EMC CORPORATION

March 12, 2007

Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Re: Issue No. 07-2
Title: Accounting for Convertible Debt Instruments That Require or Permit Partial Cash Settlement upon Conversion

To members of the EITF:

On behalf of EMC Corporation, I am writing to express our opinion on the Task Force's upcoming agenda item to discuss the accounting for convertible debt instruments that require or permit partial cash settlement upon conversion (Instrument C bonds). We appreciate the opportunity to provide comments on this matter.

We recommend that the Task Force table discussion of this topic. We believe the topic is complicated and represents only one issue associated with a broader topic that is better addressed by the Financial Accounting Standards Board's liabilities and equity project. We believe the investment community will be better served by a holistic review of the entire accounting framework of this area as opposed to the selective identification and resolution of specific topics.

If, however, the Task Force is intent on reviewing this topic, we believe that View A is the appropriate treatment for Instrument C bonds. We disagree with the conclusion reached in View B that Instrument C bonds are not within the scope of APB 14. First, we disagree with the conclusion in View B that the debt and conversion option of an Instrument C bond are separable. Secondly, we believe the correct analysis of whether an Instrument C bond should be accounted for pursuant to APB 14 should be based on the substance of the bond, not the way in which it is settled.

View B points out that the basis of relying on the accounting pursuant to APB 14 is the inseparability of the debt and the conversion option such that the holder cannot exercise the option to convert into equity shares unless the holder forgoes the right to repayment of the debt. View B then points out that Instrument C bonds allow the holder to receive both repayment of the debt and net share settlement of the conversion option and concludes that because of the way it will be settled the debt and the conversion option are separable. We disagree with this conclusion.

An Instrument C bond legally cannot be separated. Holders of Instrument C bonds are not capable of separating the debt and the conversion features of the instrument. For example, the components could not be separated and each traded separately. In addition, the holder of an Instrument C bond cannot choose to exercise the conversion option and hold onto the debt. Exercise of the conversion option and repayment of the debt are mutually exclusive.

We believe the correct analysis is to look at the substance of instruments covered by APB 14 as discussed in paragraph 3:

> Convertible debt securities discussed herein are those debt securities which are convertible into common stock of the issuer or an affiliated company at a specified price at the option of the holder and which are sold at a price or have a value at issuance not significantly in excess of the face amount. The terms of such securities generally include (1) an interest rate which is lower than the issuer could establish for nonconvertible debt, (2) an initial conversion price which is greater than the market value of the common stock at the time of issuance, and (3) a conversion price which does not decrease except pursuant to antidilution provisions. In most cases such securities also are callable at the option of the issuer and are subordinated to nonconvertible debt.

Instrument C bonds meet the substance of the features specified above. Further, the holders of an Instrument C bond will receive the same monetary value upon conversion regardless of whether the convertible instrument is physically settled in shares or the principal amount of a convertible instrument is paid in cash and the conversion option is net-share settled. For these reasons, we believe the substance of Instrument C bonds follows the features of the instruments discussed in APB 14 and should be accounted for as such.

Should the Task Force reach a View B consensus, we believe only newly issued Instrument C bonds should follow this new guidance. We believe existing Instrument C bonds should be grandfathered. The guidance in Issue 90-19 is clear that Instrument C bonds should not be separated and should be accounted for under APB 14. We believe it is unnecessarily punitive for issuers who relied on the guidance in Issue 90-19 to have to switch accounting methods because the Task Force changed its mind mid-way through the life of their Instrument C bond.

We appreciate your consideration of our point of view in the discussion of this topic.

Sincerely,

Mark Link
Senior Vice President and Chief Accounting Officer