan, which was adopted on September 7, 2016 as an amendment and restatement of the Denali Holding Inc. 2013 Stock Incentive Plan, and the Dell Technologies Inc. 2012 Long-Term Incentive Plan, which was adopted on September 7, 2016 as an amendment and restatement of the Dell Inc. 2012 Long-Term Incentive Plan. The foregoing transactions were effected in reliance on the exemption from the registration requirements of the Securities Act of 1933 afforded by Rule 701 hereunder as transactions pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule.

Purchases of Equity Securities

We have a stock repurchase program that authorizes us to use assets of the DHI Group to repurchase up to \$1.0 billion of shares of our Class V Common Stock from time to time over a two-year period beginning on September 7, 2016. We may repurchase shares under the program through open market purchases, block trades, or accelerated or other structured share repurchase programs. The following table sets forth information regarding our repurchases of shares of Class V Common Stock during the third quarter of Fiscal 2017 and the remaining authorized amount of future repurchases under the program.

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
			(in millions, except average price paid per share)	
Repurchases from July 30, 2016 to August 26, 2016	—	\$ —	—	\$ —
Repurchases from August 27, 2016 to September 23, 2016	—	\$ —	—	\$ 1,000
Repurchases from September 24, 2016 to October 28, 2016	4	\$ 47.63	4	\$ 835
Total	4	\$ 47.63	4	

ITEM 5 — OTHER INFORMATION

Iran Threat Reduction and Syria Human Rights Act of 2012

Set forth below is a description of matters reported by us pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Exchange Act. Concurrently with the filing of this quarterly report, we are filing a notice pursuant to Section 13(r) of the Exchange Act that such matters have been disclosed in this quarterly report.

Since January 30, 2016, which was the beginning of Fiscal 2017, we engaged in three sales transactions reportable by us. In February 2016 and June 2016, we sold Dell desktop computers, computer stands, and a server, and associated warranty support, to the Embassy of the Government of Iran located in Germany. In June 2016, we sold Dell desktop computers and computer stands, and associated warranty support, to the Embassy of the Government of Iran located in France. We received total net revenue of approximately 4,998 Euros and realized net profits of approximately 1,231 Euros from the three sales (approximately \$5,595 and \$1,372, respectively, at the exchange rates for U.S. dollars at the date of the sale transactions). During Fiscal 2017, we provided product warranty support with those sales and under service warranty agreements related to Dell desktop computers and servers we sold in 13 transactions before Fiscal 2017 to the Embassies of the Government of Iran located in France, the Netherlands, and Italy. All of the foregoing warranty support was purchased at the time of the sale transactions, and we did not receive any additional payment for our performance of warranty support services. In August 2016,

following our discovery of the foregoing transactions, we ceased to offer warranty support under the agreements. We do not intend to engage in future activity under any of the foregoing arrangements.

During Fiscal 2017, we were obligated to provide warranty support relating to two servers we sold before Fiscal 2017 to the Paris, France branch of the Bank of Saderat under a three-year warranty service contract entered into at the time of the sale. We did not receive any additional payment for our performance of such services. Bank of Saderat is an Iranian bank listed by the Treasury Department's Office of Foreign Assets Control as a Specially Designated National. In September 2016, following our discovery of the foregoing transactions, we ceased to offer warranty support under the agreement. We do not intend to engage in future activity under the foregoing arrangement.

ITEM 6 — EXHIBITS

Exhibits — See Index to Exhibits below following the signature page to this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DELL TECHNOLOGIES INC.

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

Date: December 9, 2016

INDEX TO EXHIBITS

Exhibit No.**Description of Exhibit**

2.1	Agreement and Plan of Merger, dated as of October 12 2015, as amended by the First Amendment to Agreement and Plan of Merger, dated as of May 16, 2016, among Dell Technologies Inc. (the "Company"), Dell Inc., Universal Acquisition Co. and EMC Corporation (incorporated by reference to Annex A to the proxy statement/prospectus forming part of the Company's Registration Statement on Form S-4 (Registration No. 333-208524) filed with the Securities and Exchange Commission (the "Commission") on June 6, 2016)
3.1	Fourth Amended and Restated Certificate of Incorporation of Dell Technologies Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Commission on September 7, 2016) (Commission File No. 001-37867)
3.2	Amended and Restated Bylaws of Dell Technologies Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Commission on September 7, 2016) (Commission File No. 001-37867)
4.1	First Supplemental Indenture, dated as of September 6, 2016, by and among Diamond 1 Finance Corporation, Diamond 2 Finance Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.2	2019 Notes Supplemental Indenture No. 2, 2021 Notes Supplemental Indenture No. 2, 2023 Notes Supplemental Indenture No. 2, 2026 Notes Supplemental Indenture No. 2, 2036 Notes Supplemental Indenture No. 2 and 2046 Notes Supplemental Indenture No. 2, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, New Dell International LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.3	2019 Notes Supplemental Indenture No. 3, 2021 Notes Supplemental Indenture No. 3, 2023 Notes Supplemental Indenture No. 3, 2026 Notes Supplemental Indenture No. 3, 2036 Notes Supplemental Indenture No. 3 and 2046 Notes Supplemental Indenture No. 3, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, Dell Technologies Inc., Denali Intermediate Inc., Dell Inc., the other guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee and Collateral Agent (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.4	Registration Rights Agreement, dated as of June 1, 2016, among Diamond 1 Finance Corporation, Diamond 2 Finance Corporation and J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Deutsche Bank Securities Inc. and RBC Capital Markets, LLC, as the representatives of the several initial purchasers (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.5	Joinder Agreement to Registration Rights Agreement, dated as of September 7, 2016, among Dell International L.L.C., EMC Corporation, Dell Technologies Inc., Denali Intermediate Inc., Dell Inc., the other guarantors named therein and J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Deutsche Bank Securities Inc. and RBC Capital Markets, LLC, as the representatives of the several initial purchasers (incorporated by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.6	First Supplemental Indenture, dated as of September 6, 2016, by and among Diamond 1 Finance Corporation, Diamond 2 Finance Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.7	2021 Notes Supplemental Indenture No. 2, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, New Dell International LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.8	2021 Notes Supplemental Indenture No. 3, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, Dell Technologies Inc., Denali Intermediate Inc., Dell Inc., the other guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)

4.9	2024 Notes Supplemental Indenture No. 2, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, New Dell International LLC and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.9 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.10	2024 Notes Supplemental Indenture No 3, dated as of September 7, 2016, by and among Dell International L.L.C., EMC Corporation, Dell Technologies Inc., Denali Intermediate Inc., Dell Inc., the other guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated by reference to Exhibit 4.10 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
4.11†	Security Agreement, dated as of September 7, 2016, among Dell International L.L.C., EMC Corporation, Denali Intermediate Inc., Dell Inc., the other grantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Notes Collateral Agent
4.12	Indenture, dated as of June 6, 2013, by and between EMC Corporation and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to EMC Corporation's Current Report on Form 8-K filed with the Commission on June 6, 2013) (Commission File No. 1-9853)
4.13	Officer's Certificate, dated as of June 6, 2013 (incorporated by reference to Exhibit 4.2 to EMC Corporation's Current Report on Form 8-K filed with the Commission on June 6, 2013) (Commission File No. 1-9853)
4.14	Form of 1.875% Notes due 2018 (incorporated by reference to Exhibit 4.3 to EMC Corporation's Current Report on Form 8-K filed with the Commission on June 6, 2013) (Commission File No. 1-9853)
4.15	Form of 2.650% Notes due 2020 (incorporated by reference to Exhibit 4.4 to EMC Corporation's Current Report on Form 8-K filed with the Commission on June 6, 2013) (Commission File No. 1-9853)
4.16	Form of 3.375% Notes due 2023 (incorporated by reference to Exhibit 4.5 to EMC Corporation's Current Report on Form 8-K filed with the Commission on June 6, 2013) (Commission File No. 1-9853)
10.1	Credit Agreement, dated as of September 7, 2016, among Denali Intermediate Inc., Dell Inc., Dell International L.L.C., New Dell International LLC, Universal Acquisition Co., EMC Corporation, the issuing banks and lenders party thereto, Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent, JPMorgan Chase Bank, N A., as Term Loan A/Revolver Administrative Agent and Swingline Lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.2	Credit Agreement, dated as of September 7, 2016, among Denali Intermediate Inc., Dell Inc., Dell International L.L.C., New Dell International LLC, Universal Acquisition Co., EMC Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.3	Credit Agreement, dated as of September 7, 2016, among Universal Acquisition Co., EMC Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.4	Credit Agreement, dated as of September 7, 2016, among Universal Acquisition Co., EMC Corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.5†	Collateral Agreement, dated as of September 7, 2016, among Dell International L.L.C., EMC Corporation, Denali Intermediate Inc., Dell Inc., the other grantors party thereto and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent
10.6	Amended and Restated Sponsor Stockholders Agreement, dated as of September 7, 2016, by and among Dell Technologies Inc., Denali Intermediate Inc., Dell Inc., EMC Corporation, Denali Finance Corp., Dell International L.L.C., Michael S. Dell, Susan Lieberman Dell Separate Property Trust, MSDC Denali Investors, L.P., MSDC Denali EIV, LLC, Silver Lake Partners III, L.P., Silver Lake Technology Investors III, L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P. and SLP Denali Co-Invest, L.P. and the other stockholders named therein (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)

10.7	Amended and Restated Management Stockholders Agreement, dated as of September 7, 2016, by and among Dell Technologies Inc., Michael S. Dell, Susan Lieberman Dell Separate Property Trust, MSDC Denali Investors, L.P., MSDC Denali EIV, LLC, Silver Lake Partners III, L.P., Silver Lake Technology Investors III, L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., SLP Denali Co-Invest, L.P. and the Management Stockholders (as defined therein) (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.8	Amended and Restated Registration Rights Agreement, dated as of September 7, 2016, by and among Dell Technologies Inc., Michael S. Dell, Susan Lieberman Dell Separate Property Trust, MSDC Denali Investors, L.P., MSDC Denali EIV, LLC, Silver Lake Partners III, L.P., Silver Lake Technology Investors III, L.P., Silver Lake Partners IV, L.P., Silver Lake Technology Investors IV, L.P., SLP Denali Co-Invest, L.P., Venezio Investments Pte. Ltd and the Management Stockholders identified on Schedule I thereto (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.9	Compensation Program for Independent Non-Employee Directors (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.10	Form of Indemnification Agreement (contained in Exhibit 10.6)
10.11	Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
10.12	Form of Dell Time Award Agreement for Executive Officers under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.5 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.13	Form of Dell Time Award Agreement for Non-Employee Directors under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.14	Form of Dell Deferred Time Award Agreement for Non-Employee Directors under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.15	Form of Dell Performance Award Agreement for Executive Officers under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.16	Form of Stock Option Agreement for Non-Employee Directors (Annual Grant) under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.17	Form of Stock Option Agreement for Non-Employee Directors (Sign-On Grant) under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.18	Form of Stock Option Agreement for Executive Officers (Rollover Option) under the Dell Technologies Inc. 2013 Stock Incentive Plan (incorporated by reference to Exhibit 4.13 to the Company's Registration Statement on Form S-8 (Registration No. 333-213515) filed with the Commission on September 6, 2016)
10.19	Dell Technologies Inc. 2012 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed with the Commission on September 9, 2016) (Commission File No. 001-37867)
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, Senior 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, Senior 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
99.1†	Unaudited Attributed Financial Information for Class V Group

101	.INS†	—	XBRL Instance Document.
101	.SCH†	—	XBRL Taxonomy Extension Schema Document.
101	.CAL†	—	XBRL Taxonomy Extension Calculation Linkbase Document.
101	.DEF†	—	XBRL Taxonomy Extension Definition Linkbase Document.
101	.LAB†	—	XBRL Taxonomy Extension Label Linkbase Document.
101	.PRE†	—	XBRL Taxonomy Extension Presentation Linkbase Document.

† Filed with this report.

†† Furnished with this report.

SECURITY AGREEMENT

dated as of

September 7, 2016,

among

DELL INTERNATIONAL L.L.C.,

EMC CORPORATION,

DENALI INTERMEDIATE INC.,

DELL INC.,

THE OTHER GRANTORS PARTY HERETO

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,

as Notes Collateral Agent

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SECURITY AGREEMENT, dated as of September 7, 2016 (this “Agreement”), among DELL INTERNATIONAL L.L.C., EMC CORPORATION, NEW DELL INTERNATIONAL LLC (which, upon the consummation of the Reorganization (as defined below) shall be renamed “Dell International L.L.C.”), DENALI INTERMEDIATE INC., DELL INC., the SUBSIDIARY GUARANTORS party hereto and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Collateral Agent (in such capacity and together with successors in such capacity, the “Notes Collateral Agent”).

Reference is made to the Base Indenture, dated as of June 1, 2016, among Diamond 1 Finance Corporation, a Delaware corporation (“Finco 1”, which, in connection with the Dell-EMC Merger, has merged with and into Dell International L.L.C., a Delaware limited liability company (“Dell International”), with Dell International continuing as the surviving corporation and which, following the consummation of the Dell-EMC Merger, on or about the Business Day following the Effective Date, will merge with and into New Dell International LLC, a Delaware limited liability company (“New Dell International”), with New Dell International continuing as the surviving corporation (the “Reorganization”), Diamond 2 Finance Corporation, a Delaware corporation (“Finco 2”, which, in connection with the Dell-EMC Merger, has merged with and into EMC Corporation, a Massachusetts corporation (“EMC” and, together with Dell International, the “Issuers”), with EMC continuing as the surviving corporation), and The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee on behalf of the holders (the “Holders”) of the Notes (as defined below) and Notes Collateral Agent (the “Base Indenture” and as from time to time amended, restated, supplemented or otherwise modified, the “Indenture”), relating to the Issuers’ (i) \$3,750,000,000 aggregate principal amount of 3.480% First Lien Notes due 2019 (the “2019 Notes”), (ii) \$4,500,000,000 aggregate principal amount of 4.420% First Lien Notes due 2021 (the “2021 Notes”), (iii) \$3,750,000,000 aggregate principal amount of 5.450% First Lien Notes due 2023 (the “2023 Notes”), (iv) \$4,500,000,000 aggregate principal amount of 6.020% First Lien Notes due 2026 (the “2026 Notes”), (v) \$1,500,000,000 aggregate principal amount of 8.100% First Lien Notes due 2036 (the “2036 Notes”), and (vi) \$2,000,000,000 aggregate principal amount of 8.350% First Lien Notes due 2046 (the “2046 Notes” and together with the 2019 Notes, the 2021 Notes, the 2023 Notes, the 2026 Notes, the 2036 Notes and any Additional Notes issued under the Indenture, the “Notes” and each, a “series of Notes”). The Grantors (other than the Issuers) are Affiliates of the Issuers and will derive substantial benefits from the execution, delivery and performance of the obligations under the Indenture and the Notes and each is, therefore, willing to enter into this Agreement. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms.

Each capitalized term used but not defined herein shall have the meaning assigned thereto in the Base Indenture and, with respect to each series of Notes, as supplemented by the supplemental indenture relating to such series of Notes; provided that each term defined in the

New York UCC (as defined herein) and not defined in this Agreement shall have the meaning specified in the New York UCC.

The rules of construction specified in the Indenture also apply to this Agreement, mutatis mutandis.

SECTION 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Account Debtor” means any Person that is or may become obligated to any Grantor under, with respect to or on account of an Account.

“Agreement” has the meaning assigned to such term in the preamble to this Agreement.

“Article 9 Collateral” has the meaning assigned to such term in Section 3.01.

“Bankruptcy Code” means Title 11 of the United States Code, as amended.

“Collateral” means Article 9 Collateral and Pledged Collateral.

“Company” means Dell Inc., a Delaware corporation.

“Copyright License” means any written agreement, now or hereafter in effect, granting to any Person any right under any Copyright now or hereafter owned by any other Person or that such other Person otherwise has the right to license, and all rights of any such Person under any such agreement.

“Copyright Security Agreement” means a copyright security agreement substantially in the form of Exhibit II.

“Copyrights” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all copyright rights in any work arising under the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, supplemental registrations and pending applications for registration in the United States Copyright Office (or any similar office in any other country), including, in the case of any Grantor, registrations, supplemental registrations and pending applications for registration in the United States Copyright Office set forth next to its name on Schedule III.

“Denali” means Dell Technologies Inc. (f/k/a Denali Holding Inc.), a Delaware corporation.

“Discharge of Credit Agreement Obligations” means the Discharge of First Lien Obligations that are Credit Agreement Obligations, as each of those terms is defined in the First Lien Intercreditor Agreement.

“Excluded Assets” means (a) any fee-owned real property with a book value of less than \$150,000,000 as determined on the Effective Date for existing real property and on the date of acquisition for after acquired real property; (b) all leasehold interests in real property; (c) any governmental licenses or state or local franchises, charters or authorizations, to the extent a security interest in any such license, franchise, charter or authorization would be prohibited or restricted thereby (including any legally effective prohibition or restriction, but excluding any prohibition or restriction that is ineffective under the Uniform Commercial Code of any applicable jurisdiction); (d) any asset if, to the extent that and for so long as the grant of a Lien thereon to secure the Obligations under the Notes is prohibited by any requirements of law (other than to the extent that any such prohibition would be rendered ineffective pursuant to any other applicable requirements of law) or would require consent or approval of any governmental authority; (e) margin stock (including the VMware Class A Common Stock) and, to the extent prohibited by, or creating an enforceable right of termination in favor of any other party thereto (other than any Issuer or any Guarantor) under the terms of any applicable organizational documents, joint venture agreement or shareholders’ agreement, Equity Interests in any Person other than Wholly-Owned Subsidiaries that are Credit Facilities Restricted Subsidiaries; (f) assets to the extent a security interest in such assets would result in material adverse tax consequences to Covenant Parent or one of its Subsidiaries as reasonably determined by the Issuers in consultation with the Bank Collateral Agent; (g) any intent-to-use trademark application prior to the filing of a “Statement of Use” or “Amendment to Allege Use” with respect thereto; (h) any lease, license or other agreement or any property subject thereto (including pursuant to a purchase money security interest or similar arrangement) to the extent that a grant of a security interest therein would violate or invalidate such lease, license or agreement or purchase money arrangement or create a breach, default or right of termination in favor of any other party thereto (other than the Issuers or any Guarantor) after giving effect to the applicable anti-assignment provisions of the Uniform Commercial Code of any applicable jurisdiction or other similar applicable law, other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the Uniform Commercial Code of any applicable jurisdiction or other similar applicable law notwithstanding such prohibition; (i) voting Equity Interests in excess of 65% of the voting Equity Interests of (A) any Foreign Subsidiary or (B) any FSHCO; (j) for so long as any Existing Notes remain outstanding and contain provisions limiting the incurrence of Liens with respect to “principal properties,” any “Principal Property” (as such term is defined in the Existing Notes Indentures); (k) for so long as any Existing Dell Notes remain outstanding and contain provisions limiting the incurrence of Liens with respect to “principal properties,” any Equity Interests in any Subsidiary that owns any “Principal Property” (as such term is defined in the Existing Dell Notes Indentures); (l) receivables, DFS Financing Assets and related assets (or interests therein) (A) transferred to any Receivables Subsidiary or (B) otherwise pledged, factored, transferred or sold in connection with any Permitted Receivables Financing; (m) commercial tort claims with a value of less than \$50,000,000 and letter-of-credit rights with a value of less than \$50,000,000 (except to the extent a security interest therein can be perfected by a UCC filing); (n) vehicles and other assets subject to certificates of title; (o) any aircraft, airframes, aircraft engines or helicopters, or any equipment or other assets constituting a part thereof; (p) any and all assets and personal property owned or held by any Subsidiary of Covenant Parent that is not an Issuer or a Guarantor (including any Credit Facilities Unrestricted Subsidiary); (q) the Equity Interests of any Credit Facilities Unrestricted Subsidiary or Immaterial Subsidiary; (r) the Pledged VMware Shares; (s) the VMware Intercompany Notes; (t) any proceeds from any issuance of indebtedness that are paid into an

escrow account to be released upon satisfaction of certain conditions or the occurrence of certain events, including cash or Cash Equivalents set aside at the time of the incurrence of such indebtedness, to the extent such cash or Cash Equivalents prefund the payment of interest or premium or discount on such indebtedness (or any costs related to the issuance of such indebtedness) and are held in such escrow account or similar arrangement to be applied for such purpose; (u) any asset with respect to which the Bank Collateral Agent and the Issuers agree, in writing (each acting reasonably), that the cost of obtaining such a security interest or perfection thereof shall be excessive in view of the benefits to be obtained by the lenders and other parties holding obligations under the Senior Credit Facility therefrom, and confirmed in writing by notice to the Trustee and (v) the Capital Stock and other securities of an Affiliate of the Issuers to the extent excluded pursuant to Section 2.04 herein and Section 12.09 of the Base Indenture.

Excluded Equity Interests" has the meaning assigned to such term in Section 2.01.

Federal Securities Laws" has the meaning assigned to such term in Section 4.04.

Grantors" means (a) Holdings, (b) the Issuers, (c) the Company, (d) each other Subsidiary identified on Schedule I and (e) each Subsidiary of Covenant Party that becomes a party to this Agreement as a Grantor after the Effective Date. For the avoidance of doubt, references to "Grantors" shall not include a reference to New Dell International prior to the consummation of the Reorganization.

Holdings" means Denali Intermediate Inc., a Delaware corporation.

Issuers" has the meaning assigned to such term in the Preamble hereto. For the avoidance of doubt, upon the consummation of the Reorganization, "Issuers" shall refer to EMC and New Dell International.

Immaterial Subsidiary" means any Subsidiary that is not a Material Subsidiary.

Information Certificate" means the Information Certificate dated the Effective Date delivered to the Notes Collateral Agent, as amended, restated, supplemented or otherwise modified from time to time.

Insolvency or Liquidation Proceeding" means:

(1) any case commenced by or against an Issuer or any other Grantor under any Bankruptcy Law, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of an Issuer or any other Grantor, any receivership or assignment for the benefit of creditors relating to an Issuer or any other Grantor or any similar case or proceeding relative to an Issuer or any other Grantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to an Issuer or any other Grantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of an Issuer or any other Grantor are determined and any payment or distribution is or may be made on account of such claims.

