NOTE 8 — COMMITMENTS AND CONTINGENCIES

**Severance Costs and Facility Actions** — In Fiscal 2008, Dell announced a comprehensive review of costs that is currently ongoing. Since this announcement and through the end of the third quarter of Fiscal 2010, Dell has reduced its headcount and closed or sold certain Dell facilities. Results of operations for the third quarter and first nine months of Fiscal 2010 include net pre-tax charges of $123 million and $395 million, respectively, for these actions, which is comprised of $22 million and $259 million, respectively, related to headcount reduction and $101 million and $136 million, respectively, related to facility actions. In the third quarter and first nine months of Fiscal 2009, costs related to severance and facility action expenses were $17 million and $148 million, respectively. As of October 30, 2009, and January 30, 2009, the accrual related to these cost reductions and efficiency actions was $180 million and $98 million, respectively, which is included in accrued and other liabilities in the Condensed Consolidated Statements of Financial Position. Cash paid related to these actions was $69 million and $248 million in the third quarter and first nine months of Fiscal 2010, respectively. Approximately $160 million of the accrual related to these actions is expected to be paid in the next twelve months.

**Restricted Cash** — Pursuant to an agreement between Dell and CIT Group Inc., Dell is required to maintain escrow cash accounts that are held as recourse reserves for credit losses, performance fee deposits related to Dell’s private label credit card, and deferred servicing revenue. Restricted cash in the amount of $141 million and $213 million is included in other current assets in the Condensed Consolidated Statements of Financial Position at October 30, 2009, and January 30, 2009, respectively.

**Legal Matters** — Dell is involved in various claims, suits, assessments, investigations, and legal proceedings that arise from time-to-time in the ordinary course of its business, including matters involving consumer, antitrust, tax, intellectual property, and other issues on a global basis. While Dell does not expect that the ultimate outcomes in these proceedings, individually or collectively, will have a material adverse effect on its business, financial position, results of operations, or cash flows, the results and timing of the ultimate resolutions of these various proceedings are inherently unpredictable. Whether the outcome of any claim, suit, assessment, investigation, or legal proceeding, individually or collectively, could have a material effect on Dell’s business, financial condition, results of operations, or cash flows, will depend on a number of variables, including the nature, timing, and amount of any associated expenses, amounts paid in settlement, damages or other remedies or consequences. Dell accrues a liability when it believes that it is both probable that a liability has been incurred and that it can reasonably estimate the amount of the loss. Dell reviews these accruals at least quarterly and adjusts them to reflect ongoing negotiations, settlements, rulings, advice of legal counsel, and other relevant information. To the extent new information is obtained and Dell’s views on the probable outcomes of claims, suits, assessments, investigations, or legal proceedings change, changes in Dell’s accrued liabilities would be recorded in the period in which such determination is made.

The following is a discussion of Dell’s significant on-going legal matters and other proceedings.

**Investigations and Related Litigation** — In August 2005, the SEC initiated an inquiry into certain of Dell’s accounting and financial reporting matters and requested that Dell provide certain documents. The SEC expanded that inquiry in June 2006 and entered a formal order of investigation in October 2006. In August 2006, because of potential issues identified in the course of responding to the SEC’s requests for information, Dell’s Audit Committee, on the recommendation of management and in consultation with PricewaterhouseCoopers LLP, Dell’s independent registered public accounting firm, initiated an independent investigation, which was completed in the third quarter of Fiscal 2008. Although the Audit Committee investigation
has been completed, the SEC investigation is ongoing. Dell continues to cooperate with the SEC investigation.
Dell and several of its current and former directors and officers were named as parties to the following outstanding securities and shareholder derivative lawsuits all arising out of the same events and facts.

— Four putative securities class actions filed between September 13, 2006, and January 31, 2007, in the Western District of Texas, Austin Division, against Dell and certain of its current and former officers were consolidated as In re Dell Securities Litigation, and a lead plaintiff was appointed by the court. The lead plaintiff asserted claims under sections 10(b), 20(a), and 20A of the Securities Exchange Act of 1934 based on alleged false and misleading disclosures or omissions regarding Dell’s financial statements, governmental investigations, internal controls, known battery problems and business model, and based on insiders’ sales of Dell securities. This action also included Dell’s independent registered public accounting firm, PricewaterhouseCoopers LLP, as a defendant. On October 6, 2008, the court dismissed all of the plaintiff’s claims with prejudice and without leave to amend. On November 3, 2008, the plaintiff appealed the dismissal of Dell and the officer defendants to the Fifth Circuit Court of Appeals. The appeal has been fully briefed, and oral argument on the appeal was heard by the Fifth Circuit Court of Appeals on September 1, 2009. On November 20, 2009, the parties to the appeal entered into a written settlement agreement whereby Dell would pay $40 million to the proposed class and the plaintiff would dismiss the pending litigation. The parties have requested that the Fifth Circuit remand the matter to the district court to review the settlement. The settlement is subject to certain conditions, including preliminary approval by the district court, notice to the proposed class, opt-outs from the proposed class not exceeding a specified percentage, and final approval by the district court. Until these conditions to the settlement have been satisfied, there can be no assurance that the settlement will become final. If the settlement does not become final, Dell will continue its defense of the appeal before the Fifth Circuit.

— In addition, seven shareholder derivative lawsuits filed between September 29, 2006, and January 22, 2007, in three separate jurisdictions were consolidated as In re Dell Derivative Litigation into three actions. One of those consolidated actions was pending in the Western District of Texas, Austin Division, but was dismissed without prejudice by an order filed October 9, 2007. The second consolidated shareholder derivative action was pending in Delaware Chancery Court. On October 16, 2008, the Delaware court granted the parties’ stipulation to dismiss all of the plaintiffs’ claims in the Delaware lawsuit without prejudice. The third consolidated shareholder derivative action is pending in state district court in Williamson County, Texas. These shareholder derivative lawsuits named various current and former officers and directors as defendants and Dell as a nominal defendant and asserted various claims derivatively on behalf of Dell under state law, including breaches of fiduciary duties. On September 11, 2009, Dell entered into an agreement to settle the derivative suit pending in the Western District of Texas, Austin Division, and the previously reported shareholder demand letter dated November 12, 2008, asserting allegations similar to those made in these lawsuits. The agreement has been filed with the Western District of Texas and the court has preliminarily approved the settlement. The parties have given notice of the settlement and a final hearing to approve the settlement is scheduled for December 15, 2009. The settlement, if approved, would require Dell to initiate and maintain certain corporate governance changes and would provide for the payment of fees to the plaintiff’s counsel in the amount of approximately $1.75 million.

Copyright Levies — Rights holder associations in Europe seek to impose levies on