VMWARE, INC.
Form DEF 14A
April 15, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a 101)

INFORMATION REQUIRED IN

PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to R240.14a-12

VMware, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies: ¨

(2) Aggregate number of securities to which transaction applies: ¨

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee calculated and state how it was determined): ¨

(4) Proposed maximum aggregate value of transaction: ¨

(5) Total fee paid: ¨

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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VMWARE, INC.

NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 27, 2015

To the Stockholders of VMware, Inc.:

Notice is hereby given that the Annual Meeting of Stockholders of VMware, Inc., a Delaware corporation, will be held at VMware s principal executive offices at 3401 Hillview Avenue, Palo Alto, California 94304, on Wednesday, May 27, 2015, at 9:00 a.m. local time. We will also offer a webcast of the Annual Meeting on the investor relations page of our website at *http://ir.vmware.com*. The webcast will be available on our website for approximately 60 days following our meeting.

We are holding the meeting for the following purposes:

1. To elect three members nominated by us to the Board of Directors to serve as Class II, Group I directors, to be elected by our sole Class B common stockholder, each for a three-year term expiring at the 2018 Annual Meeting of Stockholders.

2. To vote, on an advisory basis, to approve named executive officer compensation.

3. To ratify the selection by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2015.

4. To approve an amendment to the Amended and Restated 2007 Equity and Incentive Plan.

5. To transact any and all other business that may properly come before the meeting or any adjournments thereof.

All stockholders of record of our common stock at the close of business on March 31, 2015, the record date, are entitled to notice of and to vote at this meeting and any adjournments thereof.

Class A common stockholders may cast their votes by completing a proxy. Whether or not you plan to attend the meeting, please cast your vote as instructed in the Notice Regarding the Availability of Proxy Materials and as explained in the answers to *If I wish to vote in person, how do I vote?* and *If I want to vote via the Internet or by telephone, how do I vote?* on page 4 of the proxy statement, over the Internet or by telephone, as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer. We encourage you to vote via the Internet. Internet voting is convenient, helps reduce the environmental impact of our Annual Meeting and saves us significant postage and processing costs.

By order of the Board of Directors

/s/ S. DAWN SMITH
S. DAWN SMITH
Senior Vice President, General Counsel, Chief Compliance Officer and Secretary

Palo Alto, California

April 15, 2015

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VMWARE, INC.

3401 Hillview Avenue

Palo Alto, California 94304

PROXY STATEMENT

GENERAL INFORMATION

Why am I receiving these materials?

We have made these materials available to you on the Internet or, upon your request, have delivered printed versions of these materials to you by mail, in connection with the Board of Directors solicitation of proxies for use at our 2015 Annual Meeting of Stockholders (the **Annual Meeting**), which will take place on Wednesday, May 27, 2015 at 9:00 a.m. Pacific Time, at VMware s principal executive offices at 3401 Hillview Avenue, Palo Alto, California 94304. We are making this proxy statement available on the Internet and mailing the Notice of Internet Availability of Proxy Materials to our stockholders on or about April 15, 2015. Our stockholders are invited to attend the Annual Meeting and are requested to vote on the proposals described in this proxy statement.

What is included in these materials?

These materials include:

- Our proxy statement for the Annual Meeting; and
- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, which includes our audited consolidated financial statements.

If you requested printed versions of these materials by mail, these materials also include the proxy card for the Annual Meeting.

What items will be voted on at the Annual Meeting?

There are four items that will be voted on at the Annual Meeting:

- election of three members nominated by us to the Board of Directors to serve as Class II, Group I directors, for election by our sole Class B common stockholder, each for a three-year term expiring at the 2018 Annual Meeting of Stockholders;
- an advisory vote to approve named executive officer compensation;
- ratification of the selection by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2015; and

an amendment to the Amended and Restated 2007 Equity and Incentive Plan.

We are not aware of any matters to be presented at the Annual Meeting other than those described in this proxy statement. If any matters not described in the proxy statement are properly presented at the meeting, the proxy holders will use their discretion to determine how to vote your shares.

What are the Board of Directors voting recommendations?

The Board of Directors recommends that our stockholders vote:

FOR the Class II, Group I nominees, as listed under *Election of Directors*, to serve until their successors are elected and qualified (Proposal 1) (only EMC Corporation (**EMC**), our Class B common stockholder, can cast votes for the Class II, Group I directors);

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FOR the approval, on an advisory basis, of the compensation of our named executive officers as disclosed in *Compensation Discussion and Analysis*, the *Summary Compensation Table* and other related tables and disclosures contained in this proxy statement (Proposal 2);

FOR ratification of the selection by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as VMware s independent auditors for the fiscal year ending December 31, 2015 (Proposal 3); and

FOR an amendment to the Amended and Restated 2007 Equity and Incentive Plan (Proposal 4).

The Board of Directors expects EMC, the sole holder of our Class B common stock, to vote in accordance with the recommendations made by our Board of Directors for each of the four proposals. EMC has the voting power to adopt and approve all proposals to be voted on at the Annual Meeting. Based on its ownership as of the close of business on March 31, 2015 (the **Record Date**), EMC holds 80.6% of the outstanding shares of VMware s common stock, representing 97.4% of the combined voting power of our common stock.

Where are VMware s principal executive offices located, and what is VMware s main telephone number?

VMware s principal executive offices are located at 3401 Hillview Avenue, Palo Alto, California 94304. VMware s main telephone number is (650) 427-5000.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Under the rules adopted by the U.S. Securities and Exchange Commission (**SEC**), we are furnishing proxy materials to our stockholders on the Internet, rather than mailing printed copies of those materials to each stockholder. If you received a Notice Regarding the Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice Regarding the Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials on the Internet. The Notice Regarding the Availability of Proxy Materials also instructs you as to how you may access your proxy card to vote on the Internet. If you received a Notice Regarding the Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice Regarding the Availability of Proxy Materials.

We are making this proxy statement available on the Internet and mailing the Notice of Internet Availability of Proxy Materials to our stockholders on or about April 15, 2015.

Why didn t I receive a notice in the mail regarding the Internet availability of the proxy materials?

We are providing some of our stockholders, including stockholders who have previously requested to receive paper copies of the proxy materials and some of our stockholders who are living outside of the United States, with paper copies of the proxy materials instead of a notice about the Internet availability of the proxy materials.

In addition, we are providing notice of the availability of the proxy materials by e-mail to those stockholders who have previously elected delivery of the proxy materials electronically. Those stockholders should have received an e-mail containing a link to the website where those materials are available and a link to the proxy voting website.

How can I access the proxy materials over the Internet?

Your Notice Regarding the Internet Availability of Proxy Materials, proxy card or voting instruction card contains instructions on how to:

View our proxy materials for the Annual Meeting on the Internet; and

Instruct us to send our future proxy materials to you electronically by e-mail.

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Our proxy materials are also available on the investor relations page of our website at *http://ir.vmware.com*.

How can I obtain a separate set of voting materials?

If you and other residents with the same last name at your mailing address own shares of common stock in street name, your broker or bank may have sent you a notice that your household will receive only one annual report and proxy statement for each company in which you hold stock through that broker or bank. This practice of sending only one copy of proxy materials is known as householding. If you received a householding communication, your broker will send one copy of VMware s 2015 proxy statement to your address unless contrary instructions were given by any stockholder at that address. If you received more than one copy of the proxy materials this year and you wish to reduce the number of reports you receive in the future and save VMware the cost of printing and mailing these reports, your broker will discontinue the mailing of reports on the accounts you select if you follow the instructions provided when you vote over the Internet.

You may revoke your consent to householding at any time by contacting Broadridge Financial Solutions, Inc. (**Broadridge**), either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if your household received a single set of proxy materials for this year, but you would prefer to receive your own copy, we will promptly send a copy to you if you go to *www.proxyvote.com* and request a copy, or if you address your written request to the Investor Relations Department, VMware Inc., 3401 Hillview Avenue, Palo Alto, California 94304, or call us at 650-427-2892.

Who may vote at the Annual Meeting?

If you owned VMware s Class A common stock or Class B common stock at the close of business on the Record Date, then you may attend and vote at the meeting. We have two classes of authorized common stock: Class A common stock and Class B common stock. As of the close of business on the Record Date, VMware had outstanding and entitled to vote 425,555,792 shares of common stock, of which 125,555,792 shares are Class A common stock and 300,000,000 shares are Class B common stock.

A complete list of stockholders entitled to vote at the Annual Meeting will be available for inspection by any stockholder for any purpose germane to the Annual Meeting for ten days prior to the Annual Meeting during ordinary business hours at our headquarters located at 3401 Hillview Avenue, Palo Alto, California 94304.

How much voting power does EMC have in VMware, and how does it affect the proposals being voted on at the Annual Meeting?

As of the Record Date, EMC, our parent and controlling stockholder, holds all of the outstanding Class B common stock and 43,025,308 shares, or 34.3%, of the outstanding Class A common stock, representing 97.4% of the combined voting power of our common stock. Five members of our Board of Directors Joseph M. Tucci, Michael W. Brown, John R. Egan, Paul Sagan and David N. Strohm also serve as members of the board of directors of EMC. Mr. Tucci, the Chairman of our Board of Directors, is also the Chairman and Chief Executive Officer of EMC. Additionally, one member of our Board of Directors Paul A. Maritz is the Chief Executive Officer of Pivotal Software, Inc. (**Pivotal**), a majority-owned subsidiary of EMC in which VMware has an ownership interest.

The holders of Class A common stock and Class B common stock will vote together as a single class on all matters described in the proxy materials for which Class A common stockholder votes are being solicited. The election of the Class II, Group I directors nominated for election at the Annual Meeting will be voted on solely by EMC as the holder of all of our outstanding Class B common stock. The holder of Class B common stock is entitled to ten votes per share, except in relation to the election of the Class I, Group II director (who is not up for election at this year s Annual Meeting), in which it is entitled to only one vote per share. The holders of Class A common stock are entitled to one vote per share on all matters to be voted on at the Annual Meeting for which

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Class A common stockholder votes are being solicited, which are (1) an advisory vote on named executive officer compensation, (2) ratification of the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as VMware s independent auditors for the fiscal year ending December 31, 2015 and (3) an amendment to the Amended and Restated 2007 Equity and Incentive Plan.

How many votes must be present to hold the Annual Meeting?

In order to conduct any business at the Annual Meeting, a quorum must be present in person or represented by valid proxies. Except with respect to the election of our Class II, Group I directors, holders of shares representing a majority of the total outstanding shares of our common stock on the Record Date entitled to vote at the Annual Meeting, represented in person or by proxy, constitute a quorum. For the election of the Class II, Group I directors nominated for election at the Annual Meeting, holders of a majority of the outstanding shares of our Class B common stock, represented in person or by proxy, constitute a quorum. Abstentions are considered present for purposes of determining the presence of a quorum. Broker non-votes, as defined below, are also considered present for purposes of determining the presence of a quorum; provided that the shares represented by broker non-votes are voted for, against or in abstention for at least one proposal presented at the Annual Meeting. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against or abstained, if you (1) are present and vote in person at the meeting; or (2) have voted on the Internet, by telephone or by properly submitting a proxy card or voting instruction form by mail.

If I want to vote via the Internet or by telephone, how do I vote?

All Class A common stockholders as of the Record Date have three options for submitting their vote prior to the Meeting:

- via the Internet at *www.proxyvote.com* (please see your proxy card or Notice Regarding the Availability of Proxy Materials for instructions); or

- by phone (please see your proxy card for instructions); or

- by requesting, completing and mailing in a paper proxy card, as outlined in the Notice Regarding the Availability of Proxy Materials.

If you submit your vote via the Internet, you may also elect to receive future proxy and other materials electronically by following the instructions when you vote. You may vote using the Internet and telephone voting facilities until 11:59 p.m., Eastern Time on May 26, 2015. We encourage you to register your vote via the Internet. If you vote via the Internet, you should be aware that you may incur costs to access the Internet, such as usage charges from telephone companies or Internet service providers, and that these costs must be borne by you. If you vote via the Internet or telephone, then you do not need to return a proxy card by mail. If your shares are held by a bank, broker or other agent, please refer to the instructions they provide for voting your shares.

If I wish to vote in person, how do I vote?

If you are a stockholder of record on the Record Date, you may vote in person at the Annual Meeting. We will give you a ballot when you arrive. If you are a beneficial owner of shares held in street name and you wish to vote in person at the Annual Meeting, you must obtain a legal proxy from the organization that holds your shares.

What is the difference between holding shares as a stockholder of record and as a beneficial owner of shares held in street name?

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, American Stock Transfer and Trust Company, LLC, you are considered the stockholder of record with respect to those shares, and the Notice was sent directly to you by VMware.

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Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

How do I attend the Annual Meeting?

Stockholders who wish to attend the Annual Meeting will be required to present verification of ownership of VMware common stock, such as a bank or brokerage firm account statement. All stockholders who attend the Annual Meeting will be required to present valid government-issued picture identification, such as a driver s license or passport. Registration will begin at 8:15 a.m. Pacific Time. Persons who arrive after the meeting commences will not be admitted into the Annual Meeting.

What happens if I do not give specific voting instructions?

Stockholders of Record. If you are a stockholder of record and you:

- Indicate when voting on the Internet or by telephone that you wish to vote as recommended by our Board of Directors; or

- Sign and return a proxy card without giving specific voting instructions,

then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

If you are a stockholder of record and you do not (i) vote on the Internet or by telephone; (ii) return a proxy card, or (iii) cast your ballot at the meeting at the Annual Meeting, then your shares will not be voted and will not be considered present for the purpose of establishing a quorum.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine proposals but cannot vote on non-routine proposals. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine proposal, the organization that holds your shares will indicate that it does not have the authority to vote on this proposal with respect to your shares. For a discussion of broker non-votes, see the question below entitled *What are broker non-votes, and how will they affect the vote on a proposal?* We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the Notice Regarding the Availability of Proxy Materials.

What are broker non-votes, and how will they affect the vote on a proposal?

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have the discretionary voting power with respect to that proposal because it is on a non-routine matter, the broker has not received instructions from the beneficial owner on how to vote for such proposal, and there is at least one routine proposal presented at the meeting (such as Proposal No. 3). Under applicable rules, brokers or other nominees have discretionary voting power with respect to proposals that are considered routine, but not with respect to non-routine proposals. A broker or other nominee cannot vote without instructions on non-routine proposals, therefore there may be broker non-votes on any such proposals. Broker non-votes will have no effect on stockholder approval for Proposal Nos. 2 and 4: Broker non-votes will be considered present for the purpose of determining the presence of a quorum with respect to Proposal No. 2.

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The effect of broker non-votes is summarized in the table below:

	Proposal 1: Election of Class II, Group I Directors	Proposal 2: Advisory Vote to Approve Named Executive Officer Compensation	Proposal 3: Ratification of Independent Registered Public Accounting Firm	Proposal 4: Approve Amendment to the Amended and Restated 2007 Equity and Incentive Plan
Status of the Proposal	Non-routine	Non-Routine	Routine	Non-Routine
Possibility of broker non-votes on the Proposal	No*	Yes	No	Yes
Status of broker non-votes for purposes of determining whether stockholder approval has been obtained for the Proposal	Not Applicable*	Broker non-votes are not deemed to be votes cast	Not Applicable	Broker non-votes are not deemed to be votes cast
Status of broker non-votes for quorum purposes	Not Applicable*	Considered present	Not Applicable	Not considered present**

* Election of Class II, Group I directors may only be voted on by EMC, as the holder of all of our outstanding shares of Class B common stock. EMC is the stockholder of record of our Class B common stock, and no shares of our Class B common stock are held in street name. Therefore, broker non-votes are not applicable to the election of Class II, Group I directors.