"Intellectual Property." means, with respect to any Person, all intellectual and similar property of every kind and nature now owned or hereafter acquired by any such Person, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, domain names, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases.

"License" means any Patent License, Trademark License, Copyright License or other license or sublicense agreement to which any Person is a party, including those exclusive Copyright Licenses under which any Grantor is a licensee listed on Schedule III.

"Material Adverse Effect" means any event, circumstance or condition that has had, or could reasonably be expected to have, a materially adverse effect on (a) the business or financial condition of Covenant Parent and its Subsidiaries, taken as a whole, (b) the ability of the Issuers and the Guarantors, taken as a whole, to perform their payment obligations under the Note Documents or (c) the rights and remedies of the Notes Collateral Agent under the Note Documents.

"Material Subsidiary" means (a) each Wholly-Owned Subsidiary that is a Credit Facilities Restricted Subsidiary that, as of the last day of the fiscal quarter of Covenant Parent most recently ended for which financial statements are available, had revenues or total assets for such quarter in excess of 2.5% of the consolidated revenues or total assets, as applicable, of Covenant Parent for such quarter or that is designated by Covenant Parent as a Material Subsidiary and (b) any group comprising Wholly-Owned Subsidiaries that are Credit Facilities Restricted Subsidiaries that each would not have been a Material Subsidiary under clause (a) but that, taken together, as of the last day of the fiscal quarter of Covenant Parent most recently ended for which financial statements are available, had revenues or total assets for such quarter in excess of 10.0% of the consolidated revenues or total assets, as applicable, of Covenant Parent for such quarter.

"New York UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, however, that, at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of the Notes Collateral Agent's and the Secured Parties' security interest in any item or portion of the Article 9 Collateral is governed by the Uniform Commercial Code or similar law as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

“Notes Documents” means the Indenture, the Notes and Note Guarantees issued thereunder, the Security Documents and all other loan documents, notes, guarantees, instruments and agreements governing or evidencing any substitute facility.

“Patent License” means any written agreement, now or hereafter in effect, granting to any Person any right to make, use or sell any invention on which a Patent, now or hereafter owned by any other Person or that any other Person now or hereafter otherwise has the right to license, is in existence, and all rights of any such Person under any such agreement.

“Patent Security Agreement” means a patent security agreement substantially in the form of Exhibit III.

“Patents” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all letters patent of the United States or the equivalent thereof in any other country, all registrations thereof and all applications for letters patent of the United States or the equivalent thereof in any other country, including registrations and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including, in the case of any Grantor, those filed in connection therewith in the United States Patent and Trademark Office listed on Schedule III, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

“Pledged Collateral” has the meaning assigned to such term in Section 2.01.

“Pledged Debt Securities” has the meaning assigned to such term in Section 2.01.

“Pledged Equity Interests” has the meaning assigned to such term in Section 2.01.

“Pledged Securities” means any promissory notes, stock certificates, unit certificates, limited or unlimited liability membership certificates or other securities now or hereafter included in the Pledged Collateral, including all certificates, instruments or other documents representing or evidencing any Pledged Collateral.

“Secured Obligations” means all the obligations and all amounts owing, due or secured under the Indenture, the Notes and the Security Documents, whether now existing or arising hereafter, including all principal, premium, interest, Special Interest, fees, attorneys fees, costs, expenses, reimbursement obligations, indemnities, guarantees, and all other amounts payable under or secured by the Indenture, the Notes, the Intercreditor Agreements and the Security Documents (including, in each case, all interest, fees and amounts accruing on or after the commencement of an Insolvency or Liquidation Proceeding relating to any Grantor, whether or not allowed or allowable in such Insolvency or Liquidation Proceeding).

“Secured Parties” means Holders of Notes, the Trustee and the Notes Collateral Agent.

“Security Interest” has the meaning assigned to such term in Section 3.01(a).

“Supplement” means an instrument substantially in the form of Exhibit I hereto, or any other form approved by the Notes Collateral Agent or approved by the Bank Collateral Agent in respect of the Senior Credit Facility.

“Trademark License” means any written agreement, now or hereafter in effect, granting to any Person any right to use any Trademark now or hereafter owned by any other Person or that any other Person otherwise has the right to license, and all rights of any such Person under any such agreement.

“Trademark Security Agreement” means a trademark security agreement in the form of Exhibit IV.

“Trademarks” means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all trademarks, service marks, trade names, brand names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, domain names, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations thereof, and all registration and applications filed in connection therewith, including registrations and applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including, in the case of any Grantor, any registrations and applications filed in connection therewith in the United States Patent and Trademark Office set forth next to its name on Schedule III, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

“VMware Class A Common Stock” means the Class A common stock, par value \$0.01 per share, of VMware, Inc., a Delaware corporation.

ARTICLE II

Pledge of Securities

SECTION 2.01. Pledge. As security for the payment or performance, as the case may be, in full of all Secured Obligations, each Grantor hereby assigns and pledges to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties and hereby grants to the Notes Collateral Agent, its successor and assigns, for the benefit of the Secured Parties a security interest in the Pledged Collateral. **“Pledged Collateral”** shall mean the collective reference to the following: all of such Grantor’s right, title and interest in, to and under (a)(i) the shares of capital stock and other Equity Interests owned by such Grantor, including those listed opposite the name of such Grantor on Schedule II, (ii) any other Equity Interests obtained in the future by such Grantor and (iii) the certificates (if any) representing all such Equity Interests (collectively, the **“Pledged Equity Interests”**); **provided** that the Pledged Equity Interests shall not include any Excluded Assets (the Equity Interests excluded pursuant to this proviso being referred to as the **“Excluded Equity Interests”**); (b)(i) the debt securities owned by such Grantor, including those listed opposite the name of such Grantor on Schedule II, (ii) any debt securities in the future issued to or otherwise acquired by such Grantor and (iii) the promissory notes and any other

instruments evidencing all such debt securities (collectively, the “Pledged Debt Securities”); (c) all other property that may be delivered to and held by the Notes Collateral Agent pursuant to the terms of this Section 2.01 and Section 2.02; (d) subject to Section 2.06, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, and all other Proceeds received in respect of, the securities referred to in clauses (a) and (b) above; (e) subject to Section 2.06, all rights and privileges of such Grantor with respect to the securities and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all Proceeds of any of the foregoing. Notwithstanding the foregoing, Pledged Collateral shall not include Excluded Assets of any kind.

SECTION 2.02. Delivery of the Pledged Collateral.

Each Grantor agrees to deliver or cause to be delivered to the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent) any and all Pledged Securities (i) (A) of the Company, the Issuers and Material Subsidiaries (other than Foreign Subsidiaries) on the date hereof and (B) all other Pledged Securities, as promptly as practicable, and in any event within 30 days after the Effective Date (or such later date as, prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent may reasonably request) in each case, in the case of any such Pledged Securities owned by such Grantor on the date hereof, and (ii) promptly (and in any event within 60 days) after the acquisition thereof, in the case of any such Pledged Securities acquired by such Grantor after the date hereof.

As promptly as practicable, and in any event within 30 days after the Effective Date, each Grantor will cause any Indebtedness for borrowed money (including in respect of cash management arrangements) owed to such Grantor by Holdings, the Company, an Issuer or any of their Subsidiaries in a principal amount in excess of \$50,000,000 to be evidenced by a duly executed promissory note (including, if such security interest can be perfected therein, a grid note) that is pledged and delivered to the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent) pursuant to the terms hereof.

Upon delivery to the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent), (i) any certificate or promissory note representing Pledged Securities shall be accompanied by undated stock or note powers, as applicable, duly executed in blank or other undated instruments of transfer duly executed in blank and (ii) all other property comprising part of the Pledged Collateral shall be accompanied by undated proper instruments of assignment duly executed in blank by the applicable Grantor. Each delivery of Pledged Securities shall be accompanied by a schedule describing such Pledged Securities, which schedule shall be deemed attached to, and shall supplement, Schedule II and be made a part hereof; provided that failure to provide any such schedule hereto shall not affect the validity of such pledge of such Pledged Securities.

SECTION 2.03. Representations, Warranties and Covenants. The Grantors jointly and severally represent, warrant and covenant to and with the Notes Collateral Agent, for the benefit of the Secured Parties, that:

(a) as of the Effective Date, Schedule II sets forth a true and complete list, with respect to each Grantor, of (i) all the Equity Interests owned by such Grantor in any Subsidiary and the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity Interests owned by such Grantor and (ii) all the Pledged Debt Securities owned by such Grantor;

(b) the Pledged Equity Interests and the Pledged Debt Securities have been duly and validly authorized and issued by the issuers thereof and (i) in the case of Pledged Equity Interests, are fully paid and nonassessable and (ii) in the case of Pledged Debt Securities, are legal, valid and binding obligations of the issuers thereof, except to the extent that enforceability of such obligations may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditor's rights generally; provided that the foregoing representations, insofar as they relate to the Pledged Debt Securities issued by a Person other than Holdings, the Company, the Issuers or any Subsidiary, are made to the knowledge of the Grantors;

(c) except for the security interests granted hereunder, or referenced under any other Security Documents, each of the Grantors (i) is and, subject to any transfers made in compliance with the Indenture, will continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II as owned by such Grantor, (ii) holds the same free and clear of all Liens, other than Liens not prohibited by Section 4.12 of the Indenture and transfers made in compliance with the Indenture, (iii) will make no further assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Pledged Collateral, other than Liens not prohibited by Section 4.12 of the Indenture and transfers made in compliance with the Indenture, and (iv) will defend its title or interest thereto or therein against any and all Liens (other than the Liens created by this Agreement and the other Security Documents and Liens not prohibited by Section 4.12 of the Indenture), however arising, of all Persons whomsoever;

(d) except for restrictions and limitations imposed by the Note Documents or securities laws generally, the Pledged Equity Interests and, to the extent issued by Holdings, the Company, the Issuers or any of their Subsidiaries, the Pledged Debt Securities are and will continue to be freely transferable and assignable, and none of the Pledged Equity Interests and, to the extent issued by Holdings, the Company, the Issuers or any of their Subsidiaries, the Pledged Debt Securities are or will be subject to any option, right of first refusal, shareholders agreement, charter, by-law or other organizational document provisions or contractual restriction of any nature that might prohibit, impair, delay or otherwise affect in any manner adverse to the Secured Parties in any material respect the pledge of such Pledged Collateral hereunder, the sale or disposition thereof pursuant hereto or the exercise by the Notes Collateral Agent of rights and remedies hereunder;

(e) each of the Grantors has the power and authority to pledge the Pledged Collateral pledged by it hereunder in the manner hereby done or contemplated; and

(f) by virtue of the execution and delivery by the Grantors of this Agreement, when any Pledged Securities are delivered to the Notes Collateral Agent (or prior to the Discharge of Credit Agreement Obligations, the Bank Collateral Agent (acting as gratuitous bailee for perfection)) in accordance with this Agreement, the Notes Collateral Agent will obtain a legal, valid and perfected lien upon and security interest in such Pledged Securities, free of any adverse claims, under the New York UCC to the extent such lien and security interest may be created and perfected under the New York UCC, as security for the payment and performance of the Secured Obligations.

SECTION 2.04. Limitations on Pledged Collateral.

(a) Upon registration of any series of Notes pursuant to the Registration Rights Agreement, the Capital Stock and other securities of an Affiliate of the Issuers will constitute Collateral only to the extent that the pledge of such Capital Stock and other securities in respect of such series of Notes or any other series of SEC-registered secured debt securities of Denali and its Subsidiaries will not result in the requirement to file separate financial statements of such Affiliate with the SEC, but only to the extent necessary to not be subject to such requirement and only for so long as such requirement is in existence. In the event that Rule 3-16 of Regulation S-X under the Securities Act is amended, modified or interpreted by the SEC to require (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would require) the filing with the SEC (or any other governmental agency) of separate financial statements of any Affiliate of the Issuers due to the fact that such Affiliate's Capital Stock or other securities secure any series of Notes or any other series of SEC-registered secured debt securities of Denali and its Subsidiaries, then the Capital Stock or other securities of such Affiliate will automatically be deemed not to be part of the Collateral securing the Notes but only to the extent necessary to not be subject to such requirement and only for so long as such requirement is in existence. In such event, this Agreement and the other Security Documents may be amended or modified, without the consent of any Holder of any series of Notes, to the extent necessary to exclude such shares of Capital Stock or other securities that are so deemed to not constitute part of the Collateral.

(b) In the event that Rule 3-16 of Regulation S-X under the Securities Act is amended, modified or interpreted by the SEC to permit (or is replaced with another rule or regulation, or any other law, rule or regulation is adopted, which would permit) such Affiliate's Capital Stock or other securities to secure the Notes in excess of the amount then pledged without the filing with the SEC (or any other governmental agency) of separate financial statements of such Affiliate, then the Capital Stock of such Affiliate will automatically be deemed to be a part of the Collateral. In such event, this Agreement and the other Security Documents may be amended or modified, without the consent of any Holder of any series of Notes, to the extent necessary to add such shares of Capital Stock or other securities that are so deemed to constitute part of the Collateral.

SECTION 2.05. Registration in Nominee Name; Denominations. If an Event of Default shall have occurred and is continuing and the Notes Collateral Agent shall have notified the Grantors of its intent to exercise such rights, the Notes Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in the name of the applicable Grantor, endorsed or assigned in blank or in favor of the

Notes Collateral Agent or in its own name as pledgee or in the name of its nominee (as pledgee or as sub-agent), and each Grantor will promptly give to the Notes Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Grantor. If an Event of Default shall have occurred and is continuing and the Notes Collateral Agent shall have notified the Grantors of its intent to exercise such rights, the Notes Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any reasonable purpose consistent with this Agreement.

SECTION 2.06. Voting Rights; Dividends and Interest

Subject to the terms of any applicable Intercreditor Agreement, unless and until an Event of Default shall have occurred and is continuing and the Notes Collateral Agent shall have notified the Grantors that their rights under this Section 2.06 are being suspended:

(i) each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Indenture and the other Note Documents; provided that such rights and powers shall not be exercised in any manner that could materially and adversely affect the rights inuring to a holder of any Pledged Securities or the rights and remedies of any of the Notes Collateral Agent or the other Secured Parties under this Agreement or any other Note Document or the ability of the Secured Parties to exercise the same;

(ii) the Notes Collateral Agent shall promptly execute and deliver to each Grantor, or cause to be promptly executed and delivered to such Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section;

(iii) each Grantor shall be entitled to receive and retain any and all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Securities to the extent and only to the extent that such dividends, interest, principal and other distributions are permitted by, and are otherwise paid or distributed in accordance with, the terms and conditions of the Indenture, the other Note Documents and applicable laws; provided that any noncash dividends, interest, principal or other distributions that would constitute Pledged Equity Interests or Pledged Debt Securities, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests in the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Pledged Collateral and, if received by any Grantor, shall not be commingled by such Grantor with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Notes Collateral Agent and the other Secured Parties and shall be forthwith delivered to the Notes

Collateral Agent in the same form as so received (with any necessary endorsements, stock or note powers and other instruments of transfer).

Subject to the terms of any applicable Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, after the Notes Collateral Agent shall have notified the Grantors of the suspension of their rights under paragraph (a)(iii) of this Section 2.06, all rights of any Grantor to dividends, interest, principal or other distributions that such Grantor is authorized to receive pursuant to paragraph (a)(iii) of this Section 2.06 shall cease, and all such rights shall thereupon become vested in the Notes Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends, interest, principal or other distributions. All dividends, interest, principal or other distributions received by any Grantor contrary to the provisions of this Section 2.06 shall be held in trust for the benefit of the Notes Collateral Agent and the other Secured Parties, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Notes Collateral Agent upon demand in the same form as so received (with any necessary endorsements, stock or note powers and other instruments of transfer). Any and all money and other property paid over to or received by the Notes Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Notes Collateral Agent in an account to be established by the Notes Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 4.02. After all Events of Default have been cured or waived and the Issuers have delivered to the Notes Collateral Agent an Officer's Certificate to that effect, the Notes Collateral Agent shall promptly repay to each Grantor (without interest) all dividends, interest, principal or other distributions that such Grantor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) of this Section 2.06 and that remain in such account.

Subject to the terms of any applicable Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default, after the Notes Collateral Agent shall have notified the Grantors of the suspension of their rights under paragraph (a)(i) of this Section 2.06, all rights of any Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 2.06, and the obligations of the Notes Collateral Agent under paragraph (a)(ii) of this Section 2.06, shall cease, and all such rights shall thereupon become vested in the Notes Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers; provided that, unless the Notes Collateral Agent is otherwise directed in accordance with the provisions of the Indenture, the Notes Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Grantors to exercise such rights. After all Events of Default have been cured or waived and the Issuers have delivered to the Notes Collateral Agent an Officer's Certificate to that effect, all rights vested in the Notes Collateral Agent pursuant to this paragraph (c) shall cease, and the Grantors shall have the exclusive right to exercise the voting and consensual rights and powers they would otherwise be entitled to exercise pursuant to paragraph (a)(i) of this Section 2.06.

Any notice given by the Notes Collateral Agent to the Grantors suspending their rights under paragraph (a) of this Section 2.06 (i) may be given by telephone if promptly confirmed in writing, (ii) may be given with respect to one or more of the Grantors at the same or different times and (iii) may suspend the rights of the Grantors under paragraph (a)(i) or paragraph

(a)(iii) in part without suspending all such rights (as specified by the Notes Collateral Agent in its sole and absolute discretion) and without waiving or otherwise affecting the Notes Collateral Agent rights to give additional notices from time to time suspending other rights so long as an Event of Default has occurred and is continuing.

SECTION 2.07. Certain Agreements of Grantors as Holders of Equity Interests. In the case of each Grantor which is a general partner or limited partner in a partnership, a member in a limited liability company or such other equity holder in any other entity, to the extent required by any applicable organizational documents of such partnership, limited liability company or entity, such Grantor hereby consents to the transfer, only upon a foreclosure, of any applicable Pledged Equity Interests to the Notes Collateral Agent or its nominee and to the substitution of the Notes Collateral Agent or its nominee as a substituted partner, member or other equity holder in such partnership, limited liability company or other entity with all the rights, powers and duties of a general partner or a limited partner, member or other equity holder, as the case may be and shall use reasonable efforts to effect such substitution of the Notes Collateral Agent or its nominee.

ARTICLE III

Security Interests in Personal Property

SECTION 3.01. Security Interest.

As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby grants to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in all of such Grantor's right, title and interest in, to and under any and all of the following assets now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Article 9 Collateral"):

- (I) all Accounts;
- (II) all Chattel Paper;
- (III) all Cash and Deposit Accounts;
- (IV) all Documents;
- (V) all Equipment;
- (VI) all General Intangibles, including all Intellectual Property;
- (VII) all Instruments;
- (VIII) all Inventory;
- (IX) all other Goods and Fixtures;
- (X) all Investment Property;

- (XI) all Letter-of-Credit Rights;
- (XII) all Commercial Tort Claims specifically described on Schedule IV hereto, as such schedule may be supplemented from time to time pursuant to Section 3.04(d);
- (XIII) all books and records pertaining to the Article 9 Collateral; and
- (XIV) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided that in no event shall the Security Interest attach to (A) any Excluded Assets and (B) the Excluded Equity Interests (it being understood that, to the extent the Security Interest shall not have attached to any such asset as a result of clauses (A) and (B) above, the term "Article 9 Collateral" shall not include any such asset).

Each Grantor hereby irrevocably agrees to file at its own expense in any relevant jurisdiction any initial financing statements (including fixture filings) with respect to the Article 9 Collateral or any part thereof and amendments thereto that (i) describe the collateral covered thereby in the manner that such Grantor reasonably determines is necessary or advisable to ensure the perfection of the security interest in the Article 9 Collateral granted under this Agreement, including indicating the Collateral as "all assets" of such Grantor or words of similar effect, and (ii) contain the information required by Article 9 of the Uniform Commercial Code or the analogous legislation of each applicable jurisdiction for the filing of any financing statement or amendment, including (A) whether such Grantor is an organization, and the type of organization of such Grantor and (B) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Article 9 Collateral relates. Each Grantor agrees to promptly deliver a file-stamped copy of each such financing statement or other evidence of filing made pursuant to this Agreement to the Notes Collateral Agent.

Each Grantor agrees to file or cause to be filed with the United States Patent and Trademark Office or United States Copyright Office (or any successor office) such documents as may be reasonably necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest in Article 9 Collateral consisting of Patents, Trademarks or Copyrights granted by each Grantor and naming any Grantor or the Grantors as debtors and the Notes Collateral Agent as secured party. No Grantor shall be required to complete any filings or other action with respect to the perfection of the Security Interests created hereby in any Intellectual Property subsisting in any jurisdiction outside of the United States.

The Security Interest and the security interest granted pursuant to Article II are granted as security only and shall not subject the Notes Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

SECTION 3.02. Representations and Warranties. The Grantors jointly and severally represent and warrant to the Notes Collateral Agent, for the benefit of the Secured Parties, that:

(a) Each Grantor has good and valid rights in and title to the Article 9 Collateral with respect to which it has purported to grant a Security Interest hereunder, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or as proposed to be conducted or to utilize such properties for their intended purposes, in each case except where the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and has full power and authority to grant to the Notes Collateral Agent, for the benefit of the Secured Parties, the Security Interest in such Article 9 Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained and except to the extent that failure to obtain or make such consent or approval, as the case may be, individually or in aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) The Information Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name and jurisdiction of organization of each Grantor, is correct and complete in all material respects as of the Effective Date (except that the information therein with respect to the exact legal name of each Grantor shall be true and correct in all respects). The Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations prepared by each Grantor based upon the information provided to the Notes Collateral Agent in the Information Certificate for filing by such Grantor in each governmental, municipal or other office specified in Schedule 2 to the Information Certificate (or specified by notice from the Issuers to the Notes Collateral Agent after the Effective Date in the case of filings, recordings or registrations required by Section 4.19 of the Indenture), are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Article 9 Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to establish a legal, valid and perfected security interest in favor of the Notes Collateral Agent, for the benefit of the Secured Parties, in respect of all Article 9 Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements (other than such actions as are necessary to perfect the Security Interest with respect to any Article 9 Collateral consisting of registered or applied for Patents, Trademarks and Copyrights acquired or developed by a Grantor after the date hereof). The Grantors represent and warrant that one or more fully executed Patent Security Agreement(s), Trademark Security Agreement(s) and Copyright Security Agreement(s), in each case containing a description of the Article 9 Collateral consisting of United States registered Patents, United States registered Trademarks and United States registered Copyrights (and applications for any of the foregoing), as applicable, and executed by each Grantor owning any such Article 9 Collateral, have been prepared for recording with the United States Patent and Trademark Office or the United States Copyright Office pursuant to 35 U.S.C. § 261, 15 U.S.C. § 1060 or 17 U.S.C. § 205

and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Notes Collateral Agent, for the benefit of the Secured Parties, in respect of all Article 9 Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary (other than such actions as are necessary to perfect the Security Interest with respect to any Article 9 Collateral consisting of registered or applied for Patents, Trademarks and Copyrights acquired or developed by a Grantor after the date hereof).

