DELL INC
Form 424B3
October 29, 2008

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Registration Statement No. 333-153440

PROSPECTUS

Dell Inc.
Offer to Exchange

up to

$600,000,000 of 4.700% Notes due 2013
that have been registered under the Securities Act of 1933, as amended (the Securities Act)

for

$600,000,000 of 4.700% Notes due 2013
that have not been registered under the Securities Act

and

$500,000,000 of 5.650% Notes due 2018
that have been registered under the Securities Act

for

$500,000,000 of 5.650% Notes due 2018
that have not been registered under the Securities Act

and

$400,000,000 of 6.500% Notes due 2038
that have been registered under the Securities Act

for

$400,000,000 of 6.500% Notes due 2038
that have not been registered under the Securities Act

The exchange offer and withdrawal rights will expire at
5:00 p.m., New York City time, on December 3, 2008, unless extended.

We are offering to exchange up to $600,000,000 aggregate principal amount of our new 4.700% Notes due 2013, which have been registered under the Securities Act, or the new 2013 notes , for any and all of our outstanding unregistered 4.700% Notes due 2013, or the old 2013 notes ; up to $500,000,000 aggregate principal amount of our new 5.650% Notes due 2018, which have been registered under the Securities Act , or the new 2018 notes , for any and all of our outstanding unregistered 5.650% Notes due 2018, or the old 2018 notes ; and up to $400,000,000 aggregate principal amount of our new 6.500% Notes due 2038, which have been registered under the Securities Act, or the new 2038 notes , for any and all of our outstanding unregistered 6.500% Notes due 2038, or the old 2038 notes . The new

2013 notes, the new 2018 notes and the new 2038 notes are referred to in this prospectus as the new notes. The old 2013 notes, the old 2018 notes and the old 2038 notes are referred to in this prospectus as the old notes. We issued the old notes on April 17, 2008 in a transaction not requiring registration under the Securities Act. We are offering you new notes in exchange for old notes in order to satisfy our registration obligations from that previous transaction. The old notes and the new notes are collectively referred to in this prospectus as the notes, and the new notes of each series will be treated as a single class with any old notes of such series that remain outstanding after the completion of the exchange offer.

Please read Risk Factors beginning on page 7 for a discussion of factors you should consider before participating in the exchange offer.

We will exchange new notes for all outstanding old notes that are validly tendered and not withdrawn before expiration of the exchange offer. You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in Exchange Offer Procedures for Tendering. If you fail to tender your old notes, you will continue to hold unregistered notes that you will not be able to transfer freely.

The terms of the new notes are substantially the same as the old notes, except that the transfer restrictions and registration rights applicable to the old notes do not apply to the new notes and, unlike the old notes, the new notes have been registered under the Securities Act and therefore are freely transferable. Please read Description of New Notes for more details on the terms of the new notes. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to this offering must acknowledge that it will deliver this prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date (as defined herein), we will make this prospectus available to any broker-dealer for use in connection with any such resale. Please read Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 29, 2008.

This prospectus is part of a registration statement we filed with the Securities and Exchange Commission. You should rely only upon the information provided in this prospectus and the other information that we have specifically provided you in connection with this offering. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus is accurate only as of the date on the front of this prospectus.

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AVAILABLE INFORMATION

We have filed a registration statement on Form S-4 under the Securities Act with the SEC with respect to the issuance of the new notes. This prospectus, which is included in the registration statement, does not contain all of the information included in the registration statement. Certain parts of this registration statement are omitted in accordance with the rules and regulations of the SEC. For further information about us and the new notes, we refer you to the registration statement. You should be aware that the statements made in this prospectus as to the contents of any agreement or other document filed as an exhibit to the registration statement are not complete. Although we believe that we have summarized the material terms of these documents in the prospectus, these statements should be read along with the full and complete text of the related documents.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC s public reference room in Washington, D.C. Please call the SEC at

1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC s website at www.sec.gov or from our website at www.dell.com. **However, neither the information on our website nor our filings on the SEC s website constitute a part of this prospectus.**

FORWARD-LOOKING STATEMENTS

This prospectus and the documents to which we refer you in this prospectus contain forward-looking statements that are based on Dell s current expectations. Actual results in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks and uncertainties. In addition to other factors and matters contained in this document, including those disclosed under Risk Factors, these statements are subject to risks, uncertainties and other factors, including, among others:

