EMC CORP
Form 10-Q
May 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2015

OR

o 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 1-9853

EMC CORPORATION
(Exact name of registrant as specified in its charter)

Massachusetts (State or other jurisdiction of incorporation or organization)	04-2680009 (I.R.S. Employer Identification Number)
176 South Street Hopkinton, Massachusetts (Address of principal executive offices)	01748 (Zip Code)

(508) 435-1000
(Registrant's telephone number, including area code)

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

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

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

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

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

The number of shares of common stock, par value $.01 per share, of the registrant outstanding as of March 31, 2015 was 1,942,061,163.

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EMC CORPORATION

FACTORS THAT MAY AFFECT FUTURE RESULTS

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

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PART I
FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
EMC CORPORATION
CONSOLIDATED BALANCE SHEETS
(in millions, except per share amounts)
(unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$4,388	$ 6,343
Short-term investments	2,062	1,978
Accounts and notes receivable, less allowance for doubtful accounts of $71 and $72	2,966	4,413
Inventories	1,292	1,276
Deferred income taxes	1,067	1,070
Other current assets	788	653
Total current assets	12,563	15,733
Long-term investments	7,022	6,334
Property, plant and equipment, net	3,742	3,766
Intangible assets, net	2,041	2,125
Goodwill	16,174	16,134
Other assets, net	1,751	1,793
Total assets	$43,293	$ 45,885
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$1,206	$ 1,696
Accrued expenses	2,817	3,141
Income taxes payable	103	852
Deferred revenue	6,355	6,021
Total current liabilities	10,481	11,710
Income taxes payable	290	306
Deferred revenue	4,332	4,144
Deferred income taxes	270	274
Long-term debt (See Note 4)	5,495	5,495
Other liabilities	421	431
Total liabilities	21,289	22,360
Commitments and contingencies (See Note 13)		
Shareholders' equity:		
Preferred stock, par value $0.01; authorized 25 shares; none outstanding	—	—
Common stock, par value $0.01; authorized 6,000 shares; issued and outstanding 1,942 and 1,985 shares	19	20
Additional paid-in capital	—	—
Retained earnings	20,887	22,242
Accumulated other comprehensive loss, net	(457)	(366)
Total EMC Corporation's shareholders' equity	20,449	21,896
Non-controlling interests	1,555	1,629

Total shareholders’ equity	22,004	23,525
Total liabilities and shareholders’ equity	$43,293	$ 45,885

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

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EMC CORPORATION
CONSOLIDATED INCOME STATEMENTS
(in millions, except per share amounts)
(unaudited)

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
Revenues:		
Product sales	$2,905	$3,008
Services	2,708	2,471
	5,613	5,479
Costs and expenses:		
Cost of product sales	1,329	1,296
Cost of services	945	836
Research and development	788	731
Selling, general and administrative	2,037	1,852
Restructuring and acquisition-related charges	135	119
Operating income	379	645
Non-operating income (expense):		
Investment income	24	36
Interest expense	(40)	(34)
Other income (expense), net	10	(76)
Total non-operating income (expense)	(6)	(74)
Income before provision for income taxes	373	571
Income tax provision	82	139
Net income	291	432
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(39)	(40)
Net income attributable to EMC Corporation	$252	$392
Net income per weighted average share, basic attributable to EMC Corporation common shareholders	$0.13	$0.19
Net income per weighted average share, diluted attributable to EMC Corporation common shareholders	$0.13	$0.19
Weighted average shares, basic	1,974	2,029
Weighted average shares, diluted	1,996	2,076
Cash dividends declared per common share	$0.12	$0.10

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

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EMC CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)
(unaudited)

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
Net income	$291	$432
Other comprehensive income (loss), net of taxes (benefits):		
Foreign currency translation adjustments	(104)	(4)
Changes in market value of investments:		
Changes in unrealized gains (losses), net of taxes (benefits) of $13 and $14	19	24
Reclassification adjustment for net losses (gains) realized in net income, net of benefits (taxes) of $(6) and $(3)	(8)	(5)
Net change in market value of investments	11	19
Changes in market value of derivatives:		
Changes in unrealized gains (losses), net of taxes (benefits) of $3 and $(1)	14	(1)
Reclassification adjustment for net losses (gains) included in net income, net of benefits (taxes) of $0 and $0	(11)	(2)
Net change in the market value of derivatives	3	(3)
Other comprehensive income (loss)	(90)	12
Comprehensive income	201	444
Less: Net income attributable to the non-controlling interest in VMware, Inc.	(39)	(40)
Less: Other comprehensive (income) loss attributable to the non-controlling interest in VMware, Inc.	(1)	(1)
Comprehensive income attributable to EMC Corporation	$161	$403

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

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EMC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)
(unaudited)

	For the Three Months Ended			
	March 31, 2015		March 31, 2014	
Cash flows from operating activities:				
Cash received from customers	$7,495		$6,965	
Cash paid to suppliers and employees	(5,584	)	(4,962	)
Dividends and interest received	24		55	
Income taxes paid	(855	)	(720	)
Net cash provided by operating activities	1,080		1,338	
Cash flows from investing activities:				
Additions to property, plant and equipment	(197	)	(275	)
Capitalized software development costs	(128	)	(117	)
Purchases of short- and long-term available-for-sale securities	(2,421	)	(2,931	)
Sales of short- and long-term available-for-sale securities	1,311		2,362	
Maturities of short- and long-term available-for-sale securities	422		1,307	
Business acquisitions, net of cash acquired	(49	)	(1,068	)
Purchases of strategic and other related investments	(106	)	(22	)
Sales of strategic and other related investments	57		—	
Increase in restricted cash	—		(76	)
Net cash used in investing activities	(1,111	)	(820	)
Cash flows from financing activities:				
Proceeds from the issuance of EMC's common stock	121		194	
Proceeds from the issuance of VMware's common stock	54		88	
EMC repurchase of EMC's common stock	(1,346	)	(390	)
VMware repurchase of VMware's common stock	(438	)	(169	)
Excess tax benefits from stock-based compensation	20		29	
Payment of long- and short-term obligations	—		(1,665	)
Dividend payment	(232	)	(202	)
Net cash used in financing activities	(1,821	)	(2,115	)
Effect of exchange rate changes on cash and cash equivalents	(103	)	(3	)
Net decrease in cash and cash equivalents	(1,955	)	(1,600	)
Cash and cash equivalents at beginning of period	6,343		7,891	
Cash and cash equivalents at end of period	$4,388		$6,291	
Reconciliation of net income to net cash provided by operating activities:				
Net income	$291		$432	
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	470		442	
Non-cash restructuring and other special charges	11		5	
Stock-based compensation expense	245		239	
Provision for doubtful accounts	16		4	
Deferred income taxes, net	(20	)	(47	)
Excess tax benefits from stock-based compensation	(20	)	(29	)
Other, net	—		17	
Changes in assets and liabilities, net of acquisitions:				