(c) The Security Interest constitutes (i) a legal and valid security interest in all the Article 9 Collateral securing the payment and performance of the Secured Obligations, (ii) subject to the filings described in paragraph (b) of this Section 3.02, a perfected security interest in all Article 9 Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the Uniform Commercial Code or other applicable law in such jurisdictions and (iii) subject to the filings described in paragraph (b) of this Section 3.02, a security interest that shall be perfected in all Article 9 Collateral in which a security interest may be perfected upon the receipt and recording of a Patent Security Agreement, a Trademark Security Agreement and a Copyright Security Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three-month period after the date hereof pursuant to 35 U.S.C. § 261 or 15 U.S.C. § 1060 or the one-month period after the date hereof pursuant to 17 U.S.C. § 205.

(d) Subject to the terms of any applicable Intercreditor Agreement, the Security Interest is and shall be prior to any other Lien on any of the Article 9 Collateral, other than Liens not prohibited by Section 4.12 of the Indenture. The Article 9 Collateral is owned by the Grantors free and clear of any Lien, except for Liens not prohibited by Section 4.12 of the Indenture. None of the Grantors has filed or consented to the filing of (i) any financing statement or analogous document under the Uniform Commercial Code or any other applicable laws covering any Article 9 Collateral, (ii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (iii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens not prohibited by Section 4.12 of the Indenture.

SECTION 3.03. Covenants.

(a) Each Grantor shall, at its own expense, take any and all commercially reasonable actions necessary to defend title to the Article 9 Collateral against all Persons, except with respect to Article 9 Collateral that such Grantor determines in its reasonable business judgment is no longer necessary or beneficial to the conduct of such Grantor's business, and to defend the Security Interest of the Notes Collateral Agent in the Article 9 Collateral and the priority thereof against any Lien not permitted pursuant to the Security Documents and Section 4.12 of the Indenture, subject to the rights of such Grantor under Section 12.02 of the Indenture and corresponding provisions of the Security Documents to obtain a release of the Liens created under the Security Documents.

(b) Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as may from time to time be necessary or as the Notes Collateral Agent may reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and Taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith; provided that the Notes Collateral Agent shall have no obligation to make any such request. If any amount payable under or in connection with any of the Article 9 Collateral shall be or become evidenced by any promissory note (which may be a global note) or other instrument (other than any promissory note or other instrument in an aggregate principal amount of less than \$50,000,000 owed to the applicable Grantor by any Person), such note or instrument shall be promptly (but in any event within 60 days of receipt by such Grantor or such longer period as the Bank Collateral Agent may agree in its reasonable discretion) pledged and delivered to the Notes Collateral Agent (or prior to the Discharge of Credit Agreement Obligations, the Bank Collateral Agent), for the benefit of the Secured Parties, together with an undated instrument of transfer duly executed in blank.

(c) In the event that any such Grantor, whether by acquisition, assignment, filing or otherwise, acquires any right in Intellectual Property (including, without limitation, continuation-in-part patent applications) after the date hereof (collectively, the "After-Acquired Intellectual Property"), such After-Acquired Intellectual Property shall automatically be included as part of the Collateral and shall be subject to the terms and conditions of this Agreement. Promptly upon the end of each fiscal quarter, but no later than 10 business days therefrom, such Grantor shall (i) provide the Notes Collateral Agent an updated Schedule III identifying the After-Acquired Intellectual Property issued by, registered with or filed in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, acquired during such fiscal quarter; and (ii) promptly after providing such updated Schedule III execute and file with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, supplements to Exhibits II, III or IV, as applicable, to record the grant of the security interest hereunder in such After-Acquired Intellectual Property. As soon as practicable upon each such filing and recording, such Grantor shall deliver to the Notes Collateral

Agent true and correct copies of the relevant documents, instruments and receipts evidencing such filing and recording.

(d) Subject to the terms of any applicable Intercreditor Agreement, if an Event of Default shall have occurred and is continuing and the Notes Collateral Agent shall have notified the Grantors of its intent to exercise such rights, at its option, the Notes Collateral Agent may but shall have no obligation to discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Article 9 Collateral and not permitted pursuant to Section 4.12 of the Indenture, and may but shall have no obligation to pay for the maintenance and preservation of the Article 9 Collateral to the extent any Grantor fails to do so as required by the Indenture, this Agreement or any other Note Document and within a reasonable period of time after the Notes Collateral Agent has requested that it do so, and each Grantor jointly and severally agrees to reimburse the Notes Collateral Agent, within 10 days after demand, for any reasonable payment made or any reasonable expense incurred by the Notes Collateral Agent pursuant to the foregoing authorization: provided that nothing in this clause (d) shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Notes Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Note Documents.

(e) Each Grantor shall remain liable, as between such Grantor and the relevant counterparty under each contract, agreement or instrument relating to the Article 9 Collateral, to observe and perform all the conditions and obligations to be observed and performed by it under such contract, agreement or instrument, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Notes Collateral Agent and the other Secured Parties from and against any and all liability for such performance.

(f) It is understood that no Grantor shall be required by this Agreement to perfect the security interests created hereunder by any means other than (i) filings pursuant to the Uniform Commercial Code, (ii) filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office) in respect of registered Intellectual Property (provided that, with respect to Licenses, such filings shall be limited to exclusive Copyright Licenses under which such Grantor is a licensee) and (iii) in the case of Collateral that constitutes Tangible Chattel Paper, Pledged Securities, Instruments, Certificated Securities or Negotiable Documents, delivery thereof to the Bank Collateral Agent in accordance with the terms hereof (together with, where applicable, undated stock or note powers or other undated proper instruments of assignment). No Grantor shall be required to deliver control agreements or other control or similar arrangements with respect to Deposit Accounts and other bank or securities or commodities accounts or any other assets requiring perfection by control agreements.

(g) Each Grantor irrevocably makes, constitutes and appoints the Notes Collateral Agent (and all officers, employees or agents designated by the Notes Collateral

Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, subject to the terms of any applicable Intercreditor Agreement, upon the occurrence and during the continuance of an Event of Default and after notice to the Issuers of its intent to exercise such rights, of making, settling and adjusting claims in respect of Article 9 Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Notes Collateral Agent may (but shall in no event be required to), without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Notes Collateral Agent reasonably deems advisable. All sums disbursed by the Notes Collateral Agent in connection with this paragraph, including reasonable out-of-pocket attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, within 10 days of demand, by the Grantors to the Notes Collateral Agent and shall be additional Secured Obligations secured hereby.

SECTION 3.04. Other Actions. In order to further insure the attachment, perfection and priority of, and the ability of the Notes Collateral Agent to enforce, the Security Interest, each Grantor agrees, in each case at such Grantor's own expense, to take the following actions with respect to the following Article 9 Collateral:

(a) Instruments. If any Grantor shall at any time hold or acquire any Instruments constituting Collateral (other than Instruments with a face amount of less than \$50,000,000 and other than checks to be deposited in the ordinary course of business), such Grantor shall promptly (but in any event within 60 days of receipt by such Grantor or such longer period as the Bank Collateral Agent may agree in its reasonable discretion) endorse, assign and deliver the same to the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent), accompanied by undated instruments of transfer or assignment duly executed in blank.

(b) Investment Property. Except to the extent otherwise provided in Article II, if any Grantor shall at any time hold or acquire any certificated securities, such Grantor shall forthwith endorse, assign and deliver the same to the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent), accompanied by undated instruments of transfer or assignment duly executed in blank.

(c) Letter-of-Credit Rights. If any Grantor is at any time a beneficiary under a letter of credit with an aggregate face amount in excess of \$50,000,000 now or hereafter issued in favor of such Grantor that is not a Supporting Obligation with respect to any of the Collateral, such Grantor shall promptly notify the Notes Collateral Agent thereof and, if requested by the Bank Collateral Agent, such Grantor shall, pursuant to an agreement in form and substance reasonably satisfactory to the Bank Collateral Agent, either (i) use commercially reasonable efforts to arrange for the issuer and any confirmor of such letter of credit to consent to an assignment to the Notes Collateral Agent (or prior to Discharge of

Credit Agreement Obligations, the Bank Collateral Agent) of the proceeds of any drawing under such letter of credit or (ii) use commercially reasonable efforts to arrange for the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent) to become the transferee beneficiary of such letter of credit, with the Notes Collateral Agent (or prior to Discharge of Credit Agreement Obligations, the Bank Collateral Agent) agreeing, in each case, that the proceeds of any drawing under such letter of credit are to be paid to the applicable Grantor unless an Event of Default has occurred and is continuing. No actions shall be required to perfect a security interest in letter of credit rights, other than the filing of a UCC financing statement.

(d) Commercial Tort Claims. If any Grantor shall at any time hold or acquire a Commercial Tort Claim in an amount reasonably estimated to exceed \$50,000,000, such Grantor shall promptly notify the Notes Collateral Agent thereof in a writing signed by such Grantor, including a summary description of such claim, and Schedule IV shall be deemed to be supplemented to include such description of such commercial tort claim as set forth in such writing.

(e) Limitations on Perfection. Notwithstanding anything herein to the contrary, no actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction shall be required to be taken to create any security interests in assets located or titled outside of the United States (including any Equity Interests of any Foreign Subsidiary and foreign Intellectual Property) or to perfect or make enforceable any security interests in any such assets (it being understood that there shall be no Security Document (or other security agreements or pledge agreements) governed under the laws of any non-U.S. jurisdiction).

SECTION 3.05. Covenants Regarding Patent, Trademark and Copyright Collateral.

Except to the extent failure so to act could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term, with respect to registration or pending application of each item of its Intellectual Property for which such Grantor has standing to do so, each Grantor agrees (i) to maintain the validity and enforceability of any registered Intellectual Property (or applications therefor) and to maintain such registrations and applications of Intellectual Property in full force and effect and (ii) to pursue the registration and maintenance of each Patent, Trademark or Copyright registration or application, now or hereafter included in the Intellectual Property of such Grantor, including the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other governmental authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings.

Except as could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term, no Grantor shall do or permit any act or knowingly omit to do any act whereby any of its Intellectual Property may lapse, be terminated, or become invalid or unenforceable or placed in the public domain (or in case of a trade secret, lose its competitive value).

Except where failure to do so could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term, each Grantor shall take all steps to preserve and protect each item of its Intellectual Property, including maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks abide by the applicable license's terms with respect to the standards of quality.

Nothing in this Agreement shall prevent any Grantor from disposing of, discontinuing the use or maintenance of, failing to pursue or otherwise allowing to lapse, terminate or put into the public domain any of its Intellectual Property to the extent permitted in accordance with the provisions of the Indenture if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

SECTION 3.06. Information Regarding Collateral. Each Grantor will (a) furnish to the Notes Collateral Agent promptly (and in any event within 60 days or such longer period as reasonably agreed to by the Bank Collateral Agent) written notice of any change (i) in any Grantor's legal name (as set forth in its certificate of organization or like document) or (ii) in the jurisdiction of incorporation or organization of Grantor or in the form of its organization, and (b) take all actions, including all filings within any applicable statutory period, under the Uniform Commercial Code or otherwise that are required in order for the Notes Collateral Agent, for the benefit of the Secured Parties to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral with the priority described herein.

ARTICLE IV

Remedies

SECTION 4.01. Remedies upon Default. Subject to the terms of any applicable Intercreditor Agreement, if an Event of Default shall have occurred and is continuing and the Notes Collateral Agent shall have notified the Grantors of its intent to exercise such rights, each Grantor agrees to deliver, on demand, each item of Collateral to the Notes Collateral Agent or any Person designated by the Notes Collateral Agent, and it is agreed that the Notes Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Article 9 Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any of or all such Article 9 Collateral by the applicable Grantors to the Notes Collateral Agent, for the benefit of the Secured Parties, or to license or sublicense, whether on an exclusive or nonexclusive basis, any such Article 9 Collateral throughout the world on such terms and conditions and in such manner as the Notes Collateral Agent shall determine (other than in violation of any then-existing licensing

arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without demand for performance but with notice (which need not be prior notice), to take possession of the Article 9 Collateral and the Pledged Collateral and without liability for trespass to enter any premises where the Article 9 Collateral or the Pledged Collateral may be located for the purpose of taking possession of or removing the Article 9 Collateral and the Pledged Collateral and, generally, to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Notes Collateral Agent shall have the right, subject to the mandatory requirements of applicable law and the notice requirements described below, to sell or otherwise dispose of all or any part of the Collateral at a public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Notes Collateral Agent shall deem appropriate. The Notes Collateral Agent shall be authorized at any such sale of securities (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Notes Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any sale of Collateral shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal that such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

Subject to the terms of any applicable Intercreditor Agreement, the Notes Collateral Agent shall give the applicable Grantors no less than 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the New York UCC or its equivalent in other jurisdictions) of the Notes Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Notes Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Notes Collateral Agent may (in its sole and absolute discretion) determine. The Notes Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Notes Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Notes Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Notes Collateral Agent and the other Secured Parties shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Agreement, any Secured Party may bid for or purchase, free (to the extent

permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived and released to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Notes Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Notes Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Secured Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Notes Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 4.01 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the New York UCC or its equivalent in other jurisdictions.

SECTION 4.02. Application of Proceeds. Subject to the terms of any applicable Intercreditor Agreement, the Notes Collateral Agent shall apply the proceeds of any collection or sale of Collateral, including any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs, fees and expenses incurred by or owed to the Notes Collateral Agent and Trustee in connection with such collection or sale or otherwise in connection with this Agreement, any other Note Document or any of the Secured Obligations, including all court costs and the fees and expenses of its agents and legal counsel, the repayment of all advances made by the Notes Collateral Agent hereunder or under any other Note Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Note Document;

SECOND, to the payment in full of the Secured Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Secured Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Notes Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of Collateral by the Notes Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Notes Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase

money paid over to the Notes Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 4.03. **Grant of License to Use Intellectual Property.** For the purpose of enabling the Notes Collateral Agent to exercise rights and remedies under this Agreement, and in accordance with any applicable Intercreditor Agreement, each Grantor, solely during the continuance of an Event of Default, grants to the Notes Collateral Agent an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sublicense any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, in each case subject to any Grantor's reasonable security policies and obligations of confidentiality, to the extent that such non-exclusive license (a) does not violate the express terms of any agreement between a Grantor and a third party governing the applicable Grantor's use of such Collateral consisting of Intellectual Property, or gives such third party any right of acceleration, modification or cancellation therein and (b) is not prohibited by any requirements of law; *provided* that such licenses to be granted hereunder with respect to Trademarks shall be subject to the maintenance of quality standards with respect to the goods and services on which such Trademarks are used sufficient to preserve the validity of such Trademarks. The use of such license by the Notes Collateral Agent may only be exercised, at the option of the Notes Collateral Agent, during the continuation of an Event of Default; *provided further* that any license, sublicense or other transaction entered into by the Notes Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

SECTION 4.04. **Securities Act.** In view of the position of the Grantors in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder in accordance with any applicable Intercreditor Agreement. Each Grantor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Notes Collateral Agent if the Notes Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Notes Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral under applicable blue sky or other state securities laws or similar laws analogous in purpose or effect. Each Grantor recognizes that in light of such restrictions and limitations the Notes Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that in light of such restrictions and limitations, the Notes Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws to the extent the Notes Collateral Agent has determined

that such a registration is not required by any Requirement of Law and (b) may approach and negotiate with a limited number of potential purchasers (including a single potential purchaser) to effect such sale. Each Grantor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Notes Collateral Agent and the other Secured Parties shall incur no responsibility or liability for selling all or any part of the Pledged Collateral at a price that the Notes Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a limited number of purchasers (or a single purchaser) were approached. The provisions of this Section 4.04 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Notes Collateral Agent sells.

ARTICLE V

Miscellaneous

SECTION 5.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 13.02 of the Indenture. All communications and notices hereunder to any Grantor shall be given to it in care of the Company as provided in Section 13.02 of the Indenture.

The Notes Collateral Agent agrees to accept and act upon instructions or directions pursuant to this Agreement sent by unsecured e-mail, pdf, facsimile transmission or other similar unsecured electronic methods, provided, however, that the Notes Collateral Agent shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If any Grantor elects to give the Notes Collateral Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Notes Collateral Agent in its discretion elects to act upon such instructions, the Notes Collateral Agent's understanding of such instructions shall be deemed controlling. The Notes Collateral Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Notes Collateral Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Grantors agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Notes Collateral Agent, including without limitation the risk of the Notes Collateral Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 5.02. Waivers; Amendment.

No failure or delay by the Notes Collateral Agent or any Lender in exercising any right or power hereunder or under any other Note Document shall operate as a waiver thereof nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Notes Collateral

Agent and the other Secured Parties hereunder and under the other Note Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Grantor therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 5.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any Grantor in any case shall entitle any Grantor to any other or further notice or demand in similar or other circumstances.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Notes Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Article 9 of the Indenture.

SECTION 5.03. Notes Collateral Agent's Fees and Expenses; Indemnification.

Each Grantor, jointly with the other Grantors and severally, agrees to reimburse the Notes Collateral Agent for its fees and expenses incurred hereunder (including all reasonable fees and disbursements of counsel) that may be paid or incurred by the Notes Collateral Agent in enforcing, or obtaining advice of counsel in respect of, any rights with respect to, or collecting, any or all of the Secured Obligations and/or enforcing any rights with respect to, or collecting against, such Grantor under this Agreement, in each case, as provided for in Section 7.07 of the Indenture.

Without limitation of its indemnification obligations under the other Note Documents, each Grantor, jointly with the other Grantors and severally, agrees to indemnify the Notes Collateral Agent against, and hold the Notes Collateral Agent harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for the Notes Collateral Agent, incurred by or asserted against the Notes Collateral Agent by any third party or by Holdings or any Subsidiary of Holdings arising out of, in connection with, or as a result of, the execution, delivery or performance of this Agreement or any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether brought by a third party or by Holdings or any Subsidiary of Holdings and regardless of whether the Notes Collateral Agent is a party thereto; provided that such indemnity shall not, as to the Notes Collateral Agent, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final, non-appealable judgment to have resulted from the gross negligence or willful misconduct of the Notes Collateral Agent.

To the fullest extent permitted by applicable law, no Grantor shall assert, and each Grantor hereby waives, any claim against the Notes Collateral Agent (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), provided that such indemnity shall not, as to the Notes Collateral Agent, be available to the extent that such damages are determined by a court of competent jurisdiction by final, non-appealable judgment to have resulted from the gross negligence or willful misconduct of the Notes Collateral Agent, or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to

direct or actual damages) arising out of, in connection with, or as a result of, any Note Document or any agreement or instrument contemplated thereby, the Transactions, or the use of the proceeds thereof.

The provisions of this Section 5.03 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Note Document, the consummation of the transactions contemplated hereby or thereby, the repayment of any of the Secured Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Note Document, or any investigation made by or on behalf of any Secured Party. All amounts due under this Section shall be payable not later than 10 Business Days after written demand therefor; provided, however, the Notes Collateral Agent shall promptly refund an indemnification payment received hereunder to the extent that there is a final judicial determination that the Notes Collateral Agent was not entitled to indemnification with respect to such payment pursuant to this Section 5.03. Any such amounts payable as provided hereunder shall be additional Secured Obligations.

SECTION 5.04. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Notes Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 5.05. Survival of Agreement. All covenants, agreements, representations and warranties made by the Grantors in this Agreement or any other Note Document and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Note Document shall be considered to have been relied upon by the Secured Parties and shall survive the execution and delivery of the Note Documents, regardless of any investigation made by or on behalf of any Secured Party and notwithstanding that the Notes Collateral Agent or any other Secured Party may have had notice or knowledge of any Default or incorrect representation or warranty under any Note Document, and shall continue in full force and effect until such time as all the Secured Obligations (excluding contingent obligations not yet due) have been paid in full in cash.

SECTION 5.06. Counterparts; Effectiveness; Several Agreement. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Notes Collateral Agent and a counterpart hereof shall have been executed on behalf of the Notes Collateral Agent, and thereafter shall be binding upon such Grantor and the Notes Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of such Grantor, the Notes Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly provided in this Agreement and the Indenture. This Agreement shall be construed as a separate agreement

with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 5.07. **Severability.** Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of such invalid, illegal or unenforceable provisions.

SECTION 5.08. **Effectiveness of Reorganization and Reaffirmation of Collateral.** New Dell International shall have no rights or obligations hereunder until the consummation of the Reorganization, and any representations and warranties of New Dell International hereunder shall not become effective until such time. Upon the consummation of the Reorganization, New Dell International shall succeed to all the rights and obligations of Dell International under this Agreement and all representations and warranties of New Dell International shall become effective as of such time, without any further action by any Person.

SECTION 5.09. **Governing Law; Jurisdiction; Consent to Service of Process; Appointment of Service of Process Agent.**

This Agreement shall be construed in accordance with and governed by the law of the State of New York.

Each party to this Agreement hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Notes Collateral Agent or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement against any Grantor or its respective properties in the courts of any jurisdiction.

Each party to this Agreement hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.01. Nothing in any Note Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Each Grantor hereby irrevocably designates, appoints and empowers the Company and the Issuers as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents that may be served in any such action or proceeding.

SECTION 5.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER NOTE DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.10.

SECTION 5.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 5.12. Security Interest Absolute. All rights of the Notes Collateral Agent hereunder, the Security Interest, the grant of a security interest in the Pledged Collateral and all obligations of each Grantor hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Indenture, any other Note Document, any agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Indenture, any other Note Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee securing or guaranteeing all or any of the Secured Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Secured Obligations or this Agreement.