- failure to exchange your old notes may adversely affect their value because they may be more difficult to sell;
- general economic, business and industry conditions;
- our ability to reestablish a cost advantage over our competitors;
- our ability to generate substantial non-U.S. net revenue;
- our ability to accurately predict product, customer and geographic sales mix and seasonal sales trends;
- information technology and manufacturing infrastructure failures;
- our ability to effectively manage periodic product transitions;
- disruptions in component or product availability;
- our reliance on vendors;
- our reliance on third-party suppliers for quality product components, including reliance on several single-source or limited-source suppliers;
- our ability to access the capital markets;
- risks relating to our internal controls;
- unfavorable results of legal proceedings could harm our business and result in substantial costs;
- our acquisition of other companies;
- our ability to properly manage the distribution of our products and services;
- our cost-cutting measures;
- effective hedging of our exposure to fluctuations in foreign currency exchange rates and interest rates;
- obtaining licenses to intellectual property developed by others on commercially reasonable and competitive terms;

our ability to attract, retain and motivate key personnel;

loss of government contracts;

expiration of tax holidays or favorable tax rate structures;

changing environmental laws;

the effect of armed hostilities, terrorism, natural disasters and public health issues;

we may incur substantially more debt and increase the risks associated with our proposed leverage;

effective subordination of the notes may reduce amounts available for payment of the notes;

changes in our credit ratings may adversely affect the value of the notes; and

your ability to transfer the notes may be limited since there is no active trading market for them.

Other unknown or unpredictable factors also could have a material adverse effect on our business, financial condition and results of operations. Accordingly, readers should not place undue reliance on these forward-looking statements. The use of words such as anticipates, estimates, expects, intends, plans, and believes, among others, generally forward-looking statements; however, these words are not the exclusive means of identifying such statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. We are not under any obligation and do not intend to publicly update or review any of these forward-looking statements, whether as a result of new information, future events or otherwise, even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. Please carefully review and consider the various disclosures made in this prospectus that attempt to advise interested parties of the risks and factors that may affect our business, results of operations, financial condition or prospects.

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INDUSTRY AND MARKET DATA

This prospectus includes estimates of market share and industry data and forecasts that we obtained from industry publications and surveys, including those of IDC Worldwide Quarterly PC Tracker, and internal company estimates. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of the included information. We have not independently verified any of the data from third-party sources nor have we or the initial purchasers ascertained the underlying economic assumptions relied upon therein. Unless otherwise noted, all references to industry share and total industry growth data in this prospectus are for personal computers (including desktops, notebooks, and x86 servers), and are based on information provided by IDC Worldwide Quarterly PC Tracker dated March 4, 2008 (in the case of data relating to Fiscal 2008) or July 25, 2008 (in the case of data relating to the three and six months ended August 1, 2008). Market share and industry data and forecasts based on internal company estimates may vary materially from others in our industry. We cannot assure you that internal company estimates are accurate or that estimated growth rates will be achieved. Our estimates involve risks and uncertainties, and are subject to change based on various factors, including those discussed under the heading Risk Factors in this prospectus.

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SUMMARY

The following summary contains basic information about our company and the exchange offer. It may not contain all of the information that is important to you and it is qualified in its entirety by the more detailed information included in this prospectus. You should carefully consider the information contained in the entire prospectus, including the information set forth under the heading Risk Factors in this prospectus. In addition, certain statements included forward-looking information that involves risks and uncertainties. See Forward-Looking Statements. Except as otherwise required by the context, in prospectus, our company , we , us and our refer to Dell Inc. and its subsidiaries, the issuer or Dell refers to Dell Inc., exclusive of its subsidiaries.

GENERAL

We listen to customers and deliver innovative technology and services they trust and value. As a leading technology company, we offer a broad range of product categories, including desktop PCs, notebooks, software and peripherals, servers and networking products, services, and storage. According to IDC, we are the number one supplier of personal computer systems in the United States, and the number two supplier worldwide.