** Under NYSE rules, the votes case on the matter (including FOR, AGAINST, and ABSTAIN votes, but excluding broker non-votes) must represent at least 50% of the voting power of the total outstanding shares of stock.

How are abstentions treated?

Abstentions are counted for purposes of determining whether a quorum is present. Shares not present at the meeting and shares voting ABSTAIN have no effect on the election of directors or the ratification of selection of independent auditors. For the purpose of determining whether the stockholders have approved all other matters, abstentions have the same effect as an AGAINST vote.

What is the voting requirement to approve each of the proposals?

Proposal 1 Election of Directors

The three nominees will be elected by the vote of the majority of the votes of the Class B common stock cast with respect to such nominees at the Annual Meeting. A majority of the votes cast means that the number of votes cast FOR a nominee must exceed the number of votes cast AGAINST such nominee.

Proposal 2 Advisory Vote to approve Named Executive Officer Compensation

This proposal must receive FOR votes from the holders of shares of Class A common stock and Class B common stock representing at least a majority of the votes present and entitled to vote on the matter, although the vote is non-binding. Each share of Class A common stock is entitled to one vote, and each share of Class B common stock is entitled to ten votes, on this proposal.

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Proposal 3 Ratification of the selection by the Audit Committee of the Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2015

This proposal must receive FOR votes from the holders of shares of Class A common stock and Class B common stock representing at least a majority of the votes cast on the matter. Each share of Class A common stock is entitled to one vote, and each share of Class B common stock is entitled to ten votes, on this proposal.

Proposal 4 An amendment to the Amended and Restated 2007 Equity and Incentive Plan

This proposal must receive FOR votes from the holders of shares of Class A common stock and Class B common stock representing at least a majority of the votes cast on the matter. Each share of Class A common stock is entitled to one vote, and each share of Class B common stock is entitled to ten votes, on this proposal.

Can I change or revoke my proxy after I have voted?

You have the right to revoke your proxy at any time before it is voted at the Annual Meeting by:

- attending the Annual Meeting and voting in person;
- sending to the Secretary; Legal Department of VMware, Inc. at 3401 Hillview Avenue, Palo Alto, California 94304 a signed written notice of revocation bearing a later date than the date of the proxy and stating that the proxy is revoked; or
- signing and delivering a new proxy relating to the same shares and bearing a later date than the original proxy.

Please note, as mentioned above, that if you are a beneficial owner, and not a holder of record, of shares, you may not vote your shares in person at the meeting unless you request and obtain a legal proxy from your bank, brokerage firm or other agent who holds your shares in street name.

If your shares are held by your bank, brokerage firm or other agent as a nominee or agent, you should follow the instructions provided by your bank, brokerage firm or agent.

Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within VMware or to third parties, except:

- As necessary to meet applicable legal requirements;
- To allow for the tabulation and certification of votes; and
- To facilitate a successful proxy solicitation.

Occasionally, stockholders provide written comments on their proxy cards, which may be forwarded to management and our Board of Directors.

Who will count the votes?

Votes will be counted by the inspector of election appointed for the Annual Meeting by the Board of Directors. The inspector of elections will separately count FOR and AGAINST votes, abstentions and broker non-votes.

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Where can I find the voting results of the Annual Meeting?

The final voting results will be reported in a Form 8-K that we expect to file with the SEC within four business days of the Annual Meeting, and that Form 8-K will be available via the Investor Relations section of our website. We also expect to announce preliminary results at the Annual Meeting, which will be available via webcast on the Investor Relations section of our website.

Who is paying for the cost of this proxy solicitation?

The expenses of preparing, printing and assembling the materials used in the solicitation of proxies on behalf of the Board of Directors will be borne by VMware. In addition to the solicitation of proxies by use of the mail, VMware may use the services of certain of its officers and employees (who will receive no compensation in addition to their regular salaries) to solicit proxies personally and by mail, telephone and electronic means from brokerage firms and other stockholders.

Is there other business scheduled to be presented for consideration at the Annual Meeting?

As of the date of this proxy statement, VMware has no knowledge of any business to be presented for consideration at the Annual Meeting other than the proposals described in the Notice of Annual Meeting. Under our bylaws, no business may be brought before our Annual Meeting except pursuant to our notice of meeting, by or at the direction of the Board of Directors, or by a stockholder who was a stockholder of record as of the Record Date who complies with the applicable notice provisions set forth in our bylaws. The deadline under VMware s bylaws for Class A common stockholders to notify VMware of any director nominations or proposals to be presented at the Annual Meeting passed on February 27, 2015. However, EMC is entitled to propose business to be considered by the stockholders at any meeting of stockholders without compliance with the notice requirements and procedures of our bylaws. If any other business should properly come before the Annual Meeting, the persons appointed by the enclosed form of proxy shall have discretionary authority to vote all such proxies as they shall decide.

The enclosed proxy gives each of Jonathan C. Chadwick, our Chief Financial Officer, Chief Operating Officer and Executive Vice President, and S. Dawn Smith, our Senior Vice President, General Counsel, Chief Compliance Officer and Secretary, discretionary authority to vote your shares in accordance with his or her best judgment with respect to all additional matters that might come before the Annual Meeting, provided that the enclosed form of proxy is properly authorized by you.

What is the deadline to make a stockholder proposal eligible for inclusion in next year s proxy statement?

To be eligible for inclusion in VMware s proxy statement for the 2016 annual meeting of stockholders, stockholder proposals must be received at VMware s principal executive offices no later than December 17, 2015. Stockholder proposals should be addressed to: Attention: Legal Department, VMware Inc., 3401 Hillview Avenue, Palo Alto, California 94304.

What is the deadline to propose actions for consideration at the 2016 annual meeting of stockholders or to nominate individuals to serve as directors?

Under our bylaws, nominations for a director may be made only by the Board of Directors, a nominating committee of the Board of Directors, a person appointed by the Board of Directors or by a stockholder entitled to vote who has delivered notice to the Secretary; Legal Department at the principal executive offices of VMware (containing certain information specified in the bylaws) (i) not less than 90 days nor more than 120 days prior to the anniversary date of the preceding year s annual meeting, or (ii) if the meeting is called for a date more than thirty days before or after such anniversary date, not earlier than the close of business on 120 days prior to such annual meeting and not later than the close of business on the later of (a) 90 days prior to such annual meeting and (b) the tenth day following the date of public announcement of such meeting is first made by VMware. The

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bylaws also provide that no business may be brought before an annual meeting except as specified in the notice of the annual meeting or as otherwise brought before the annual meeting by or at the direction of the Board of Directors, the presiding officer or by a stockholder entitled to vote at such annual meeting who has delivered notice to the Secretary at the principal executive offices of VMware (containing certain information specified in our bylaws) within the periods prior to the meeting specified in the preceding sentence. In each case, stockholders must also comply with the procedural requirements in our bylaws.

Any holder of our Class A common stock who wishes to bring a proposal or nominate a person for election to the Board of Directors at VMware s 2016 annual meeting of stockholders must provide written notice of the proposal or nomination to VMware s Secretary; Legal Department, at our address specified above, on or after January 28, 2016 and no later than February 27, 2016.

Our bylaws also provide that until such time that EMC ceases to hold at least a majority of the voting power of our Class A common stock and Class B common stock voting together as a single class, EMC shall be entitled to propose business to be considered at any meeting of stockholders and to nominate persons for election to the Board of Directors without compliance with the notice procedure described in the two preceding paragraphs.

These requirements are separate and apart from the requirements that a stockholder must meet in order to have a stockholder proposal included in VMware s proxy statement under Rule 14a-8 of the Securities Exchange Act of 1934 as described above. A copy of the full text of the bylaw provisions discussed above may be obtained through the investor relations page of our website at *http://ir.vmware.com*. Our bylaws are also on file with the SEC and are available through its website at *http://www.sec.gov*.

How do I contact VMware s Board of Directors?

Our Board of Directors provides a process for VMware stockholders and other interested parties to send communications to the Board of Directors, including the non-management directors. Any person who desires to contact the non-management directors or the entire Board of Directors may do so by sending an e-mail to ContactTheBoard@vmware.com. Under a process approved by the Compensation and Corporate Governance Committee, VMware s Secretary is responsible for the review of all communications received by VMware and addressed to the Board of Directors, including the non-management members, and each quarter prepares for the Compensation and Corporate Governance Committee a summary report of all communications and copies of all communications, other than spam, junk mail, mass mailings, product complaints or inquiries, job inquiries, surveys, business solicitations or advertisements, or patently offensive or otherwise inappropriate material. Communications deemed by the Secretary to be of an urgent nature are reported promptly to the Chair of the Compensation and Corporate Governance Committee. Directors may at any time review a log of all correspondence received by VMware that is addressed to members of the Board of Directors and request copies of any correspondence.

Our Audit Committee also provides a process to send communications directly to the committee about VMware s accounting, internal accounting controls or auditing matters. Any person who desires to contact the Audit Committee regarding such matters may do so by sending an e-mail to AuditCommitteeChair@vmware.com.

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OUR BOARD OF DIRECTORS AND NOMINEES

Our Board of Directors is currently composed of nine members. The number of directors constituting our Board of Directors may be set by resolution of the Board of Directors from time to time. However, the Board of Directors may not consist of less than six directors or more than twelve directors.

The Board of Directors is divided into two groups, Group I and Group II. The holder of Class B common stock, voting separately as a class, is entitled to elect directors representing a minimum of 80% of the total number of the directors constituting our Board of Directors, without vacancies. These directors are Group I directors. Holders of Class A common stock and Class B common stock, voting together as a single class, are entitled to elect the remaining number of directors. These directors are Group II directors.

Our Board of Directors is also divided into three classes, with each class serving for a staggered three-year term. The Board of Directors consists of three Class I directors, three Class II directors and three Class III directors. At each annual meeting of stockholders, a class of directors is elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the Class I directors, Class II directors and Class III directors expire upon the election and qualification of successor directors at the annual meeting of stockholders held during the calendar years 2017, 2015 and 2016, respectively. The following table shows the members of our Board of Directors, the committees, group and class to which they belong and designates which directors our Board of Directors determined to be independent under the New York Stock Exchange (**NYSE**) corporate governance standards (**NYSE Rules**):

Director	Audit Committee Member	Compensation and Corporate Governance Committee Member	Mergers and Acquisitions Committee Member	Independent Directors of VMware	Director Group	Director Class
Michael W. Brown	ü(C)	ü		ü	Group I	Class II
Pamela J. Craig	ü		ü	ü	Group II	Class I
John R. Egan			ü(C)		Group I	Class I
Patrick P. Gelsinger			ü		Group I	Class II
Paul A. Maritz			ü		Group I	Class III
Dennis D. Powell	ü(VC)	ü(C)		ü	Group I	Class II
Paul Sagan		ü		ü	Group I	Class III
David N. Strohm			ü	ü	Group I	Class III
Joseph M. Tucci			ü		Group I	Class I

(C) Chair of the committee.
(VC) Vice Chair of the committee.

Directors Standing For Election

Each of the incumbent Class II, Group I directors has been nominated by the Board of Directors for election at the Annual Meeting, and each of them has agreed to stand for election for an additional three-year term.

Information concerning the nominees is presented below:

Michael W. Brown

Class II, Group I

Term expires: 2015 Annual Meeting

Mr. Brown, age 69, has been a director of VMware since April 2007. Mr. Brown is also a member of the board of directors of EMC, on which he has served since 2005. Mr. Brown is a member of EMC s Audit Committee and is chair of EMC s Finance Committee. From August 1994 until his retirement in July 1997, Mr. Brown served as Vice President and Chief Financial Officer of Microsoft Corporation. He was Vice President, Finance, of Microsoft from April 1993 to August 1994. He joined Microsoft in December 1989. After retiring from Microsoft, Mr. Brown served as Chair of the NASDAQ Stock Market board of directors and as a past governor of the National Association of Securities Dealers. Prior to joining Microsoft, Mr. Brown spent 18 years with Deloitte & Touche LLP in various positions. Mr. Brown is also a director of Insperity, Inc., where he is a member of the Nominating and Corporate Governance Committee and the Compensation Committee. He is also a director of Stifel Financial Corp, where he serves on the Risk Management/Corporate Governance Committee.

Mr. Brown brings to the Board of Directors substantial financial expertise that includes extensive knowledge of the complex financial and operational issues facing large companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He acquired this knowledge in the course of serving as the chief financial officer of a global technology company, working with a major international accounting and consulting firm for 18 years and serving as a member of the audit committees of other public company boards. Mr. Brown s experience as an independent auditor provides the Board of Directors and the Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures. Through his many senior management positions, including as Chair of The NASDAQ Stock Market and as a past governor of the National Association of Securities Dealers, Mr. Brown has demonstrated his leadership and business acumen.

Patrick P. Gelsinger

Class II, Group I

Term expires: 2015 Annual Meeting

Mr. Gelsinger, age 54, has been Chief Executive Officer and a director of VMware since September 2012. Prior to joining VMware, he served as President and Chief Operating Officer, EMC Information Infrastructure Products at EMC from September 2009 to August 2012. Mr. Gelsinger joined EMC from Intel Corporation, a designer and manufacturer of advanced integrated digital technology platforms, where he was Senior Vice President and Co-General Manager of Intel Corporation s Digital Enterprise Group from 2005 to September 2009 and served as Intel s Senior Vice President, Chief Technology Officer from 2002 to 2005. Prior to this, Mr. Gelsinger led Intel s Desktop Products Group.

As Chief Executive Officer of VMware, Mr. Gelsinger has in-depth knowledge of our business and brings to the Board of Directors insight and knowledge of our operations and strategic opportunities. In addition, Mr. Gelsinger s extensive experience as part of executive management teams for global information technology companies provides the Board of Directors with significant expertise on a variety of issues important to our business.

Dennis D. Powell

Class II, Group I

Term expires: 2015 Annual Meeting

Mr. Powell, age 67, has been a director of VMware since November 2007. Mr. Powell served as an Executive Advisor at Cisco Systems, Inc., a provider of networking products and services, from February 2008 to September 2010. Prior to that, Mr. Powell served as Cisco s Chief Financial Officer from May 2003 to February

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2008. In that position, Mr. Powell served as Cisco s Executive Vice President from August 2007 and, previously, as its Senior Vice President since May 2003. From June 2002 to May 2003, Mr. Powell served as Cisco s Senior Vice President, Corporate Finance. Prior to that, from January 1997 to June 2002, he served as Cisco s Vice President, Corporate Controller. Prior to joining Cisco, Mr. Powell had a 26-year tenure at PricewaterhouseCoopers LLP, where he was engagement lead for several global clients, was a national SEC reviewer and had regional responsibilities for audit quality assurance in the United States. Mr. Powell is also a director of Applied Materials, Inc., where he serves as Chair of the Audit Committee and is a member of the Corporate Governance and Nominating Committee, Investment Committee and Stockholder Rights Committee. Mr. Powell is also a director of Intuit Inc., where he serves as Chair of the Audit & Risk Committee and is a member of the Acquisition Committee.

Mr. Powell s experience serving in various executive positions at a global corporation provides him with a deep understanding of the issues we face. Mr. Powell brings to the Board of Directors substantial financial expertise that includes extensive knowledge of the complex financial and operational issues facing large companies, and a deep understanding of accounting principles and financial reporting rules and regulations. He acquired this knowledge in the course of serving as the chief financial officer of a global technology company, working with a major international accounting and consulting firm for 26 years and serving as a member of the audit committee and nominating and corporate governance committee of two other public company boards. Additionally, Mr. Powell s experience as an independent auditor provides the Board of Directors and Audit Committee with significant insight into the preparation of financial statements and knowledge of audit procedures.