Accounts and notes receivable	1,420	910
Inventories	(69)	(139)
Other assets	(45)	(13)
Accounts payable	(575)	(369)
Accrued expenses	(376)	(236)
Income taxes payable	(754)	(535)
Deferred revenue	494	650
Other liabilities	(8)	7
Net cash provided by operating activities	$1,080	$1,338

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

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EMC CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions)
(unaudited)

For the three months ended March 31, 2015:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Shareholders' Equity
	Shares	Par Value					
Balance, January 1, 2015	1,985	$20	$—	$22,242	$ (366)	$ 1,629	$ 23,525
Stock issued through stock option and stock purchase plans	6	—	121	—	—	—	121
Tax benefit from stock options exercised	—	—	13	—	—	—	13
Restricted stock grants, cancellations and withholdings, net	5	—	(64)	—	—	—	(64)
Repurchase of common stock	(54)	(1)	(64)	(1,381)	—	—	(1,446)
Stock-based compensation	—	—	295	—	—	—	295
Cash dividends declared	—	—	—	(226)	—	—	(226)
Impact from equity transactions of non-controlling interests	—	—	(301)	—	—	(114)	(415)
Change in market value of investments	—	—	—	—	9	2	11
Change in market value of derivatives	—	—	—	—	4	(1)	3
Translation adjustment	—	—	—	—	(104)	—	(104)
Net income	—	—	—	252	—	39	291
Balance, March 31, 2015	1,942	$19	$—	$20,887	$ (457)	$ 1,555	$ 22,004

For the three months ended March 31, 2014:

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interests	Shareholders' Equity
	Shares	Par Value					
Balance, January 1, 2014	2,020	$20	$1,406	$21,114	$ (239)	$ 1,485	$ 23,786
Stock issued through stock option and stock purchase plans	13	—	194	—	—	—	194
Tax benefit from stock options exercised	—	—	44	—	—	—	44
Restricted stock grants, cancellations and withholdings, net	1	—	(20)	—	—	—	(20)
Repurchase of common stock	(16)	—	(405)	—	—	—	(405)

Stock options issued in business acquisitions	—	—	24	—	—	—	24
Stock-based compensation	—	—	244	—	—	—	244
Cash dividends declared	—	—	—	(209)	—	—	(209)
Impact from equity transactions of non-controlling interests	—	—	(124)	—	—	17	(107)
Change in market value of investments	—	—	—	—	18	1	19
Change in market value of derivatives	—	—	—	—	(3)	—	(3)
Translation adjustment	—	—	—	—	(4)	—	(4)
Convertible debt conversions and warrant settlement	29	—	—	—	—	—	—
Net income	—	—	—	392	—	40	432
Balance, March 31, 2014	2,047	$ 20	$ 1,363	$ 21,297	$ (228)	$ 1,543	$ 23,995

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

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

Company

EMC Corporation ("EMC") and its subsidiaries develop, deliver and support the information technology ("IT") industry's broadest range of information infrastructure and virtual infrastructure technologies, solutions and services. EMC manages the Company as part of a federation of businesses: EMC Information Infrastructure, VMware Virtual Infrastructure and Pivotal.

EMC's Information Infrastructure business provides a foundation for organizations to store, manage, protect, analyze and secure ever-increasing quantities of information, while at the same time improving business agility, lowering cost, and enhancing competitive advantage. EMC's Information Infrastructure business comprises three segments – Information Storage, Enterprise Content Division and RSA Information Security.

EMC's VMware Virtual Infrastructure business, which is represented by EMC's majority equity stake in VMware, Inc. ("VMware"), is the leader in virtualization infrastructure solutions utilized by organizations to help them transform the way they build, deliver and consume IT resources. VMware's virtualization infrastructure solutions, which include a suite of products and services designed to deliver a software-defined data center, run on industry-standard desktop computers and servers and support a wide range of operating system and application environments, as well as networking and storage infrastructures.

EMC's Pivotal business ("Pivotal") unites strategic technology, people and programs from EMC and VMware and has built a new platform comprising of next-generation data, agile development practices and a cloud independent platform-as-a-service ("PaaS"). These capabilities are made available through Pivotal's three primary offerings: the Pivotal Big Data Suite, Pivotal Labs and Pivotal Cloud Foundry.

General

The accompanying interim consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. These consolidated financial statements include the accounts of EMC, its wholly owned subsidiaries, as well as VMware and Pivotal, companies majority-owned by EMC. All intercompany transactions have been eliminated. Certain information and footnote disclosures normally included in our annual consolidated financial statements have been condensed or omitted. Accordingly, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2014 which are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 27, 2015.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for any future period or the entire fiscal year. The interim consolidated financial statements, in the opinion of management, reflect all adjustments necessary to fairly state the results as of and for the three-month periods ended March 31, 2015 and 2014.

Net Income Per Share

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

Investments in Joint Ventures

We make investments in joint ventures. For each joint venture investment, we consider the facts and circumstances in order to determine whether it qualifies for cost, equity or fair value method accounting or whether it should be consolidated.

In 2009, Cisco and EMC formed VCE Company LLC ("VCE"), with investments from VMware and Intel. In December 2014, EMC acquired the controlling interest in VCE and, since the date of acquisition, has consolidated VCE's financial position and results of operations as part of EMC's consolidated financial statements.

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Prior to the acquisition of the controlling interest in VCE, we considered VCE a variable interest entity and accounted for the investment under the equity method with our portion of the gains and losses recognized in other expense, net in the consolidated income statements for the majority of 2014. Our consolidated share of VCE's losses, based upon our portion of the overall funding, was approximately 63% for the three months ended March 31, 2014. We recorded $75 million in net losses and $170 million in revenue from sales of product and services to VCE during the three months ended March 31, 2014.