Our company is a Delaware corporation and was founded in 1984 by Michael Dell on a simple concept: by selling computer systems directly to customers, we can best understand their needs and efficiently provide the most effective computing solutions to meet those needs. Our corporate headquarters are located in Round Rock, Texas, and we conduct operations worldwide through subsidiaries. When we refer to our company and its business in this prospectus, we are referring to the business and activities of our consolidated subsidiaries. We operate principally in one industry, and we manage our business in four operating segments: Americas Commercial; Europe, Middle East and Africa (EMEA) Commercial; Asia Pacific-Japan (APJ) Commercial; and Global Consumer. See Business Operating Business Segments.

We are committed to managing and operating our business in a responsible and sustainable manner around the globe. This includes our commitment to environmental responsibility in all areas of our business. In June 2007, we announced an ambitious long-term goal to be the greenest technology company on the planet and have a number of efforts that take the environment into account at every stage of the product lifecycle. See Business Sustainability. This also includes our focus on maintaining a strong control environment, high ethical standards, and financial reporting integrity.

BUSINESS STRATEGY

Our core business strategy is built around our direct customer model, relevant technologies and solutions, and highly efficient manufacturing and logistics; and we are expanding that core strategy by adding new distribution channels to reach even more commercial customers and individual consumers around the world. Using this strategy, we strive to provide the best possible customer experience by offering superior value; high-quality, relevant technology; customized systems and services; superior service and support; and differentiated products and services that are easy to buy and use. Historically, our growth has been driven organically from our core businesses. Recently, we have begun to pursue a targeted acquisition strategy designed to augment select areas of our business with more products, services, and technology that our customers value. For example, with our recent acquisition of EqualLogic, Inc., a leading provider of high-performance storage area network solutions, and the subsequent expansion of Dell s PartnerDirect channel, we are ready to deliver customers an easier and more affordable solution for storing and processing data.

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THE EXCHANGE OFFER

On April 17, 2008, we completed a private offering of $600 million aggregate principal amount of our 4.700% Notes due 2013, $500 million aggregate principal amount of our 5.650% Notes due 2018 and $400 million aggregate principal amount of our 6.500% Notes due 2038, or the old notes. As part of this private offering, we entered into a registration rights agreement with the initial purchasers of the old notes in which we agreed, among other things, to deliver this prospectus to you and to use our reasonable best efforts to complete the exchange offer no later than the 45th business day after the date on which the registration statement, of which the prospectus forms a part, is declared effective by the SEC. The following is a summary of the exchange offer.

Old Notes	On April 17, 2008, we issued $600 million aggregate principal amount of our 4.700% Notes due 2013, $500 million aggregate principal amount of our 5.650% Notes due 2018 and $400 million aggregate principal amount of our 6.500% Notes due 2038.
New Notes	4.700% Notes due 2013, 5.650% Notes due 2018 and 6.500% Notes due 2038. The terms of the new notes are substantially the same as the terms of the old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. The new notes of each series offered hereby, together with any old notes of such series that remain outstanding after the completion of the exchange offer, will be treated as a single class for all purposes under the indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase. The new notes will have a CUSIP number different from that of any old notes that remain outstanding after the completion of the exchange offer. In the case of the new notes, all unpaid interest accrued on old notes from April 17, 2008 will be treated as having accrued on the new notes that are issued in exchange for the old notes.
Exchange Offer	We are offering to exchange up to $600 million aggregate principal amount of our 4.700% Notes due 2013, $500 million aggregate principal amount of our 5.650% Notes due 2018 and $400 million aggregate principal amount of our 6.500% Notes due 2038 that have been registered under the Securities Act of 1933, as amended, or the Securities Act, for an equal amount of our outstanding $600 million aggregate principal amount of our 4.700% Notes due 2013, $500 million aggregate principal amount of our 5.650% Notes due 2018 and $400 million aggregate principal amount of our 6.500% Notes due 2038, respectively, that have not been so registered to satisfy our obligations under the registration rights agreement that we entered into when we issued the old notes in a transaction exempt from registration under the Securities Act.
Expiration Date	The exchange offer will expire at 5:00 p.m., New York City time, on December 3, 2008, unless we decide to extend it.
Conditions to the Exchange Offer	The registration rights agreement does not require us to accept old notes for exchange if the exchange offer or the making of any exchange by a holder of the old notes would violate any applicable law or interpretation of the staff of the SEC or if any legal action has been instituted or is

reasonably likely to be instituted that would impair our ability to proceed with the exchange offer. A minimum aggregate principal amount of old notes being tendered is not a condition to the exchange offer. Please read Exchange Offer Conditions to the Exchange Offer for more information about the conditions to the exchange offer.