SECTION 5.13. Termination or Release.

This Agreement, the Security Interest and all other security interests granted hereby shall terminate when all the Secured Obligations (other than contingent obligations not yet due) have been paid in full in cash.

The Security Interest and all other security interests granted hereby shall also terminate and be released at the time or times and in the manner set forth in Section 12.02 of the Indenture. A Subsidiary shall also be released from its obligations under this Agreement at the time or times and in the manner set forth in Section 12.02 of the Indenture.

In connection with any termination or release pursuant to paragraph (a) or (b) of this Section, the Notes Collateral Agent shall execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such termination or release. Any execution and delivery of documents by the Notes Collateral Agent pursuant to this Section shall be without recourse to or warranty by the Notes Collateral Agent.

SECTION 5.14. Additional Grantors. Pursuant to the Indenture, additional Subsidiaries of Covenant Parent may or may be required to become Grantors after the date hereof. Upon execution and delivery by the Notes Collateral Agent and such Subsidiary of Covenant Parent of a Supplement, any such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as such herein. The execution and delivery of any such instrument shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any Subsidiary of Covenant Parent as a party to this Agreement.

SECTION 5.15. Notes Collateral Agent Appointed Attorney-in-Fact. Each Grantor hereby appoints the Notes Collateral Agent the attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Notes Collateral Agent may deem necessary or advisable to accomplish the purposes hereof at any time after and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Notes Collateral Agent shall have the right, but only upon the occurrence and during the continuance of an Event of Default and notice by the Notes Collateral Agent to the Issuers of its intent to exercise such rights, with full power of substitution either in the Notes Collateral Agent's name or in the name of such Grantor (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of accounts receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify, Account Debtors to make payment directly to the Notes Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Notes Collateral Agent were the absolute owner of the Collateral for all purposes; provided that nothing herein contained shall be construed as requiring or obligating the Notes Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Notes Collateral Agent, or to present or file any claim.

or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Notes Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct or that of any of their Affiliates, directors, officers, employees, counsel, agents or attorneys-in-fact.

SECTION 5.16. Intercreditor Agreements Govern. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Notes Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Notes Collateral Agent hereunder are subject to the provisions of any applicable Intercreditor Agreement. In the event of any conflict between the terms of any applicable Intercreditor Agreements and this Agreement, the terms of such Intercreditor Agreement shall govern.

SECTION 5.17. Concerning the Notes Collateral Agent.

Beyond the exercise of reasonable care in the custody thereof, the Notes Collateral Agent shall have no duty as to the Collateral in its possession or control or in the possession or control of any agent or bailee or any income thereon or as to preservation of rights against prior parties or any other rights pertaining thereto and the Notes Collateral Agent shall not be responsible for filing any financing or continuation statements or recording any documents or instruments in any public office at any time or times or otherwise perfecting or maintaining the perfection of any security interest in the Collateral. The Notes Collateral Agent shall be deemed to have exercised reasonable care in the custody of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which it accords its own property and shall not be liable or responsible for any loss or diminution in the value of any of the Collateral, by reason of the act or omission of any carrier, forwarding agency or other agent or bailee selected by the Notes Collateral Agent in good faith.

The Notes Collateral Agent shall not be responsible for the existence, genuineness or value of any of the Collateral or for the validity, perfection, priority or enforceability of the Liens in any of the Collateral, whether impaired by operation of law or by reason of any of any action or omission to act on its part hereunder, except to the extent such action or omission constitutes gross negligence, bad faith or willful misconduct on the part of the Notes Collateral Agent, for the validity or sufficiency of the Collateral or any agreement or assignment contained therein, for the validity of the title of any Grantor to the Collateral, for insuring the Collateral or for the payment of taxes, charges, assessments or Liens upon the Collateral or otherwise as to the maintenance of the Collateral.

In no event shall the Notes Collateral Agent be responsible or liable for special, indirect, punitive, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Notes Collateral Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

For the avoidance of doubt, in furtherance of, and not in limitation of the foregoing, the parties hereto hereby acknowledge that all of the rights, privileges, protections, indemnities

and immunities afforded the Notes Collateral Agent and the Trustee under the Indenture are hereby incorporated herein by reference and are extended to, and shall be enforceable by, the Notes Collateral Agent as if set forth herein in full.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

DELL INTERNATIONAL L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

EMC CORPORATION

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant Secretary

DENALI INTERMEDIATE INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

DELL INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

[Signature page to Security Agreement]

Upon and as a result of the consummation of the Reorganization, the undersigned confirms that it will assume all of the rights and obligations of Dell International L.L.C. under this Agreement (in furtherance of, and not in lieu of, any assumption or deemed assumption as a matter of law).

NEW DELL INTERNATIONAL LLC, which, upon the consummation of the Reorganization shall be renamed "Dell International L.L.C."

By: DELL INC., its Sole Member

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant

Secretary

[Signature page to Security Agreement]

AELITA SOFTWARE CORPORATION
ASAP SOFTWARE EXPRESS, INC.
AVENTAIL LLC
BAK BONE SOFTWARE INC.
CREDANT TECHNOLOGIES INTERNATIONAL, INC.
CREDANT TECHNOLOGIES, INC.
DELL AMERICA LATINA CORP.
DELL COLOMBIA INC.
DELL COMPUTER HOLDINGS L.P.
DELL DFS CORPORATION
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 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 RECEIVABLES CORPORATION
DELL RECEIVABLES GP L.L.C.
DELL RECEIVABLES L.P.
DELL RECEIVABLES LP L.L.C.
DELL REVOLVER FUNDING L.L.C.
DELL SOFTWARE INC.
DELL SYSTEMS CORPORATION
DELL USA CORPORATION
DELL USA GP L.L.C.
DELL USA L.P.
DELL USA LP L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

[Signature page to Security Agreement]

DELL WORLD TRADE CORPORATION
DELL WORLD TRADE GP L.L.C.
DELL WORLD TRADE L.P.
DELL WORLD TRADE LP L.L.C.
DENALI FINANCE CORP.
ENSTRATIUS, INC.
FORCE10 NETWORKS GLOBAL, INC.
FORCE10 NETWORKS INTERNATIONAL, INC.
FORCE10 NETWORKS, INC.
LICENSE TECHNOLOGIES GROUP, INC.
PRSM CORPORATION
PSC GP CORPORATION
PSC HEALTHCARE SOFTWARE, INC.
PSC LP CORPORATION
PSC MANAGEMENT LIMITED PARTNERSHIP
QUEST HOLDING COMPANY, LLC
QUEST SOFTWARE PUBLIC SECTOR, INC.
SCRIPTLOGIC CORPORATION
STATSOFT, INC.
STATSOFT HOLDINGS, INC.
WYSE TECHNOLOGY L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

[Signature page to Security Agreement]

CONFIGURESOFT INTERNATIONAL HOLDINGS, INC.
DATA GENERAL INTERNATIONAL, INC.
EMC INVESTMENT CORPORATION
EMC PUERTO RICO, INC.
EVOLUTIONARY CORPORATION
IOMEGA LATIN AMERICA, INC.
MOZY, INC.
WOODLAND STREET PARTNERS, INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant Secretary

[Signature page to Security Agreement]

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

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Secretary

[Signature page to Security Agreement]

DELL REVOLVER COMPANY L.P.

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

By: /s/ Janet B. Wright

Name: Janet B. Wright

Title: Vice President and Assistant Secretary

[Signature page to Security Agreement]

DELL REVOLVER GP L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant
Secretary

[Signature page to Security Agreement]

900 WEST PARK DRIVE LLC
EMC CLOUD SERVICES LLC
EMC SOUTH STREET INVESTMENTS LLC
FLANDERS ROAD HOLDINGS LLC
IOMEGA LLC
IWAVE SOFTWARE, LLC
MAGINATICS LLC
NBT INVESTMENT PARTNERS LLC
NEWFOUND INVESTMENT PARTNERS LLC
SCALEIO LLC

By: EMC CORPORATION, its Member

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant
Secretary

[Signature page to Security Agreement]

SPANNING CLOUD APPS LLC

By: MOZY, INC., its Member

By: /s/ Janet B. Wright

Name: Janet B. Wright

Title: Senior Vice President and Assistant Secretary

[Signature page to Security Agreement]

EMC IP HOLDING COMPANY LLC

By: DENALI INTERMEDIATE INC., its Member

By: /s/ Janet B. Wright

Name: Janet B. Wright

Title: Vice President and Assistant Secretary

[Signature page to Security Agreement]

DELL FINANCIAL SERVICES L.L.C.

By: /s/ Tyler Johnson
Name: Tyler Johnson
Title: Vice President and Treasurer

[Signature page to Security Agreement]

DELL SERVICES FEDERAL GOVERNMENT, INC.
DELL SYSTEMS COMMUNICATIONS SERVICES, INC.

By: /s/ George C. Newstrom
Name: George C. Newstrom
Title: President

[Signature page to Security Agreement]

TRANSACTION APPLICATIONS GROUP, INC.

By: /s/ Rohit Puri
Name: Rohit Puri
Title: President

[Signature Page to Security Agreement]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Notes Collateral Agent

By: /s/ Teresa Petta
Name: Teresa Petta
Title: Vice President

[Signature Page to Security Agreement]

GRANTORS

<u>Name</u>	<u>Jurisdiction of Formation</u>
Denali Finance Corp.	Delaware
Aelita Software Corporation	Delaware
ASAP Software Express, Inc.	Illinois
Aventail LLC	Delaware
BakBone Software Inc.	California
Credant Technologies International, Inc.	Delaware
Credant Technologies, Inc.	Delaware
DCC Executive Security Inc.	Delaware
Dell America Latina Corp.	Delaware
Dell Colombia Inc.	Delaware
Dell Computer Holdings L.P.	Texas
Dell DFS Corporation	Delaware
Dell Federal Systems Corporation	Delaware
Dell Federal Systems GP L.L.C.	Delaware
Dell Federal Systems L.P.	Texas
Dell Federal Systems LP L.L.C.	Delaware
Dell Financial Services L.L.C.	Delaware
Dell Global Holdings L.L.C.	Delaware
Dell Marketing Corporation	Delaware
Dell Marketing GP L.L.C.	Delaware
Dell Marketing L.P.	Texas
Dell Marketing LP L.L.C.	Delaware
Dell Product and Process Innovation Services Corp.	Delaware
Dell Products Corporation	Delaware
Dell Products GP L.L.C.	Delaware
Dell Products L.P.	Texas
Dell Products LP L.L.C.	Delaware
Dell Protective Services Inc.	Delaware
Dell Receivables Corporation	Delaware
Dell Receivables GP L.L.C.	Delaware
Dell Receivables L.P.	Texas
Dell Receivables LP L.L.C.	Delaware
Dell Revolver Company L.P.	Delaware
Dell Revolver Funding L.L.C.	Nevada
Dell Revolver GP L.L.C.	Delaware

Dell Services Federal Government, Inc.	Virginia
Dell Software Inc.	Delaware
Dell Systems Communications Services, Inc.	Delaware
Dell USA Corporation	Delaware
Dell USA GP L.L.C.	Delaware
Dell USA L.P.	Texas
Dell USA LP L.L.C.	Delaware
Dell World Trade Corporation	Delaware
Dell World Trade GP L.L.C.	Delaware
Dell World Trade L.P.	Texas
Dell World Trade LP L.L.C.	Delaware
Enstratius, Inc.	Delaware
Force10 Networks Global, Inc.	Delaware
Force10 Networks International, Inc.	Delaware
Force10 Networks, Inc.	Delaware
License Technologies Group, Inc.	Delaware
Dell Systems Corporation	Texas
PrSM Corporation	Tennessee
PSC GP Corporation	Delaware
PSC Healthcare Software, Inc.	Delaware
PSC LP Corporation	Delaware
PSC Management Limited Partnership	Texas
Quest Holding Company, LLC	California
Quest Software Public Sector, Inc.	Delaware
ScriptLogic Corporation	Delaware
StatSoft, Inc.	Delaware
StatSoft Holdings, Inc.	Delaware
Transaction Applications Group, Inc.	Nebraska
Wyse Technology L.L.C.	Delaware
EMC South Street Investments LLC	Delaware
Newfound Investment Partners LLC	Delaware
Flanders Road Holdings LLC	Delaware
900 West Park Drive LLC	Delaware
Configuresoft International Holdings, Inc.	Delaware
Woodland Street Partners, Inc.	Delaware
EMC Puerto Rico, Inc.	Delaware
EMC Investment Corporation	Delaware
Data General International, Inc.	Delaware
Maginatics LLC	Delaware
Evolutionary Corporation	Delaware
iWAVE Software, LLC	Texas

ScaleIO LLC	Delaware
Iomega LLC	Delaware
Iomega Latin America, Inc.	Delaware
Spanning Cloud Apps LLC	Delaware
Mozy, Inc.	Delaware
EMC Cloud Services LLC	Delaware
NBT Investment Partners LLC	Delaware
EMC IP Holding Company LLC	Delaware

PLEDGED EQUITY INTERESTS

Schedule 4 of the Information Certificate is herein incorporated by reference.

PLEDGED DEBT SECURITIES

Schedule 5 of the Information Certificate is herein incorporated by reference.

U.S. COPYRIGHTS

Schedule 7(c) of the Information Certificate is incorporated herein by reference.

LICENSES

Schedule 7(d) of the Information Certificate is incorporated herein by reference.

PATENTS

Schedule 7(a) of the Information Certificate is incorporated herein by reference

TRADEMARK/TRADE NAMES

Schedule 7(b) of the Information Certificate is incorporated herein by reference.

COMMERCIAL TORT CLAIMS

Schedule 8 of the Information Certificate is incorporated herein by reference.

SUPPLEMENT NO. __ dated as of [] (this “Supplement”), to the Security Agreement, dated as of [], 2016 (the “Security Agreement”), among DELL INTERNATIONAL L.L.C., EMC CORPORATION, NEW DELL INTERNATIONAL LLC (which, upon the consummation of the Reorganization (as defined below) shall be renamed “Dell International L.L.C.”), DENALI INTERMEDIATE INC., DELL INC., the other GRANTORS from time to time party thereto and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Notes Collateral Agent (in such capacity, the “Notes Collateral Agent”).

A. Reference is made to (a) the Indenture dated as of June 1, 2016 among Diamond 1 Finance Corporation, a Delaware corporation (“Finco 1”, which, in connection with the Dell-EMC Merger, has merged with and into Dell International L.L.C., a Delaware limited liability company (“Dell International”), with Dell International continuing as the surviving corporation and which, following the consummation of the Dell-EMC Merger, on or about the Business Day following the Effective Date, will merge with and into New Dell International LLC, a Delaware limited liability company (“New Dell International”), with New Dell International continuing as the surviving corporation), Diamond 2 Finance Corporation, a Delaware corporation (“Finco 2”, which, in connection with the Dell-EMC Merger, has merged with and into EMC Corporation, a Massachusetts corporation (“EMC”), with EMC continuing as the surviving corporation), and The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee on behalf of the holders (the “Holders”) of the Notes and Notes Collateral Agent (as from time to time amended, restated, supplemented or otherwise modified, the “Indenture”) and (b) the Security Agreement dated as of [], 2016 (as amended, supplemented or otherwise modified from time to time, the “Security Agreement”), among the Issuers, the other grantors from time to time party thereto and the Notes Collateral Agent.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture and the Security Agreement, as applicable.

C. Section 5.14 of the Security Agreement provides that additional Subsidiaries of Covenant Parent may become Grantors under the Security Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the “New Grantor”) is executing this Supplement in accordance with the requirements of the Indenture to become a Grantor under the Security Agreement as consideration for Notes previously issued pursuant to the Indenture.

Accordingly, the Notes Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 5.14 of the Security Agreement, the New Grantor by its signature below becomes a Grantor under the Security Agreement with the same force and effect as if originally named therein as a Grantor, and the New Grantor hereby (a) agrees to all the terms and provisions of the Security Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof. In furtherance of the

Exhibit I-1

foregoing, the New Grantor, as security for the payment and performance in full of the Secured Obligations (as defined in the Security Agreement), does hereby create and grant to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest in and lien on all of the New Grantor's right, title and interest in, to and under the Pledged Collateral and the Article 9 Collateral (as each such term is defined in the Security Agreement). Each reference to a "Grantor" in the Security Agreement shall be deemed to include the New Grantor.

SECTION 2. The New Grantor represents and warrants to the Notes Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except to the extent that enforceability of such obligations may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Supplement. This Supplement shall become effective as to the New Grantor when a counterpart hereof executed on behalf of the New Grantor shall have been delivered to the Notes Collateral Agent and a counterpart hereof shall have been executed on behalf of the Notes Collateral Agent, and thereafter shall be binding upon the New Grantor and the Notes Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of the New Grantor, the Notes Collateral Agent and the other Secured Parties and their respective successors and assigns, except that the New Grantor shall not have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly provided in this Supplement, the Security Agreement and the Indenture.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a schedule with the true and correct legal name of the New Grantor, its jurisdiction of formation and the location of its chief executive office, (b) Schedule II sets forth a true and complete list, with respect to the New Grantor, of (i) all the Equity Interests owned by the New Grantor in any Subsidiary and the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity Interests owned by the New Grantor and (ii) all the Pledged Debt Securities owned by the New Grantor and (c) Schedule III attached hereto sets forth, as of the date hereof, (i) all of the New Grantor's Patents constituting Article 9 Collateral, including the name of the registered owner, type, registration or application number and the expiration date (if already registered) of each such Patent owned by the New Grantor, (ii) all of the New Grantor's Trademarks constituting Article 9 Collateral, including the name of the registered owner, the registration or application number and the expiration date (if already registered) of each such Trademark owned by the New Grantor, and (iii) all of the New Grantor's Copyrights constituting Article 9 Collateral, including the name of the registered owner, title and, if applicable, the registration number of each such Copyright owned by the New Grantor, and (d) Schedule IV attached hereto sets forth, as of the date hereof, each

Exhibit I-2

Commercial Tort Claim in respect of which a complaint or counterclaim has been filed by the New Grantor seeking damages in an amount of \$50,000,000 or more.

SECTION 5. Except as expressly supplemented hereby, the Security Agreement shall remain in full force and effect.

SECTION 6. This Supplement shall be construed in accordance with and governed by the laws of the State of New York.

SECTION 7. Any provision of this Supplement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of such invalid, illegal or unenforceable provisions.

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 5.01 of the Security Agreement.

SECTION 9. The New Grantor agrees to reimburse the Notes Collateral Agent for its fees and expenses incurred hereunder and under the Security Agreement.

SECTION 10. The recitals contained herein shall be taken as the statements of the New Grantor and the Notes Collateral Agent assumes no responsibility for their correctness. The Notes Collateral Agent makes no representations as to the validity or sufficiency of this Supplement to the Security Agreement.

IN WITNESS WHEREOF, the New Grantor and the Notes Collateral Agent have duly executed this Supplement to the Security Agreement as of the day and year first above written.

[NAME OF NEW GRANTOR],

By: _____
Name:
Title:

THE BANK OF NEW YORK MELLON TRUST COMPANY,
as Notes Collateral Agent

By: _____
Name:
Title:

Exhibit I-3

Name

Jurisdiction of Formation

Chief Executive Office

PLEDGED EQUITY INTERESTS

<u>Grantor</u>	<u>Issuer</u>	<u>Certificated / Uncertificated</u>	<u>Number of Equity Interests</u>	<u>Percentage of Ownership</u>	<u>Percentage Pledged</u>
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PLEDGED DEBT SECURITIES

<u>Grantor</u>	<u>Issuer</u>	<u>Principal Amount</u>	<u>Date of Note</u>	<u>Maturity Date</u>
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INTELLECTUAL PROPERTY

COMMERCIAL TORT CLAIMS

COPYRIGHT SECURITY AGREEMENT dated as of [], 20[] (this “Agreement”), among [] (the “Grantor”) and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (in such capacity, the “Notes Collateral Agent”).

Reference is made to (a) the Indenture dated as of June 1, 2016 among Diamond 1 Finance Corporation, a Delaware corporation (“Finco 1”, which, in connection with the Dell-EMC Merger, has merged with and into Dell International L.L.C., a Delaware limited liability company (“Dell International”), with Dell International continuing as the surviving corporation and which, following the consummation of the Dell-EMC Merger, on or about the Business Day following the Effective Date, will merge with and into New Dell International LLC, a Delaware limited liability company (“New Dell International”), with New Dell International continuing as the surviving corporation), Diamond 2 Finance Corporation, a Delaware corporation (“Finco 2”, which, in connection with the Dell-EMC Merger, has merged with and into EMC Corporation, a Massachusetts corporation (“EMC”), with EMC continuing as the surviving corporation), and The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee on behalf of the holders (the “Holders” of the Notes (as defined below) and Notes Collateral Agent (as from time to time amended, restated, supplemented or otherwise modified, the “Indenture”) and (b) the Security Agreement dated as of [], 2016 (as amended, supplemented or otherwise modified from time to time, the “Security Agreement”), among the Issuers, the other grantors from time to time party thereto and the Notes Collateral Agent. The Grantors are Affiliates of the Issuers and will derive substantial benefits from the execution, delivery and performance of the obligations under the Indenture and the Notes and each is, therefore, willing to enter into this Agreement. Accordingly, the parties hereto agree as follows:

SECTION 1. Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Security Agreement or the Indenture, as applicable. The rules of construction specified in Section 1.01(b) of the Security Agreement also apply to this Agreement.

SECTION 2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the “Security Interest”) in all of such Grantor’s right, title and interest in, to and under any Copyrights now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I, and any exclusive Copyright Licenses under which such Grantor is a licensee, including those listed on Schedule II (collectively, the “Copyright Collateral”).

SECTION 3. Security Agreement. The Security Interest granted to the Notes Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Notes Collateral Agent pursuant to the Security Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Notes Collateral Agent with respect to the Copyright Collateral are more fully set forth in the Security Agreement, the terms and

Exhibit II-1

provisions of which are hereby incorporated herein by reference as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 4. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

[Remainder of this page intentionally left blank]

Exhibit II-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit II-3

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Notes Collateral Agent,

By: __
Name:
Title:

Exhibit II-4

Schedule I

Schedule II

PATENT SECURITY AGREEMENT dated as of [], 20[] (this “Agreement”), among [] (the “Grantor”) and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (in such capacity, the “Notes Collateral Agent”).