Reclassifications

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

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued updated guidance to clarify the required presentation of debt issuance costs. The amended guidance requires that debt issuance costs be presented in the balance sheet as a direct reduction from the carrying amount of the related debt liability rather than as an asset. It is effective beginning January 1, 2016, with early adoption permitted. The new guidance will be applied retrospectively to each prior period presented. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

In May 2014, the FASB issued a standard on revenue recognition providing a single, comprehensive revenue recognition model for all contracts with customers. The revenue standard is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective beginning January 1, 2017, with no early adoption permitted. In April 2015, the FASB proposed a one-year delay in the effective date of the new standard to 2018. Under this proposal, early adoption will be allowed, but not earlier than the original effective date. The principles may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We are currently evaluating the adoption method options and the impact of the new guidance on our consolidated financial statements.

2. Non-controlling Interests

The non-controlling interests' share of equity in VMware is reflected as a component of the non-controlling interests in the accompanying consolidated balance sheets and was $1,450 million and $1,524 million as of March 31, 2015 and December 31, 2014, respectively. At March 31, 2015, EMC held approximately 97% of the combined voting power of VMware's outstanding common stock and approximately 81% of the economic interest in VMware.

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

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
Net income attributable to EMC Corporation	$252	$392
Transfers (to) from the non-controlling interest in VMware, Inc.:		
Increase in EMC Corporation's additional paid-in-capital for VMware's equity issuances	30	47
Decrease in EMC Corporation's additional paid-in-capital for VMware's other equity activity	(331)	(171)
Net transfers (to) from non-controlling interest	(301)	(124)
Change from net income attributable to EMC Corporation and transfers from the non-controlling interest in VMware, Inc.	$(49)	$268

The non-controlling interests' share of equity in Pivotal is reflected as a component of the non-controlling interests in the accompanying consolidated balance sheets as $105 million at both March 31, 2015 and December 31, 2014. At

March 31, 2015, EMC consolidated held approximately 84% of the economic interest in Pivotal. General Electric Company's ("GE") interest in Pivotal is in the form of a preferred equity instrument. Consequently, there is no net income attributable to non-controlling interest related to Pivotal on the consolidated income statements. Additionally, due to the terms of the preferred instrument, GE's non-controlling interest on the consolidated balance sheets is generally not impacted by Pivotal's equity related activity. The preferred equity instrument is convertible into common shares at GE's election at any time.

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EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

3. Business Combinations, Intangibles and Goodwill

During the three months ended March 31, 2015, EMC acquired all of the outstanding capital stock of Renasar Technologies, Inc., which complements our Information Storage segment, and VMware acquired all of the outstanding capital stock of Immidio B.V. The aggregate consideration for these two acquisitions was $49 million, net of cash acquired. The consideration was allocated to the fair value of the assets acquired and liabilities assumed based on estimated fair values as of the respective acquisition dates. The aggregate allocation to goodwill, intangibles, and net liabilities was approximately $38 million, $16 million and $5 million, respectively.

The intangible assets acquired were primarily comprised of developed technology which have a weighted-average amortization period of 3.6 years. Most of our intangible assets are being amortized based upon the pattern in which the economic benefits of the intangible assets are being utilized; the remainder are amortized on a straight-line basis. Goodwill is calculated as the excess of the consideration over the fair value of the net assets, including intangible assets, and is primarily related to expected synergies from the transaction. The goodwill is not deductible for U.S. federal income tax purposes. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase. Pro forma results of operations have not been presented as the results of the acquired companies were not material to our consolidated results of operations for the three months ended March 31, 2015 or 2014.

Intangible Assets
Intangible assets, excluding goodwill, as of March 31, 2015 and December 31, 2014 consist of (tables in millions):

	March 31, 2015			
	Gross Carrying Amount	Accumulated Amortization		Net Book Value
Purchased technology	$2,949	$(1,728	)	$1,221
Patents	225	(120	)	105
Software licenses	108	(93	)	15
Trademarks and tradenames	226	(141	)	85
Customer relationships and customer lists	1,473	(1,003	)	470
Leasehold interest	152	(17	)	135
Other	46	(36	)	10
Total intangible assets, excluding goodwill	$5,179	$(3,138	)	$2,041

	December 31, 2014			
	Gross Carrying Amount	Accumulated Amortization		Net Book Value
Purchased technology	$2,935	$(1,668	)	$1,267
Patents	225	(117	)	108
Software licenses	108	(93	)	15
Trademarks and tradenames	226	(136	)	90
Customer relationships and customer lists	1,473	(974	)	499
Leasehold interest	152	(16	)	136
Other	44	(34	)	10
Total intangible assets, excluding goodwill	$5,163	$(3,038	)	$2,125

EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Goodwill
Changes in the carrying amount of goodwill, net, on a consolidated basis and by segment, for the three months ended March 31, 2015 consist of (table in millions):

	Three Months Ended March 31, 2015					
	Information Storage	Enterprise Content Division	RSA Information Security	Pivotal	VMware Virtual Infrastructure	Total
Balance, beginning of the period	$8,266	$1,486	$2,203	$171	$4,008	$16,134
Goodwill resulting from acquisitions	21	—	—	—	17	38
Finalization of purchase price allocations and other, net	2	—	—	—	—	2
Balance, end of the period	$8,289	$1,486	$2,203	$171	$4,025	$16,174