Directors Not Standing For Election

Information concerning our continuing directors is presented below:

Pamela J. Craig

Class I, Group II

Term expires: 2017 Annual Meeting

Ms. Craig, age 58, was elected to VMware s Board of Directors in September 2013. Ms. Craig was employed at Accenture plc, a global management consulting, technology services and outsourcing organization, in various operational and finance roles for 34 years, most recently serving as Chief Financial Officer from October 2006 until her retirement in 2013. She was Senior Vice President, Finance of Accenture from March 2004 to October 2006 and served as its Group Director, Business Operations & Services from March 2003 to March 2004, and Managing Partner, Global Business Operations from June 2001 to March 2003. Prior to 2001, Ms. Craig had leadership roles in different parts of Accenture s business, both domestically and globally, in consumer products and media and entertainment. Ms. Craig is also a director of Akamai Technologies, Inc., where she is currently the chair of the Audit Committee, and Walmart Stores, Inc., where she serves on the Audit Committee.

Ms. Craig brings to the Board of Directors substantial financial expertise that includes extensive knowledge of complex global business issues and financial and accounting matters and unique insight into how to manage a large, global organization that has grown rapidly. With more than 30 years of experience working for a major consulting company, Ms. Craig also brings to the Board a deep understanding of the challenges we face in a rapidly changing technological environment.

John R. Egan

Class I, Group I

Term expires: 2017 Annual Meeting

Mr. Egan, age 57, has been a director of VMware since April 2007. Mr. Egan is also a member of the board of directors of EMC, on which he has served since May 1992. Mr. Egan is a member of EMC s Finance Committee and chair of EMC s Mergers and Acquisitions Committee. Mr. Egan has been a managing partner

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and general partner in Egan-Managed Capital, a venture capital firm, since October 1998. From May 1997 to September 1998, Mr. Egan served as Executive Vice President, Products and Offerings of EMC. From January 1992 to June 1996, he served as Executive Vice President, Sales and Marketing of EMC. From October 1986 to January 1992, he served in a number of executive positions with EMC, including Executive Vice President, Operations and Executive Vice President, International Sales. Mr. Egan resigned as an executive officer of EMC in September 1998 and as an employee of EMC in July 2002. Mr. Egan is also a director of NetScout Systems, Inc., where he is Chair of the Nominating and Governance Committee and a member of the Audit Committee and Finance Committee, Verint Systems Inc., where he is Chair of the Nominating and Governance Committee and a member of the Compensation Committee, and Progress Software Corporation, where he is the Non-Executive Chairman of the Board and a member of the Compensation Committee.

Mr. Egan has spent his entire career in the information technology industry. His broad experience ranges from venture capital investments in early-stage technology companies to extensive sales and marketing experience to executive leadership and management roles. Mr. Egan brings to the Board of Directors business acumen, substantial operational experience and expertise in corporate strategy development, as well as a deep understanding of information technology products acquired over many years of involvement with EMC. In addition, Mr. Egan s service on other public company boards provides him with valuable experience.

Paul A. Maritz

Class III, Group I

Term expires: 2016 Annual Meeting

Mr. Maritz, age 60, has been a director of VMware since July 2008 when he joined VMware as Chief Executive Officer. Mr. Maritz was Chief Executive Officer at VMware through August 2012. Mr. Maritz also served as VMware s President from July 2008 to January 2011. Mr. Maritz has been Chief Executive Officer of Pivotal Software, Inc., a majority-owned subsidiary of EMC in which VMware has an ownership interest, since April 2013. From September 2012 through March 2013, Mr. Maritz served as Chief Strategist at EMC. Prior to joining VMware, he was President of EMC s Cloud Infrastructure and Services Division after EMC acquired Pi Corporation in February 2008. Mr. Maritz was a founder of Pi and served as its Chief Executive Officer. Pi was a software company focused on building cloud-based solutions. Before founding Pi, Mr. Maritz spent 14 years working at Microsoft Corporation, where he served as a member of the five-person Executive Committee that managed the overall company. As Vice President of the Platform Strategy and Developer Group, among other roles, he oversaw the development and marketing of System Software Products (including Windows 95, Windows NT, and Windows 2000), Development Tools (Visual Studio) and Database Products (SQL Server) and the complete Office and Exchange Product Lines. Prior to Microsoft, he spent five years working at Intel Corporation as a software and tools developer.

Mr. Maritz s experience serving in various executive positions at VMware, EMC and other global technology companies provides him an in-depth knowledge of our business and the issues we face. In addition, Mr. Maritz s substantial experience in the information technology sector ranging from development of software products to founding a company developing cloud computing software provides the Board of Directors with significant expertise on a variety of issues important to our business.

Paul Sagan

Class III, Group I

Term expires: 2016 Annual Meeting

Paul Sagan, age 56, has been a director of VMware since April 2014 and was appointed VMware s Lead Director in February 2015. Mr. Sagan is also a member of the board of directors of EMC, on which he has served since 2007. Mr. Sagan is a member of EMC s Leadership and Compensation Committee. Mr. Sagan has been an Executive in Residence (XIR) at General Catalyst Partners, a venture capital firm, since January 2014. From April 2005 to January 2013, Mr. Sagan served as Chief Executive Officer of Akamai Technologies, Inc.

(**Akamai**), a provider of services for accelerating the delivery of content and applications over the Internet, and was President from May 1999 to September 2010 and from October 2011 to December 2012. Mr. Sagan joined Akamai in October 1998 as Vice President and Chief Operating Officer. In December 2010, President Barack Obama appointed Mr. Sagan as a member of the President s National Security Telecommunications Advisory Committee. From July 1997 to August 1998, Mr. Sagan was Senior Advisor to the World Economic Forum, a Geneva, Switzerland-based organization that provides a collaborative framework for leaders to address global issues. Previously, Mr. Sagan held senior executive positions at global media and entertainment companies Time Warner Cable and Time Inc., affiliates of Time Warner, Inc., as well as at CBS, Inc. Mr. Sagan is also a director of Akamai, where he is Vice Chairman of the board of directors, and iRobot Corporation, where he is chair of the Nominating and Corporate Governance Committee.

As the former President, Chief Operating Officer and Chief Executive Officer of an S&P 500 company, Mr. Sagan brings valuable skills, experience and insight to the Board of Directors. Mr. Sagan has extensive experience with complex global organizations, an in-depth knowledge of internet-based technologies and significant business, strategic and operational experience. In addition, Mr. Sagan has served and continues to serve on the board of directors of other public companies, and he brings valuable experience from those directorships to his service on our Board of Directors.

David N. Strohm

Class III, Group I

Term expires: 2016 Annual Meeting

Mr. Strohm, age 67, has been a director of VMware since April 2007. Mr. Strohm is also a member of the board of directors of EMC, on which he has served since October 2003. Mr. Strohm is a member of EMC s Mergers and Acquisitions Committee and Corporate Governance and Nominating Committee. He has been a Venture Partner of Greylock Partners (**Greylock**), a venture capital firm, since January 2001 and was a General Partner of Greylock from 1980 to 2001. He is also a General Partner of several partnerships formed by Greylock. Mr. Strohm is a former director of several public companies, including, SuccessFactors, Inc. (where he was Chairperson of the Board, Chair of the Nominating and Corporate Governance Committee and Chair of the Compensation Committee).

Mr. Strohm has more than 30 years of experience as an early-stage venture capital investor, principally in the information technology industry. He has been a primary investor, and served in board leadership roles, in several companies which have grown to become publicly-traded. This experience has provided him with a deep understanding of the information technology industry, and the drivers of structural change and high-growth opportunities in information technology. He has also gained significant experience overseeing corporate strategy, assessing operating plans, and evaluating and developing business leaders.

Joseph M. Tucci

Class I, Group I

Term expires: 2017 Annual Meeting

Mr. Tucci, age 67, has been Chairman of the Board of Directors of VMware since April 2007. Mr. Tucci has been the Chairman of the board of directors of EMC since January 2006 and has been Chief Executive Officer and a director since January 2001. He has served as President of EMC since February 2014, and also from January 2000 to July 2012. He also served as EMC s Chief Operating Officer from January 2000 to January 2001. Prior to joining EMC, Mr. Tucci served as Deputy Chief Executive Officer of Getronics N.V., an information technology services company, from June 1999 through December 1999 and as Chair of the Board and Chief Executive Officer of Wang Global, an information technology services company, from December 1993 to June 1999. Mr. Tucci is a member of EMC s Finance Committee and EMC s Mergers and Acquisitions Committee. Mr. Tucci also serves as a director of Paychex, Inc., where he is Lead Independent Director and Chairman of the Governance and Compensation Committee.

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Mr. Tucci has spent more than 40 years in the technology industry in senior roles at large, complex, and global technology companies. Mr. Tucci s deep knowledge of all aspects of EMC s business, combined with his drive for innovation and excellence, position him well to serve on our Board of Directors. In addition, Mr. Tucci s service on other public company boards provides him with valuable experience.

Selection and Nomination of Directors

Our entire Board of Directors is responsible for nominating members for election to the Board of Directors and for filling vacancies on the Board of Directors that may occur between annual meetings of the stockholders.

The Compensation and Corporate Governance Committee identifies, evaluates and recommends candidates to the entire Board of Directors for addition to the Board of Directors. The Compensation and Corporate Governance Committee reviews and assesses the skills and characteristics it believes are or may be required on the Board of Directors based on the needs of our business. The Compensation and Corporate Governance Committee will identify director candidates through numerous sources, including recommendations from directors, executive officers and stockholders of VMware. The Compensation and Corporate Governance Committee will identify those individuals most qualified to serve as members of the Board of Directors and will consider many factors with regard to each candidate, including judgment, integrity, diversity, prior experience, the interplay of the candidate s experience with the experience of other members of the Board of Directors, the extent to which the candidate would be desirable as a member of any committees of the Board of Directors and the candidate s willingness to devote substantial time and effort to the Board of Directors. As such, the Board of Directors believes that diversity of viewpoint and experience is an important consideration in determining the composition of the Board of Directors, and the effectiveness of the Board of Directors efforts to recruit members with appropriate skill sets and experience and promote the exchange of differing viewpoints is reviewed as part of the Board of Directors periodic assessment process. The Board of Directors believes that membership of no fewer than six and no more than twelve directors permits needed expertise, diversity of experience and independence without hindering effective discussion or diminishing individual accountability. In considering candidates, the Board of Directors considers the entirety of each candidate s credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual s contributions to the Board of Directors are also considered.

Our stockholders may recommend individuals to the Board of Directors for consideration as potential director candidates by submitting their names and appropriate background and biographical information to the VMware Compensation and Corporate Governance Committee, 3401 Hillview Avenue, Palo Alto, California 94304. Assuming that the appropriate information has been timely provided, the Compensation and Corporate Governance Committee will consider these candidates substantially in the same manner as it considers other candidates it identifies.

Our stockholders also may nominate director candidates by following the advance notice provisions of VMware s bylaws. For additional information, see the answer to the question *What is the deadline to propose actions for consideration at the 2016 annual meeting of stockholders or to nominate individuals to serve as directors?*

CORPORATE GOVERNANCE

For purposes of the NYSE Rules, VMware is a controlled company because more than 50% of the voting power of VMware is held by EMC. Accordingly, pursuant to section 303A.00 of the NYSE Rules, we are exempt from certain NYSE corporate governance requirements and have elected to avail ourselves of these exemptions. In particular, as a controlled company under the NYSE Rules, we are exempt from the requirements to have:

- a majority of independent directors on our Board of Directors; and
- a nominating and corporate governance committee and a compensation committee that are each composed entirely of independent directors and that each have a charter addressing the committee s purpose and responsibilities.

In light of our position as a controlled company, we have opted to establish a single Compensation and Corporate Governance Committee, instead of a separate compensation committee and a nominating and corporate governance committee. However, we have voluntarily caused the Compensation and Corporate Governance Committee to be comprised entirely of independent directors, in compliance with the NYSE Rules, although we are not required to maintain the independent composition of this committee.

Our Board of Directors is committed to maintaining strong corporate governance practices. Our Board of Directors has adopted Corporate Governance Guidelines to provide a framework for the effective governance of VMware. Additionally, our Board of Directors has adopted written charters for its standing committees (Audit, Compensation and Corporate Governance, and Mergers and Acquisitions), as well as Business Conduct Guidelines applicable to all directors, officers and employees. Our Board of Directors reviews the Corporate Governance Guidelines, the committee charters and the Business Conduct Guidelines periodically and implements changes as appropriate. Information about our corporate governance practices and copies of the Corporate Governance Guidelines, committee charters and Business Conduct Guidelines are available on the investor relations page of our company website at *http://ir.vmware.com*. VMware will provide stockholders with a copy of its Corporate Governance Guidelines, committee charters and Business Conduct Guidelines, without charge, upon written request to our Investor Relations Department, VMware, Inc., 3401 Hillview Avenue, California 94304.

Our Board of Directors has adopted corporate governance practices that the Board of Directors believes are in the best interests of VMware and our stockholders as well as compliant with the rules and regulations of the SEC and the listing standards of the NYSE. Highlights include:

- Our Board of Directors believes that board membership requires a significant time commitment. As a result, directors may generally not serve on the board of directors of more than three public companies. Our Compensation and Corporate Governance Committee will consider the number of other public company boards on which a director or prospective director is a member.
- Any time a director changes his or her job responsibility outside VMware, he or she must promptly inform the Compensation and Corporate Governance Committee. The Compensation and Corporate Governance Committee then assesses the appropriateness of the director remaining on the Board of Directors and recommends to the Board of Directors whether to request that the director tender his or her resignation. If so requested, the director is expected to promptly tender his or her resignation from the Board of Directors and all committees thereof.
- We have adopted a majority voting policy for the election of directors. The policy, which is incorporated in our Corporate Governance Guidelines and our bylaws, requires any director who receives more votes cast AGAINST than FOR his or her election in an uncontested election to promptly offer to tender his or her resignation from the Board of Directors and all committees thereof following certification of the stockholder vote. The policy provides that the Compensation and Corporate Governance Committee will assess the appropriateness of such director continuing to serve and recommend to the Board of Directors the action to be taken with respect to such resignation. The

Board of Directors will act on the Compensation and Corporate Governance Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of certification of the stockholder vote.

Our Corporate Governance Guidelines require the Compensation and Corporate Governance Committee to review committee assignments annually and, in conjunction with the Chairman of the Board of Directors, make recommendations to the Board of Directors regarding such assignments. The Board of Directors reviews those recommendations and annually appoints the members and chair of each committee. Our current committee membership is set forth in this proxy statement under the heading *Board of Directors Independence and Committees Committees of the Board of Directors.*

The Lead Director, if any, and, if none, the Compensation and Corporate Governance Committee, oversees an annual evaluation process of the Board of Directors and each committee of the Board of Directors as follows:

- each director annually evaluates the Board of Directors as a whole;
- each member of the Audit Committee, Compensation and Corporate Governance Committee, and Mergers and Acquisitions Committee annually evaluates the committees on which he or she serves;
- each director annually prepares an individual self-evaluation; and
- the Lead Director, if any, and, if none, the Compensation and Corporate Governance Committee, reports on, and makes recommendations to the Board of Directors with respect to, the evaluations.

To enable open communications with stockholders and other interested parties, we provide various means to contact the non-management directors and the Audit Committee (see *Communications with the Board of Directors*). Our Board of Directors strives to provide clear, candid and timely responses to any substantive communication from such persons.

In addition to the communications above, it is our Board of Directors policy pursuant to our Corporate Governance Guidelines to provide a response to any stockholder proposal that receives a majority vote.

Our Board of Directors believes that director education is integral to board and committee performance and effectiveness. Directors are also expected to participate in continuing educational programs in order to maintain the necessary level of expertise to perform their responsibilities as directors.

Our non-management directors meet in executive session without management at least twice each year. The Chairman acts as presiding director for such executive sessions of the non-management directors. Independent directors meet in executive session at least once each year. The Lead Director, if any, and, if none, the Chair of the Compensation and Corporate Governance Committee, acts as the presiding director acts as the presiding director for executive sessions of the independent directors.