Reference is made to (a) the Indenture dated as of June 1, 2016 among Diamond 1 Finance Corporation, a Delaware corporation (“Finco 1”, which, in connection with the Dell-EMC Merger, has merged with and into Dell International L.L.C., a Delaware limited liability company (“Dell International”), with Dell International continuing as the surviving corporation and which, following the consummation of the Dell-EMC Merger, on or about the Business Day following the Effective Date, will merge with and into New Dell International LLC, a Delaware limited liability company (“New Dell International”), with New Dell International continuing as the surviving corporation), Diamond 2 Finance Corporation, a Delaware corporation (“Finco 2”, which, in connection with the Dell-EMC Merger, has merged with and into EMC Corporation, a Massachusetts corporation (“EMC”), with EMC continuing as the surviving corporation), and The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee on behalf of the holders (the “Holders”) of the Notes (as defined below) and Notes Collateral Agent (as from time to time amended, restated, supplemented or otherwise modified, the “Indenture”) and (b) the Security Agreement dated as of [], 2016 (as amended, supplemented or otherwise modified from time to time, the “Security Agreement”), among the Issuers, the other grantors from time to time party thereto and the Notes Collateral Agent. The Grantors are Affiliates of the Issuers and will derive substantial benefits from the execution, delivery and performance of the obligations under the Indenture and the Notes and each is, therefore, willing to enter into this Agreement. Accordingly, the parties hereto agree as follows:

SECTION 1. Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Security Agreement or the Indenture, as applicable. The rules of construction specified in Section 1.01(b) of the Security Agreement also apply to this Agreement.

SECTION 2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the “Security Interest”) in all of such Grantor’s right, title and interest in, to and under any Patents now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I (the “Patent Collateral”).

SECTION 3. Security Agreement. The Security Interest granted to the Notes Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Notes Collateral Agent pursuant to the Security Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Notes Collateral Agent with respect to the Patent Collateral are more fully set forth in the Security Agreement, the terms and

provisions of which are hereby incorporated herein by reference as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 4. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

[Remainder of this page intentionally left blank]

Exhibit III-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit III-3

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Notes Collateral Agent,

By: __
Name:
Title:

Exhibit III-4

Schedule I

TRADEMARK SECURITY AGREEMENT dated as of [], 20[] (this “Agreement”), among [] (the “Grantor”) and The Bank of New York Mellon Trust Company, N.A., as Collateral Agent (in such capacity, the “Notes Collateral Agent”).

Reference is made to (a) the Indenture dated as of June 1, 2016 among Diamond 1 Finance Corporation, a Delaware corporation (“Finco 1”, which, in connection with the Dell-EMC Merger, has merged with and into Dell International L.L.C., a Delaware limited liability company (“Dell International”), with Dell International continuing as the surviving corporation and which, following the consummation of the Dell-EMC Merger, on or about the Business Day following the Effective Date, will merge with and into New Dell International LLC, a Delaware limited liability company (“New Dell International”), with New Dell International continuing as the surviving corporation), Diamond 2 Finance Corporation, a Delaware corporation (“Finco 2”, which, in connection with the Dell-EMC Merger, has merged with and into EMC Corporation, a Massachusetts corporation (“EMC”), with EMC continuing as the surviving corporation), and The Bank of New York Mellon Trust Company, N.A., in its capacity as Trustee on behalf of the holders (the “Holders” of the Notes (as defined below) and Notes Collateral Agent (as from time to time amended, restated, supplemented or otherwise modified, the “Indenture”) and (b) the Security Agreement dated as of [], 2016 (as amended, supplemented or otherwise modified from time to time, the “Security Agreement”), among the Issuers, the other grantors from time to time party thereto and the Notes Collateral Agent. The Grantors are Affiliates of the Issuers and will derive substantial benefits from the execution, delivery and performance of the obligations under the Indenture and the Notes and each is, therefore, willing to enter into this Agreement. Accordingly, the parties hereto agree as follows:

SECTION 1. Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Security Agreement or the Indenture, as applicable. The rules of construction specified in Section 1.01(b) of the Security Agreement also apply to this Agreement.

SECTION 2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Notes Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the “Security Interest”) in all of such Grantor’s right, title and interest in, to and under any Trademarks now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I (the “Trademark Collateral”).

SECTION 3. Security Agreement. The Security Interest granted to the Notes Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Notes Collateral Agent pursuant to the Security Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Notes Collateral Agent with respect to the Trademark Collateral are more fully set forth in the Security Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein. In

the event of any conflict between the terms of this Agreement and the Security Agreement, the terms of the Security Agreement shall govern.

SECTION 4. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the State of New York.

[Remainder of this page intentionally left blank]

Exhibit IV-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit IV-3

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Notes Collateral Agent,

By: _____
Name:
Title:

Exhibit IV-4

Schedule I

COLLATERAL AGREEMENT

dated as of

September 7, 2016,

among

DELL INTERNATIONAL L.L.C.,

EMC CORPORATION,

DENALI INTERMEDIATE INC.,

DELL INC.,

THE OTHER GRANTORS PARTY HERETO

and

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,

as Collateral Agent

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Exhibits

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Exhibit II	Form of Copyright Security Agreement
Exhibit III	Form of Patent Security Agreement
Exhibit IV	Form of Trademark Security Agreement

COLLATERAL AGREEMENT, dated as of September 7, 2016 (this “Agreement”), among DELL INTERNATIONAL L.L.C., a Delaware limited liability company (which on or about the Business Day following the Effective Date shall be merged with and into NEW DELL INTERNATIONAL LLC, a Delaware limited liability company (“Merger Co”), with Merger Co surviving such merger and immediately changing its name to DELL INTERNATIONAL L.L.C. (such entity prior to Merger 2, “Dell International” and a “Borrower” and such entity after Merger 2, “Dell International” and a “Borrower”), EMC CORPORATION, a Massachusetts corporation (the “Target”), DENALI INTERMEDIATE INC., a Delaware corporation (“Holdings”), DELL INC., a Delaware corporation (the “Company”), the other GRANTORS party hereto from time to time and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent (in such capacity and together with successors in such capacity, the “Collateral Agent”).

Reference is made to the Credit Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among Holdings, the Company, Dell International (as defined above), Universal Acquisition Co., a Delaware corporation (a “Borrower”, and with Dell International, the “Borrowers”, which on the Effective Date shall be merged with and into Target, with Target surviving such merger), the Lenders party thereto, JPMorgan Chase Bank, N.A., as Term Loan A/Revolver Administrative Agent and Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent. The Lenders have agreed to extend credit to the Borrowers subject to the terms and conditions set forth in the Credit Agreement. The obligations of the Lenders to extend such credit are conditioned upon, among other things, the execution and delivery of this Agreement. The Grantors (other than the Borrowers) are Affiliates of the Borrowers, will derive substantial benefits from the extension of credit to the Borrowers pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Defined Terms.

Each capitalized term used but not defined herein shall have the meaning assigned thereto in the Credit Agreement; provided that each term defined in the New York UCC (as defined herein) and not defined in this Agreement shall have the meaning specified in the New York UCC.

The rules of construction specified in Sections 1.03 and 1.04 of the Credit Agreement also apply to this Agreement, mutatis mutandis.

SECTION 1.02. Other Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

“Account Debtor” means any Person that is or may become obligated to any Grantor under, with respect to or on account of an Account.

“Agreement” has the meaning assigned to such term in the preamble to this Agreement.

“Article 9 Collateral” has the meaning assigned to such term in Section 3.01.

“Bankruptcy Code” means Title 11 of the United States Code, as amended.

Borrower and **Borrowers** has the meaning assigned to such term in the introductory paragraphs to this Agreement.

Collateral means Article 9 Collateral and Pledged Collateral.

Company has the meaning assigned to such term in the introductory paragraph to this Agreement.

Copyright License means any written agreement, now or hereafter in effect, granting to any Person any right under any Copyright now or hereafter owned by any other Person or that such other Person otherwise has the right to license, and all rights of any such Person under any such agreement.

Copyright Security Agreement means the Copyright Security Agreement substantially in the form of Exhibit II.

Copyrights means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all copyright rights in any work arising under the copyright laws of the United States or any other country, whether as author, assignee, transferee or otherwise, and (b) all registrations and applications for registration of any such copyright in the United States or any other country, including registrations, supplemental registrations and pending applications for registration in the United States Copyright Office (or any similar office in any other country), including, in the case of any Grantor, registrations, supplemental registrations and pending applications for registration in the United States Copyright Office set forth next to its name on Schedule III.

Credit Agreement has the meaning assigned to such term in the introductory paragraph to this Agreement.

EMC IPCo means EMC IP Holding Company LLC, a Delaware limited liability company and wholly owned direct subsidiary of Holdings.

Excluded Equity Interests has the meaning assigned to such term in Section 2.01.

Federal Securities Laws has the meaning assigned to such term in Section 4.04.

Grantors means (a) Holdings, (b) the Company, (c) the Borrowers, (d) EMC IPCo, (e) each other Subsidiary identified on Schedule I and (f) each Subsidiary of Holdings that becomes a party to this Agreement as a Grantor after the Effective Date.

Holdings has the meaning assigned to such term in the introductory paragraph to this Agreement.

Information Certificate means the Information Certificate dated the Effective Date delivered to the Collateral Agent, as amended, restated, supplemented or otherwise modified from time to time.

Insolvency or Liquidation Proceeding means:

- (1) any case commenced by or against a Borrower or any other Grantor under any Bankruptcy Law, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of a Borrower or any other Grantor, any receivership or assignment for the benefit of creditors relating to a Borrower or any other Grantor or any similar

case or proceeding relative to a Borrower or any other Grantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to a Borrower or any other Grantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of a Borrower or any other Grantor are determined and any payment or distribution is or may be made on account of such claims.

"Intellectual Property." means, with respect to any Person, all intellectual and similar property of every kind and nature now owned or hereafter acquired by any such Person, including inventions, designs, Patents, Copyrights, Licenses, Trademarks, trade secrets, domain names, confidential or proprietary technical and business information, know-how, show-how or other data or information, software and databases.

"IP Security Agreements" means the Trademark Security Agreement, the Patent Security Agreement and the Copyright Security Agreement.

"License" means any Patent License, Trademark License, Copyright License or other license or sublicense agreement to which any Person is a party, including those exclusive Copyright Licenses under which any Grantor is a licensee listed on Schedule III.

"Merger 2" means the merger of Dell International L.L.C. with and into Merger Co on or about the Business Day following the Effective Date, with Merger Co surviving as a wholly-owned subsidiary of the Company and immediately changing its name to Dell International L.L.C.

"Merger Co" has the meaning assigned to such term in the introductory paragraphs to this Agreement.

"New York UCC" means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, however, that, at any time, if by reason of mandatory provisions of law, any or all of the perfection or priority of the Collateral Agent's and the Secured Parties' security interest in any item or portion of the Article 9 Collateral is governed by the Uniform Commercial Code or similar law as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code as in effect, at such time, in such other jurisdiction for purposes of the provisions hereof relating to such perfection or priority and for purposes of definitions relating to such provisions.

"Patent License" means any written agreement, now or hereafter in effect, granting to any Person any right to make, use or sell any invention on which a Patent, now or hereafter owned by any other Person or that any other Person now or hereafter otherwise has the right to license, is in existence, and all rights of any such Person under any such agreement.

"Patent Security Agreement" means the Patent Security Agreement substantially in the form of Exhibit III.

"Patents" means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all letters patent of the United States or the equivalent thereof in any other country, all registrations thereof and all applications for letters patent of the United States or the equivalent

thereof in any other country, including registrations and pending applications in the United States Patent and Trademark Office or any similar offices in any other country, including, in the case of any Grantor, those filed in connection therewith in the United States Patent and Trademark Office listed on Schedule III, and (b) all reissues, continuations, divisions, continuations-in-part, renewals or extensions thereof, and the inventions disclosed or claimed therein, including the right to make, use and/or sell the inventions disclosed or claimed therein.

Pledged Collateral has the meaning assigned to such term in Section 2.01.

Pledged Debt Securities has the meaning assigned to such term in Section 2.01.

Pledged Equity Interests has the meaning assigned to such term in Section 2.01.

Pledged Securities means any promissory notes, stock certificates, unit certificates, limited or unlimited liability membership certificates or other securities now or hereafter included in the Pledged Collateral, including all certificates, instruments or other documents representing or evidencing any Pledged Collateral.

Security Interest has the meaning assigned to such term in Section 3.01(a).

Supplement means an instrument in the form of Exhibit I hereto, or any other form approved by the Collateral Agent, and in each case reasonably satisfactory to the Collateral Agent.

Trademark License means any written agreement, now or hereafter in effect, granting to any Person any right to use any Trademark now or hereafter owned by any other Person or that any other Person otherwise has the right to license, and all rights of any such Person under any such agreement.

Trademark Security Agreement means the Trademark Security Agreement in the form of Exhibit IV.

Trademarks means, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (a) all trademarks, service marks, trade names, brand names, corporate names, company names, business names, fictitious business names, trade styles, trade dress, domain names, logos, other source or business identifiers, designs and general intangibles of like nature, now existing or hereafter adopted or acquired, all registrations thereof, and all registration and applications filed in connection therewith, including registrations and applications in the United States Patent and Trademark Office or any similar offices in any State of the United States or any other country or any political subdivision thereof, and all extensions or renewals thereof, including, in the case of any Grantor, any registrations and applications filed in connection therewith in the United States Patent and Trademark Office set forth next to its name on Schedule III, (b) all goodwill associated therewith or symbolized thereby and (c) all other assets, rights and interests that uniquely reflect or embody such goodwill.

ARTICLE II

Pledge of Securities

SECTION 2.01. **Pledge**. As security for the payment or performance, as the case may be, in full of all Secured Obligations, each Grantor hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties and hereby grants to the Collateral Agent, its successor and assigns, for the benefit of the Secured Parties a security interest in the Pledged Collateral.

"Pledged Collateral" shall mean the collective reference to the following: all of such Grantor's right, title and interest in, to and under (a)(i) the shares of capital stock and other Equity Interests owned by such Grantor, including those listed opposite the name of such Grantor on Schedule II, (ii) any other Equity Interests obtained in the future by such Grantor and (iii) the certificates (if any) representing all such Equity Interests (collectively, the "Pledged Equity Interests"); provided that the Pledged Equity Interests shall not include any Excluded Assets or Equity Interests of Immaterial Subsidiaries (the Equity Interests excluded pursuant to this proviso being referred to as the "Excluded Equity Interests"); (b)(i) the debt securities owned by such Grantor, including those listed opposite the name of such Grantor on Schedule II, (ii) any debt securities in the future issued to or otherwise acquired by such Grantor and (iii) the promissory notes and any other instruments evidencing all such debt securities (collectively, the "Pledged Debt Securities"); (c) all other property that may be delivered to and held by the Collateral Agent pursuant to the terms of this Section 2.01 and Section 2.02; (d) subject to Section 2.06, all payments of principal or interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for or upon the conversion of, and all other Proceeds received in respect of, the securities referred to in clauses (a) and (b) above; (e) subject to Section 2.06, all rights and privileges of such Grantor with respect to the securities and other property referred to in clauses (a), (b), (c) and (d) above; and (f) all Proceeds of any of the foregoing. Notwithstanding the foregoing, Pledged Collateral shall not include Excluded Assets of any kind.

SECTION 2.02. Delivery of the Pledged Collateral.

Each Grantor agrees to deliver or cause to be delivered to the Collateral Agent any and all Pledged Securities (i) (A) of the Company, the Borrowers and Material Subsidiaries (other than Foreign Subsidiaries) on the date hereof and (B) all other Pledged Securities, as promptly as practicable, and in any event within 30 days after the Effective Date (or such later date as the Collateral Agent may reasonably agree) in each case, in the case of any such Pledged Securities owned by such Grantor on the date hereof, and (ii) promptly (and in any event within 60 days (or such later date as the Collateral Agent may reasonably agree)) after the acquisition thereof, in the case of any such Pledged Securities acquired by such Grantor after the date hereof.

As promptly as practicable, and in any event within 30 days after the Effective Date, each Grantor will cause any Indebtedness for borrowed money (including in respect of cash management arrangements) owed to such Grantor by Holdings, the Company, the Borrowers or any of their Subsidiaries in a principal amount in excess of \$50,000,000 to be evidenced by a duly executed promissory note (including, if such security interest can be perfected therein, a grid note) that is pledged and delivered to the Collateral Agent pursuant to the terms hereof.

Upon delivery to the Collateral Agent, (i) any certificate or promissory note representing Pledged Securities shall be accompanied by undated stock or note powers, as applicable, duly executed in blank or other undated instruments of transfer duly executed in blank and reasonably satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request and (ii) all other property comprising part of the Pledged Collateral shall be accompanied by undated proper instruments of assignment duly executed in blank by the applicable Grantor and such other instruments and documents as the Collateral Agent may reasonably request. Each delivery of Pledged Securities shall be accompanied by a schedule describing such Pledged Securities, which schedule shall be deemed attached to, and shall supplement, Schedule II and be made a part hereof; provided that failure to provide any such schedule hereto shall not affect the validity of such pledge of such Pledged Securities.

that:

(a) as of the Effective Date, Schedule II sets forth a true and complete list, with respect to each Grantor, of (i) all the Equity Interests owned by such Grantor in any Subsidiary (or in the case of Holdings, any IPCo) and the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity Interests owned by such Grantor and (ii) all the Pledged Debt Securities owned by such Grantor;

(b) the Pledged Equity Interests and the Pledged Debt Securities have been duly and validly authorized and issued by the issuers thereof and (i) in the case of Pledged Equity Interests, are fully paid and nonassessable and (ii) in the case of Pledged Debt Securities, are legal, valid and binding obligations of the issuers thereof, except to the extent that enforceability of such obligations may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditor's rights generally; provided that the foregoing representations, insofar as they relate to the Pledged Debt Securities issued by a Person other than Holdings, the Company, EMC IPCo, the Borrowers or any Subsidiary, are made to the knowledge of the Grantors;

(c) except for the security interests granted hereunder, or referenced under any other Loan Documents, each of the Grantors (i) is and, subject to any transfers made in compliance with the Credit Agreement, will continue to be the direct owner, beneficially and of record, of the Pledged Securities indicated on Schedule II as owned by such Grantor, (ii) holds the same free and clear of all Liens, other than Liens not prohibited by Section 6.02 of the Credit Agreement and transfers made in compliance with the Credit Agreement, (iii) will make no further assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Pledged Collateral, other than Liens permitted pursuant to Section 6.02 of the Credit Agreement and transfers made in compliance with the Credit Agreement, and (iv) will defend its title or interest thereto or therein against any and all Liens (other than the Liens created by this Agreement and the other Loan Documents and Liens not prohibited by Section 6.02 of the Credit Agreement), however arising, of all Persons whomsoever;

(d) except for restrictions and limitations imposed by the Loan Documents or securities laws generally, the Pledged Equity Interests and, to the extent issued by Holdings, the Company, the Borrowers or any of their Subsidiaries, the Pledged Debt Securities are and will continue to be freely transferable and assignable, and none of the Pledged Equity Interests and, to the extent issued by Holdings, the Company, the Borrowers or any of their Subsidiaries, the Pledged Debt Securities are or will be subject to any option, right of first refusal, shareholders agreement, charter, by-law or other organizational document provisions or contractual restriction of any nature that might prohibit, impair, delay or otherwise affect in any manner adverse to the Secured Parties in any material respect the pledge of such Pledged Collateral hereunder, the sale or disposition thereof pursuant hereto or the exercise of the Collateral Agent of rights and remedies hereunder;

(e) each of the Grantors has the power and authority to pledge the Pledged Collateral pledged by it hereunder in the manner hereby done or contemplated; and

(f) by virtue of the execution and delivery by the Grantors of this Agreement, when any Pledged Securities are delivered to the Collateral Agent in accordance with this Agreement, the Collateral Agent will obtain a legal, valid and perfected lien upon and security interest in such

Pledged Securities, free of any adverse claims, under the New York UCC to the extent such lien and security interest may be created and perfected under the New York UCC, as security for the payment and performance of the Secured Obligations.

SECTION 2.04. [Reserved].

SECTION 2.05. Registration in Nominee Name; Denominations. If an Event of Default shall have occurred and is continuing and the Collateral Agent shall have notified the Grantors of its intent to exercise such rights, the Collateral Agent, on behalf of the Secured Parties, shall have the right (in its sole and absolute discretion) to hold the Pledged Securities in the name of the applicable Grantor, endorsed or assigned in blank or in favor of the Collateral Agent or in its own name as pledgee or in the name of its nominee (as pledgee or as sub-agent), and each Grantor will promptly give to the Collateral Agent copies of any notices or other communications received by it with respect to Pledged Securities registered in the name of such Grantor. If an Event of Default shall have occurred and is continuing and the Collateral Agent shall have notified the Grantors of its intent to exercise such rights, the Collateral Agent shall at all times have the right to exchange the certificates representing Pledged Securities for certificates of smaller or larger denominations for any reasonable purpose consistent with this Agreement.

SECTION 2.06. Voting Rights; Dividends and Interest.

(a) Subject to the terms of the Intercreditor Agreements, unless and until an Event of Default shall have occurred and is continuing and the Collateral Agent shall have notified the Grantors that their rights under this Section 2.06 are being suspended:

(i) each Grantor shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof for any purpose consistent with the terms of this Agreement, the Credit Agreement and the other Loan Documents; provided that such rights and powers shall not be exercised in any manner that could materially and adversely affect the rights inuring to a holder of any Pledged Securities or the rights and remedies of any of the Collateral Agent or the other Secured Parties under this Agreement or any other Loan Document or the ability of the Secured Parties to exercise the same;

(ii) the Collateral Agent shall promptly execute and deliver to each Grantor, or cause to be promptly executed and delivered to such Grantor, all such proxies, powers of attorney and other instruments as such Grantor may reasonably request for the purpose of enabling such Grantor to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section;

(iii) each Grantor shall be entitled to receive and retain any and all dividends, interest, principal and other distributions paid on or distributed in respect of the Pledged Securities to the extent and only to the extent that such dividends, interest, principal and other distributions are permitted by, and are otherwise paid or distributed in accordance with, the terms and conditions of the Credit Agreement, the other Loan Documents and applicable laws; provided that any noncash dividends, interest, principal or other distributions that would constitute Pledged Equity Interests or Pledged Debt Securities, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests in the issuer of any Pledged Securities or received in exchange for Pledged Securities or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be and become part of the Pledged Collateral and, if received by any Grantor, shall not be commingled by such Grantor with any of its other funds or property but shall be held

separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and the other Secured Parties and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsements, stock or note powers and other instruments of transfer reasonably requested by the Collateral Agent).