4. Debt

Short-Term Debt
On February 27, 2015, we entered into a credit agreement with the lenders named therein, Citibank, N.A., as Administrative Agent, Bank of America, N.A. and JPMorgan Chase Bank, N.A., as Syndication Agents, and Citigroup Global Markets, Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as Joint Lead Arrangers and Joint Bookrunners (the "Credit Agreement"). The Credit Agreement provides for a $2.5 billion unsecured revolving credit facility to be used for general corporate purposes that is scheduled to mature on February 27, 2020. At our option, subject to certain conditions, any loan under the Credit Agreement will bear interest at a rate equal to, either (i) the LIBOR Rate or (ii) the Base Rate (defined as the highest of (a) the Federal Funds rate plus 0.50%, (b) Citibank, N.A.'s "prime rate" as announced from time to time, or (c) one-month LIBOR plus 1.00%), plus, in each case the Applicable Margin, as defined in the Credit Agreement. The Credit Agreement contains customary representations and warranties, covenants and events of default. We may also, upon the agreement of the existing lenders and/or additional lenders not currently parties to the agreement, increase the commitments under the credit facility by up to an additional $1.0 billion. In addition, we may request to extend the maturity date of the credit facility, subject to certain conditions, for additional one-year periods. As of March 31, 2015, we were in compliance with customary required covenants and we had not borrowed any funds under the credit facility.
On March 23, 2015, we established a short-term debt financing program whereby we may issue short-term unsecured commercial paper notes ("Commercial Paper"). Amounts available under the program may be borrowed, repaid and re-borrowed from time to time, with the aggregate face or principal amount of the notes outstanding at any time not to exceed $2.5 billion. The Commercial Paper will have maturities of up to 397 days from the date of issue. The net proceeds from the issuance of the Commercial Paper are expected to be used for general corporate purposes. As of March 31, 2015, we were in compliance with customary required covenants and we had no Commercial Paper outstanding under the program.
At May 4, 2015, we had $950 million of Commercial Paper outstanding, with a weighted-average interest rate of 0.16% and maturities ranging from 21 days to 59 days.

Long-Term Debt

In June 2013, we issued $5.5 billion aggregate principal amount of senior notes (collectively, the "Notes") which pay a fixed rate of interest semi-annually in arrears. The first interest payment occurred on December 2, 2013. The proceeds from the Notes have been used to satisfy the cash payment obligation of the converted 2013 Notes as well as for general corporate purposes including stock repurchases, business acquisitions, dividend payments, working capital needs and other business opportunities. The Notes of each series are senior, unsecured obligations of EMC and are not convertible or exchangeable. Unless previously purchased and canceled, we will repay the Notes of each series at 100% of the principal amount, together with accrued and unpaid interest thereon, at maturity. However, EMC has the right to redeem any or all of the Notes at specified redemption prices. As of March 31, 2015, we were in compliance with all debt covenants, which are customary in nature.

EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Our long-term debt as of March 31, 2015 was as follows (dollars in millions):

Senior Notes	Issued at Discount to Par		Carrying Value
$2.5 billion 1.875% Notes due 2018	99.943	%	$2,499
$2.0 billion 2.650% Notes due 2020	99.760	%	1,996
$1.0 billion 3.375% Notes due 2023	99.925	%	1,000
			$5,495

The unamortized discount on the Notes consists of $5 million, which will be fully amortized by June 1, 2023. The effective interest rate on the Notes was 2.55% for the three months ended March 31, 2015.

Convertible Debt

In November 2006, we issued the 2013 Notes. These 2013 Notes matured and a majority of the noteholders exercised their right to convert the outstanding 2013 Notes as of December 31, 2013. Pursuant to the settlement terms, the majority of the converted 2013 Notes were settled on January 7, 2014. At that time, we paid the noteholders $1.7 billion in cash for the outstanding principal and 35 million shares for the $858 million in excess of the conversion value over the principal amount, as prescribed by the terms of the 2013 Notes.

With respect to the conversion value in excess of the principal amount of the 2013 Notes converted, we elected to settle the excess with shares of our common stock based on a daily conversion value, determined in accordance with the indenture, calculated on a proportionate basis for each day of the relevant 20-day observation period. The actual conversion rate for the 2013 Notes was 62.6978 shares of our common stock per one thousand dollars of principal amount of 2013 Notes, which represents a 26.5% conversion premium from the date the 2013 Notes were issued and is equivalent to a conversion price of approximately $15.95 per share of our common stock.
In connection with the issuance of the 2013 Notes, we entered into separate convertible note hedge transactions with respect to our common stock (the “Purchased Options”). The Purchased Options allowed us to receive shares of our common stock and/or cash related to the excess conversion value that we would pay to the holders of the 2013 Notes upon conversion. We exercised 108 million of the purchased options in conjunction with the planned settlements of the 2013 Notes and received 35 million shares of net settlement on January 7, 2014, representing the excess conversion value of the options.

We also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately $19.55 per share of our common stock. We received aggregate proceeds of $391 million from the sale of the associated warrants. Upon exercise, the value of the warrants was required to be settled in shares. Approximately half of the associated warrants were exercised in 2012 and the remaining 109 million associated warrants were exercised between February 18, 2014 and March 17, 2014 and were settled with 29 million shares of our common stock.

The Purchased Options and associated warrants had the effect of increasing the conversion price of the 2013 Notes to approximately $19.31 per share of our common stock, representing an approximate 53% conversion premium based on the closing price of $12.61 per share of our common stock on November 13, 2006, which was the issuance date of the 2013 Notes.
Interest Rate Swap Contracts
In 2010, EMC entered into interest rate swap contracts with an aggregate notional amount of approximately $900 million. These swaps were designated as cash flow hedges of the semi-annual interest payments of the forecasted

issuance of debt in 2011. In 2012, the interest rate swap contracts were settled and accumulated losses of $176 million were deferred as they were expected to be realized over the life of the new debt issued under the related interest rate swap contracts. The accumulated realized losses related to the settled swaps included in accumulated other comprehensive income are being realized over the remaining life of the ten year Notes. During the three months ended March 31, 2015, $6 million in losses were reclassified from other comprehensive income and recognized as interest expense in the consolidated income statements.

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5. Fair Value of Financial Assets and Liabilities

Our fixed income and equity investments are classified as available for sale and recorded at their fair market values. We determine fair value using the following hierarchy:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Most of our fixed income securities are classified as Level 2, with the exception of some of our U.S. government and agency obligations and our investments in publicly traded equity securities, which are classified as Level 1, and all of our auction rate securities, which are classified as Level 3. In addition, our strategic investments held at cost are classified as Level 3. At March 31, 2015, the vast majority of our Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. In the event observable inputs are not available, we assess other factors to determine the security's market value, including broker quotes or model valuations. Each month, we perform independent price verifications of all of our fixed income holdings. In the event a price fails a pre-established tolerance check, it is researched so that we can assess the cause of the variance to determine what we believe is the appropriate fair market value.