Our Board of Directors believes that our non-employee directors should have a meaningful financial stake in VMware. Accordingly, we include equity awards as a component of the compensation we provide to our non-employee directors and the Compensation and Corporate Governance Committee has established stock ownership guidelines for such directors that require the directors to own at least 5,000 shares of our Class A common stock and hold at least 50% of the net shares acquired from us in compensation for their Board of Directors service until they reach such ownership level. Non-employee directors who do not receive compensation for their service on our Board of Directors are exempt from our stock ownership guidelines.

Our Leadership Structure

Our current leadership structure separates the roles of Chief Executive Officer and Chairman of the Board of Directors. The Chief Executive Officer is responsible for setting the strategic direction for the Company and the day to day leadership and performance of the Company, while the Chairman of the Board of Directors provides

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guidance to the Chief Executive Officer, sets the agenda for Board of Directors meetings and presides over meetings of the full Board of Directors. Additionally, in February 2015, we appointed a member of our Board, Paul Sagan, as our Lead Director to facilitate effective performance of the Board and its oversight of our business. We believe that this structure allows the Board of Directors to best address governance issues because the presence of a separate chair provides a more effective channel for the Board of Directors to express its views to management and provide feedback to the Chief Executive Officer on company performance. The Board of Directors administration of risk oversight has not affected the leadership structure of the Board of Directors.

Lead Director

We designated Paul Sagan as our Lead Director in February 2015. The responsibilities of our Lead Director include:

- Serving as chair of any meeting, or portion of a meeting, at which the Chairman is not present;
- Providing the Chairman and the CEO with input as to the preparation of agendas for Board meetings including those portions of Board meetings not attended by the Chairman and meetings of Board committees;
- Providing feedback to the Chairman and the CEO as to an assessment of Board meetings and management presentations at Board meetings;
- Consulting with the Chairman and the CEO on matters relating to corporate governance and Board performance;
- Communicating regularly with the CEO as to information to be provided to the Board to perform the Board s duties and as to feedback for the CEO from the Board;
- Supervising the Board s annual self-evaluation of the Board s performance, including providing each Board member with feedback on such Board member s performance and reporting overall results of the evaluation to the Compensation and Corporate Governance Committee and, where appropriate, to the Board as a whole; and
- Performing such other duties as may be requested from time to time by the Board.

Oversight of Risk Management

The Board of Directors role in the Company s risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including operational, financial, legal and regulatory, and strategic and reputational risks. Our Mergers and Acquisitions Committee assesses risks to the Company in connection with proposed acquisitions, divestitures and investments. The Mergers and Acquisitions Committee reviews management s assessment of potential risks raised during due diligence and management s risk mitigation plans before granting approval to enter into definitive transaction agreements. Our Audit Committee oversees management of financial risk exposures, including the integrity of our accounting and financial reporting processes and controls. As part of this responsibility, the Audit Committee meets periodically with the independent auditors, our internal auditors and our financial and accounting personnel to discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. Additionally, the Audit Committee reviews significant findings prepared by the independent auditors and our internal auditors, together with management s response. Our Audit Committee also oversees management and compliance with applicable legal and regulatory requirements and the risks related to potential non-compliance. The Audit Committee reviews periodic reports from our Chief Compliance Officer, our internal auditors and our independent auditors. Finally, the Audit Committee has primary oversight responsibility for matters relating to enterprise risk. As such, the charter for our Audit Committee provides for the committee to periodically review and discuss our practices and policies with respect to risk assessment and risk management with a management risk committee which consists of our Chief Financial Officer and our General Counsel.

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Our management also reviews the compensation plans and programs that could have a material impact on VMware for each of our functional groups with the Compensation and Corporate Governance Committee. Our management review considers whether any of these plans or programs may encourage inappropriate risk-taking, whether any plan may give rise to risks that are reasonably likely to have a material adverse effect on us, and whether it would recommend any changes to the plans. Long-term, equity-based compensation, which we believe discourages excessive short-term risk taking and strongly aligns employee interests with the creation of long-term increased stockholder value, is an important part of the compensation packages for our executive officers and employees. Management also reviews with the Compensation and Corporate Governance Committee risk-mitigating controls such as our compensation recovery policy for executive officer bonus and equity compensation, the degree of committee and senior management oversight of each program and the level and design of internal controls over such programs. Based on this review, we have concluded that our compensation plans and programs are not reasonably likely to have a material adverse effect on our company.

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BOARD OF DIRECTORS INDEPENDENCE AND COMMITTEES

Board of Directors Independence

As a controlled company, under the NYSE Rules, we are exempt from the requirement to have a majority of independent directors on our Board of Directors. Our Board of Directors has affirmatively determined that five of our nine directors are independent of VMware under the NYSE Rules. Specifically, each of Michael W. Brown, Pamela J. Craig, Dennis D. Powell, Paul Sagan and David N. Strohm are independent directors. The Board of Directors considered all facts and circumstances it deemed relevant in making such determinations of independence, including business relationships, as well as the relationships with EMC discussed below:

Mr. Brown is a non-management director of EMC, our parent and controlling stockholder, and as of March 1, 2015 is deemed to beneficially own 127,600 shares of EMC s common stock (of which 50,000 shares are subject to options exercisable within 60 days) representing less than 1% of EMC s common stock.

Mr. Sagan is a non-management director of EMC, our parent and controlling stockholder, and as of March 1, 2015, is deemed to beneficially own 87,600 shares of EMC s common stock (of which 30,000 shares are subject to options exercisable within 60 days) representing less than 1% of EMC s common stock.

Mr. Strohm is a non-management director of EMC, our parent and controlling stockholder, and as of March 1, 2015, is deemed to beneficially own 297,601 shares of EMC s common stock (of which 40,000 shares are subject to options exercisable within 60 days) representing less than 1% of EMC s common stock.

The Board of Directors affirmatively concluded that, based on the facts and circumstances, none of these relationships are of a material nature or are of a nature that would preclude such directors from being deemed independent under NYSE Rules. In making its determination, the Board of Directors also reviewed the business relationships between VMware and companies on which our independent directors serve as board members.

Ownership interests of our directors or officers in the common stock of EMC, or service as both a director of EMC and VMware, or as a director of VMware and an officer or employee of EMC could create, or appear to create, potential conflicts of interest when directors and officers are faced with decisions that could have different implications for us and EMC. In order to address potential conflicts of interest between us and EMC with respect to corporate opportunities, our certificate of incorporation contains provisions regulating and defining the conduct of our affairs as they may involve EMC and its officers and directors, and our powers, right, duties and liabilities and those of our officers, directors and stockholders in connection with our relationship with EMC. Our certificate of incorporation also contains provisions limiting the liability of our directors or officers who are also directors or officers of EMC in the event they learn of a transaction that may be a corporate opportunity for both VMware and EMC, provided they comply with the policies set forth in our certificate of incorporation. For more information, see *Transactions with Related Persons Our Relationship with EMC Corporation.* Additionally, transactions with EMC are subject to review by our Audit Committee pursuant to our policy for the review of transactions with related persons. For more information, see *Review and Approval of Transactions with Related Persons.*

Attendance at Board of Directors, Committee and Annual Stockholder Meetings

Our Board of Directors expects that each director will prepare for, attend and participate in all Board of Directors and applicable committee meetings and that each director will ensure that other commitments do not materially interfere with his or her service on the Board of Directors. During the fiscal year ended December 31, 2014, our Board of Directors held seven meetings. Each director, other than Paul Maritz, attended at least 75% of the Board of Directors meetings and committee meetings that were held during the period in which he or she was a director of VMware and in which he or she was a member of such committees. VMware s Corporate Governance Guidelines provide that each director is expected to attend the Annual Meeting of Stockholders. All members of the Board of Directors, except for Paul Maritz, attended our 2014 Annual Meeting.

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Committees of the Board of Directors

Our Board of Directors has established three standing committees: the Audit Committee, the Compensation and Corporate Governance Committee and the Mergers and Acquisitions Committee. Each committee operates pursuant to a written charter that is available on the investor relations page of our website at *http://ir.vmware.com*. The current membership of each committee is listed below.

Audit Committee	Compensation and Corporate Governance Committee	Mergers and Acquisitions Committee
Michael W. Brown(C)*	Michael W. Brown*	John R. Egan(C)
Dennis D. Powell(VC)*	Dennis D. Powell(C)*	Pamela J. Craig*
Pamela J. Craig*	Paul Sagan*	Patrick P. Gelsinger
		Paul A. Maritz
		David N. Strohm*
		Joseph M. Tucci

(C) Chair of the committee.
(VC) Vice Chair of the committee.
* Independent director under the NYSE Rules.

Audit Committee

Michael W. Brown (Chair) and Dennis D. Powell (Vice Chair) were members of the Audit Committee throughout 2014. David N. Strohm was a member of the Audit Committee until his resignation from the Audit Committee in September 2014. Following Mr. Strohm s resignation from the Audit Committee, Pamela J. Craig joined the Audit Committee in September 2014. Our Board of Directors has determined that our Audit Committee is comprised solely of independent directors within the meaning of the applicable SEC rules and regulations and the NYSE Rules.

Our Board of Directors has determined that all current Audit Committee members meet the additional, heightened independence criteria of Rule 10A-3 of the Securities Exchange Act of 1934 applicable to audit committee members. Our Board of Directors has also determined that each of Ms. Craig and Messrs. Brown and Powell is an audit committee financial expert as defined by the SEC and that all Audit Committee members are financially literate under the current listing standards of the NYSE.

The Audit Committee held nine meetings in 2014. This committee reviews with management and our auditors, our financial statements, the accounting principles applied in their preparation, the scope of the audit, any comments made by our independent auditors on our financial statements and our accounting controls and procedures, the independence of our auditors, our internal controls, our policy pertaining to related person transactions, the other matters as set forth in the Audit Committee charter, as adopted by the Board of Directors, and such other matters as the committee deems appropriate.

In accordance with its charter, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the work of our independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for us and pre-approves such audit, review or attest engagements. The Audit Committee also pre-approves non-audit services to be performed by our independent auditors in accordance with the committee s pre-approval policy. Pursuant to its charter, our Audit Committee recommends, establishes and monitors procedures designed to facilitate the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing matters and the receipt of confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee also oversees management of financial risk exposures, including the integrity of our accounting and financial reporting processes and controls. In addition, the Audit Committee appoints and oversees the Company s internal audit function, Chief Compliance Officer and receives periodic reports on ethics and compliance matters.

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During 2014, senior members of our financial and legal management participated in each of the Audit Committee s regularly scheduled meetings. During the course of the year, the Audit Committee had separate executive sessions with our Chief Financial Officer and members of his staff, our General Counsel and Chief Compliance Officer, the head of our internal audit department and our independent auditors at which candid discussions regarding legal matters, financial reporting, compliance, internal controls and accounting systems and processes took place. The Audit Committee discussed with VMware s independent auditors the overall scope and plans for its audit.

The Audit Committee reviewed and discussed our financial statements for the fiscal year ended December 31, 2014 with our management and our independent auditors. The meeting included a discussion of the quality and not just the acceptability of the accounting principles applied, the reasonableness of the significant accounting judgments and estimates and the clarity of disclosures in the financial statements.

Additionally, the Audit Committee has primary oversight responsibility for matters relating to enterprise risk. As such, the charter for our Audit Committee provides for the committee to periodically review and discuss our practices and policies with respect to risk assessment and risk management with a management risk committee which consists of our Chief Financial Officer and our General Counsel.

In performing all of these functions, the Audit Committee acts in an oversight capacity. The Audit Committee reviews our quarterly and annual reports on Form 10-Q and Form 10-K prior to filing with the SEC. In its oversight role, the Audit Committee relies on the work and assurances of our management, which has the primary responsibility for establishing and maintaining adequate internal control over financial reporting and for preparing the financial statements. The Audit Committee also relies on the work and assurances of our independent auditors who are engaged to audit and report on our consolidated financial statements and the effectiveness of our internal control over financial reporting.

Compensation and Corporate Governance Committee

David N. Strohm (Chair), Michael W. Brown and Dennis D. Powell were members of the Compensation and Corporate Governance Committee throughout 2014. In April 2015, Paul Sagan replaced Mr. Strohm on the committee, and Mr. Powell was appointed as Chair. Our Board of Directors has determined that our Compensation and Corporate Governance Committee is comprised solely of independent directors within the meaning of the applicable SEC rules and regulations and the NYSE Rules, although we are not required to maintain the independent composition of this committee in light of our position as a controlled company. The Compensation and Corporate Governance Committee held 13 meetings in 2014. In accordance with its charter, the Compensation and Corporate Governance Committee evaluates and sets compensation for our executive officers and monitors our general compensation programs. Subject to the terms of our compensation plans and the consent of the holder of our Class B common stock to the aggregate size of the annual equity award pool pursuant to the terms of our certificate of incorporation, the Compensation and Corporate Governance Committee has discretion to determine the amount, form, structure and implementation of compensation payable to our executive officers, including, where appropriate, discretion to increase or decrease awards or to award compensation absent the attainment of performance goals and to award discretionary cash compensation outside of the parameters of our compensation plans. In exercising such discretion, the Compensation and Corporate Governance Committee consults with our management. The Compensation and Corporate Governance Committee approves transactions under our equity plans and has the authority to administer and interpret the provisions of our equity and other compensation plans. The Compensation and Corporate Governance Committee is also responsible for overseeing and reporting to the Board of Directors on succession planning for the Chief Executive Officer and other senior management positions. Additionally, the Compensation and Governance Committee reviews compensation of our non-employee directors and recommends changes for approval by our Board of Directors. The Compensation and Corporate Governance Committee also oversees our non-employee director stock ownership guidelines.

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Our Compensation and Corporate Governance Committee is also responsible for overseeing and advising the Board of Directors with respect to corporate governance matters, assisting the Board of Directors in identifying and recommending qualified candidates for nomination to the Board of Directors, making recommendations to the Board of Directors with respect to assignments to committees of the Board of Directors and, if no Lead Director has been appointed, overseeing the evaluation of the Board of Directors.

The Compensation and Corporate Governance Committee has engaged an independent consultant, Frederic W. Cook & Co. (**FWC**) to advise the Committee on an as needed basis with respect to executive compensation decisions. FWC reports directly to the Compensation and Governance Committee and does not provide services to VMware management. More information on the processes and procedures followed by the Compensation and Corporate Governance Committee for the consideration and determination of executive compensation can be found under *Compensation Discussion and Analysis*.

Mergers and Acquisitions Committee

Current Board of Director members John R. Egan (Chair), Pamela Craig, Patrick P. Gelsinger, Paul A. Maritz, David N. Strohm and Joseph M. Tucci were members of the Mergers and Acquisitions Committee throughout 2014. The Mergers and Acquisitions Committee held six meetings in 2014. Pursuant to its charter, this committee reviews and assesses, with our management, potential acquisitions, divestitures and investments and, where appropriate, will make recommendations to the Board of Directors regarding potential target candidates. In connection with such review and assessment, our Mergers and Acquisitions Committee may approve acquisitions, divestitures and investments up to a specified applicable dollar limit and in accordance with any other relevant parameters previously established by the Board of Directors. The Mergers and Acquisitions Committee includes an assessment of risks to the Company in connection with proposed acquisitions, divestitures and investments.

Compensation Committee Interlocks and Insider Participation

During fiscal 2014, our Compensation and Corporate Governance Committee was comprised of Messrs. Brown, Powell and Strohm.

No executive officer of VMware during 2014 served, or currently serves, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors or our Compensation and Corporate Governance Committee.