(b) Subject to the terms of the Intercreditor Agreements, upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Grantors of the suspension of their rights under paragraph (a)(iii) of this Section 2.06, all rights of any Grantor to dividends, interest, principal or other distributions that such Grantor is authorized to receive pursuant to paragraph (a)(iii) of this Section 2.06 shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such dividends, interest, principal or other distributions. All dividends, interest, principal or other distributions received by any Grantor contrary to the provisions of this Section 2.06 shall be held in trust for the benefit of the Collateral Agent and the other Secured Parties, shall be segregated from other property or funds of such Grantor and shall be forthwith delivered to the Collateral Agent upon demand in the same form as so received (with any necessary endorsements, stock or note powers and other instruments of transfer reasonably requested by the Collateral Agent). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 4.02. After all Events of Default have been cured or waived and the applicable Borrower has delivered to the Collateral Agent a certificate of a Responsible Officer of such Borrower to that effect, the Collateral Agent shall promptly repay to each Grantor (without interest) all dividends, interest, principal or other distributions that such Grantor would otherwise be permitted to retain pursuant to the terms of paragraph (a)(ii) of this Section 2.06 and that remain in such account.

(c) Subject to the terms of the Intercreditor Agreements, upon the occurrence and during the continuance of an Event of Default, after the Collateral Agent shall have notified the Grantors of the suspension of their rights under paragraph (a)(i) of this Section 2.06, all rights of any Grantor to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 2.06, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 2.06, shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers; provided that, unless otherwise directed by the Required Lenders, the Collateral Agent shall have the right from time to time following and during the continuance of an Event of Default to permit the Grantors to exercise such rights. After all Events of Default have been cured or waived and the applicable Borrower has delivered to the Collateral Agent a certificate of a Responsible Officer of such Borrower to that effect, all rights vested in the Collateral Agent pursuant to this paragraph (c) shall cease, and the Grantors shall have the exclusive right to exercise the voting and consensual rights and powers they would otherwise be entitled to exercise pursuant to paragraph (a)(i) of this Section 2.06.

(d) Any notice given by the Collateral Agent to the Grantors suspending their rights under paragraph (a) of this Section 2.06(i) may be given by telephone if promptly confirmed in writing, (ii) may be given with respect to one or more of the Grantors at the same or different times and (iii) may suspend the rights of the Grantors under paragraph (a)(i) or paragraph (a)(iii) in part without suspending all such rights (as specified by the Collateral Agent in its sole and absolute discretion) and without waiving or otherwise affecting the Collateral Agent rights to give additional notices from time to time suspending other rights so long as an Event of Default has occurred and is continuing.

ARTICLE III

Security Interests in Personal Property

SECTION 3.01. Security Interest.

(a) As security for the payment or performance, as the case may be, in full of the Secured Obligations, each Grantor hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in all of such Grantor's right, title and interest in, to and under any and all of the following assets now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Article 9 Collateral"):

- (I) all Accounts;
- (II) all Chattel Paper;
- (III) all Cash and Deposit Accounts;
- (IV) all Documents;
- (V) all Equipment;
- (VI) all General Intangibles, including all Intellectual Property;
- (VII) all Instruments;
- (VIII) all Inventory;
- (IX) all other Goods and Fixtures;
- (X) all Investment Property;
- (XI) all Letter-of-Credit Rights;
- (XII) all Commercial Tort Claims specifically described on Schedule IV hereto, as such schedule may be supplemented from time to time pursuant to Section 3.04(d);
- (XIII) all books and records pertaining to the Article 9 Collateral; and
- (XIV) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided that in no event shall the Security Interest attach to (A) any Excluded Assets and (B) the Excluded Equity Interests (it being understood that, to the extent the Security Interest shall not have attached to any such asset as a result of clauses (A) and (B) above, the term "Article 9 Collateral" shall not include any such asset).

- (b) Each Grantor hereby irrevocably authorizes the Collateral Agent at any time and from time to time to file in any relevant jurisdiction any initial financing statements (including fixture

filings) with respect to the Article 9 Collateral or any part thereof and amendments thereto that (i) describe the collateral covered thereby in any manner that the Collateral Agent reasonably determines is necessary or advisable to ensure the perfection of the security interest in the Article 9 Collateral granted under this Agreement, including indicating the Collateral as "all assets" of such Grantor or words of similar effect, and (ii) contain the information required by Article 9 of the Uniform Commercial Code or the analogous legislation of each applicable jurisdiction for the filing of any financing statement or amendment, including (A) whether such Grantor is an organization, and the type of organization and (B) in the case of a financing statement filed as a fixture filing, a sufficient description of the real property to which such Article 9 Collateral relates. Each Grantor agrees to provide such information to the Collateral Agent promptly upon request.

Each Grantor also ratifies its authorization for the Collateral Agent to file in any relevant jurisdiction any initial financing statements or amendments thereto with respect to the Article 9 Collateral or any part thereof naming any Grantor as debtor or the Grantors as debtors and the Collateral Agent as secured party, if filed prior to the date hereof.

Other than with respect to the IP Security Agreements dated the date hereof, each Grantor shall timely file with the United States Patent and Trademark Office or United States Copyright Office (or any successor office) such documents as may be reasonably necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest in Article 9 Collateral consisting of Patents, Trademarks or Copyrights granted by each Grantor and naming any Grantor or the Grantors as debtors and the Collateral Agent as secured party, and shall promptly provide evidence of such filings to the Collateral Agent. No Grantor shall be required to complete any filings or other action with respect to the perfection of the Security Interests created hereby in any Intellectual Property subsisting in any jurisdiction outside of the United States.

The Security Interest and the security interest granted pursuant to Article II are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

SECTION 3.02. Representations and Warranties. The Grantors jointly and severally represent and warrant to the Collateral Agent, for the benefit of the Secured Parties, that:

(a) Each Grantor has good and valid rights in and title to the Article 9 Collateral with respect to which it has purported to grant a Security Interest hereunder, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or as proposed to be conducted or to utilize such properties for their intended purposes, in each case except where the failure to do so could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and has full power and authority to grant to the Collateral Agent, for the benefit of the Secured Parties, the Security Interest in such Article 9 Collateral pursuant hereto and to execute, deliver and perform its obligations in accordance with the terms of this Agreement, without the consent or approval of any other Person other than any consent or approval that has been obtained and except to the extent that failure to obtain or make such consent or approval, as the case may be, individually or in aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) The Information Certificate has been duly prepared, completed and executed and the information set forth therein, including the exact legal name and jurisdiction of organization of each Grantor, is correct and complete in all material respects as of the Effective Date (except that the information therein with respect to the exact legal name of each Grantor shall be true and

correct in all respects). The Uniform Commercial Code financing statements (including fixture filings, as applicable) or other appropriate filings, recordings or registrations prepared by the Collateral Agent based upon the information provided to the Collateral Agent in the Information Certificate for filing in each governmental, municipal or other office specified in Schedule 2 to the Information Certificate (or specified by notice from any Borrower to the Collateral Agent after the Effective Date in the case of filings, recordings or registrations required by Sections 5.03 or 5.12 of the Credit Agreement), are all the filings, recordings and registrations (other than filings required to be made in the United States Patent and Trademark Office and the United States Copyright Office in order to perfect the Security Interest in Article 9 Collateral consisting of United States Patents, Trademarks and Copyrights) that are necessary to establish a legal, valid and perfected security interest in favor of the Collateral Agent, for the benefit of the Secured Parties, in respect of all Article 9 Collateral in which the Security Interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary in any such jurisdiction, except as provided under applicable law with respect to the filing of continuation statements (other than such actions as are necessary to perfect the Security Interest with respect to any Article 9 Collateral consisting of registered or applied for Patents, Trademarks and Copyrights acquired or developed by a Grantor after the date hereof). The Grantors represent and warrant that one or more fully executed Patent Security Agreement(s), Trademark Security Agreement(s) and Copyright Security Agreement(s), in each case containing a description of the Article 9 Collateral consisting of United States registered Patents, United States registered Trademarks and United States registered Copyrights (and applications for any of the foregoing), as applicable, and executed by each Grantor owning any such Article 9 Collateral, have been prepared (copies of which are delivered to the Collateral Agent) for recording with the United States Patent and Trademark Office or the United States Copyright Office pursuant to 35 U.S.C. § 261, 15 U.S.C. § 1060 or 17 U.S.C. § 205 and the regulations thereunder, as applicable, and otherwise as may be required pursuant to the laws of any other necessary jurisdiction, to protect the validity of and to establish a legal, valid and perfected security interest in favor of the Collateral Agent, for the benefit of the Secured Parties, in respect of all Article 9 Collateral consisting of Patents, Trademarks and Copyrights in which a security interest may be perfected by filing, recording or registration in the United States (or any political subdivision thereof) and its territories and possessions, and no further or subsequent filing, refiling, recording, rerecording, registration or reregistration is necessary (other than such actions as are necessary to perfect the Security Interest with respect to any Article 9 Collateral consisting of registered or applied for Patents, Trademarks and Copyrights acquired or developed by a Grantor after the date hereof).

(c) The Security Interest constitutes (i) a legal and valid security interest in all the Article 9 Collateral securing the payment and performance of the Secured Obligations, (ii) subject to the filings described in paragraph (b) of this Section 3.02, a perfected security interest in all Article 9 Collateral in which a security interest may be perfected by filing, recording or registering a financing statement or analogous document in the United States (or any political subdivision thereof) and its territories and possessions pursuant to the Uniform Commercial Code or other applicable law in such jurisdictions and (iii) subject to the filings described in paragraph (b) of this Section 3.02, a security interest that shall be perfected in all Article 9 Collateral in which a security interest may be perfected upon the receipt and recording of a Patent Security Agreement, a Trademark Security Agreement and a Copyright Security Agreement with the United States Patent and Trademark Office and the United States Copyright Office, as applicable, within the three-month period after the date hereof pursuant to 35 U.S.C. § 261 or 15 U.S.C. § 1060 or the one-month period after the date hereof pursuant to 17 U.S.C. § 205.

(d) Subject to the terms of the Intercreditor Agreements, the Security Interest is and shall be prior to any other Lien on any of the Article 9 Collateral, other than Liens not prohibited by Section 6.02 of the Credit Agreement. The Article 9 Collateral is owned by the Grantors free and clear of any Lien, except for Liens not prohibited by Section 6.02 of the Credit Agreement. None of the Grantors has filed or consented to the filing of (i) any financing statement or analogous document under the Uniform Commercial Code or any other applicable laws covering any Article 9 Collateral, (ii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with the United States Patent and Trademark Office or the United States Copyright Office or (iii) any assignment in which any Grantor assigns any Article 9 Collateral or any security agreement or similar instrument covering any Article 9 Collateral with any foreign governmental, municipal or other office, which financing statement or analogous document, assignment, security agreement or similar instrument is still in effect, except, in each case, for Liens not prohibited by Section 6.02 of the Credit Agreement.

SECTION 3.03. Covenants.

Each Grantor shall, at its own expense, take any and all commercially reasonable actions necessary to defend title to the Article 9 Collateral against all Persons, except with respect to Article 9 Collateral that such Grantor determines in its reasonable business judgment is no longer necessary or beneficial to the conduct of such Grantor's business, and to defend the Security Interest of the Collateral Agent in the Article 9 Collateral and the priority thereof against any Lien not permitted pursuant to the Security Documents and Section 6.02 of the Credit Agreement, subject to the rights of such Grantor under Section 9.15 of the Credit Agreement and corresponding provisions of the Security Documents to obtain a release of the Liens created under the Security Documents.

Each Grantor agrees, at its own expense, to execute, acknowledge, deliver and cause to be duly filed all such further instruments and documents and take all such actions as the Collateral Agent may from time to time reasonably request to better assure, preserve, protect and perfect the Security Interest and the rights and remedies created hereby, including the payment of any fees and Taxes required in connection with the execution and delivery of this Agreement, the granting of the Security Interest and the filing of any financing statements (including fixture filings) or other documents in connection herewith or therewith. If any amount payable under or in connection with any of the Article 9 Collateral shall be or become evidenced by any promissory note (which may be a global note) or other instrument (other than any promissory note or other instrument in an aggregate principal amount of less than \$50,000,000 owed to the applicable Grantor by any Person), such note or instrument shall be promptly (but in any event within 60 days of receipt by such Grantor or such longer period as the Collateral Agent may agree in its reasonable discretion) pledged and delivered to the Collateral Agent, for the benefit of the Secured Parties, together with an undated instrument of transfer duly executed in blank and in a manner reasonably satisfactory to the Collateral Agent.

Without limiting the generality of the foregoing, each Grantor hereby authorizes the Collateral Agent, with prompt written notice thereof to the Grantors, to supplement this Agreement by supplementing Schedule III or adding additional schedules hereto to identify specifically any asset or item that may constitute an application or registration for any Copyright, Patent or Trademark; provided that any Grantor shall have the right, exercisable within 10 days (or such longer period as shall be agreed by the Company and the Collateral Agent) after it has been notified in writing by the Collateral Agent of the specific identification of such Collateral, to advise the Collateral Agent in writing of any inaccuracy (i) with respect to such supplement or additional schedule or (ii) of the representations and warranties made by such Grantor hereunder with respect to such Collateral. Each Grantor agrees that, at the reasonable request

of the Collateral Agent, it will use commercially reasonable efforts to take such action as shall be reasonably necessary in order that all representations and warranties hereunder shall be true and correct with respect to such Collateral within 10 days (or such longer period as shall be agreed by the Company and the Collateral Agent) after the date it has been notified in writing by the Collateral Agent of the specific identification of such Collateral.

In the event that any such Grantor, whether by acquisition, assignment, filing or otherwise, acquires any right in Intellectual Property (including, without limitation, continuation-in-part patent applications) after the date hereof (collectively, the "After-Acquired Intellectual Property"), such After-Acquired Intellectual Property shall automatically be included as part of the Collateral and shall be subject to the terms and conditions of this Agreement. Promptly upon the end of each fiscal quarter, but no later than 10 business days thereafter, such Grantor shall provide the Collateral Agent an updated Schedule III identifying the After-Acquired Intellectual Property issued by, registered with or filed in the United States Patent and Trademark Office or the United States Copyright Office, as applicable, acquired during such fiscal quarter. Such Grantor shall, promptly after providing such updated Schedule III, execute and file with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, supplements to Exhibits II, III or IV, as applicable, to record the grant of the security interest hereunder in such After-Acquired Intellectual Property. As soon as practicable upon each such filing and recording, such Grantor shall deliver to the Collateral Agent true and correct copies of the relevant documents, instruments and receipts evidencing such filing and recording.

Subject to the terms of the Intercreditor Agreements, if an Event of Default shall have occurred and is continuing and the Collateral Agent shall have notified the Grantors of its intent to exercise such rights, at its option, the Collateral Agent may discharge past due taxes, assessments, charges, fees, Liens, security interests or other encumbrances at any time levied or placed on the Article 9 Collateral and not permitted pursuant to Section 6.02 of the Credit Agreement, and may pay for the maintenance and preservation of the Article 9 Collateral to the extent any Grantor fails to do so as required by the Credit Agreement, this Agreement or any other Loan Document and within a reasonable period of time after the Collateral Agent has requested that it do so, and each Grantor jointly and severally agrees to reimburse the Collateral Agent, within 10 days after demand, for any reasonable payment made or any reasonable expense incurred by the Collateral Agent pursuant to the foregoing authorization; provided that nothing in this paragraph shall be interpreted as excusing any Grantor from the performance of, or imposing any obligation on the Collateral Agent or any Secured Party to cure or perform, any covenants or other promises of any Grantor with respect to taxes, assessments, charges, fees, Liens, security interests or other encumbrances and maintenance as set forth herein or in the other Loan Documents.

Each Grantor shall remain liable, as between such Grantor and the relevant counterparty under each contract, agreement or instrument relating to the Article 9 Collateral, to observe and perform all the conditions and obligations to be observed and performed by it under such contract, agreement or instrument, all in accordance with the terms and conditions thereof, and each Grantor jointly and severally agrees to indemnify and hold harmless the Collateral Agent and the other Secured Parties from and against any and all liability for such performance.

It is understood that no Grantor shall be required by this Agreement to perfect the security interests created hereunder by any means other than (i) filings pursuant to the Uniform Commercial Code, (ii) filings with the United States Patent and Trademark Office or United States Copyright Office (or any successor office) in respect of registered Intellectual Property (provided that, with respect to Licenses, such filings shall be limited to exclusive Copyright Licenses under which such Grantor is a licensee) and (iii) in the case of Collateral that constitutes Tangible Chattel Paper, Pledged Securities, Instruments, Certificated Securities or Negotiable Documents, delivery thereof to the Collateral Agent in accordance with the terms

hereof (together with, where applicable, undated stock or note powers or other undated proper instruments of assignment). No Grantor shall be required to deliver control agreements or other control or similar arrangements with respect to Deposit Accounts and other bank or securities or commodities accounts or any other assets requiring perfection by control agreements.

Each Grantor irrevocably makes, constitutes and appoints the Collateral Agent (and all officers, employees or agents designated by the Collateral Agent) as such Grantor's true and lawful agent (and attorney-in-fact) for the purpose, subject to the Intercreditor Agreements, upon the occurrence and during the continuance of an Event of Default and after notice to the Company of its intent to exercise such rights, of making, settling and adjusting claims in respect of Article 9 Collateral under policies of insurance, endorsing the name of such Grantor on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance and for making all determinations and decisions with respect thereto. In the event that any Grantor at any time or times shall fail to obtain or maintain any of the policies of insurance required hereby or to pay any premium in whole or part relating thereto, the Collateral Agent may, without waiving or releasing any obligation or liability of the Grantors hereunder or any Default or Event of Default, in its sole discretion, obtain and maintain such policies of insurance and pay such premium and take any other actions with respect thereto as the Collateral Agent reasonably deems advisable. All sums disbursed by the Collateral Agent in connection with this paragraph, including reasonable out-of-pocket attorneys' fees, court costs, expenses and other charges relating thereto, shall be payable, within 10 days of demand, by the Grantors to the Collateral Agent and shall be additional Secured Obligations secured hereby.

SECTION 3.04. Other Actions. In order to further insure the attachment, perfection and priority of, and the ability of the Collateral Agent to enforce, the Security Interest, each Grantor agrees, in each case at such Grantor's own expense, to take the following actions with respect to the following Article 9 Collateral:

(a) Instruments. If any Grantor shall at any time hold or acquire any Instruments constituting Collateral (other than Instruments with a face amount of less than \$50,000,000 and other than checks to be deposited in the ordinary course of business), such Grantor shall promptly (but in any event within 60 days of receipt by such Grantor or such longer period as the Collateral Agent may agree in its reasonable discretion) endorse, assign and deliver the same to the Collateral Agent, accompanied by undated instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time reasonably request.

(b) Investment Property. Except to the extent otherwise provided in Article II, if any Grantor shall at any time hold or acquire any certificated securities, such Grantor shall forthwith endorse, assign and deliver the same to the Collateral Agent, accompanied by undated instruments of transfer or assignment duly executed in blank as the Collateral Agent may from time to time reasonably request.

(c) Letter-of-Credit Rights. If any Grantor is at any time a beneficiary under a letter of credit with an aggregate face amount in excess of \$50,000,000 now or hereafter issued in favor of such Grantor that is not a Supporting Obligation with respect to any of the Collateral, such Grantor shall promptly notify the Collateral Agent thereof and, at the request and option of the Collateral Agent, such Grantor shall, pursuant to an agreement in form and substance reasonably satisfactory to the Collateral Agent, either (i) use commercially reasonable efforts to arrange for the issuer and any confirmor of such letter of credit to consent to an assignment to the Collateral Agent of the proceeds of any drawing under such letter of credit or (ii) use commercially reasonable efforts to arrange for the Collateral Agent to become the transferee beneficiary of such letter of

credit, with the Collateral Agent agreeing, in each case, that the proceeds of any drawing under such letter of credit are to be paid to the applicable Grantor unless an Event of Default has occurred and is continuing. No actions shall be required to perfect a security interest in letter of credit rights, other than the filing of a UCC financing statement.

(d) Commercial Tort Claims. If any Grantor shall at any time hold or acquire a Commercial Tort Claim in an amount reasonably estimated to exceed \$50,000,000, such Grantor shall promptly notify the Collateral Agent thereof in a writing signed by such Grantor, including a summary description of such claim, and Schedule IV shall be deemed to be supplemented to include such description of such commercial tort claim as set forth in such writing.

(e) Limitations on Perfection. Notwithstanding anything herein to the contrary, no actions in any non-U.S. jurisdiction or required by the laws of any non-U.S. jurisdiction shall be required to be taken to create any security interests in assets located or titled outside of the United States (including any Equity Interests of any Foreign Subsidiary and foreign Intellectual Property) or to perfect or make enforceable any security interests in any such assets (it being understood that there shall be no Security Document (or other security agreements or pledge agreements) governed under the laws of any non-U.S. jurisdiction).

SECTION 3.05. Covenants Regarding Patent, Trademark and Copyright Collateral.

Except to the extent failure so to act could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term in the Credit Agreement, with respect to registration or pending application of each item of its Intellectual Property for which such Grantor has standing to do so, each Grantor agrees (i) to maintain the validity and enforceability of any registered Intellectual Property (or applications thereof) and to maintain such registrations and applications of Intellectual Property in full force and effect and (ii) to pursue the registration and maintenance of each Patent, Trademark or Copyright registration or application, now or hereafter included in the Intellectual Property of such Grantor, including the payment of required fees and taxes, the filing of responses to office actions issued by the U.S. Patent and Trademark Office, the U.S. Copyright Office or other governmental authorities, the filing of applications for renewal or extension, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, the filing of divisional, continuation, continuation-in-part, reissue and renewal applications or extensions, the payment of maintenance fees and the participation in interference, reexamination, opposition, cancellation, infringement and misappropriation proceedings.