In general, investments with remaining effective maturities of 12 months or less from the balance sheet date are classified as short-term investments. Investments with remaining effective maturities of more than 12 months from the balance sheet date are classified as long-term investments. Our publicly traded equity securities are classified as long-term investments and our strategic investments held at cost are classified as other assets. As a result of the lack of liquidity for auction rate securities, we have classified these as long-term investments as of March 31, 2015 and December 31, 2014. At March 31, 2015 and December 31, 2014, all of our short- and long-term investments, excluding auction rate securities, were recognized at fair value, which was determined based upon observable inputs from our pricing vendors for identical or similar assets. At March 31, 2015 and December 31, 2014, auction rate securities were valued using a discounted cash flow model.

The following tables summarize the composition of our short- and long-term investments at March 31, 2015 and December 31, 2014 (tables in millions):

	March 31, 2015			
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value
U.S. government and agency obligations	$2,261	$5	$(1)	$2,265
U.S. corporate debt securities	2,390	6	(1)	2,395
High yield corporate debt securities	394	8	(7)	395
Asset-backed securities	87	—	—	87
Municipal obligations	960	2	—	962
Auction rate securities	29	—	(2)	27
Foreign debt securities	2,664	5	(1)	2,668
Total fixed income securities	8,785	26	(12)	8,799
Publicly traded equity securities	201	98	(14)	285
Total	$8,986	$124	$(26)	$9,084

	December 31, 2014			
	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Aggregate Fair Value
U.S. government and agency obligations	$1,951	$2	$(2)	$1,951
U.S. corporate debt securities	1,998	1	(4)	1,995
High yield corporate debt securities	570	9	(16)	563
Asset-backed securities	53	—	—	53
Municipal obligations	948	2	—	950
Auction rate securities	29	—	(2)	27
Foreign debt securities	2,566	2	(4)	2,564
Total fixed income securities	8,115	16	(28)	8,103
Publicly traded equity securities	117	103	(11)	209
Total	$8,232	$119	$(39)	$8,312

We held approximately $2,668 million in foreign debt securities at March 31, 2015. These securities have an average credit rating of A+, and approximately 3% of these securities are deemed sovereign debt with an average credit rating of AA+. None of the securities deemed sovereign debt are from Argentina, Greece, Italy, Ireland, Portugal, Spain or Cyprus.

The following tables represent our fair value hierarchy for our financial assets and liabilities measured at fair value as of March 31, 2015 and December 31, 2014 (tables in millions):

	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash	$2,254	$—	$—	$2,254
Cash equivalents	2,079	55	—	2,134
U.S. government and agency obligations	1,250	1,015	—	2,265
U.S. corporate debt securities	—	2,395	—	2,395
High yield corporate debt securities	—	395	—	395
Asset-backed securities	—	87	—	87
Municipal obligations	—	962	—	962
Auction rate securities	—	—	27	27
Foreign debt securities	—	2,668	—	2,668
Publicly traded equity securities	285	—	—	285
Total cash and investments	$5,868	$7,577	$27	$13,472
Other items:				
Strategic investments held at cost	$—	$—	$339	$339
Investment in joint venture	—	—	37	37
Long-term debt carried at discounted cost	—	(5,614)	—	(5,614)
Foreign exchange derivative assets	—	87	—	87
Foreign exchange derivative liabilities	—	(86)	—	(86)
Commodity derivative liabilities	—	(5)	—	(5)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash	$2,022	$—	$—	$2,022
Cash equivalents	3,710	611	—	4,321
U.S. government and agency obligations	1,141	810	—	1,951
U.S. corporate debt securities	—	1,995	—	1,995
High yield corporate debt securities	—	563	—	563
Asset-backed securities	—	53	—	53
Municipal obligations	—	950	—	950
Auction rate securities	—	—	27	27
Foreign debt securities	—	2,564	—	2,564
Publicly traded equity securities	209	—	—	209
Total cash and investments	$7,082	$7,546	$27	$14,655
Other items:				
Strategic investments held at cost	$—	$—	$333	$333
Investment in joint venture	—	—	37	37
Long-term debt carried at discounted cost	—	(5,544)	—	(5,544)
Foreign exchange derivative assets	—	44	—	44
Foreign exchange derivative liabilities	—	(71)	—	(71)
Commodity derivative assets	—	12	—	12

Our auction rate securities are predominantly rated investment grade and are primarily collateralized by student loans. The underlying loans of all but one of our auction rate securities, with a market value of $7 million, have partial guarantees by the U.S. government as part of the Federal Family Education Loan Program ("FFELP") through the U.S. Department of Education. FFELP guarantees at least 95% of the loans which collateralize the auction rate securities. We believe the quality of the collateral underlying most of our auction rate securities will enable us to recover our principal balance.

To determine the estimated fair value of our investment in auction rate securities, we use a discounted cash flow model using a five year time horizon. As of March 31, 2015, the coupon rates used ranged from 0% to 3% and the discount rate was 1%, which rate represents the rate at which similar FFELP backed securities with a five year time horizon outside of the auction rate securities market were trading at March 31, 2015. The assumptions used in preparing the discounted cash flow model include an incremental discount rate for the lack of liquidity in the market ("liquidity discount margin") for an estimated period of time. The discount rate we selected was based on AA-rated banks as the majority of our portfolio is invested in student loans where EMC acts as a financier to these lenders. The liquidity discount margin represents an estimate of the additional return an investor would require for the lack of liquidity of these securities over an estimated five year holding period. The rate used for the discount margin was 1% at both March 31, 2015 and December 31, 2014 due to the narrowing of credit spreads on AA-rated banks during 2014 and into 2015.

Significant changes in the unobservable inputs discussed above could result in a significantly lower or higher fair value measurement. Generally, an increase in the discount rate, liquidity discount margin or coupon rate results in a decrease in our fair value measurement and a decrease in the discount rate, liquidity discount margin or coupon rate results in an increase in our fair value measurement.

During the three months ended March 31, 2015 and 2014, there were no material changes to the fair value of our auction rate securities.