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PROPOSAL 1

ELECTION OF DIRECTORS

Stockholders are being asked to elect three Class II, Group I directors, each to serve for an additional three-year term. The current Class II directors term of office expires at the Annual Meeting. The Board of Directors has nominated the following three persons, each an incumbent Class II director, for election as Class I directors at the Annual Meeting:

Michael W. Brown Class II, Group I director (elected by Class B common stockholders only)

Patrick P. Gelsinger Class II, Group I director (elected by Class B common stockholders only)

Dennis D. Powell Class II, Group I director (elected by Class B common stockholders only)

Messrs. Brown, Gelsinger and Powell must be elected by a majority of the votes of the Class B common stock cast with respect to such nominee at the Annual Meeting.

We expect each nominee for election as a director at the Annual Meeting to be able to accept such nomination. Information about the nominees is provided under the heading *Our Board of Directors and Nominees* above.

Each Class II director elected at the 2015 Annual Meeting will serve until the 2018 annual meeting or special meeting in lieu thereof and until that director s successor is elected and qualified.

The Board of Directors unanimously recommends a vote FOR the election of the Class II, Group I nominees.

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PROPOSAL 2

ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking our stockholders to vote, on a non-binding advisory basis, on the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC. This proposal, commonly known as a say-on-pay proposal, gives our stockholders the opportunity to express their views on the compensation of our named executive officers.

The objectives of our executive compensation program are:

- to motivate our executives to achieve our strategic, operational and financial goals;
- to reward superior performance;
- to attract and retain exceptional executives; and
- to reward behaviors that result in long-term increased stockholder value.

To achieve these objectives, we have implemented and maintained compensation plans that tie a substantial portion of our executive compensation to the achievement of pre-determined performance goals and increases in total stockholder return. Stockholders are urged to read the *Compensation Discussion and Analysis* section of this proxy statement for greater detail about our executive compensation programs, including our compensation philosophy, policies and practices and information about the fiscal year 2014 compensation of our named executive officers.

We are asking our stockholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by voting in favor of the following resolution:

RESOLVED: That the stockholders approve, on an advisory basis, the compensation of the Company s named executive officers as disclosed in the Compensation Discussion and Analysis section, the Summary Compensation Table, and the other related tables as set forth in the proxy statement in accordance with the compensation disclosure rules of the Securities and Exchange Commission relating to the Company s 2015 Annual Meeting of Stockholders.

Even though your vote is advisory and therefore will not be binding on the Company, the Compensation and Corporate Governance Committee and the Board of Directors value the opinions of our stockholders and will consider the outcome of the vote when considering future executive compensation. We have adopted a policy providing for annual advisory votes to approve the compensation of our named executive officers. Unless this policy is modified, the next advisory vote to approve the compensation of our named executive officers will be at the 2016 annual meeting of stockholders.

The Board of Directors unanimously recommends a vote FOR approval of the compensation of the Company s named executive officers.

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PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

We are asking our stockholders to ratify the selection by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP (**PWC**) as our independent auditors for the fiscal year ending December 31, 2015.

PWC, an independent registered public accounting firm, has served as our independent auditors since December 2002. We expect that representatives of PWC will be present at the Annual Meeting and will be given the opportunity to make a statement if they desire to do so and to respond to appropriate questions. PWC is also the independent auditors of EMC, our parent and controlling stockholder. We are required by the Master Transaction Agreement we entered into with EMC at the time of our initial public offering (**IPO**) to use our reasonable best efforts to use the same independent registered public accountant selected by EMC until such time as EMC is no longer required to consolidate our results of operations and financial position, determined in accordance with generally accepted accounting principles (**GAAP**) consistently applied. For further information, see *Transactions with Related Persons Our Relationship with EMC Corporation*.

Although ratification by the stockholders is not required by law, the Board of Directors has determined that it is desirable to request approval of this selection by the stockholders as a matter of good corporate governance. In the event the stockholders fail to ratify the appointment of PWC, the Audit Committee will consider this factor when making any determinations regarding PWC. Even though your vote is advisory and therefore will not be binding on the Company, the Audit Committee and the Board of Directors value the opinions of our stockholders.

The Board of Directors unanimously recommends a vote FOR the ratification of the selection of PWC as our independent auditors for the fiscal year ending December 31, 2015.

Pre-Approval of Audit and Non-Audit Services

During 2014, the Audit Committee approved all audit, review and attest services performed by PWC.

In accordance with the Audit Committee s pre-approval policy, the Audit Committee pre-approves permissible non-audit services and audit, review or attest engagements. The Audit Committee has delegated to its Chair the authority to pre-approve any specific non-audit service that was not previously pre-approved by the Audit Committee. Any decisions of the Chair to pre-approve non-audit services are then presented to the Audit Committee at its next scheduled meeting. During 2014, the Audit Committee pre-approved all non-audit services in accordance with this policy.

For the fiscal years ended December 31, 2014 and December 31, 2013, fees for services provided by PWC were as follows:

	Audit Fees(1) ($)	Audit Related Fees(2) ($)	Tax Fees(3) ($)	All Other Fees(4) ($)
2014(5)	5,139,954	2,156,867	437,488	17,094
2013(6)	6,095,921	4,188,801	666,680	23,296

(1) Includes fees in connection with the audit of our financial statements and internal control over financial reporting, review of interim financial statements included in our quarterly reports on Form 10-Q and other professional services provided in connection with statutory and regulatory filings or engagements.
(2) Includes fees in connection with acquisition-related support and other technical, financial reporting and compliance services.
(3) Includes fees in connection with tax compliance and tax consulting services.
(4) Includes fees principally for subscriptions to PWC s web-based research program and training courses and conferences.
(5) Based on accrued and current estimates of fees for unbilled services.
(6) Reflects actual amounts invoiced for 2013 services.

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PROPOSAL 4

APPROVAL OF AMENDMENT TO THE AMENDED AND RESTATED

2007 EQUITY AND INCENTIVE PLAN

In February 2015, our Board of Directors, based on the recommendation of the Compensation and Corporate Governance Committee, approved an amendment to the Amended and Restated 2007 Equity and Incentive Plan (the **Incentive Plan**), subject to stockholder approval at the Annual Meeting that would increase the number of shares of Class A common stock under the Incentive Plan by 8,250,000. The amendment raises the maximum number of shares that may become issuable under the Incentive Plan to 121,550,000 shares. All other provisions of the Incentive Plan will remain in full force and effect.

Purpose of the Incentive Plan

The purpose of the Incentive Plan is to attract, motivate and retain our employees, consultants, advisors and non-employee directors and to provide compensation opportunities to reward superior performance. We believe that equity is a key element of our compensation package and that equity awards encourage employee loyalty and align employee interests directly with those of our stockholders. The Incentive Plan has allowed us to provide our employees with equity-based incentive awards and non-equity based compensation that are competitive with those of companies with which we compete for talent.

Purpose of the Increase in the Number of Shares Reserved Under the Incentive Plan

The Incentive Plan is our sole plan for providing equity incentive compensation to eligible employees, consultants and non-employee directors. The Incentive Plan is a vital component of our compensation programs, and increasing the number of shares of Class A common stock that may be issued under equity awards ensures that we have an adequate reserve of shares available for issuance in order to attract, motivate and retain personnel and to provide compensation opportunities to reward superior performance. If the amended Incentive Plan is not approved and we are unable to grant equity compensation in the future, we may need to consider other compensation alternatives, such as increasing cash compensation.

The Board of Directors, based on the recommendation of the Compensation and Corporate Governance Committee, is recommending that stockholders approve an additional 8,250,000 shares of Class A common stock under the Incentive Plan. The members of our Compensation and Corporate Governance Committee, which administers the Incentive Plan, possess significant experience in the review and oversight of equity compensation plans at global technology companies and at VMware. Based on that experience, the Compensation and Corporate Governance Committee has exercised its business judgment in concluding that increasing the number of shares of Class A common stock reserved under the Incentive Plan is in the Company s best interests. The Company is committed to effectively managing our equity compensation share reserve while minimizing stockholder dilution.

Each year the Compensation and Corporate Governance Committee and our management review our overall compensation strategy and determine the allocations of cash and equity compensation in light of our pay-for-performance philosophy and an equity budget for the year. In determining the annual equity budget, the Compensation and Corporate Governance Committee reviews, among other things, the annual gross burn rate for the past three years, the shareholder value transfer percentage, the issued overhang percentage, historical share utilization and expectations regarding our future headcount and hiring needs. Gross burn rate means the total number of equity awards granted during the fiscal year divided by the number of shares outstanding. Shareholder value transfer percentage means the value of all outstanding equity awards shares available for grant under the Incentive Plan divided by the Company s market capitalization. Issued overhang means the total number of all outstanding equity awards divided by our total outstanding shares. As a general matter, we strive to achieve a gross burn rate, shareholder value transfer percentage and issued overhang percentage that approximates the average rates for our peer group companies identified in *Compensation Discussion and Analysis* as well as for the software and services industry more generally, and that these measures are within the limits recommended by independent shareholder advisory groups, such as Institutional Shareholder Services (**ISS**). The Compensation and Corporate Governance Committee has exercised its business judgment in determining that the Company s equity awards are reasonable and generally competitive based on, among other things, consideration of the foregoing measures with the benefit of the extensive experience that the Compensation and Corporate Governance Committee has with understanding the benefits and limitations of such measurements, making compensation decisions and evaluating the Company s performance, business objectives and strategic goals.

In reaching its decision regarding the appropriate number of shares of Class A common stock by which to increase the share reserve, the Compensation and Corporate Governance Committee considered these same factors and determined a number that it believes complies with ISS s guidelines while providing the Company with a sufficient share reserve to cover the awards we anticipate granting to eligible participants for approximately two years, although the actual number of shares utilized will depend on a variety of factors, including our headcount growth rate, employee turnover, the level of equity compensation offered by other companies with whom we are competing for talent, our stock price and the mix of RSUs, PSUs and stock options granted.

Key Data

As of March 1, 2015, a total of 17,885,050 shares of Class A common stock remained available for future awards under the Incentive Plan. As of March 1, 2015, more than 18,000 employees (including executive officers) were eligible to participate in the Incentive Plan. All non-employee directors are eligible to participate in the Incentive Plan. Consultants that provide services to us are also eligible to receive equity awards under the Incentive Plan. However, historically, only in very limited circumstances have consultants been granted equity awards under the Incentive Plan. The following table sets forth, as of March 1, 2015, information regarding outstanding equity awards (including awards under the Incentive Plan and equity awards assumed by VMware in connection with acquisitions) and shares of Class A common stock available for future equity awards under the Incentive Plan as of March 1, 2015 (without giving effect to approval of the proposed amendment and restatement of the Incentive Plan):

Total shares of Class A common stock underlying outstanding stock options	5,646,021
Weighted average exercise price of outstanding stock options	$ 51.23
Weighted average remaining contractual life of outstanding stock options	4.16 years
Total shares of Class A common stock underlying outstanding unvested restricted stock and RSUs	11,395,853
Total shares of Class A common stock underlying outstanding unearned PSUs	272,973
Total shares of Class A common stock currently available for grant	17,885,050

The additional 8,250,000 shares of our Class A common stock for which stockholder approval is sought represents approximately 1.9% of our 427,046,375 outstanding shares of common stock (measured as of March 1, 2015).

The closing price of our Class A common stock on the most recent trading day prior to March 1, 2015 was $85.07.

Plan Summary

The following is a summary of the material terms and conditions of the Incentive Plan, as amended and restated. This summary, however, does not purport to be a complete description of all provisions of the Incentive Plan and is qualified in its entirety by reference to the Incentive Plan and the proposed amendment to the

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Incentive Plan. A copy of the Incentive Plan has been filed with the SEC with this proxy statement and any stockholder who wishes to obtain a copy of the Incentive Plan may do so by written request to our Secretary at VMware s principal executive offices in Palo Alto, California.

Awards under the Incentive Plan may be in the form of stock options (either incentive stock options or non-qualified stock options) or other stock-based awards, including awards of restricted stock, restricted stock units and stock appreciation rights. The Incentive Plan also provides for the grant of cash-based awards.

Authorized Shares. Subject to stockholder approval of the amendment to the Incentive Plan, 121,550,000 shares of our Class A common stock (not including 4.2 million shares of Class A common stock previously added to the Incentive Plan pursuant to the assumption or substitution of equity awards of acquired entities in connection with the acquisitions of other companies (**Acquired Awards**)) are reserved for the grant or settlement of awards under the Incentive Plan, subject to adjustment in the event of an extraordinary dividend or other distribution, recapitalization, stock split, reverse split, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange or other similar corporate transaction (**Recapitalization**). Any shares of Class A common stock subject to awards that are cancelled, forfeited or otherwise terminated or satisfied without the issuance of shares will again be available for grants under the Incentive Plan. The number of shares of Class A common stock available for issuance under the Incentive Plan will also be increased by the number of shares subject to Acquired Awards. Shares subject to Acquired Awards that are cancelled, forfeited or otherwise terminated or satisfied without the issuance of shares do not again become available for grants under the Incentive Plan.

Eligibility. As of March 1, 2015, there were more than 18,000 VMware employees worldwide eligible to receive awards under the Incentive Plan. Substantially all of our employees, non-employee directors and consultants are eligible to participate in the Incentive Plan. Accordingly, each member of the Board of Directors and each executive officer has an interest in this proposal.

Types of Awards Under the Incentive Plan. The following principal types of awards are available under the Incentive Plan:

Stock Options. Stock options represent the right to purchase shares of our Class A common stock within a specified period of time at a specified price. The exercise price for a stock option may not be less than 100% of the fair market value of the common stock on the date of grant. Stock options will have a maximum term of ten years from the date of grant. Stock options granted may include those intended to be incentive stock options within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended (the **Code**). Stock options awarded under the Incentive Plan may vest as determined by the Compensation and Corporate Governance Committee.

Restricted Stock and Restricted Stock Units. Restricted stock is a share of our Class A common stock that is subject to a risk of forfeiture or other restrictions that will lapse subject to the recipient s continued employment or the attainment of performance goals or other events. Restricted stock units (**RSUs**) represent the right to receive shares of our Class A common stock in the future, with the right to future delivery of the shares also subject to the recipient s continued employment or the attainment of performance goals or other events. Vesting requirements of restricted stock and RSUs vary and are established by our Compensation and Corporate Governance Committee.

Stock Appreciation Rights. Stock appreciation rights entitle the holder upon exercise to receive shares of our Class A common stock having a value equal to the excess of (i) the value of the number of shares with respect to which the right is being exercised (which value is based on fair market value at the time of such exercise) over (ii) the exercise price or base price applicable to such shares. The exercise price for a stock appreciation right will be not less than 100% of the fair market value of our Class A common stock on the date of grant.

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Other Stock-Based or Cash-Based Awards. Our Compensation and Corporate Governance Committee is authorized to grant awards in the form of other stock-based awards or other cash-based awards, as deemed to be consistent with the purposes of the Incentive Plan. The maximum value of the aggregate payment to any Covered Employee (defined below) with respect to cash-based awards under the Incentive Plan in respect of an annual performance period is $5,000,000 (with proportional adjustment for longer performance periods, as described below).