Except as could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term in the Credit Agreement, no Grantor shall do or permit any act or knowingly omit to do any act whereby any of its Intellectual Property may lapse, be terminated, or become invalid or unenforceable or placed in the public domain (or in case of a trade secret, lose its competitive value).

Except where failure to do so could not reasonably be expected to have a Material Adverse Effect of the type referred to in clause (a) or (b) of the definition of such term in the Credit Agreement, each Grantor shall take all steps to preserve and protect each item of its Intellectual Property, including maintaining the quality of any and all products or services used or provided in connection with any of the Trademarks, consistent with the quality of the products and services as of the date hereof, and taking all steps necessary to ensure that all licensed users of any of the Trademarks abide by the applicable license's terms with respect to the standards of quality.

Nothing in this Agreement shall prevent any Grantor from disposing of, discontinuing the use or maintenance of, failing to pursue or otherwise allowing to lapse, terminate or put into the public domain any of its Intellectual Property to the extent permitted by the Credit Agreement if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

ARTICLE IV

Remedies

SECTION 4.01. Remedies upon Default. Subject to the terms of the Intercreditor Agreements, if an Event of Default shall have occurred and is continuing and the Collateral Agent shall have notified the Grantors of its intent to exercise such rights, each Grantor agrees to deliver, on demand, each item of Collateral to the Collateral Agent or any Person designated by the Collateral Agent, and it is agreed that the Collateral Agent shall have the right to take any of or all the following actions at the same or different times: (a) with respect to any Article 9 Collateral consisting of Intellectual Property, on demand, to cause the Security Interest to become an assignment, transfer and conveyance of any or all such Article 9 Collateral by the applicable Grantors to the Collateral Agent, for the benefit of the Secured Parties, or to license or sublicense, whether on an exclusive or nonexclusive basis, any such Article 9 Collateral throughout the world on such terms and conditions and in such manner as the Collateral Agent shall determine (other than in violation of any then-existing licensing arrangements to the extent that waivers cannot be obtained), and (b) with or without legal process and with or without demand for performance but with notice (which need not be prior notice), to take possession of the Article 9 Collateral and the Pledged Collateral and without liability for trespass to enter any premises where the Article 9 Collateral or the Pledged Collateral may be located for the purpose of taking possession of or removing the Article 9 Collateral and the Pledged Collateral and, generally, to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, each Grantor agrees that the Collateral Agent shall have the right, subject to the mandatory requirements of applicable law and the notice requirements described below, to sell or otherwise dispose of all or any part of the Collateral at a public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale of securities (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each such purchaser at any sale of Collateral shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal that such Grantor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

Subject to the terms of the Intercreditor Agreements, the Collateral Agent shall give the applicable Grantors no less than 10 days' written notice (which each Grantor agrees is reasonable notice within the meaning of Section 9-611 of the New York UCC or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Collateral, or

portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Collateral is made on credit or for future delivery, the Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent and the other Secured Parties shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Agreement, any Secured Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of any Grantor (all said rights being also hereby waived to the extent permitted by law), the Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to such Secured Party from any Grantor as a credit against the purchase price, and such Secured Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Grantor therefor. For purposes hereof, a written agreement to purchase the Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and no Grantor shall be entitled to the return of the Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Secured Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 4.01 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the New York UCC or its equivalent in other jurisdictions.

SECTION 4.02. Application of Proceeds. Subject to any applicable Intercreditor Agreements, the Collateral Agent shall apply the proceeds of any collection or sale of Collateral, including any Collateral consisting of cash, as follows:

FIRST, to the payment of all costs, fees and expenses incurred by or owed to the Collateral Agent in connection with such collection or sale or otherwise in connection with this Agreement, any other Loan Document or any of the Secured Obligations, including all court costs and the fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent hereunder or under any other Loan Document on behalf of any Grantor and any other costs or expenses incurred in connection with the exercise of any right or remedy hereunder or under any other Loan Document;

SECOND, to the payment in full of the Secured Obligations (the amounts so applied to be distributed among the Secured Parties pro rata in accordance with the amounts of the Secured Obligations owed to them on the date of any such distribution); and

THIRD, to the Grantors, their successors or assigns, or as a court of competent jurisdiction may otherwise direct.

The Collateral Agent shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Agreement. Upon any sale of Collateral by the Collateral

Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

SECTION 4.03. Grant of License to Use Intellectual Property. For the purpose of enabling the Collateral Agent to exercise rights and remedies under this Agreement, and in accordance with any Intercreditor Agreement, each Grantor, solely during the continuance of an Event of Default, grants to the Collateral Agent an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to the Grantors) to use, license or sublicense any of the Collateral consisting of Intellectual Property now owned or hereafter acquired by such Grantor, and wherever the same may be located, and including in such license reasonable access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof, in each case subject to any Grantor's reasonable security policies and obligations of confidentiality; provided, however, that nothing in this Section 4.03 shall require a Grantor to grant any license that (a) violates the express terms of any agreement between a Grantor and a third party governing the applicable Grantor's use of such Collateral consisting of Intellectual Property, or gives such third party any right of acceleration, modification or cancellation therein, or (b) is prohibited by any Requirements of Law; provided further that such licenses to be granted hereunder with respect to Trademarks shall be subject to the maintenance of quality standards with respect to the goods and services on which such Trademarks are used sufficient to preserve the validity of such Trademarks. The use of such license by the Collateral Agent may only be exercised, at the option of the Collateral Agent, during the continuation of an Event of Default; provided further that any license, sublicense or other transaction entered into by the Collateral Agent in accordance herewith shall be binding upon the Grantors notwithstanding any subsequent cure of an Event of Default.

SECTION 4.04. Securities Act. In view of the position of the Grantors in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder in accordance with any Intercreditor Agreement. Each Grantor understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral under applicable blue sky or other state securities laws or similar laws analogous in purpose or effect. Each Grantor recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion, (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws to the extent the Collateral Agent has determined that such a registration is not required by any Requirement of Law and (b) may approach and negotiate with a limited number of potential purchasers (including a single potential purchaser) to effect such sale. Each Grantor acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent and the other Secured Parties shall incur no responsibility or liability for selling all or any part of the Pledged Collateral at a price

that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a limited number of purchasers (or a single purchaser) were approached. The provisions of this Section 4.04 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

ARTICLE V

Miscellaneous

SECTION 5.01. Notices. All communications and notices hereunder shall (except as otherwise expressly permitted herein) be in writing and given as provided in Section 9.01 of the Credit Agreement. All communications and notices hereunder to any Grantor shall be given to it in care of Holdings as provided in Section 9.01 of the Credit Agreement.

SECTION 5.02. Waivers; Amendment.

No failure or delay by the Collateral Agent or any Lender or any other Secured Party in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Collateral Agent, the Lenders and the other Secured Parties hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any Loan Party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 5.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default, regardless of whether the Collateral Agent, any Lender or any other Secured Party may have had notice or knowledge of such Default at the time. No notice or demand on any Loan Party in any case shall entitle any Loan Party to any other or further notice or demand in similar or other circumstances.

Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Collateral Agent and the Grantor or Grantors with respect to which such waiver, amendment or modification is to apply, subject to any consent required in accordance with Section 9.02 of the Credit Agreement; provided that the Collateral Agent may, without the consent of any Secured Party, consent to a departure by any Grantor from any covenant of such Grantor set forth herein to the extent such departure is consistent with the authority of the Collateral Agent set forth in the definition of the term "Collateral and Guarantee Requirement" in the Credit Agreement.

SECTION 5.03. Collateral Agent's Fees and Expenses; Indemnification.

Each Grantor, jointly with the other Grantors and severally, agrees to reimburse the Collateral Agent for its fees and expenses incurred hereunder as provided in Section 9.03(a) of the Credit Agreement; provided that each reference therein to the "Company" or the "Borrower" shall be deemed to be a reference to "each Grantor" and each reference therein to the "Administrative Agent" shall be deemed to be a reference to the "Collateral Agent".

Without limitation of its indemnification obligations under the other Documents, each Grantor, jointly with the other Grantors and severally, agrees to indemnify the Collateral Agent and the other Indemnitees against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee by any third party or by Holdings or any Subsidiary arising out of, in connection with, or as a result of, the execution, delivery or performance of this Agreement or any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether brought by a third party or by Holdings or any Subsidiary and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final, non-appealable judgment to have resulted from the gross negligence or willful misconduct of, or breach of the Loan Documents by, such Indemnitee or its Related Parties.

To the fullest extent permitted by applicable law, no Grantor shall assert, and each Grantor hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such damages are determined by a court of competent jurisdiction by final, non-appealable judgment to have resulted from the gross negligence or willful misconduct of, or breach of the Loan Documents by, such Indemnitee or its Related Parties, or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, any Loan Document or any agreement or instrument contemplated thereby, the Transactions, any Loan or the use of the proceeds thereof.

The provisions of this Section 5.03 shall remain operative and in full force and effect regardless of the termination of this Agreement or any other Loan Document, the consummation of the transactions contemplated hereby or thereby, the repayment of any of the Secured Obligations, the invalidity or unenforceability of any term or provision of this Agreement or any other Loan Document, or any investigation made by or on behalf of any Secured Party. All amounts due under this Section shall be payable not later than 10 Business Days after written demand therefor; provided, however, any Indemnitee shall promptly refund an indemnification payment received hereunder to the extent that there is a final judicial determination that such Indemnitee was not entitled to indemnification with respect to such payment pursuant to this Section 5.03. Any such amounts payable as provided hereunder shall be additional Secured Obligations.

SECTION 5.04. Successors and Assigns. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the permitted successors and assigns of such party; and all covenants, promises and agreements by or on behalf of any Grantor or the Collateral Agent that are contained in this Agreement shall bind and inure to the benefit of their respective successors and assigns.

SECTION 5.05. Survival of Agreement. All covenants, agreements, representations and warranties made by the Loan Parties in this Agreement or any other Loan Document and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the Secured Parties and shall survive the execution and delivery of the Loan Documents and the making of any Loans, regardless of any investigation made by or on behalf of any Secured Party and notwithstanding that the Collateral Agent, any Lender or any other Secured Party may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended under the Credit Agreement or any other Loan Document, and shall continue in full force and effect until such time as (a) all the Loan Document

Obligations (excluding contingent obligations not yet due) have been paid in full in cash and (b) all Commitments have terminated or expired.

SECTION 5.06. Counterparts; Effectiveness; Several Agreement. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement. This Agreement shall become effective as to any Grantor when a counterpart hereof executed on behalf of such Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent and thereafter shall be binding upon such Grantor and the Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of such Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that no Grantor shall have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly provided in this Agreement and the Credit Agreement. This Agreement shall be construed as a separate agreement with respect to each Grantor and may be amended, modified, supplemented, waived or released with respect to any Grantor without the approval of any other Grantor and without affecting the obligations of any other Grantor hereunder.

SECTION 5.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of such invalid, illegal or unenforceable provisions.

SECTION 5.08. Right of Set-Off. If an Event of Default under Sections 7.01(a), (b), (h) or (i) of the Credit Agreement shall have occurred and be continuing, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender to or for the credit or the account of any Grantor against any of and all the obligations of such Grantor then due and owing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such Indebtedness. The applicable Lender shall notify the applicable Grantor and the Collateral Agent of such setoff and application; provided that any failure to give or any delay in giving such notice shall not affect the validity of any such setoff and application under this Section 5.08. The rights of each Lender under this Section 5.08 are in addition to other rights and remedies (including other rights of setoff) that such Lender may have. Notwithstanding the foregoing, no amount set off from any Guarantor shall be applied to any Excluded Swap Obligation of such Guarantor.

SECTION 5.09. Governing Law; Jurisdiction; Consent to Service of Process; Appointment of Service of Process Agent.

This Agreement shall be construed in accordance with and governed by the law of the State of New York.

Each party to this Agreement hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Collateral Agent, Lender or any other Secured Party may otherwise have to bring any action or proceeding relating to this Agreement against any Grantor or its respective properties in the courts of any jurisdiction.

Each party to this Agreement hereby irrevocably waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 5.01. Nothing in any Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Each Grantor hereby irrevocably designates, appoints and empowers the Company and each Borrower as its designee, appointee and agent to receive, accept and acknowledge for and on its behalf, and in respect of its property, service of any and all legal process, summons, notices and documents that may be served in any such action or proceeding.

SECTION 5.10. **WAIVER OF JURY TRIAL.** EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 5.10.

SECTION 5.11. **Headings.** Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or to be taken into consideration in interpreting, this Agreement.

SECTION 5.12. **Security Interest Absolute.** All rights of the Collateral Agent hereunder, the Security Interest, the grant of a security interest in the Pledged Collateral and all obligations of each Grantor hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Credit Agreement, any other Loan Document, any agreement with respect to any of the Secured Obligations or any other agreement or instrument relating to any of the foregoing, (b) any

change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment or waiver of or any consent to any departure from the Credit Agreement, any other Loan Document or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee securing or guaranteeing all or any of the Secured Obligations or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, any Grantor in respect of the Secured Obligations or this Agreement.

SECTION 5.13. Termination or Release.

This Agreement, the Security Interest and all other security interests granted hereby shall terminate when (i) all the Secured Obligations (other than contingent obligations not yet due) have been paid in full in cash and (ii) all Commitments have terminated or expired.

The Security Interest and all other security interests granted hereby shall also terminate and be released at the time or times and in the manner set forth in Section 9.15 of the Credit Agreement. A Subsidiary Loan Party shall also be released from its obligations under this Agreement at the time or times and in the manner set forth in Section 9.15 of the Credit Agreement.

In connection with any termination or release pursuant to paragraph (a) or (b) of this Section, the Collateral Agent shall execute and deliver to any Loan Party, at such Loan Party's expense, all documents that such Loan Party shall reasonably request to evidence such termination or release. Any execution and delivery of documents by the Collateral Agent pursuant to this Section shall be without recourse to or warranty by the Collateral Agent.

SECTION 5.14. Additional Grantors. Pursuant to the Credit Agreement, additional Subsidiaries of Holdings may or may be required to become Grantors after the date hereof. Upon execution and delivery by the Collateral Agent and such Subsidiary of Holdings of a Supplement, any such Subsidiary shall become a Grantor hereunder with the same force and effect as if originally named as such herein. The execution and delivery of any such instrument shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any Subsidiary of Holdings as a party to this Agreement.

SECTION 5.15. Collateral Agent Appointed Attorney-in-Fact. Each Grantor hereby appoints the Collateral Agent the attorney-in-fact of such Grantor for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof at any time after and during the continuance of an Event of Default, which appointment is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, but only upon the occurrence and during the continuance of an Event of Default and notice by the Collateral Agent to the Company of its intent to exercise such rights, with full power of substitution either in the Collateral Agent's name or in the name of such Grantor (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Collateral; (c) to sign the name of any Grantor on any invoice or bill of lading relating to any of the Collateral; (d) to send verifications of Accounts Receivable to any Account Debtor; (e) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Collateral or to enforce any rights in respect of any Collateral; (f) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Collateral; (g) to notify, or to require any Grantor to notify,

Account Debtors to make payment directly to the Collateral Agent; and (h) to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Collateral, and to do all other acts and things necessary to carry out the purposes of this Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Collateral for all purposes; provided that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the other Secured Parties shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct or that of any of their Affiliates, directors, officers, employees, counsel, agents or attorneys-in-fact.

SECTION 5.16. Intercreditor Agreements Govern. Notwithstanding anything herein to the contrary, the lien and security interest granted to the Collateral Agent pursuant to this Agreement and the exercise of any right or remedy by the Collateral Agent hereunder are subject to the provisions of the Intercreditor Agreements. In the event of any conflict between the terms of the Intercreditor Agreements and this Agreement, the terms of the Intercreditor Agreements shall govern.

SECTION 5.17. Effectiveness of Merger 2. Merger Co shall have no rights or obligations hereunder until the consummation of Merger 2, and any representations and warranties of the Merger Co hereunder shall not become effective until such time. Upon consummation of Merger 2, the Merger Co shall succeed to all the rights and obligations of Dell International under this Agreement and the other Loan Documents to which it is a party and all representations and warranties of Merger Co shall become effective as of such time, without any further action by any Person.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

DENALI INTERMEDIATE INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

DELL INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

DELL INTERNATIONAL L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

EMC CORPORATION

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant Secretary

Signature Page to Collateral Agreement

AELITA SOFTWARE CORPORATION
ASAP SOFTWARE EXPRESS INC.
AVENTAIL LLC
BAKbone SOFTWARE, INC.
CREDANT TECHNOLOGIES INTERNATIONAL, INC.
CREDANT TECHNOLOGIES, INC.
DELL AMERICA LATINA CORP.
DELL COLOMBIA INC.
DELL COMPUTER HOLDINGS L.P.
DELL DFS CORPORATION
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 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 RECEIVABLES CORPORATION
DELL RECEIVABLES GP L.L.C.
DELL RECEIVABLES L.P.
DELL RECEIVABLES LP L.L.C.
DELL REVOLVER FUNDING L.L.C.
DELL SOFTWARE INC.
DELL SYSTEMS CORPORATION
DELL USA CORPORATION
DELL USA GP L.L.C.
DELL USA L.P.
DELL USA LP L.L.C.
DELL WORLD TRADE CORPORATION
DELL WORLD TRADE GP L.L.C.
DELL WORLD TRADE L.P.
DELL WORLD TRADE LP L.L.C.
DENALI FINANCE CORP.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

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ENSTRATIUS, INC.
FORCE10 NETWORKS, INC.
FORCE10 NETWORKS GLOBAL, INC.
FORCE10 NETWORKS INTERNATIONAL, INC.
LICENSE TECHNOLOGIES GROUP, INC.
PRSM CORPORATION
PSC GP CORPORATION
PSC HEALTHCARE SOFTWARE, INC.
PSC LP CORPORATION
PSC MANAGEMENT LIMITED PARTNERSHIP
QUEST HOLDING COMPANY, LLC
QUEST SOFTWARE PUBLIC SECTOR, INC.
SCRIPTLOGIC CORPORATION
STATSOFT HOLDINGS, INC.
STATSOFT, INC.
WYSE TECHNOLOGY L.L.C.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

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

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Secretary

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

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Secretary

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DELL SERVICES FEDERAL GOVERNMENT, INC.
DELL SYSTEMS COMMUNICATIONS SERVICES,
INC.

By: /s/ George C. Newstrom
Name: George C. Newstrom
Title: President

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TRANSACTION APPLICATIONS GROUP, INC.

By: /s/ Rohit Puri
Name: Rohit Puri
Title: President

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DELL FINANCIAL SERVICES L.L.C.

By: /s/ **Tyler Johnson**
Name: Tyler Johnson
Title: Vice President and Treasurer

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By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

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The undersigned hereby confirms that, upon and as a result of the merger of Dell International L.L.C. with the undersigned, it will assume all of the rights and obligations of Dell International L.L.C. under this Agreement (in furtherance of, and not in lieu of, any assumption or deemed assumption as a matter of law) and will be joined to this Agreement as a Borrower.

NEW DELL INTERNATIONAL LLC
By: DELL INC., its sole member

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

Signature Page to Collateral Agreement

CONFIGURESOFT INTERNATIONAL HOLDINGS,
INC.
DATA GENERAL INTERNATIONAL, INC.
EMC INVESTMENT CORPORATION
EMC PUERTO RICO, INC.
EVOLUTIONARY CORPORATION
IOMEGA LATIN AMERICA, INC.
MOZY, INC.
WOODLAND STREET PARTNERS, INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant
Secretary

900 WEST PARK DRIVE LLC
EMC CLOUD SERVICES LLC
EMC SOUTH STREET INVESTMENTS LLC
FLANDERS ROAD HOLDINGS LLC
IOMEGA LLC
IWAVE SOFTWARE LLC
MAGINATICS LLC
NBT INVESTMENT PARTNERS LLC
NEWFOUND INVESTMENT PARTNERS LLC
SCALEIO LLC

In each case by sole member EMC CORPORATION

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant
Secretary

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By its sole member Mozy, Inc.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Senior Vice President and Assistant

Secretary

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EMC IP HOLDING COMPANY LLC
By its sole member DENALI INTERMEDIATE INC.