EMC has a 49% ownership percentage of LenovoEMC Limited, a joint venture with Lenovo that was formed in 2012. We account for our LenovoEMC joint venture using the fair value method of accounting. To determine the estimated fair value at inception of our investment, we used a discounted cash flow model using a three year time horizon, and utilized a discount rate of 6%, which represented the incremental borrowing rate for a market participant. The assumptions used in preparing the discounted cash flow model include an analysis of estimated Lenovo NAS revenue against a prescribed target as well as consideration of the purchase price put and call features included in the joint venture agreement. The put and call features create a floor and a cap on the fair value of the investment. As such, there is a limit to the impact on the fair value that would result from significant changes in the unobservable inputs. We had no changes to the assumptions utilized in the fair value calculation in the first quarter of 2015 and there were no material changes to the fair value of this joint venture during the three months ended March 31, 2015 and 2014.

The carrying value of the strategic investments held at cost were accounted for under the cost method. As part of our quarterly impairment review, we perform a fair value calculation of our strategic investments held at cost using the most currently available information. To determine the estimated fair value of private strategic investments held at cost, we use a combination of several valuation techniques including discounted cash flow models, acquisition and trading comparables. In addition, we evaluate the impact of pre- and post-money valuations of recent financing events and the impact of those on our fully diluted ownership percentages, and we consider any available information regarding the issuer's historical and forecasted performance as well as market comparables and conditions. The fair value of these investments is considered in our review for impairment if any events and changes in circumstances occur that might have a significant adverse effect on their value.

Investment Losses

Unrealized losses on investments at March 31, 2015 by investment category and length of time the investment has been in a continuous unrealized loss position are as follows (table in millions):

	Less Than 12 Months	12 Months or Greater	Total

	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. government and agency obligations	$501	$(1)	$—	$—	$501	$(1)
U.S. corporate debt securities	778	(1)	—	—	778	(1)
High yield corporate debt securities	138	(7)	—	—	138	(7)
Auction rate securities	—	—	27	(2)	27	(2)
Foreign debt securities	918	(1)	—	—	918	(1)
Publicly traded equity securities	106	(10)	9	(4)	115	(14)
Total	$2,441	$(20)	$36	$(6)	$2,477	$(26)

For all of our securities for which the amortized cost basis was greater than the fair value at March 31, 2015, we have concluded that currently we neither plan to sell the security nor is it more likely than not that we would be required to sell the security before its anticipated recovery. In making the determination as to whether the unrealized loss is other-than-temporary, we considered the length of time and extent the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuers, the issuers' credit rating and the time to maturity.

Contractual Maturities

The contractual maturities of fixed income securities held at March 31, 2015 are as follows (table in millions):

	March 31, 2015	
	Amortized Cost Basis	Aggregate Fair Value
Due within one year	$2,036	$2,037
Due after 1 year through 5 years	5,905	5,920
Due after 5 years through 10 years	524	523
Due after 10 years	320	319
Total	$8,785	$8,799

Short-term investments on the consolidated balance sheet include $25 million in variable rate notes which have contractual maturities in 2015, and are not classified within investments due within one year above.

6. Inventories

Inventories consist of (table in millions):

	March 31, 2015	December 31, 2014
Work-in-process	$609	$627
Finished goods	683	649
	$1,292	$1,276

7. Accounts and Notes Receivable and Allowance for Credit Losses

Accounts and notes receivable are recorded at cost. The portion of our notes receivable due in one year or less are included in accounts and notes receivable and the long-term portion is included in other assets, net on the consolidated balance sheets. Lease receivables arise from sales-type leases of products. We typically sell, without recourse, the contractual right to the lease payment stream and assets under lease to third parties. For certain customers, we retain the lease.

The contractual amounts due under the leases we retained as of March 31, 2015 were as follows (table in millions):

Year	Contractual Amounts Due Under Leases
Due within one year	$71
Due within two years	49
Due within three years	37
Thereafter	1
Total	158
Less: Amounts representing interest	5
Present value	153
Current portion (included in accounts and notes receivable)	68
Long-term portion (included in other assets, net)	$85

Subsequent to March 31, 2015, we sold $6 million of these notes to third parties without recourse.

We maintain an allowance for credit losses on our accounts and notes receivable. The allowance is based on the credit worthiness of our customers, including an assessment of the customer's financial position, operating performance and their ability to meet their contractual obligation. We assess the credit scores for our customers each quarter. In addition, we consider our historical experience, the age of the receivable and current market and economic conditions. Uncollectible amounts are charged against the allowance account.

In the event we determine that a lease may not be paid, we include in our allowance an amount for the outstanding balance related to the lease receivable. As of March 31, 2015, amounts from lease receivables past due for more than 90 days were not significant.

During the three months ended March 31, 2015 and 2014, there were no material changes to our allowance for credit losses related to lease receivables.

Gross lease receivables totaled $158 million and $233 million as of March 31, 2015 and December 31, 2014, respectively, before the allowance. The components of these balances were individually evaluated for impairment and included in our allowance determination as necessary.

8. Property, Plant and Equipment

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

	March 31, 2015	December 31, 2014
Furniture and fixtures	$265	$255
Equipment and software	6,842	6,684
Buildings and improvements	2,345	2,308
Land	162	162
Building construction in progress	114	134
	9,728	9,543
Accumulated depreciation	(5,986)	(5,777)
	$3,742	$3,766

Building construction in progress at March 31, 2015 includes $76 million for facilities not yet placed in service that we are holding for future use.

9. Accrued Expenses

Accrued expenses consist of (table in millions):

	March 31, 2015	December 31, 2014
Salaries and benefits	$942	$1,251
Product warranties	191	210
Dividends payable (see Note 11)	234	237
Partner rebates	179	235
Restructuring, current (See Note 12)	188	123
Derivatives	91	75
Other	992	1,010
	$2,817	$3,141

Product Warranties

Systems sales include a standard product warranty. At the time of the sale, we accrue for systems' warranty costs. The initial systems' warranty accrual is based upon our historical experience, expected future costs and specific identification of systems' requirements. Upon sale or expiration of the initial warranty, we may sell additional maintenance contracts to our customers. Revenue from these additional maintenance contracts is included in deferred revenue and recognized ratably over the service period. The following represents the activity in our warranty accrual for the three months ended March 31, 2015 and 2014 (table in millions):

	March 31, 2015	March 31, 2014
Balance, beginning of the period	$210	$289
Provision	33	42
Amounts charged to the accrual	(52)	(57)
Balance, end of the period	$191	$274

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

10. Income Taxes

Our effective income tax rates were 22.0% and 24.3% for the three months ended March 31, 2015 and 2014, respectively. Our effective income tax rate is based upon estimated income before provision for income taxes for the year, composition of the income in different countries, and adjustments, if any, in the applicable quarterly periods for potential tax consequences, benefits and/or resolutions of tax audits or other tax contingencies. For the three months ended March 31, 2015, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions. Our aggregate income tax rate in foreign jurisdictions is lower than our income tax rate in the United States; substantially all of our income before provision for income taxes from foreign operations has been earned by our Irish subsidiaries. For the three months ended March 31, 2014, the effective income tax rate varied from the statutory income tax rate principally as a result of the mix of income attributable to foreign versus domestic jurisdictions. On December 19, 2014, the Tax Increase Prevention Act was signed into law. Some of the provisions were retroactive to January 1, 2014 including an extension of the U.S. federal tax credit for increasing research activities through December 31, 2014. Our effective income tax rates for the three months ended March 31, 2015 and March 31, 2014 do not reflect any federal tax credit for increasing research activities.

