

June 4, 2008

Dell Computer Corporation
1 Dell Way
Round Rock, TX 78682-2222

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Dell Computer Corp. On February 28, 2006 and November 15, 2006, we sent Dell information regarding findings in POGO's database. We received a response from you on April 27, 2006. I have enclosed the findings relevant to your company, and I am seeking verification of this data

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Dell, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. Misleading Advertisements

Date: 05/13/1999 (Date of Press Release)

Misconduct Type: Consumer Affairs

Enforcement Agency: FTC

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Administrative Agreement

Synopsis: "Dell Computer Corp. and Micron Electronics, Inc. have agreed to settle Federal Trade Commission charges that their computer lease advertisements violated federal laws. According to the agency, both Dell and Micron disseminated misleading ads for consumer leases by placing material cost information in inconspicuous or unreadable fine print or omitting such information altogether. The proposed settlements with Dell and Micron would require the companies to provide consumers with clear, readable, and understandable information in their lease advertising... The proposed consent agreements that the FTC negotiated with Dell and Micron would settle the charges and prevent the companies from engaging in similar acts and practices in the future. Under the proposed order, Dell would be prohibited from failing to disclose clearly and conspicuously (in a manner that an ordinary consumer could read [or hear] and comprehend) that any advertised terms pertain to a lease offer. Both Dell and Micron would be prohibited from making any reference to any charge that is part of the total amount due at leasing signing or that no such amount is due, unless the ad also states with equal prominence the total amount due at lease inception. The companies also would be prohibited from running ads that highlight low monthly payments, unless the ads also state, clearly and conspicuously that (1) the advertised transaction is a lease; (2) the total amount due at lease signing; (3) whether or not a security deposit is required; (4) the number, amount, and timing of scheduled payments; and (5) that, for open-end leases, an extra charge may be imposed at the end of the lease term."

2. Violation of FTC Mail Order Policy

Date: 04/02/1998 (Date of Penalty)

Misconduct Type: Consumer Affairs

Enforcement Agency: FTC

Contracting Party: None

Court Type: Administrative

Amount: \$800,000

Disposition: Fine

Synopsis: "Dell Computer Corporation, the country's largest direct seller of personal computers, has agreed to settle Federal Trade Commission charges that it violated the FTC's Mail Order Rule when it advertised and sold a "Dell Dimension" computer system bundled with a package of third-party software that was not ready to be shipped. The company, which is based in Round Rock, Texas, has agreed to pay an \$800,000 civil penalty -- the largest penalty ever paid by a single defendant for a violation of the Rule... The FTC's complaint detailing the allegations states that Dell violated the Mail Order Rule by: soliciting orders for merchandise, either by mail or phone, when it had no reasonable basis to expect to be able to ship some or all of the merchandise within the time stated in the solicitation, or if no time was stated, within 30 days of

receiving a properly completed order; failing to offer the buyer the option of either consenting to a delay in shipping or to cancel the order and receive a prompt refund; and failing to offer the buyer a prepaid means to exercise those options.”

3. Violations of Export Administration Regulations

Date: 06/17/1997 (Date of Penalty)

Misconduct Type: Import/Export

Enforcement Agency: Commerce

Contracting Party: None

Court Type: Administrative

Amount: \$50,000

Disposition: Fine

Synopsis: On June 17, 1997, the Commerce Department's Bureau of Export Administration imposed a \$50,000 civil penalty on Dell Computer Corporation for alleged violations of the Export Administration Regulations. “The Department alleged that Dell made three shipments of U.S. origin computer equipment from the United States to Iran without the required U.S. export licenses between March, 1992 and June, 1992. In connection with the exports, the Department also alleged that the company made false and misleading statements of material fact on export control documents.”

4. International Contract Dispute

Date: 07/02/2007 (Date of Court Ruling)

Misconduct Type: Poor Contract Performance

Enforcement Agency: Non-Governmental

Contracting Party: International

Court Type: Civil

Amount: \$3,600,000

Disposition: Judgment Against Defendant

Synopsis: According to Dominican media reports, a Santo Domingo court sentenced the local Dell, Inc. subsidiary to pay RD\$116.5 million (approximately US\$3.6 million) in indemnification to Dominican information technology firm Xolutiva, S.A. The Dominican company sued Dell for RD\$300 million for violating its rights as the Dell’s local representative. The Civil and Commercial Chamber ruled against Dell for violating Law 173 on International Representations, holding that Xolutiva represented Dell in the country since 1997, but Dell unilaterally decided not to renew the contract without due compensation. The court ordered Dell to close its operations in the Dominican Republic. In February 2008, a presiding judge in a Santo Domingo Judicial Department court ruled to suspend the sentence pending an appeal filed by Dell.