By: /s/ Janet B. Wright
Name: Janet B. Wright
Title: Vice President and Assistant Secretary

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CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent

By: /s/ Judith E. Smith
Name: Judith E. Smith
Title: Authorized Signatory

By: /s/ D. Andrew Maletta
Name: D. Andrew Maletta
Title: Authorized Signatory

Signature Page to Collateral Agreement

GRANTORS

	Name	Jurisdiction of Formation
Denali Intermediate Inc.		Delaware
Dell Inc.		Delaware
Denali Finance Corp.		Delaware
Dell International L.L.C. ¹		Delaware
Aelita Software Corporation		Delaware
ASAP Software Express, Inc.		Illinois
Aventail LLC		Delaware
BakBone Software Inc.		California
Credant Technologies International, Inc.		Delaware
Credant Technologies, Inc.		Delaware
DCC Executive Security Inc.		Delaware
Dell America Latina Corp.		Delaware
Dell Colombia Inc.		Delaware
Dell Computer Holdings L.P.		Texas
Dell DFS Corporation		Delaware
Dell Federal Systems Corporation		Delaware
Dell Federal Systems GP L.L.C.		Delaware
Dell Federal Systems L.P.		Texas
Dell Federal Systems LP L.L.C.		Delaware
Dell Financial Services L.L.C.		Delaware
Dell Global Holdings L.L.C.		Delaware
Dell Marketing Corporation		Delaware
Dell Marketing GP L.L.C.		Delaware
Dell Marketing L.P.		Texas
Dell Marketing LP L.L.C.		Delaware
Dell Product and Process Innovation Services Corp.		Delaware
Dell Products Corporation		Delaware
Dell Products GP L.L.C.		Delaware
Dell Products L.P.		Texas
Dell Products LP L.L.C.		Delaware
Dell Protective Services Inc.		Delaware
Dell Receivables Corporation		Delaware
Dell Receivables GP L.L.C.		Delaware
Dell Receivables L.P.		Texas
Dell Receivables LP L.L.C.		Delaware
Dell Revolver Company L.P.		Delaware
Dell Revolver Funding L.L.C.		Nevada
Dell Revolver GP L.L.C.		Delaware
Dell Services Federal Government, Inc.		Virginia
Dell Software Inc.		Delaware
Dell Systems Communications Services, Inc.		Delaware
Dell USA Corporation		Delaware

Dell USA GP L.L.C.	Delaware
Dell USA L.P.	Texas
Dell USA LP L.L.C.	Delaware
Dell World Trade Corporation	Delaware
Dell World Trade GP L.L.C.	Delaware
Dell World Trade L.P.	Texas
Dell World Trade LP L.L.C.	Delaware
Enstratius, Inc.	Delaware
Force10 Networks Global, Inc.	Delaware
Force10 Networks International, Inc.	Delaware
Force10 Networks, Inc.	Delaware
License Technologies Group, Inc.	Delaware
Dell Systems Corporation	Texas
PiSM Corporation	Tennessee
PSC GP Corporation	Delaware
PSC Healthcare Software, Inc.	Delaware
PSC LP Corporation	Delaware
PSC Management Limited Partnership	Texas
Quest Holding Company, LLC	California
Quest Software Public Sector, Inc.	Delaware
ScriptLogic Corporation	Delaware
StatSoft, Inc.	Delaware
StatSoft Holdings, Inc.	Delaware
Transaction Applications Group, Inc.	Nebraska
Wyse Technology L.L.C.	Delaware
EMC Corporation	Massachusetts
EMC South Street Investments LLC	Delaware
Newfound Investment Partners LLC	Delaware
Flanders Road Holdings LLC	Delaware
900 West Park Drive LLC	Delaware
Configuresoft International Holdings, Inc.	Delaware
Woodland Street Partners, Inc.	Delaware
EMC Puerto Rico, Inc.	Delaware
EMC Investment Corporation	Delaware
Data General International, Inc.	Delaware
Maginatics LLC	Delaware
Evolutionary Corporation	Delaware
iWAVE Software, LLC	Texas
Scaleio LLC	Delaware
Iomega LLC	Delaware
Iomega Latin America, Inc.	Delaware
Spanning Cloud Apps LLC	Delaware
Mozy, Inc.	Delaware
EMC Cloud Services LLC	Delaware
NBT Investment Partners LLC	Delaware
EMC IP Holding Company LLC	Delaware

PLEDGED EQUITY INTERESTS

Schedule 4 of the Information Certificate is herein incorporated by reference.

PLEDGED DEBT SECURITIES

Schedule 5 of the Information Certificate is herein incorporated by reference.

INTELLECTUAL PROPERTY

Schedule 7 of the Information Certificate is incorporated herein by reference.

COMMERCIAL TORT CLAIMS

Schedule 8 of the Information Certificate is incorporated herein by reference.

SUPPLEMENT NO. __ dated as of [] (this "Supplement"), to the Collateral Agreement, dated as of September 7, 2016 (the "Collateral Agreement"), among DELL INTERNATIONAL L.L.C., a Delaware limited liability company ("Dell International"), New Dell International LLC, EMC CORPORATION, a Massachusetts corporation (the "Target"), DENALI INTERMEDIATE INC., a Delaware corporation ("Holdings"), DELL INC., a Delaware corporation (the "Company"), the other GRANTORS party hereto from time to time and CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent (in such capacity and together with successors in such capacity, the "Collateral Agent").

Reference is made to the Credit Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among Holdings, the Company, Dell International (a "Borrower"), New Dell International LLC, Universal Acquisition Co., a Delaware corporation (a "Borrower", and with Dell International, the "Borrowers", which on the Effective Date shall be merged with and into Target, with Target surviving such merger), the Lenders party thereto, JPMorgan Chase Bank, N.A., as Term Loan A/Revolver Administrative Agent and Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent and (b) the Collateral Agreement.

B. Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Credit Agreement and the Collateral Agreement, as applicable.

C. The Grantors have entered into the Collateral Agreement in order to induce the Lenders to make Loans. Section 5.14 of the Collateral Agreement provides that additional Subsidiaries of Holdings may become Grantors under the Collateral Agreement by execution and delivery of an instrument in the form of this Supplement. The undersigned Subsidiary (the "New Grantor") is executing this Supplement in accordance with the requirements of the Credit Agreement to become a Grantor under the Collateral Agreement in order to induce Lenders to make additional loans as consideration for Loans previously issued pursuant to the Credit Agreement.

Accordingly, the Collateral Agent and the New Grantor agree as follows:

SECTION 1. In accordance with Section 5.14 of the Collateral Agreement, the New Grantor by its signature below becomes a Grantor under the Collateral Agreement with the same force and effect as if originally named therein as a Grantor, and the New Grantor hereby (a) agrees to all the terms and provisions of the Collateral Agreement applicable to it as a Grantor thereunder and (b) represents and warrants that the representations and warranties made by it as a Grantor thereunder are true and correct on and as of the date hereof. In furtherance of the foregoing, the New Grantor, as security for the payment and performance in full of the Secured Obligations (as defined in the Collateral Agreement), does hereby create and grant to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest in and lien on all of the New Grantor's right, title and interest in, to and under the Pledged Collateral and the Article 9 Collateral (as each such term is defined in the Collateral Agreement). Each reference to a "Grantor" in the Collateral Agreement shall be deemed to include the New Grantor. The Collateral Agreement is hereby incorporated by reference herein.

SECTION 2. The New Grantor represents and warrants to the Collateral Agent and the other Secured Parties that this Supplement has been duly authorized, executed and delivered by it and

Exhibit I-1

constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except to the extent that enforceability of such obligations may be limited by applicable bankruptcy, insolvency and other similar laws affecting creditors' rights generally.

SECTION 3. This Supplement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Supplement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Supplement. This Supplement shall become effective as to the New Grantor when a counterpart hereof executed on behalf of the New Grantor shall have been delivered to the Collateral Agent and a counterpart hereof shall have been executed on behalf of the Collateral Agent, and thereafter shall be binding upon the New Grantor and the Collateral Agent and their respective permitted successors and assigns, and shall inure to the benefit of the New Grantor, the Collateral Agent and the other Secured Parties and their respective successors and assigns, except that the New Grantor shall not have the right to assign or transfer its rights or obligations hereunder or any interest herein (and any such assignment or transfer shall be void) except as expressly provided in this Supplement, the Collateral Agreement and the Credit Agreement.

SECTION 4. The New Grantor hereby represents and warrants that (a) set forth on Schedule I attached hereto is a schedule with the true and correct legal name of the New Grantor, its jurisdiction of formation and the location of its chief executive office, (b) Schedule II sets forth a true and complete list, with respect to the New Grantor, of (i) all the Equity Interests owned by the New Grantor in any Subsidiary and the percentage of the issued and outstanding units of each class of the Equity Interests of the issuer thereof represented by the Pledged Equity Interests owned by the New Grantor and (ii) all the Pledged Debt Securities owned by the New Grantor and (c) Schedule III attached hereto sets forth, as of the date hereof, (i) all of the New Grantor's Patents constituting Article 9 Collateral, including the name of the registered owner, type, registration or application number and the expiration date (if already registered) of each such Patent owned by the New Grantor, (ii) all of the New Grantor's Trademarks constituting Article 9 Collateral, including the name of the registered owner, the registration or application number and the expiration date (if already registered) of each such Trademark owned by the New Grantor, and (iii) all of the New Grantor's Copyrights constituting Article 9 Collateral, including the name of the registered owner, title and, if applicable, the registration number of each such Copyright owned by the New Grantor, and (d) Schedule IV attached hereto sets forth, as of the date hereof, each Commercial Tort Claim in respect of which a complaint or counterclaim has been filed by the New Grantor seeking damages in an amount of \$50,000,000 or more.

SECTION 5. Except as expressly supplemented hereby, the Collateral Agreement shall remain in full force and effect.

SECTION 6. THIS SUPPLEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

SECTION 7. Any provision of this Supplement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace any invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of such invalid, illegal or unenforceable provisions.

Exhibit I-2

SECTION 8. All communications and notices hereunder shall be in writing and given as provided in Section 9.03(a) of the Credit Agreement; *provided* that each reference therein to the “Company” or the “Borrower” shall be deemed to be a reference to “the New Grantor” and each reference therein to the “Administrative Agent” shall be deemed to be a reference to the “Collateral Agent”.

SECTION 9. The New Grantor agrees to reimburse the Collateral Agent for its fees and expenses incurred hereunder and under the Collateral Agreement.

SECTION 10. The recitals contained herein shall be taken as the statements of the New Grantor and the Collateral Agent assumes no responsibility for their correctness. The Collateral Agent makes no representations as to the validity or sufficiency of this Supplement to the Collateral Agreement.

Exhibit I-3

IN WITNESS WHEREOF, the New Grantor and the Collateral Agent have duly executed this Supplement to the Collateral Agreement as of the day and year first above written.

[NAME OF NEW GRANTOR],

By: _____
Name:
Title:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Collateral Agent

By: _____
Name:
Title:

Exhibit I-1

Name

Jurisdiction of Formation

Chief Executive Office

PLEDGED EQUITY INTERESTS

<u>Grantor</u>	<u>Issuer</u>	Number of <u>Certificate</u>	Number and Class of <u>Equity Interests</u>	Percentage <u>of Equity Interests</u>
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PLEDGED DEBT SECURITIES

<u>Grantor</u>	<u>Issuer</u>	Principal <u>Amount</u>	<u>Date of Note</u>	<u>Maturity Date</u>
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INTELLECTUAL PROPERTY

COMMERCIAL TORT CLAIMS

COPYRIGHT SECURITY AGREEMENT dated as of [], 20[] (this “Agreement”), among [] (the “Grantor”) and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (in such capacity, the “Collateral Agent”).

Reference is made to (a) the Credit Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among DENALI INTERMEDIATE INC., a Delaware corporation (“Holdings”), DELL INC., a Delaware corporation (the “Company”), DELL INTERNATIONAL L.L.C., a Delaware limited liability company (“Dell International” and a “Borrower”), NEW DELL INTERNATIONAL LLC, UNIVERSAL ACQUISITION CO., a Delaware corporation (a “Borrower” and together with Dell International, the “Borrowers”, which on the Effective Date shall be merged with and into EMC Corporation, a Massachusetts corporation (the “Target”), with EMC Corporation surviving such merger, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Term Loan A/Revolver Administrative Agent and Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent and (b) the Collateral Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among the Company, the Borrowers, the other grantors from time to time party thereto and the Collateral Agent. The Lenders have agreed to extend credit to the Borrowers subject to the terms and conditions set forth in the Credit Agreement. The obligations of the Lenders to extend such credit are conditioned upon, among other things, the execution and delivery of this Agreement. The Grantors (other than the Borrowers) are Affiliates of the Borrowers, will derive substantial benefits from the extension of credit to the Borrowers pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

SECTION 1. Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Collateral Agreement or the Credit Agreement, as applicable. The rules of construction specified in Section 1.01(b) of the Collateral Agreement also apply to this Agreement.

SECTION 2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the “Security Interest”) in all of such Grantor’s right, title and interest in, to and under any Copyrights now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I, and any exclusive Copyright Licenses under which such Grantor is a licensee, including those listed on Schedule II (collectively, the “Copyright Collateral”).

SECTION 3. Collateral Agreement. The Security Interest granted to the Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Collateral Agent pursuant to the Collateral Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the Copyright Collateral are more fully set forth in the Collateral Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Collateral Agreement, the terms of the Collateral Agreement shall govern.

Exhibit II-1

SECTION 4. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

[Remainder of this page intentionally left blank]

Exhibit II-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit II-3

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent,

By: _____
Name:
Title:

By: _____
Name:
Title:

Exhibit II-4

Schedule I

Schedule II

PATENT SECURITY AGREEMENT dated as of [], 20[] (this "Agreement"), among [] (the "Grantor") and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (in such capacity, the "Collateral Agent").

Reference is made to (a) the Credit Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among DENALI INTERMEDIATE INC., a Delaware corporation ("Holdings"), DELL INC., a Delaware corporation (the "Company"), DELL INTERNATIONAL L.L.C., a Delaware limited liability company ("Dell International" and a "Borrower"), NEW DELL INTERNATIONAL LLC, UNIVERSAL ACQUISITION CO., a Delaware corporation (a "Borrower" and together with Dell International, the "Borrowers", which on the Effective Date shall be merged with and into EMC Corporation, a Massachusetts corporation (the "Target"), with EMC Corporation surviving such merger, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Term Loan A/Revolver Administrative Agent and Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent and (b) the Collateral Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the "Collateral Agreement"), among the Company, the Borrowers, the other grantors from time to time party thereto and the Collateral Agent. The Lenders have agreed to extend credit to the Borrowers subject to the terms and conditions set forth in the Credit Agreement. The obligations of the Lenders to extend such credit are conditioned upon, among other things, the execution and delivery of this Agreement. The Grantors (other than the Borrowers) are Affiliates of the Borrowers, will derive substantial benefits from the extension of credit to the Borrowers pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

SECTION 1. **Terms.** Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Collateral Agreement or the Credit Agreement, as applicable. The rules of construction specified in Section 1.01(b) of the Collateral Agreement also apply to this Agreement.

SECTION 2. **Grant of Security Interest.** As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the "Security Interest") in all of such Grantor's right, title and interest in, to and under any Patents now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I (the "Patent Collateral").

SECTION 3. **Collateral Agreement.** The Security Interest granted to the Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Collateral Agent pursuant to the Collateral Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the Patent Collateral are more fully set forth in the Collateral Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Collateral Agreement, the terms of the Collateral Agreement shall govern.

SECTION 4. **Counterparts.** This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to

Exhibit III-1

this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

[Remainder of this page intentionally left blank]

Exhibit III-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit III-3

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent,

By: _____
Name:
Title:

By: _____
Name:
Title:

Exhibit III-4

Schedule I

TRADEMARK SECURITY AGREEMENT dated as of [], 20[] (this “Agreement”), among [] (the “Grantor”) and Credit Suisse AG, Cayman Islands Branch, as Collateral Agent (in such capacity, the “Collateral Agent”).

Reference is made to (a) the Credit Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the “Credit Agreement”), among DENALI INTERMEDIATE INC., a Delaware corporation (“Holdings”), DELL INC., a Delaware corporation (the “Company”), DELL INTERNATIONAL L.L.C., a Delaware limited liability company (“Dell International” and a “Borrower”), NEW DELL INTERNATIONAL LLC, UNIVERSAL ACQUISITION CO., a Delaware corporation (a “Borrower” and together with Dell International, the “Borrowers”, which on the Effective Date shall be merged with and into EMC Corporation, a Massachusetts corporation (the “Target”), with EMC Corporation surviving such merger, the Lenders party thereto, JPMorgan Chase Bank, N.A., as Term Loan A/Revolver Administrative Agent and Credit Suisse AG, Cayman Islands Branch, as Term Loan B Administrative Agent and Collateral Agent and (b) the Collateral Agreement dated as of September 7, 2016 (as amended, supplemented or otherwise modified from time to time, the “Collateral Agreement”), among the Company, the Borrowers, the other grantors from time to time party thereto and the Collateral Agent. The Lenders have agreed to extend credit to the Borrowers subject to the terms and conditions set forth in the Credit Agreement. The obligations of the Lenders to extend such credit are conditioned upon, among other things, the execution and delivery of this Agreement. The Grantors (other than the Borrowers) are Affiliates of the Borrowers, will derive substantial benefits from the extension of credit to the Borrowers pursuant to the Credit Agreement and are willing to execute and deliver this Agreement in order to induce the Lenders to extend such credit. Accordingly, the parties hereto agree as follows:

SECTION 1. Terms. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings specified in the Collateral Agreement or the Credit Agreement, as applicable. The rules of construction specified in Section 1.01(b) of the Collateral Agreement also apply to this Agreement.

SECTION 2. Grant of Security Interest. As security for the payment or performance, as the case may be, in full of the Secured Obligations, the Grantor hereby grants to the Collateral Agent, its successors and assigns, for the benefit of the Secured Parties, a security interest (the “Security Interest”) in all of such Grantor’s right, title and interest in, to and under any Trademarks now owned or at any time hereafter acquired by such Grantor, including those listed on Schedule I (the “Trademark Collateral”).

SECTION 3. Collateral Agreement. The Security Interest granted to the Collateral Agent herein is granted in furtherance, and not in limitation, of the security interests granted to the Collateral Agent pursuant to the Collateral Agreement. The Grantor hereby acknowledges and affirms that the rights and remedies of the Collateral Agent with respect to the Trademark Collateral are more fully set forth in the Collateral Agreement, the terms and provisions of which are hereby incorporated herein by reference as if fully set forth herein. In the event of any conflict between the terms of this Agreement and the Collateral Agreement, the terms of the Collateral Agreement shall govern.

SECTION 4. Counterparts. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original but all of

Exhibit IV-1

which when taken together shall constitute a single contract. Delivery of an executed signature page to this Agreement by facsimile or other electronic transmission shall be effective as delivery of a manually signed counterpart of this Agreement.

SECTION 5. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

[Remainder of this page intentionally left blank]

Exhibit IV-2

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

[],

By:
Name:
Title:

Exhibit IV-3

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Collateral Agent,

By: _____
Name:
Title:

Exhibit IV-4

Schedule I

**CERTIFICATION OF MICHAEL S. DELL, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael S. Dell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 9, 2016

/s/ MICHAEL S. DELL

Michael S. Dell

Chairman and Chief Executive Officer

**CERTIFICATION OF THOMAS W. SWEET, SENIOR VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13a-14(a) UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas W. Sweet, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dell Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 9, 2016

/s/ THOMAS W. SWEET

Thomas W. Sweet
Executive Vice President and Chief Financial Officer

**CERTIFICATIONS OF MICHAEL S. DELL, CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
AND THOMAS W. SWEET, SENIOR VICE PRESIDENT
AND CHIEF FINANCIAL OFFICER, PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of Dell Technologies Inc. hereby certify that (a) Dell Technologies Inc.'s Quarterly Report on Form 10-Q for the quarter ended October 28, 2016, as filed with the Securities and Exchange Commission, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (b) information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Dell Technologies Inc.

Date: December 9, 2016

/s/ MICHAEL S. DELL

Michael S. Dell

Chairman and Chief Executive Officer

Date: December 9, 2016

/s/ THOMAS W. SWEET

Thomas W. Sweet

Executive Vice President and Chief Financial Officer

**UNAUDITED ATTRIBUTED FINANCIAL INFORMATION
FOR CLASS V GROUP**
(continued on next page)

The information presented below is intended solely to show the attribution of assets, liabilities, revenue, and expenses to the Class V Group in accordance with the Tracking Stock Policy (a copy of which is attached as Annex D to the proxy statement prospectus forming part of the Company's Registration Statement on Form S-4 (Registration No. 333-208524) filed with the Securities and Exchange Commission (the "Commission") on June 6, 2016). The individual income and expense line item amounts reflected in the VMware column are for informational purposes and do not represent actual income and expenses of the Class V Group. The Class V stockholders do not have any special rights related to, direct ownership interest in, or recourse against, the assets and liabilities attributed to the Class V Group. Holders of DHI Group common stock and Class V Common Stock are stockholders of Dell Technologies Inc. ("the Company") and subject to all risks associated with an investment in the Company and all of its businesses, assets, and liabilities. This financial information could change in the future based on allocations or reallocations of assets and liabilities to the Class V Group.

	September 7, 2016 through October 28, 2016		
	VMware Reportable Segment	Adjustments and Eliminations (a)	VMware
	(in millions)		
Net revenue	\$ 1,289	\$ (19)	\$ 1,270
Cost of net revenue	165	4	169
Gross margin	1,124	(23)	1,101
Operating expenses:			
Selling, general, and administrative	391	62	453
Research and development	185	57	242
Total operating expenses	576	119	695
Operating income (loss)	548	(142)	406
Interest and other income (expense), net attributable to VMware			(6)
Income before income taxes attributable to VMware			400
Income tax provision attributable to VMware			71
Net income attributable to VMware			\$ 329

(a) Adjustments and eliminations primarily consist of intercompany sales as well as expenses that are excluded from the VMware reportable segment, such as amortization of intangible assets, stock based compensation expenses, severance, and integration costs.

Reconciliation of net income attributable to VMware to Class V Common Stock economic interest in VMware:

	September 7, 2016 through October 28, 2016
	(in millions)
Net income attributable to VMware	\$ 329
Less: Net income attributable to non-controlling interests	(55)
Dell Technologies' economic interest in VMware	274
Less: DHI Group's 36% retained interest in Class V Group	(99)
Class V Common Stock economic interest in VMware	\$ 175

**UNAUDITED ATTRIBUTED FINANCIAL INFORMATION
FOR CLASS V GROUP**
(continued)

Reconciliation of VMware total net assets to Class V stockholders' allocated interest in Class V Group:

	VMware as of October 28, 2016
	(in millions)
VMware balance sheet information	
Total assets (1)(2)	\$ 15,982
Total liabilities (1)(2)	7,817
VMware total net assets	\$ 8,165
	Class V Group as of October 28, 2016
	(in millions)
VMware total net assets	\$ 8,165
Less: Non-controlling interests (3)	(1,364)
Less: DHI Group's 36% retained interest in Class V Group	(2,453)
Class V stockholders' allocated interest in Class V Group	\$ 4,348
Inter-group assets (4)	\$ —
Inter-group liabilities (4)	\$ —

(1) Represents VMware's unadjusted assets and liabilities as of October 28, 2016 as consolidated into the Company's balance sheet.

(2) As determined by Dell Technologies' Board of Directors, the Company has not allocated any assets or liabilities between the DHI Group and the Class V Group.

(3) Reflects the impact of non-controlling interests on net assets attributable to the Company, which had an ownership interest of 83.3% of VMware's outstanding common shares as of October 28, 2016.

(4) Represents inter-group assets/liabilities between the Class V Group and the DHI Group in accordance with the Tracking Stock Policy. The Tracking Stock Policy states that any ordinary course commercial inter-group transactions are intended, to the extent practicable, to be on terms consistent with terms that would be applicable to arm's-length dealings with unrelated third parties.