Performance Based Awards. The Compensation and Corporate Governance Committee may grant awards under the Incentive Plan subject to the satisfaction of performance goals. The committee may designate employees as participants whose compensation for a given fiscal year may be subject to the limit on deductible compensation imposed by Section 162(m) of the Code. In the case of awards intended to qualify for exemption under Section 162(m) of the Code, the Compensation and Corporate Governance Committee will use one or more objectively determinable performance goals that relate to one or more performance criteria and will administer the awards in accordance with the applicable requirements of Section 162(m) of the Code. The performance criteria available under the Incentive Plan may consist of any or any combination of the following areas of performance: (i) earnings including operating income, earnings before or after taxes, earnings before or after interest, depreciation, amortization, or extraordinary or special items or book value per share (which may exclude nonrecurring items); (ii) pre-tax income or after-tax income; (iii) earnings per common share (basic or diluted); (iv) operating profit; (v) revenue, revenue growth or rate of revenue growth; (vi) return on assets (gross or net), return on investment, return on capital, or return on equity; (vii) returns on sales or revenues; (viii) operating expenses; (ix) stock price appreciation; (x) cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital; (xi) implementation or completion of critical projects or processes; (xii) economic value created; (xiii) cumulative earnings per share growth; (xiv) operating margin or profit margin; (xv) common stock price or total stockholder return; (xvi) cost targets, reductions and savings, productivity and efficiencies; (xvii) strategic business criteria, consisting of one or more objectives based on meeting specified market penetration, geographic business expansion, customer satisfaction, employee satisfaction, human resources management, supervision of litigation, information technology, and goals relating to acquisitions, divestitures, joint ventures and similar transactions, and budget comparisons; (xviii) personal professional objectives, including any of the foregoing performance goals, the implementation of policies and plans, the negotiation of transactions, the development of long term business goals, formation of joint ventures, research or development collaborations, and the completion of other corporate transactions; and (xix) any combination of, subset or component of, or a specified increase in, any of the foregoing. Where applicable, the performance goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of VMware, a subsidiary or affiliate, or a division or strategic business unit, or may be applied to the performance of VMware relative to a market index, a group of other companies or a combination thereof, all as determined by the Compensation and Corporate Governance Committee. The performance goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur) and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur). To the extent applicable, each of the performance goals shall be determined in accordance with generally accepted accounting principles. Each of the performance goals shall be subject to certification by the Compensation and Corporate Governance Committee; provided that, to the extent an award is intended to satisfy the performance-based compensation exception to the limits of Section 162(m) of the Code and then to the extent consistent with such exception, the Compensation and Corporate Governance Committee shall have the authority to make equitable adjustments to the performance goals in recognition of unusual or non-recurring events affecting VMware or any subsidiary or affiliate or the financial statements of VMware or any subsidiary or affiliate, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be extraordinary or unusual in nature or infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles. The Compensation and Corporate Governance Committee will determine whether the performance goals for a performance award have been met.

Limitation on Awards. Awards covering no more than 3,000,000 shares may be granted to any plan participant under the Incentive Plan in any fiscal year, subject to adjustment in the event of a Recapitalization. The maximum aggregate payment which any Covered Employee (defined below) may receive pursuant to a cash-based award will be $5,000,000 in any annual performance period, and for any performance period in excess of one year, such amount multiplied by a fraction, the numerator of which is the number of months in the performance period and the denominator of which is twelve. Currently, our chief executive officer and our three other highest compensated officers (other than our principal financial officer) are considered Covered Employees under Section 162(m). With respect to a performance-based award (other than a stock option or stock appreciation right) made to a Covered Employee that is intended to comply with Section 162(m) of the Code, no payment shall be made prior to certification by the Compensation and Corporate Governance Committee that the performance goals have been attained. The Compensation and Corporate Governance Committee may, in certain circumstances, exercise its discretion to reduce the amount of the performance-based award.

Administration. Our Compensation and Corporate Governance Committee administers the Incentive Plan. The Compensation and Corporate Governance Committee has the ability to: select individuals to receive awards; select the types of awards to be granted; determine the terms and conditions of the awards, including the number of shares, the purchase price of the awards, and restrictions and performance goals relating to any award; establish the time when the awards and/or restrictions become exercisable, vest or lapse; determine whether options will be incentive stock options; determine whether and to what extent an award may be settled, cancelled, forfeited, accelerated (including upon a change in control), exchanged or surrendered; and make all other determinations deemed necessary or advisable for the administration of the Incentive Plan.

Effects of Certain Corporate Transactions. The Compensation and Corporate Governance Committee may grant awards which, in the event of a change in control of VMware or other events specified by the Committee, become fully vested and exercisable. In the event of a dissolution, liquidation, consolidation or merger in which VMware is not the surviving corporation or in which a majority of its outstanding shares are converted into securities of another corporation or are exchanged for other consideration, all outstanding awards will thereupon terminate, provided that prior to the effective date of any such dissolution, liquidation, consolidation or merger, VMware will either (i) arrange to have the surviving corporation grant replacement awards to participants or (ii) contingent upon the consummation of such transaction, make all outstanding awards immediately exercisable on a basis that gives the holder of the award a reasonable opportunity to participate as a shareholder in the transaction or, if applicable, cause all restrictions to lapse.

In the event of a Recapitalization, the Compensation and Corporate Governance Committee will make such equitable changes or adjustments as necessary or appropriate to any or all of (i) the number and kind of shares of stock or other property (including cash) that may thereafter be issued in connection with awards or the total number of awards issuable under the Incentive Plan, (ii) the number and kind of shares of stock or other property issued or issuable in respect of outstanding awards, (iii) the exercise price, grant price or purchase price relating to any award, (iv) the performance goals and (v) the individual limitations applicable to awards; provided that, with respect to ISOs, any adjustment shall be made in accordance with the provisions of Section 424(h) of the Code, and provided further that no such adjustment shall cause any award which is or becomes subject to Section 409A of the Code to fail to comply with the requirements of such section. Our Compensation and Corporate Governance Committee may also make such modifications to the Incentive Plan and the awards granted thereunder as necessary in order to conform with the laws and regulations of jurisdictions outside of the United States.

Clawback Provision for Executive Officers. The Incentive Plan allows us to cancel outstanding awards or clawback the value of awards realized if officers or other senior employees engage in activity detrimental to VMware. For more information regarding our incentive compensation recovery policies, see *Compensation Discussion and Analysis Compensation Recovery Policies*.

Transferability. Under the Incentive Plan, awards are generally non-transferable other than by will or by the laws of descent and distribution.

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Amendment and Termination. Our Board of Directors can amend, alter or discontinue the Incentive Plan, but no amendment, alteration or discontinuation can be made that would impair the rights of a participant under any award granted without such participant s consent or that would increase the total number of shares of Class A common stock reserved under the Incentive Plan (other than pursuant to the adjustment provisions summarized above). In addition, stockholder approval may be required with respect to certain amendments, due to stock exchange rules or requirements of applicable law. The Incentive Plan, unless sooner terminated by our Board of Directors, will remain in effect through June 5, 2017.

U.S. Federal Income Tax Consequences

Incentive Stock Options. In general, neither the grant nor the exercise of an incentive stock option granted under the Incentive Plan will result in taxable income to the option holder or a deduction to us. If the option holder does not dispose of stock received upon exercise of an incentive stock option within two years after the date the option is granted and within one year after the date of exercise, any later sale of such stock will result in a capital gain or loss (and we are not entitled to a corresponding deduction).

If stock received upon the exercise of an incentive stock option is disposed of before the holding period requirements described above have been satisfied, the option holder will generally realize ordinary income at the time of disposition. The amount of such ordinary income will generally be equal to the difference between the fair market value of our Class A common stock on the date of exercise and the exercise price (or, if less, the difference between the amount realized on disposition of the stock and the exercise price). In the case of a disqualifying disposition in which a loss (if sustained) would be recognized, then the amount of ordinary income will not exceed the excess of the amount realized on the sale over the adjusted basis of the stock, that is, in general, the price paid for the stock. We will generally be entitled to a deduction for Federal income tax purposes equal to the amount of ordinary income realized by the option holder, subject to any necessary withholding and reporting requirements.

Certain option holders exercising incentive stock options may become subject to the alternative minimum tax, under which the difference between (i) the fair market value of stock purchased under incentive stock options, determined on the date of exercise, and (ii) the exercise price, will be an item of tax preference in the year of exercise for purposes of the alternative minimum tax.

Non-Qualified Stock Options. Options granted under the Incentive Plan which are not incentive stock options are non-qualified options. No income results upon the grant of a non-qualified option. When an option holder exercises a non-qualified option, he or she will realize ordinary income subject to withholding. Generally, such income will be realized at the time of exercise and in an amount equal to the excess, measured at the time of exercise, of the then fair market value of our Class A common stock over the option price. We will generally be entitled to a deduction for Federal income tax purposes equal to the amount of ordinary income realized by the option holder, subject to certain withholding and reporting requirements.

Restricted Stock. Generally, restricted stock is not taxable to a participant at the time of grant, but instead is included in ordinary income (at its then fair market value) when the restrictions lapse. A participant may elect to recognize income at the time of grant, in which case the fair market value of our Class A common stock at the time of grant is included in ordinary income and there is no further income recognition when the restrictions lapse. We are generally entitled to a tax deduction in an amount equal to the ordinary income recognized by the participant.

Restricted Stock Units. Generally, the participant will not be subject to tax upon the grant of an award of restricted stock units but will recognize ordinary income in an amount equal to the fair market value of any shares received on the date of delivery of the underlying shares of our Class A common stock. We will generally be entitled to a corresponding tax deduction.

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Stock Appreciation Rights. Generally, the participant will not be subject to tax upon the grant of a stock appreciation right. However, upon the receipt of shares pursuant to the exercise of a stock appreciation right, the participant, generally, will recognize ordinary income in an amount equal to the fair market value of the shares received. The ordinary income recognized with respect to the receipt of shares upon exercise of stock appreciation rights will be subject to any necessary withholding and reporting requirements. Generally, we will not be entitled to a tax deduction upon the grant or termination of stock appreciation rights. However, we will, generally, be entitled to a deduction for Federal income tax purposes equal to the amount of ordinary income realized by the participant.

Section 162(m). Section 162(m) of the Code limits to $1 million the deduction a public company may claim in any year for compensation to any of certain key officers. There are a number of exceptions to this deduction limitation, including an exception for qualifying performance-based compensation. It is intended that awards under the Incentive Plan may be designed to be eligible for this performance-based exception.

Section 409A. Awards held by employees that are subject to, but fail to comply with, Section 409A are subject to a penalty tax of 20% in addition to ordinary income tax, as well as to interest charges. In addition, the failure to comply with Section 409A may result in an acceleration of the timing of income inclusion in respect of awards for income tax purposes. Awards granted under the Incentive Plan are intended to be exempt from or comply with the rules of Section 409A and will be administered accordingly. The Compensation and Corporate Governance Committee intends to administer any award resulting in a deferral of compensation subject to Section 409A consistent with the requirements of Section 409A to the maximum extent possible, as determined by the Compensation and Corporate Governance Committee.

This summary is not a complete description of the U.S. Federal income tax aspects of the Incentive Plan. Moreover, this summary relates only to Federal income taxes; there may also be Federal estate and gift tax consequences associated with the Incentive Plan, as well as foreign, state and local tax consequences.

New Plan Benefits

The future benefits or amounts that would be received under this amendment to the Incentive Plan are discretionary and are therefore not determinable at this time. Similarly, the benefits or amounts which would have been received by or allocated to executive officers and our other employees for the last completed fiscal year if this amendment to the Incentive Plan had been in effect cannot be determined. Information about awards granted in fiscal year 2014 to the named executive officers can be found under *Grants of Plan-Based Awards.* Information about awards granted in fiscal year 2014 to our Non-Employee Directors can be found under *Director Compensation.*

The Board of Directors unanimously recommends a vote FOR the amendment to the Amended and Restated 2007 Equity and Incentive Plan.

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EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding our equity compensation plans as of December 31, 2014. Our equity compensation plans include the Incentive Plan and our 2007 Employee Stock Purchase Plan. Only shares of Class A common stock may be issued under these plans.

Plan Category	Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights (a)	Weighted-Average Exercise Price Per Share Of Outstanding Options, Warrants And Rights (b)	Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a)) (c)
Equity compensation plans approved by security holders	19,122,127(1)(2)	$ 50.62(3)	24,098,901(4)
Equity compensation plans not approved by security holders			
Total:	19,122,127	$ 50.62	24,098,901

(1) Includes 5,857,194 shares subject to outstanding options, 11,946,293 shares of Class A common stock subject to outstanding restricted stock units (**RSUs**) and 1,318,640 shares subject to outstanding performance stock units (**PSUs**) (assuming achievement of the maximum performance).
Excludes shares assumed under:

the B-Hive Networks, Inc. 2006 Israeli Stock Option Plan (the **B-Hive 102 Plan**) in connection with our acquisition of B-Hive Networks, Inc. in July 2008;

the SpringSource Global, Inc. 2007 Equity Incentive Plan (the **SpringSource US Plan**) in connection with our acquisition of SpringSource Global, Inc. (**SpringSource**) on September 15, 2009; and

the Integrien Corporation 2002 Equity Incentive Plan (the **Integrien Plan**) in connection with our acquisition of Integrien Corporation in September 2010.
Also excludes 41,788 shares subject to restricted stock awards issued under the Incentive Plan.

Each of the acquired company plans referenced above was terminated in connection with the acquisition as to any future awards but still continues to govern the existing options granted thereunder. As of December 31, 2014, the options outstanding under each acquired company plan, as well as the weighted-average exercise prices of the options outstanding under each such plan, are set forth in the following table.

Plan Name	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price ($)
B-Hive 102 Plan	517	9.74

SpringSource US Plan	10,596	5.02
Integrien Plan	385	4.27

(2) Includes 1,799,748 shares issuable pursuant to equity awards outstanding under the Incentive Plan that were granted in substitution for outstanding grants of companies that we have acquired (the **Substitution Grants**). The Incentive Plan provides that upon approval by the Compensation and Corporate Governance Committee of our Board of Directors, the number of shares reserved for issuance under the Incentive Plan will be increased by the corresponding number of outstanding equity grants assumed or substituted for in connection with mergers and similar transactions. Substitution Grants typically remain

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subject to the terms that governed the grants when initially awarded by the acquired companies. When VMware makes Substitution Grants, VMware does not assume the stock plans of such acquired companies and does not make additional grants under such plans.

(3) Represents the weighted-average exercise price of outstanding options under the Incentive Plan and is calculated without taking into account the 13,264,933 shares of Class A common stock subject to outstanding RSUs and PSUs that become issuable as those units vest, without any cash consideration or other payment required for such shares.

(4) Represents the number of securities remaining available for issuance under the Incentive Plan and our 2007 Employee Stock Purchase Plan.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL

OWNERS AND MANAGEMENT

The following table sets forth information, as of March 1, 2015, about the beneficial ownership of Class A common stock and Class B common stock by (i) EMC, (ii) each person who is known by us to own beneficially more than 5% of either class of our common stock, (iii) each of our directors and nominees for director, (iv) each of our Named Executive Officers (as defined in *Compensation Discussion and Analysis Named Executive Officers*) and (v) all directors and executive officers of VMware as a group.

Applicable percentage ownership is based on 127,046,375 shares of Class A common stock and 300,000,000 shares of Class B common stock outstanding at March 1, 2015. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options, warrants, rights or conversion privileges held by that person that are currently exercisable or exercisable within 60 days of March 1, 2015. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Only EMC, its successor-in-interest or its majority owned or controlled subsidiaries may hold shares of Class B common stock unless and until such time as EMC distributes its shares of Class B common stock in a distribution under Section 355 of the Code, following which distribution the Class B common stock may be held by EMC, the distributees and their transferees. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, the election of directors, conversion and certain actions that require the consent of holders of Class B common stock and other protective provisions as set forth in our certificate of incorporation. Each share of Class B common stock is convertible into one share of Class A common stock at any time, at EMC s election. However, if EMC distributes its shares of Class B common stock in a distribution under section 355 of the Code (a **Distribution**), such right to convert Class B common stock into Class A common stock will terminate upon such distribution.