5. Insider Trading

Date: 09/28/2007 (Date of Filing)

Misconduct Type: Securities

Enforcement Agency: SEC

Contracting Party: None

Court Type: Civil

Amount: \$358,566

Disposition: Settlement

Synopsis: The Securities and Exchange Commission filed insider trading charges against three Dell, Inc. accountants – Salvador Chavarria, John Nieto and Glenn Leftwich – accusing them of making about \$250,000 in illegal profits in 2005 by trading on inside information about Dell's earnings. Chavarria and Nieto settled with the SEC: Chavarria will pay \$323,153 in disgorgement, prejudgment interest and civil penalties, and Nieto will pay \$35,413. The case against Leftwich is pending in federal court in western Texas.

6. Alcatel-Lucent Patent Infringement

Date: 04/04/2008 (Date of Verdict)

Misconduct Type: Intellectual Property

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$51,000

Disposition: Judgment Against Defendant

Synopsis: A federal jury in San Diego found that Microsoft Corp. and Dell Inc. infringed patents owned by Alcatel-Lucent SA for touch screen and computer stylus technologies. Microsoft was ordered to pay over \$367 million in damages and Dell was ordered to pay \$51,000.

Pending Instances

Accounting Irregularities

Date: 08/16/2007 (Date of Press Release)

Misconduct Type: Securities

Enforcement Agency: SEC

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Pending

Synopsis: In March 2006, it was reported that Dell's board uncovered evidence of misconduct, including accounting errors and “deficiencies in the financial control environment,” while conducting an ongoing investigation of the company's accounting. The board’s investigation was prompted by a Securities and Exchange Commission inquiry that began in August 2005. In August 2007, Dell announced it would restate four years of financial results (fiscal years 2003-2006 and the first fiscal quarter of 2007) after a separate internal audit found that senior executives sought accounting adjustments “motivated by the objective of attaining financial targets.” According to Dell, “a number of these adjustments were improper,” and “[t]he investigation found that sometimes business unit personnel did not provide complete information to corporate headquarters and, in a number of instances, purposefully incorrect or incomplete information about these activities was provided to internal or external auditors.” Dell is still the subject of an investigation by the SEC.

Fraud, False Advertising, Deceptive Business Practices

Date: 05/14/2007 (Date of Filing)

Misconduct Type: Consumer Affairs

Enforcement Agency: State/Local

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: New York Attorney General Andrew Cuomo filed a state lawsuit accusing Dell and Dell Financial Services LP of engaging in fraud, false advertising and deceptive business practices. The lawsuit accuses Dell of luring customers with "bait and switch" advertising with regard to zero percent financing on computer purchases and failing to provide customers with adequate customer service.

Touch Screen Patent Infringement

Date: 12/05/2007 (Date of Filing)

Misconduct Type: Intellectual Property

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Typhoon Touch Technologies, Inc., a touch-screen technology company, and its licensee, Nova Mobility Systems, Inc., filed a patent infringement lawsuit against Dell, Inc. and Motion Computing, Inc., a developer of tablet computers. The complaint alleges Dell and Motion Computing infringed on two of Typhoon's patents through the manufacture, sale, and/or import of products covered by the patents, including tablet PCs, handheld PCs, PDAs and smartphones.

Overtime Pay Class Action Lawsuit

Date: 12/14/2007 (Date of Filing)

Misconduct Type: Labor

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: Catherine L. Davis and Tommy Moore, former sales representatives at the Oklahoma City Dell Computer call center, filed a federal class-action lawsuit alleging Dell did not pay them for all of the overtime they worked at the facility. Davis and Moore allege that Dell uses a timekeeping system that does not record all of the hours worked by sales representatives, and that Dell has long known about the system's errors but has failed to take corrective measures. They allege that Dell's actions violate the federal Fair Labor Standards Act and Oklahoma wage and overtime law.

Big Sky Battery, Inc. v. Dell (Defective Monitor)

Date: 12/19/2007 (Date of Filing)

Misconduct Type: Consumer Affairs

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$0

Disposition: Pending

Synopsis: The owner of an auto supply store in North Dakota claims his Dell computer monitor malfunctioned and caused a fire that destroyed his business. He claims the monitor was defective and unreasonably dangerous and seeks over \$237,000 in damages.