Our effective income tax rate decreased in the three months ended March 31, 2015 from the three months ended March 31, 2014 due primarily to lower state taxes. There were also differences in the mix of income attributable to foreign versus domestic jurisdictions, change in tax contingency reserves and discrete items, the net impact of which is immaterial.

We are routinely under audit by the Internal Revenue Service (the "IRS"). We have concluded all U.S. federal income tax matters for years through 2008. In the third quarter of 2012, the IRS commenced a federal income tax audit for the tax years 2009 and 2010, which is expected to be completed in late 2015. In the first quarter of 2015, the IRS commenced a federal income tax audit for the tax year 2011, which is still in the early stage for information gathering. We also have income tax audits in process in numerous state, local and international jurisdictions. In our international jurisdictions that comprise a significant portion of our operations, the years that may be examined vary, with the earliest year being 2005. Based on the timing and outcome of examinations of EMC, the result of the expiration of statutes of limitations for specific jurisdictions or the timing and result of ruling requests from taxing authorities, it is reasonably possible that the related unrecognized tax benefits could change from those recorded in our statement of financial position. We anticipate that several of these audits may be finalized within the next twelve months. While we expect the amount of unrecognized tax benefits to change in the next twelve months, we do not expect the change to have a significant impact on our results of operations or financial position.

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11. Shareholders' Equity
The reconciliation from basic to diluted earnings per share for both the numerators and denominators is as follows (table in millions):

	For the Three Months Ended	
	March 31, 2015	March 31, 2014
Numerator:		
Net income attributable to EMC Corporation	$252	$392
Incremental dilution from VMware	(1)	(2)
Net income – dilution attributable to EMC Corporation	$251	$390
Denominator:		
Weighted average shares, basic	1,974	2,029
Weighted common stock equivalents	22	26
Assumed conversion of the 2013 Notes and associated warrants	—	21
Weighted average shares, diluted	1,996	2,076

Due to the cash settlement feature of the principal amount of the 2013 Notes, we only included the impact of the premium feature in our diluted earnings per share calculation when the 2013 Notes were convertible due to maturity or when the average stock price exceeded the conversion price of the 2013 Notes.
Concurrent with the issuance of the 2013 Notes, we also entered into separate transactions in which we sold warrants to acquire, subject to customary anti-dilution adjustments, approximately 215 million shares of our common stock at an exercise price of approximately $19.55 per share of our common stock. Approximately half of the associated warrants were exercised in 2012 and the remaining 109 million warrants were exercised between February 18, 2014 and March 17, 2014 and were settled with 29 million shares of our common stock. As such, we included the impact of the remaining outstanding sold warrants in our diluted earnings per share calculation during the three months ended March 31, 2014.
Restricted stock awards, restricted stock units and options to acquire shares of our common stock in the amount of 1 million and 6 million for the three months ended March 31, 2015 and 2014, respectively, were excluded from the calculation of diluted earnings per share because they were antidilutive. The incremental dilution from VMware represents the impact of VMware's dilutive securities on EMC's consolidated diluted net income per share and is calculated by multiplying the difference between VMware's basic and diluted earnings per share by the number of VMware shares owned by EMC.
Repurchase of Common Stock
We utilize both authorized and unissued shares (including repurchased shares) for all issuances under our equity plans. Our Board of Directors authorized the repurchase of 250 million shares of our common stock in February 2013 and an additional 250 million shares of our common stock in December 2014. For the three months ended March 31, 2015, we spent $1.4 billion to repurchase 54 million shares of our common stock. Of the 500 million shares authorized for repurchase, we have repurchased 255 million shares at a total cost of $6.8 billion, leaving a remaining balance of 245 million shares authorized for future repurchases.
VMware's Board of Directors authorized the repurchase of $1.0 billion of VMware's Class A common stock in August 2014 and an additional $1.0 billion of VMware's Class A common stock in January 2015. All shares repurchased under VMware's stock repurchase programs are retired. For the three months ended March 31, 2015, VMware spent $438 million to repurchase 5 million shares of their common stock. Of the $2.0 billion authorized for repurchase, VMware has a remaining balance of $1.5 billion authorized for future repurchases.

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Cash Dividend on Common Stock

In May 2013, our Board of Directors approved the initiation of a quarterly cash dividend to EMC shareholders of $0.10 per share of common stock and in April 2014, our Board of Directors increased the dividend to $0.115 per share of common stock.

Our Board of Directors declared the following dividends during 2015 and 2014:

Declaration Date	Dividend Per Share	Record Date	Total Amount (in millions)	Payment Date
2015:				
February 27, 2015	$0.115	April 1, 2015	$229	April 23, 2015
2014:				
February 6, 2014	$0.10	April 1, 2014	$209	April 23, 2014
April 17, 2014	$0.115	July 1, 2014	$237	July 23, 2014
July 30, 2014	$0.115	October 1, 2014	$239	October 23, 2014
December 9, 2014	$0.115	January 2, 2015	$234	January 23, 2015

Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss), which is presented net of tax, for the three months ended March 31, 2015 and 2014 consist of the following (tables in millions):

	Foreign Currency Translation Adjustments	Unrealized Net Gains on Investments	Unrealized Net Losses on Derivatives	Recognition of Actuarial Net Loss from Pension and Other Postretirement Plans	Accumulated Other Comprehensive Income Attributable to the Non-controlling Interest in VMware, Inc.	Total
Balance as of December, 31 2014[(a)]	$ (188)	$ 49	$ (100)	$ (126)	$ (1)	$ (366)
Other comprehensive income (loss) before reclassifications	(104)	19	14	—	(1)	(72)
Net losses (gains) reclassified from accumulated other comprehensive income	—	(8)	(11)	—	—	(19)
Net current period other comprehensive income (loss)	(104)	11	3	—	(1)	(91)
Balance as of March 31, 2015[(b)]	$ (292)	$ 60	$ (97)	$ (126)	$ (2)	$ (457)

(a) Net of taxes (benefits) of $31 million for unrealized net gains on investments, $(64) million for unrealized net losses on derivatives and $(70) million for actuarial net loss on pension plans.