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Procedures for Tendering Old Notes	All of the old notes are held in book-entry form through the facilities of The Depository Trust Company, or DTC. To participate in the exchange offer, you must follow the automatic tender offer program, or ATOP, procedures established by DTC for tendering notes held in book-entry form. The ATOP procedures require that the exchange agent receive, prior to the expiration date of the exchange offer, a computer-generated message known as an agent s message that is transmitted through ATOP and that DTC confirm that: DTC has received instructions to exchange your old notes; and you agree to be bound by the terms of the letter of transmittal included herewith. For more details, please read Exchange Offer Terms of the Exchange Offer and Exchange Offer Procedures for Tendering.
Guaranteed Delivery Procedures	None.
Withdrawal of Tenders	You may withdraw your tender of old notes at any time prior to the expiration date. To withdraw, you must submit a notice of withdrawal to the exchange agent using ATOP procedures before 5:00 p.m., New York City time, on the expiration date of the exchange offer. Please read Exchange Offer Withdrawal of Tenders.
Acceptance of Old Notes and Delivery of New Notes	If you fulfill all conditions required for proper acceptance of old notes, we will accept any and all old notes that you properly tender in the exchange offer before 5:00 p.m., New York City time, on the expiration date. We will return any old notes that we do not accept for exchange to you without expense promptly after the expiration date. We will deliver the new notes promptly after the expiration date. Please read Exchange Offer Terms of the Exchange Offer.
Fees and Expenses	We will bear all expenses related to the exchange offer. Please read Exchange Offer Fees and Expenses.
Use of Proceeds	The issuance of the new notes will not provide us with any new proceeds. We are making the exchange offer solely to satisfy our obligations under our registration rights agreement.
Consequences of Failure to Exchange Old Notes	If you do not exchange your old notes in the exchange offer, you will no longer be able to require us to register the old notes under the Securities Act, except in the limited circumstances provided under our registration rights agreement. In addition, you will not be able to resell, offer to resell or otherwise transfer the old notes unless we have registered the old notes under the Securities Act, or unless you resell, offer to resell or otherwise

transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act.

U.S. Federal Income Tax Consequences

The exchange of new notes for old notes in the exchange offer will not be a taxable event for U.S. federal income tax purposes. Please read Certain United States Federal Income Tax Considerations.

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Exchange Agent	We have appointed The Bank of New York Mellon Trust Company, N.A. as the exchange agent for the exchange offer. You should direct questions and requests for assistance and requests for additional copies of this prospectus (including the letter of transmittal) to the exchange agent addressed as follows: Bank of New York Mellon Corporation Corporate Trust Operations Reorganization Unit 101 Barclay Street - 7 East New York, NY 10286 Telephone: (212) 815-5788 Facsimile: (212) 298-1915

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Terms of New Notes

The new notes will be substantially the same as the old notes, except that the new notes are registered under the Securities Act and will not have restrictions on transfer or registration rights. The new notes will evidence the same debt as the old notes, and the same indenture will govern the new notes and the old notes. We sometimes refer to the new notes and the old notes collectively as the notes.

The following summary contains basic information about the new notes and is not intended to be complete. It does not contain all the information that may be important to you. For a more complete understanding of the new notes, please read Description of New Notes.