Name and Address of Beneficial Owner	Number of Class B Shares Beneficially Owned(1)	Percent of Outstanding Class B Shares	Percentage of Total Vote(2)
Five Percent Beneficial Owner EMC Corporation 176 South Street Hopkinton, MA 01748	300,000,000	100%	95.9%

Five Percent Beneficial Owners	Number of Class A Shares Beneficially Owned(1)	Percent of Outstanding Class A Shares	Percentage of Total Vote(2)
EMC Corporation(3)	43,025,308	33.9%	1.4%

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Name of Beneficial Owner Directors and Named Executive Officers	Number of Class A Shares Beneficially Owned[1]	Percent of Outstanding Class A Shares	Percentage of Total Vote[2]
Michael W. Brown[4]	50,394	**	**
Pamela J. Craig*	5,010	**	**
Jonathan C. Chadwick[5]	40,574	**	**
John R. Egan*[6]	11,256	**	**
Carl M. Eschenbach[7]	58,086	**	**
Patrick P. Gelsinger[8]	130,018	**	**
Paul A. Maritz[9]	1,367,227	1.1%	**
Dennis D. Powell[10]	17,894	**	**
Sanjay Poonen[11]	82,191	**	**
Rangarajan (Raghu) Raghuram[12]	91,930	**	**
Paul Sagan[13]	1,817	**	**
David N. Strohm[14]	30,994	**	**
Joseph M. Tucci*[15]		**	**
All directors and executive officers as a group (14 persons)[16]	1,902,684	1.5%	**

* Nominee for director
** Represents holdings of less than 1%

(1) All amounts shown in this column include shares obtainable upon exercise of stock options currently exercisable or exercisable within 60 days of the date of this table and shares underlying restricted stock units vesting within 60 days of the date of this table. In addition to the amounts shown, each share of Class B common stock may be converted to one share of Class A common stock upon election of the holder.

(2) Percentage of total voting power represents voting power with respect to all shares of our Class A common stock and Class B common stock, as a single class, calculated on the basis of 10 votes per share of Class B common stock and one vote per share of Class A common stock. Each holder of Class B common stock is entitled to 10 votes per share of Class B common stock, and each holder of Class A common stock is entitled to one vote per share of Class A common stock on all matters submitted to our stockholders for a vote, with the exception of the election of Group II directors, in which Class A common stock and Class B shares are each entitled to one vote per share. Additionally, following a Distribution, (i) Class B stockholders are entitled to only one vote per share on any proposal to require the conversion of all then-outstanding shares of Class B common stock to Class A common stock; and (ii) they may not vote in elections for our Board of Directors without obtaining the prior consent of our Board of Directors if they have acquired 10% or more of the then-outstanding shares of Class B common stock other than through the Distribution and do not also hold an equivalent percentage of shares of our then-outstanding Class A common stock, in each case as further set forth in our certificate of incorporation.

(3) Based solely upon a Schedule 13G filed with the SEC on February 13, 2015 by EMC. Does not include 300,000,000 shares of Class A common stock issuable upon conversion of the shares of Class B common stock held by EMC listed in the above table. Such shares of Class B common stock are convertible into Class A common stock at the election of EMC.

(4) Includes 18,000 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015. Excludes 127,600 shares of EMC common stock beneficially owned by Mr. Brown of which 50,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.

(5) Includes 24,301 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 3,953 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.

(6) Excludes 1,132,817 shares of EMC common stock beneficially owned by Mr. Egan. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.

(7) Includes 43,790 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 10,940 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.

(8) Includes 66,295 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 9,884 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 930,372 shares

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of EMC common stock beneficially owned by Mr. Gelsinger of which 589,667 shares are subject to options exercisable within 60 days of March 1, 2015.

(9) Includes 1,340,006 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015.

(10) Includes 1,500 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015.

(11) Includes 76,239 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 2,372 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015.

(12) Includes 23,451 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 and 3,162 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 47,052 shares of EMC common stock beneficially owned by Mr. Raghuram.

(13) Excludes 87,600 shares of EMC common stock beneficially owned by Mr. Sagan of which 30,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.

(14) Excludes 297,601 shares of EMC common stock beneficially owned by Mr. Strohm of which 40,000 shares are subject to options exercisable within 60 days of March 1, 2015. Also excludes 9,300 restricted stock units of EMC that will vest on April 30, 2015.

(15) Excludes 2,724,077 shares of EMC common stock beneficially owned by Mr. Tucci of which 1,557,743 shares are subject to options exercisable within 60 days of March 1, 2015.

(16) Includes 1,598,777 shares of Class A common stock subject to options exercisable within 60 days of March 1, 2015 that are held by all executive officers and directors as a group and 31,694 shares of Class A common stock issuable under RSUs that will vest within 60 days of March 1, 2015. Excludes 5,347,119 shares of EMC common stock beneficially owned by such individuals, of which 2,267,410 shares are subject to options exercisable within 60 days of March 1, 2015; and 37,200 shares subject to RSUs that will vest on April 30, 2015.

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COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis section (**CD&A**) discusses the compensation programs and policies for our named executive officers. The CD&A also provides an overview of the Compensation and Corporate Governance Committee s role in the design and administration of these programs and policies and its role in making specific compensation decisions for our named executive officers.

Executive Summary

Objectives of our Executive Compensation Program

The objectives of our executive compensation program are to:

- Motivate our executives to achieve our strategic, operational and financial goals
- Reward superior performance
- Attract and retain exceptional executives
- Reward behaviors that result in long-term increased stockholder value

To achieve these objectives, we have implemented and maintained compensation plans that tie a substantial portion of our executive compensation to the achievement of pre-determined performance goals and increases in total stockholder return. As detailed below, our pay mix is balanced among base salary, short-term performance cash bonus awards and equity compensation. We may adopt other arrangements from time to time to best meet our compensation objectives.

Executive Compensation Highlights

ü	CEO pay mix reflecting target compensation is 93% variable in the form of incentive-based compensation (please refer to *Pay Mix section for details)*	ü	Long-term incentive compensation equity vehicle mix emphasizes performance stock units (PSUs), weighted 50% of total target value
ü	At least half of named executive officer target cash compensation opportunity is in the form of cash incentive bonuses, which are funded on the basis of quantitative financial results	ü	2014 PSU Plan lengthens total performance period vs. 2013 PSU Plan

Advisory Vote on Named Executive Officer Compensation

During 2014, we conducted our annual nonbinding advisory Say-on-Pay vote at our annual stockholders meeting held on May 28, 2014. Our stockholders demonstrated strong support for our executive compensation program, with over 99% of the total votes cast in support of our executive compensation program. In light of this strong support of our executive compensation practices and plans, we have maintained our existing compensation philosophy, which is focused on delivering compensation that rewards performance and helps to achieve the objectives of out executive compensation program described above, including attracting and retaining exceptional executives.

We have determined that our stockholders should vote on a Say-on-Pay proposal each year. Accordingly, our board of directors recommends that you vote FOR Proposal 2 at the Annual Meeting. For more information, see *Proposal 2 Advisory Vote to Approve Named Executive Officer Compensation* in this proxy statement.

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Corporate Performance During 2014

Our executive compensation programs are designed to reward strong corporate performance, and our compensation decisions reflect both our performance and our outlook. During 2014, our executive team drove results in two key financial metrics revenue and non-GAAP operating margin while continuing to invest in the Company s key strategic initiatives. A reconciliation of our non-GAAP operating margin to GAAP operating margin can be found in Appendix B to this proxy statement.

Financials	**2014**	**2013**	
Revenue ($M)	$6,035	$5,207	+16.0%
Operating Margin (non-GAAP)	31.1%	34.0%	-2.9%
Unearned Revenues ($M)	$4,833	$4,092	+18.1%
License Revenues ($M)	$2,591	$2,270	+14.2%

During 2014, our executives drove significant strategic and operational achievements as we continued to focus on our three strategic initiatives. These initiatives are directed to continue and strengthen the Company s position at the forefront of significant disruption in the information technology industry as corporations transition to the mobile cloud era. Although we experienced an 8% decline in our stock price during 2014, we made substantial progress in each of our strategic initiatives. Among our key 2014 achievements were:

Driving the Software Defined Data Center	Continued to gain momentum in our pioneering NSX network virtualization technology as customers increasingly moved it into production environments Unveiled cloud management platform that is built for managing the hybrid cloud, with solutions that simplify and automate how IT is managed, helping customers on their journey to IT-as-a-Service Introduced hyper-converged infrastructure appliances that help customers streamline, deploy, and scale software-defined IT infrastructure, and announced qualified partners Announced OpenStack offerings that help IT organizations quickly and cost-effectively deliver applications and services Announced key partnerships to further accelerate our go-to-market capabilities
Scaling the Hybrid Cloud	Launched and rapidly expanded the global footprint of vCloud Air hybrid cloud platform and VMware-operated data centers across parts of North America, Europe, and Asia. Rapidly announced product additions, including new disaster recovery capabilities, new advanced networking capabilities and general availability of vCloud Air Virtual Private Cloud OnDemand Announced key partnerships to further accelerate our go-to-market capabilities

Expanding End-User Computing and Mobility	Recognized as a Leader or equivalent in key industry analyst reports in 2014 Acquired AirWatch, the industry leader in mobile device management, and hit a landmark 15,000 customers globally Delivered on key product releases in Desktop-as-a-Service Announced key partnerships to further accelerate our go-to-market capabilities

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Named Executive Officers

Our named executive officers for 2014 set forth in this proxy statement (the **Named Executive Officers**) are:

Patrick P. Gelsinger	Chief Executive Officer
Carl M. Eschenbach	President and Chief Operating Officer
Jonathan C. Chadwick	Chief Financial Officer, Chief Operating Officer and Executive Vice President
Sanjay Poonen	Executive Vice President and General Manager, End-User Computing
Rangarajan (Raghu) Raghuram	Executive Vice President and General Manager, Software-Defined Data Center

Our Executive Compensation Program 2014 Highlights

We believe there was alignment in the performance of the Company in 2014 and the value of the compensation opportunity awarded to our Named Executive Officers.

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From a programmatic perspective, we implemented the following enhancements to our executive compensation program in 2014:

- *Enhanced opportunity for Compensation and Corporate Governance Committee to differentiate bonus payments under Annual Incentive Cash Bonus Plan based on recommendations of our CEO.* We continued to fund our bonus plan entirely on the basis of financial results that are quantitative, objective and formulaic. Payout opportunity for each Named Executive Officer continued to be weighted 75% to Corporate Financial results that equaled the cash bonus plan funding and 25% to performance against individual performance goals reflecting individual operational, strategic or business unit-level objectives. In 2014, we funded the individual performance goals component at 1.5x Corporate Financial results, which then formed the maximum funding under the individual performance goals component and enabled our CEO to recommend that the Compensation and Corporate Governance Committee exercise, if warranted, a wider latitude for differentiation to align payouts with individual contributions. For more information, see *Annual Performance-Based Bonuses.*

- *Lengthened performance period of PSUs awarded in 2014.* In 2014, we continued to implement the long-term performance-based equity award strategies that we had initiated in 2012. For our 2014 PSU awards, we lengthened the total period over which we are measuring performance, from 1.5 years in the 2013 PSU Plan to two years in the 2014 PSU Plan. We continued to measure performance under the 2014 PSU Plan based on revenue adjusted for changes in unearned license revenue and non-GAAP operating margin. We also introduced a multiplier based on revenue growth over the entire two-year period. We believe that maintaining sales growth rates while also managing expenses that will impact our operating margin are key metrics for measuring the longer-term success of our business and determining future stockholder returns. For more information, see *Long-Term Incentives.*

Overview of Compensation Setting Process

Compensation actions for our Named Executive Officers are determined by our Compensation and Corporate Governance Committee. The members of our Compensation and Corporate Governance Committee possess significant experience in the review and oversight of executive compensation at global technology companies and at VMware. The Committee makes its determinations of executive compensation based on this experience and in consultation with management. Additionally, in February 2015, the Board approved a change in control retention plan that had previously been reviewed by the Committee. The Committee determined that final Board review and approval of the plan was appropriate to ensure alignment with VMware s strategic objectives. See *Change in Control and Post Termination Compensation* below.

The Compensation and Corporate Governance Committee has engaged FWC as its independent consultant to advise it on an as needed basis with respect to executive compensation decisions. FWC reports directly to the Compensation and Corporate Governance Committee and does not provide services to VMware management. The Compensation and Corporate Governance Committee has assessed the independence of FWC pursuant to SEC and NYSE rules and concluded that the firm s work does not raise any conflict of interest that prevents them from providing independent advisory services to the Committee.

FWC provides the Compensation and Corporate Governance Committee analyses of our executive compensation program from time to time. FWC assists the Committee s reviews of our program s effectiveness in supporting our business objectives and strategy, its relative reasonableness compared to competitive practice for companies in related businesses of similar size and market value and the changing business and regulatory environment.

FWC compares our executive compensation structure and levels to those of comparable companies using data from Radford Consulting (**Radford**) covering software companies with annual revenue greater than $1 billion to supplement data from proxy and other SEC filings. In addition to the Radford survey data, FWC recommended a peer group, which is reviewed and approved annually by the Compensation and Corporate

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Governance Committee for executive compensation comparisons. The weightings between the peer group and the Radford survey data were based on FWC s subjective assessment of the applicability and quality of each data source. In 2014, our Compensation and Corporate Governance Committee also monitored a group of reference peer companies, primarily to assist the Committee in evaluating competitive long-term incentive program design elements. The reference peer companies were not considered when setting executive compensation levels for the Named Executive Officers.

VMware s peer group and reference group for 2014 consisted of the following companies:

VMware Peer Companies	Adobe Systems, Amazon.com, Autodesk, CA, Citrix Systems, Cognizant Technology Solutions, eBay, Electronic Arts, Intuit, NetApp, Oracle, Red Hat, Salesforce.com, Symantec and Yahoo
VMware Reference Companies	Cisco Systems, Facebook, Google, LinkedIn, Microsoft and Twitter

The Compensation and Corporate Governance Committee determined that the group of peer companies was representative of our executive talent pool and our product and market profile and appropriate from a size perspective. Our 2014 peer group was unchanged from our 2013 peer group, except for the removal of BMC Software (which was taken private) and Synopsys (which the Committee determined was no longer comparable in size to VMware from a financial perspective). In the case of the Reference Companies, we added Twitter, which became a publicly-traded company in November 2013. Although we did not believe it appropriate to add the companies in the reference group to our peer group due to differences in market capitalization and industry group, we believe that the reference company group is useful because, from time to time, we compete with these companies for executive talent due to the relative proximity of our headquarters on the West coast and overlaps in certain of our technologies.

The Compensation and Corporate Governance Committee evaluated 2014 Named Executive Officer compensation decisions in light of the FWC analysis to award compensation for our Named Executive Officers that is generally competitive with the identified peer group and the Radford survey data and sufficient to recruit and retain qualified executives. The Compensation and Corporate Governance Committee does not target or benchmark compensation to any particular percentile of compensation paid by other companies, but rather considers the market data as one factor in making its compensation decisions. Other factors include our performance, an individual s contribution, experience, potential, and compensation history and internal pay equity. After taking these factors into account, the Compensation and Corporate Governance Committee exercises its judgment in making compensation decisions. We believe that this approach gives us the flexibility to make compensation decisions based upon all of the relevant facts and circumstances.