(b) Net of taxes (benefits) of $38 million for unrealized net gains on investments, $(61) million for unrealized net losses on derivatives and $(70) million for actuarial net loss on pension plans.

EMC CORPORATION
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	Foreign Currency Translation Adjustments	Unrealized Net Gains on Investments	Unrealized Net Losses on Derivatives	Recognition of Actuarial Net Loss from Pension and Other Postretirement Plans	Accumulated Other Comprehensive Income Attributable to the Non-controlling Interest in VMware, Inc.	Total
Balance as of December, 31 2013[(a)]	$ (53)	$ 31	$ (106)	$ (110)	$ (1)	$ (239)
Other comprehensive income (loss) before reclassifications	(4)	24	(1)	—	(1)	18
Net losses (gains) reclassified from accumulated other comprehensive income	—	(5)	(2)	—	—	(7)
Net current period other comprehensive income (loss)	(4)	19	(3)	—	(1)	11
Balance as of March 31, 2014[(b)]	$ (57)	$ 50	$ (109)	$ (110)	$ (2)	$ (228)

(a) Net of taxes (benefits) of $18 million for unrealized net gains on investments, $(66) million for unrealized net losses on derivatives and $(61) million for actuarial net loss on pension plans.
(b) Net of taxes (benefits) of $29 million for unrealized net gains on investments, $(67) million for unrealized net losses on derivatives and $(61) million for actuarial net loss on pension plans.

The amounts reclassified out of accumulated other comprehensive income (loss) for the three months ended March 31, 2015 and 2014 are as follows (tables in millions):

Accumulated Other Comprehensive Income Components	For the Three Months Ended March 31, 2015	March 31, 2014	Impacted Line Item on Consolidated Income Statements
Net gain on investments:	$ 14	$ 8	Investment income
	(6)	(3)	Provision for income tax
Net of tax	$ 8	$ 5	
Net gain on derivatives:			
Foreign exchange contracts	$ 20	$ 1	Product sales revenue
Foreign exchange contracts	(3)	1	Cost of product sales
Interest rate swap	(6)	—	Other interest expense
Total net gain on derivatives before tax	11	2	
	—	—	Provision for income tax
Net of tax	$ 11	$ 2	

12. Restructuring and Acquisition-Related Charges

For the three months ended March 31, 2015 and 2014, we incurred restructuring and acquisition-related charges of $135 million and $119 million, respectively. For the three months ended March 31, 2015, EMC incurred $111 million of restructuring charges, primarily related to our current year restructuring programs, and $1 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. For the three months ended March 31, 2015, VMware incurred $22 million of restructuring charges, primarily related to its current year restructuring program, and $1 million of charges in connection with acquisitions for financial, advisory, legal and accounting services. For the three months ended March 31, 2014, EMC incurred $114 million of restructuring charges, primarily related to our 2014 restructuring programs, and VMware incurred $5 million of charges in connection with acquisitions for financial, advisory, legal and accounting services.

In the first quarter of 2015, EMC implemented a restructuring program to create further operational efficiencies which will result in workforce reductions of approximately 1,320 positions. The actions will impact positions around the globe covering our Information Storage, RSA Information Security, Enterprise Content Division and Pivotal segments. The program was substantially completed during the first quarter of 2015 and will be fully completed by the end of 2015.

In the first quarter of 2015, VMware eliminated approximately 350 positions across all major functional groups and geographies to streamline its operations. All of these actions are expected to be completed within a year of the start of the program.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

During the first quarter of 2014, EMC implemented a restructuring program to create further operational efficiencies which resulted in a workforce reduction of approximately 1,326 positions. The actions impacted positions around the globe covering our Information Storage, RSA Information Security and Enterprise Content Division segments. All of these actions were completed within a year of the start of the program.

For the three months ended March 31, 2015 and 2014, we recognized $6 million and $5 million, respectively, of lease termination costs for facilities vacated in the period in accordance with our plan as part of all of our restructuring programs and for costs associated with terminating other contractual obligations. These costs are expected to be utilized by the end of 2016.

The activity for the restructuring programs is presented below (tables in millions):

Three Months Ended March 31, 2015:
2015 EMC Programs

Category	Balance as of December 31, 2014	2015 Charges	Utilization	Balance as of March 31, 2015
Workforce reductions	$—	$107	$(11)	$96
Consolidation of excess facilities and other contractual obligations	—	6	—	6
Total	$—	$113	$(11)	$102

Other EMC Programs

Category	Balance as of December 31, 2014	Adjustments to the Provision	Utilization	Balance as of March 31, 2015
Workforce reductions	$102	$(2)	$(39)	$61
Consolidation of excess facilities and other contractual obligations	19	—	(5)	14
Total	$121	$(2)	$(44)	$75

VMware Programs

Category	Balance as of December 31, 2014	2015 Charges	Utilization	Balance as of March 31, 2015
Workforce reductions	$8	$22	$(14)	$16
Consolidation of excess facilities and other contractual obligations	—	—	—	—
Total	$8	$22	$(14)	$16

EMC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

Three Months Ended March 31, 2014:
2014 EMC Programs

Category	Balance as of December 31, 2013	2014 Charges	Utilization		Balance as of March 31, 2014
Workforce reductions	$—	$117	$(15	)	$102
Consolidation of excess facilities and other contractual obligations	—	2	(1	)	1
Total	$—	$119	$(16	)	$103

Other EMC Programs

Category	Balance as of December 31, 2013	Adjustments to the Provision	Utilization	Balance as of March 31, 2014
Workforce reductions	$66	$(8		