Issuer	Dell Inc.
Notes Offered	$600 million aggregate principal amount of 4.700% Notes due 2013
	$500 million aggregate principal amount of 5.650% Notes due 2018
	$400 million aggregate principal amount of 6.500% Notes due 2038
Interest Rates	4.700% for the Notes due 2013
	5.650% for the Notes due 2018
	6.500% for the Notes due 2038
Interest Payment Dates	April 15 and October 15 of each year, beginning October 15, 2008
Maturity Date	April 15, 2013 for the Notes due 2013
	April 15, 2018 for the Notes due 2018
	April 15, 2038 for the Notes due 2038
Ranking	The new notes will be:
	our general unsecured obligations;
	pari passu in right of payment with all of our existing and future unsecured senior indebtedness;
	effectively junior to our secured indebtedness up to the value of the collateral securing such indebtedness; and
	senior in right of payment to any of our future subordinated indebtedness.
	The notes will effectively rank junior to all indebtedness and other liabilities, including trade payables, of our subsidiaries with respect to the assets of those subsidiaries. In the event of bankruptcy, liquidation, or

	reorganization of any of these subsidiaries, the subsidiaries will pay the holders of their debt and other obligations, including trade creditors, before they will be able to distribute any of their assets to us. See Capitalization, Note 2 of Notes to Consolidated Financial Statements for the year ended February 1, 2008 (Annual Consolidated Financial Statements) and Note 12 of Notes to Condensed Consolidated Financial Statements for the three and six month periods ended August 1, 2008 (Quarterly Condensed Consolidated Financial Statements) for more information regarding our indebtedness.
Optional Redemption	We may redeem the notes, in whole or in part, at any time and from time to time at 100% of the principal amount plus the make-whole premium described under the heading Description of New Notes - Optional Redemption.

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Certain Covenants	The indenture governing the notes contains covenants that, among other things, limits our ability to: create certain liens; enter into sale and lease-back transactions; and consolidate or merge with, or convey, transfer or lease all or substantially all of our assets to, another person. However, each of these covenants is subject to a number of significant exceptions. You should read Description of New Notes - Covenants for a description of these covenants.
Transfer Restrictions; Absence of a Public Market for the Notes	The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. We do not intend to arrange for a trading market in the new notes after the exchange offer, and it is therefore unlikely that such a market will exist for the new notes.
Form of New Notes	The new notes will be represented by one or more global notes. Each global new note will be deposited with the trustee, as custodian for DTC.
Same-Day Settlement	The global new notes will be shown on, and transfers of the global new notes will be effected only through, records maintained in book-entry form by DTC and its direct and indirect participants. The new notes are expected to trade in DTC s Same Day Funds Settlement System until maturity or redemption. Therefore, secondary market trading activity in the new notes will be settled in immediately available funds.
Trading	We do not expect to list the new notes for trading on any securities exchange.
Trustee, Registrar and Exchange Agent	The Bank of New York Mellon Trust Company, N.A.
Governing Law	The notes and the indenture relating to the notes are governed by, and construed in accordance with, the laws of the State of New York.

RISK FACTORS

An investment in the notes and participation in the exchange offer involve significant risks. You should carefully consider all of the information contained in this prospectus. In particular, you should evaluate the specific risk factors set forth under the section entitled Risk Factors.

OUR CORPORATE OFFICES AND INTERNET ADDRESS

Our principal executive offices are located at One Dell Way, Round Rock, Texas, 78682-2244. Our telephone number is (512) 728-4737. Our website address is www.dell.com. Information contained on our website does not constitute part of this prospectus.

RISK FACTORS

In considering whether to participate in the exchange offer, you should consider carefully all of the information that we have included in this prospectus. In particular, you should consider carefully the risk factors described below. The risks set out below are not the only risks we face. If any of the following risks occurs, our business, financial condition and results of operations could be materially adversely affected. In such case, you may lose all or part of your investment.

Risks Related to the Exchange Offer

If you fail to exchange your old notes, the existing transfer restrictions will remain in effect and the market value of your old notes may be adversely affected because they may be more difficult to sell.

If you fail to exchange your old notes for new notes under the exchange offer, then you will continue to be subject to the existing transfer restrictions on the old notes. In general, the old notes may not be offered or sold unless they are registered or exempt from registration under the Securities Act and applicable state securities laws. Except in connection with this exchange offer or as required by the registration rights agreement that we entered into when we issued the old notes, we do not intend to register resales of the old notes.

The tender of old notes under the exchange offer will reduce the principal amount of the currently outstanding old notes. Due to the corresponding reduction in liquidity, this may have an adverse effect upon, and increase the volatility of, the market price of any currently outstanding old notes that you continue to hold following completion of the exchange offer.