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Compensation Components

The compensation packages of our Named Executive Officers include a mix of cash and equity-based compensation. The major compensation components are as follows:

Base Salaries	Primary fixed compensation portion of our Named Executive Officer compensation packages
Annual Cash Bonuses	Based on semi-annual financial, strategic and operational performance measured against specific pre-established goals
Long-Term Performance-Based Equity Incentive Compensation	Performance stock units that are tied to stock price appreciation and long-term performance objectives important to our company
Long-Term Equity Incentive Compensation	Restricted stock units and stock option grants that are tied to stock price appreciation and enhance retention and long-term focus

Pay Mix

When designing the executive compensation program, the Compensation and Corporate Governance Committee gives significant weight to cash bonuses and equity incentives, which reflect the Committee s belief that a large portion of executive compensation should be performance-based. This compensation is performance-based because payment and vesting are tied to achievement of individual or corporate performance metrics. In addition, with respect to the equity awards, the value ultimately realized by the recipient fluctuates with the price of our common stock, thereby explicitly linking executive compensation opportunity with shareholder value. The Compensation and Corporate Governance Committee believes that equity incentives are particularly significant because they drive the achievement of VMware s long-term operational and strategic goals and align the executives interests with those of our stockholders, while the cash bonuses drive achievement of shorter-term performance goals.

The chart above reflects the pay mix applicable to our CEO and to the other Named Executive Officers on average. For purposes of determining the percentages shown above for the annual compensation opportunities of the Named Executive Officers, annual base salary rate and cash bonus target opportunity reflect amounts in effect July 1, 2014 indicated in the *Cash Compensation* section of this CD&A. The equity component reflects the Total Equity Selected Value indicated in the *Long-Term Incentives* section of this CD&A.

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Cash Compensation

During 2014, there were two primary components to cash compensation paid to our Named Executive Officers base salary and semiannual performance-based bonuses paid under our Executive Bonus Program.

Base Salary

Base salary serves as the primary form of fixed compensation for our Named Executive Officers. Base salary can also impact other compensation and benefit opportunities, including semiannual bonuses, as such opportunities are expressed as a percentage of base salary.

In mid-2014, we conducted our annual review of executive compensation. During our annual review, the Compensation and Corporate Governance Committee made adjustments to the base salaries of Messrs. Gelsinger, Eschenbach, Chadwick and Raghuram. In the case of Mr. Gelsinger, the adjustment reflected the fact that the Committee had not increased Mr. Gelsinger s salary since he joined VMware in 2012 and was based in part on competitive peer group data; in the case of Messrs. Eschenbach and Chadwick, the adjustments reflected increases in the context of competitive peer group data; and in the case of Mr. Raghuram, the increase reflected internal pay equity and the competitive peer group data. The salary for Mr. Poonen was left unchanged as he had been an executive at VMware for less than one year since his hire date in 2013.

Named Executive Officer	Annual Salary Rate Jan 1 - June 30	Annual Salary Rate July 1 - Dec 31	% Change
Patrick Gelsinger	$850,000	$1,000,000	+18%
Carl Eschenbach	$700,000	$725,000	+4%
Jonathan Chadwick	$625,000	$675,000	+8%
Sanjay Poonen	$600,000	$600,000	
Raghu Raghuram	$500,000	$600,000	+20%

Annual Performance-Based Bonus

Each of our Named Executive Officers is eligible to earn cash bonuses tied to our financial results and individual performance under our Executive Bonus Program. We believe it is important to provide rewards for specific results and behaviors that support our overall long-term business strategy.

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Incentive Plan Design

In 2014, the design of the first-half and second-half plans was similar in order to maintain consistency in the objectives and specific metrics in which we wanted to focus the attention of executives. As illustrated below, the design of both first-half and second-half plans involved the following parameters:

Plan Funding	Entirely funded on the basis of quantitative, algorithmic measurement of financial performance
Funding Metrics	80% of funding opportunity weighted toward achievement of revenue and non-GAAP operating margin. The Committee placed primary focus on achievement of widely-recognized metrics that are tracked by our shareholders and analysts and that we believe are indicators of the performance and health of our company from a growth and profitability perspective 20% of funding opportunity weighted toward achievement of adjusted license revenue. This metric is considered an indicator of customer willingness to adopt and expand their use of our products. License revenues are adjusted for the change in deferred license revenues during the measurement period to better reflect license sales that occurred during the period
Thresholds Must be Achieved for Any Funding	For any bonus amount to be paid out, a threshold level of achievement of each of the pre-established corporate financial objectives was required No funding unless 90% of revenue and adjusted license revenue targets were achieved, and ~95% of non-GAAP operating margin targets were achieved At threshold performance, funding would equal only 51% of target
Cap on Funding	Irrespective of actual performance, funding capped at 236.25% of target, reflecting the maximum funding applicable to each component of our incentive plan
Committee Can	The Compensation and Corporate Governance Committee has the authority to exercise negative discretion on actual plan funding irrespective of funding calculated on the basis of our formulaic approach

Exercise Negative Discretion on Funding and Payouts	
Payouts	75% of funded amount is paid to the executive formulaically in order to reinforce the linkage between objective financial results and bonus payouts 25% of funded amount is pooled at 1.5x and allocated to executives subject to negative discretion based on assessment of individual performance

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The following is an illustration of 2014 Cash Bonus Incentive Compensation Plan:

Target Opportunity

In 2014, the Compensation and Corporate Governance Committee determined that bonuses would be paid based on corporate financial performance metrics and individual goals applied separately to each half of the year due in part to the Committee s view that business conditions were rapidly changing and the Committee wanted the opportunity to review and set new, more rigorous goals in the middle of the year. The Compensation and Corporate Governance Committee retained negative discretion to reduce actual payouts below the amounts calculated under the plan formulas.

The following table provides the target bonus amounts for 2014, expressed as a percentage of base salary at the start of the first and second halves of the year, for each of our Named Executive Officers under our Executive Bonus Program. Each executive s target bonus percentage of base salary remained the same in both first-half and second-half, except for Mr. Gelsinger s whose target increased from 135.3% to 150% of base salary in the context of the Committee s review of competitive peer group data.

Named Executive Officer	Annual Salary Rate During First-Half 2014 (A)	Target Bonus (as percentage of base salary) (B)	First-Half 2014 Bonus Target (C=A*50%*B)	Annual Salary Rate During Second-Half 2014 (D)	Target Bonus (as percentage of base salary) (E)	Second-Half 2014 Bonus Target (F=D*50%*E)
Patrick Gelsinger	$850,000	135.3%	$575,025	$1,000,000	150%	$750,000
Carl Eschenbach	$700,000	100%	$350,000	$725,000	100%	$362,500
Jonathan Chadwick	$625,000	100%	$312,500	$675,000	100%	$337,500
Sanjay Poonen	$600,000	100%	$300,000	$600,000	100%	$300,000
Raghu Raghuram	$500,000	100%	$250,000	$600,000	100%	$300,000

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Corporate Financial Metrics

The following table shows the revenue, adjusted license revenue and non-GAAP operating margin targets for each half year. Revenue is adjusted to exclude the impact of acquisitions and foreign currency exchange rate fluctuations not accounted for in our operating plans. Adjusted license revenue is adjusted for the change in deferred license revenue. Non-GAAP operating margin for the executive bonus plan utilizes the non-GAAP operating margin metric that we report in our quarterly earnings releases. That measure is calculated by excluding stock-based compensation and the net effect of the amortization and capitalization of software development costs, employer payroll taxes on employee stock transactions, amortization of intangible assets, acquisition-related items, restructuring charges and unusual non-recurring charges, if any, from our operating margin calculated in accordance with GAAP, and then applying our non-GAAP tax rate. Results were also adjusted to eliminate any impact on revenues and non-GAAP operating margin of acquisitions and foreign exchange rate fluctuations not provided for in VMware s operating plan. Accordingly, the actual performance metrics calculated for purposes of the bonus program listed in the table below differ from VMware s reported financial results for the periods shown.

	First-Half 2014 Plan				Second-Half 2014 Plan			
Metric	**Threshold**	**Target**	**Max**	**Actual**	**Threshold**	**Target**	**Max**	**Actual**
Revenue (0%-200% funding)	90% of Target	$2.781B	110% of Target	$2.7775B	90% of Target	$3.2028B	110% of Target	$3.2328B
Non-GAAP Operating Margin (0%-200% funding)	30.5%	32.1%	37.7%	32.5%	30.07%	31.67%	34.07%	31.52%
Adjusted License Revenue (0%-250% funding)	90% of Target	$1.153B	115% of Target	$1.116B	90% of Target	$1.4495B	115% of Target	$1.444B

The performance targets and thresholds for the Executive Bonus Program were established based upon the Company s operating plan and the prioritization we placed upon investing in our strategic initiatives in order to achieve revenue and license revenue growth. Additionally, the Compensation and Corporate Governance Committee determined that regardless of operating margin performance, payouts in excess of 100% of the target bonus amounts would be paid only if revenue exceeded 98% of the performance target and payouts for adjusted license revenue achievement could exceed 100% only if the target non-GAAP operating margin goal was achieved.

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Revenue, license revenue and operating margin performance for the first and second halves of 2014 yielded percentage bonus payouts of 96.0% and 103.6% of target amounts, respectively. Payouts for the first and second halves of 2014 were made at the level calculated by corporate financial achievement 96.0% and 103.6%, respectively.

	First-Half 2014 Plan			Second-Half 2014 Plan		
Named Executive Officer	**Target Amount (75% of Total Target)**	**Bonus Calculated Per Formula @ 96.0%**	**Approved Bonus @ 96.0%**	**Target Amount (75% of Total Target)**	**Bonus Calculated Per Formula @ 103.6%**	**Approved Bonus @ 103.6%**
Patrick Gelsinger	$431,269	$414,018	$414,018	$562,500	$582,750	$582,750
Carl Eschenbach	$262,500	$252,000	$252,000	$271,875	$281,663	$281,663
Jonathan Chadwick	$234,375	$225,000	$225,000	$253,125	$262,238	$262,238
Sanjay Poonen	$225,000	$216,000	$216,000	$225,000	$233,100	$233,100
Raghu Raghuram	$187,500	$180,000	$180,000	$225,000	$233,100	$233,100

Individual Performance Assessments

Individual performance goals for the Named Executive Officers were set for each of the first and second halves of 2014.

Patrick Gelsinger	Company-wide achievement of our 2014 operating plan, defining and delivering our vision of the software-defined data center, establishing our hybrid cloud initiatives, expanding our end user computing business, and goals related to focusing and scaling the company, leadership, development and employee retention
Carl Eschenbach	Achievement of go-to-market strategies, customer outreach programs, execution of sales and marketing objectives related to our core business objectives and development of our IT, sales and marketing organizations
Jonathan Chadwick	Achievement of our 2014 operating plan, developing investment strategies to enable delivery on our core business opportunities, goals related to achievement of our business realignment plan, the scaling of our business for future growth and development of our finance organization
Sanjay Poonen	Development of our end user computing business including organizational development launch of our desktop-as-a-service offering and developing and advancing on a roadmap for desktop and mobile technologies
Raghu Raghuram	Delivery on our vCloud product introduction plans, driving development of the software-defined data center, focusing and scaling our software-defined data center and vCloud development and marketing efforts and organizational and employee retention goals

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As discussed above, our Executive Bonus Program provided that payouts for individual performance would be funded, subject to the Compensation and Corporate Governance Committee s potential use of negative discretion, at 1.5x the same ratio as payouts based on the corporate financial metrics if threshold achievement of corporate financial goals sufficient to trigger a minimum payout was reached. There were no formulas or weightings assigned to individual performance objectives, and achievement was assessed overall on a holistic basis that also took into account overall individual and company performance. As discussed above, during 2014, corporate financial goals above the threshold levels were achieved. With respect to payouts for individual goals, the Compensation and Corporate Governance Committee exercised its negative discretion, in consultation with management, to determine payouts for the first and second halves of 2014.

	First-Half 2014 Bonus Plan			Second-Half 2014 Bonus Plan		
Named Executive Officer	**Target Amount (25% of Total Target)**	**Bonus Calculated Per Formula @ 144.0% (=1.5x 96%)**	**Approved Bonus**	**Target Amount (25% of Total Target)**	**Bonus Calculated Per Formula @ 155.4% (=1.5x 103.6%)**	**Approved Bonus**
Patrick Gelsinger	$143,756	$207,009	$138,006 (96% of Target)	$187,500	$291,375	$187,500 (100% of Target)
Carl Eschenbach	$87,500	$126,000	$84,000 (96% of Target)	$90,625	$140,831	$90,625 (100% of Target)
Jonathan Chadwick	$78,125	$112,500	$75,000 (96% of Target)	$84,375	$131,119	$84,375 (100% of Target)
Sanjay Poonen	$75,000	$108,000	$72,000 (96% of Target)	$75,000	$116,550	$78,750 (105% of Target)
Raghu Raghuram	$62,500	$90,000	$60,000 (96% of Target)	$75,000	$116,550	$78,750 (105% of Target)

Discretionary Bonus

The Compensation and Corporate Governance Committee has the authority to approve discretionary bonuses outside of the Executive Bonus Program in the event that circumstances arise that were not contemplated at the beginning of the year when the annual bonus plan structure was approved. In March 2014, the Compensation and Corporate Governance Committee approved a one-time discretionary bonus paid to Mr. Eschenbach in the amount of $2.3 million. The bonus was intended to recognize Mr. Eschenbach for outstanding contributions during 2012-2013, including acting as CFO for three quarters in 2012 during a period of management transition, integrating our CEO and CFO through 2013 and leading go-to-market integrations of several significant acquisitions, including the acquisition of Nicira, that positioned VMware for success going forward.

Long-Term Incentives

We strongly believe that equity awards further align the interests of our Named Executive Officers with those of our stockholders. Equity awards are also an important part of the compensation packages that we use to recruit new executive hires. Additionally, we annually review the composition, value and vesting timeline of long-term equity-based incentive awards held by our Named Executive Officers, and our Compensation and Corporate Governance Committee periodically approves refresh grants designed to promote long-term retention of our executive team and meet the objectives of our executive compensation program.

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During 2014, our Compensation and Corporate Governance Committee maintained the mix of equity awards established in 2013 as follows:

PSUs	RSUs	Stock Options
50% of overall target value	**30% of overall target value**	**20% of overall target value**
2-year performance period	Vest over 4-year period subject to continued employment	Vest over 4-year period subject to continued employment
Vest in Q1 2017 subject to continued employment, and achievement of objective, quantitative performance criteria	Value subject to fluctuation in alignment with VMware s stock price	Only provides value if VMware stock price appreciates from fair market value on grant date

We believe that this mix of incentives meets the primary objectives of our equity grant programs by aligning executive compensation with total stockholder return, focusing executive performance on metrics that are key to our success and promoting long-term retention.

During 2014, we made the following equity-based awards to our Named Executive Officers pursuant to our annual refresh grant program. The Compensation and Corporate Governance Committee approved the awards in July 2014. The performance metrics for one-half of the 2014 PSU awards are applicable to performance periods commencing in 2015. Those performance metrics were established in March 2015. Performance metrics for the second half of the 2014 PSU awards are applicable to a performance period commencing in 2016. The 2016 performance metrics will be established in early 2016. Grant date fair values for PSUs are not determined until performance metrics are established. Accordingly, the grant date fair values of the 2014 PSU grants discussed below are not reflected in the Summary Compensation Table and the other tables in the *Compensation of Executive Officers* section of this proxy statement. Instead, one-half of the 2014 PSU grant date fair values will be reflected in our 2016 proxy statement and the remaining half will be reflected in our 2017 proxy statement.

Named Executive Officer	**Total Equity Selected Value**	**PSU Selected Value**	**# of PSUs(1)**	**RSU Selected Value**	**# of RSUs(1)**	**Stock Options Selected Value**	**# of Stock Options(1)**
Patrick Gelsinger	$12,500,000	$6,250,000	65,895	$3,750,000	39,537	$2,500,000	87,860
Carl Eschenbach	$6,000,000	$3,000,000	31,629	$1,800,000	18,977	$1,200,000	42,173
Jonathan Chadwick	$5,000,000	$2,500,000	26,358	$1,500,000	15,814	$1,000,000	35,144
Sanjay Poonen	$3,000,000	$1,500,000	15,814	$900,000	9,488	$600,000	21,086