Risks Related to Our Business

Declining general economic, business, or industry conditions may cause reduced net revenue.

We are a global company with customers in virtually every business and industry. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the U.S. have contributed to increased volatility and diminished expectations for the global economy and expectations of slower global economic growth going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and fears of a possible recession. If the economic climate in the U.S. or abroad continues to deteriorate, customers or potential customers could reduce or delay their technology investments, which could impact our ability to manage inventory levels, collect customer receivables, and ultimately decrease our net revenue and profitability.

Failure to reestablish a cost advantage may result in reduced market share, revenue, and profitability.

Our success has historically been based on our ability to profitably offer products at a lower price than our competitors. However, we compete with many companies globally in all aspects of our business. If our increasing reliance on third-party original equipment manufacturers, original design manufacturing partnerships, and manufacturing outsourcing relationships fails to generate cost efficiencies, our profitability could be adversely impacted. Our profitability is also affected by our ability to negotiate favorable pricing with our vendors, including vendor rebates, marketing funds, and other vendor funding. Because these supplier negotiations are continuous and reflect the ongoing competitive environment, the variability in timing and amount of incremental vendor discounts and rebates can affect our profitability. An inability to reestablish our cost advantage or determine alternative means

to deliver value to our customers may adversely affect our market share, revenue, and profitability.

Our ability to generate substantial non-U.S. net revenue faces many additional risks and uncertainties.

Sales outside the U.S. accounted for approximately 47% of our consolidated net revenue in Fiscal 2008. Our future growth rates and success are dependent on continued growth outside the U.S., including the key developing countries of Brazil, Russia, India, and China (BRIC). Our international operations face many risks and uncertainties, including varied local economic and labor conditions, political instability, and unexpected changes in the regulatory environment, trade protection measures, tax laws (including U.S. taxes on foreign operations),

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copyright levies, and foreign currency exchange rates. Any of these factors could adversely affect our operations and profitability.

Our profitability may be affected by our product, customer, and geographic sales mix and by seasonal sales trends.

Our profit margins vary among products, customers, and geographies. In addition, our business is subject to certain seasonal sales trends. For example, sales to government customers (particularly the U.S. federal government) are typically stronger in our third fiscal quarter, sales in EMEA are often weaker in our third fiscal quarter, and consumer sales are typically strongest during our fourth fiscal quarter. As a result of these factors, our overall profitability for any particular period will be affected by the mix of products, customers, and geographies reflected in our sales for that period, as well as by seasonality trends.

Infrastructure failures and breaches in data security could harm our business.

We depend on our information technology and manufacturing infrastructure to achieve our business objectives. If a problem, such as a computer virus, intentional disruption by a third party, natural disaster, manufacturing failure, or telephone system failure impairs our infrastructure, we may be unable to book or process orders, manufacture, and ship in a timely manner, or otherwise carry on our business. An infrastructure disruption could damage our reputation and cause us to lose customers and revenue, result in the unintentional disclosure of company or customer information, and require us to incur significant expense to eliminate these problems and address related data security concerns. The harm to our business could be even greater if it occurs during a period of disproportionately heavy demand.

Our failure to effectively manage a product transition could reduce the demand for our products and the profitability of our operations.

Continuing improvements in technology mean frequent new product introductions, short product life cycles, and improvement in product performance characteristics. Product transitions present execution challenges and risks for any company. If we are unable to effectively manage a product transition, our business and results of operations could be unfavorably affected.

Disruptions in component or product availability could unfavorably affect our performance.

Our manufacturing and supply chain efficiencies give us the ability to operate with reduced levels of component and finished goods inventories. Our financial success is partly due to our supply chain management practices, including our ability to achieve rapid inventory turns. Because we maintain minimal levels of component and product inventories, a disruption in component or product availability, such as the current industry shortage of notebook batteries, could harm our financial performance and our ability to satisfy customer needs.

Our reliance on vendors creates risks and uncertainties.

Our manufacturing process requires a high volume of quality components from third-party suppliers. Defective parts received from these suppliers could reduce product reliability and harm the reputation of our products. Reliance on suppliers subjects us to possible industry shortages of components and reduced control over delivery schedules (which can harm our manufacturing efficiencies), as well as increases in component costs (which can harm our profitability).

We could experience manufacturing interruptions, delays, or inefficiencies if we are unable to timely and reliably procure components and products from single-source or limited-source suppliers.

We maintain several single-source or limited-source supplier relationships, either because multiple sources are not available or the relationship is advantageous due to performance, quality, support, delivery, capacity, or price considerations. If the supply of a critical single- or limited-source product or component is delayed or curtailed, we may not be able to ship the related product in desired quantities and in a timely manner. For example, the current industry shortage of notebook batteries could prevent us from meeting customer demand for notebooks. Even where

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multiple sources of supply are available, qualification of the alternative suppliers, and establishment of reliable supplies, could result in delays and a possible loss of sales, which could harm operating results.

Our business is increasingly dependent on our ability to access the capital markets.

The debt and capital markets have been experiencing extreme volatility and disruption for more than twelve months. In recent weeks, the volatility and disruption have reached unprecedented levels. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. We are increasingly dependent on access to debt and capital sources to provide financing for our customers and to obtain funds in the U.S. for general corporate purposes, including share repurchases and acquisitions. Additionally, we have customer financing relationships with companies whose business models rely on accessing the capital markets. The inability of these companies to access such markets could force us to self-fund transactions or forgo customer financing opportunities, potentially harming our financial performance. We believe that we will be able to obtain appropriate financing from third parties even in light of the current market conditions; nevertheless, changes in our credit ratings, deterioration in our business performance, or further adverse changes in the economy could limit our ability to obtain financing from debt or capital sources or could adversely affect the terms on which we may be able to obtain any such financing, which could unfavorably affect our net revenue and profitability. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity, Capital Commitments, and Contractual Cash Obligations Liquidity.

We face risks relating to our internal controls.

If management is not successful in maintaining a strong internal control environment, material weaknesses could reoccur, causing investors to lose confidence in our reported financial information. This could lead to a decline in our stock price, limit our ability to access the capital markets in the future, and require us to incur additional costs to improve our internal control systems and procedures.

Unfavorable results of legal proceedings could harm our business and result in substantial costs.

We are involved in various claims, suits, investigations, and legal proceedings that arise from time to time in the ordinary course of our business and that are not yet resolved, including those that are set forth under Note 10 of Notes to Annual Consolidated Financial Statements and Note 10 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus, and additional claims may arise in the future. Litigation is inherently unpredictable. Regardless of the merit of the claims, litigation may be both time-consuming and disruptive to our business. Therefore, we could incur judgments or enter into settlements of claims that could adversely affect our operating results or cash flows in a particular period. For example, we could be exposed to enforcement or other actions with respect to the continuing investigation into certain accounting and financial reporting matters being conducted by the SEC. In addition, if any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

The acquisition of other companies may present new risks.

We have begun to acquire companies as a part of our overall growth strategy. These acquisitions may involve significant new risks and uncertainties, including distraction of management attention away from our current business operations, insufficient new revenue to offset expenses, inadequate return of capital, integration challenges, new regulatory requirements, and issues not discovered in our due diligence process. No assurance can be given that such acquisitions will be successful and will not adversely affect our profitability or operations.

Failure to properly manage the distribution of our products and services may result in reduced revenue and profitability.

We use a variety of distribution methods to sell our products and services, including directly to customers and through select retailers and third-party value-added resellers. As we sell through an increasing number of indirect channels, inventory management becomes more challenging as successful demand forecasting becomes

more difficult. Our inability to properly manage and balance inventory levels and potential conflicts among these various distribution methods could harm our operating results.

If our cost cutting measures are not successful, we may become less competitive.

A variety of factors could prevent us from achieving our goal of better aligning our product and service offerings and cost structure with customer needs in the current business environment through reducing our operating expenses; reducing total costs in procurement, product design, and transformation; simplifying our structure; and eliminating redundancies. For example, we may experience delays in the anticipated timing of activities related to our cost savings plans and higher than expected or unanticipated costs to implement them. As a result, we may not achieve our expected costs savings in the time anticipated, or at all. In such case, our results of operations and profitability may be negatively impaired, making us less competitive and potentially causing us to lose market share.

Failure to effectively hedge our exposure to fluctuations in foreign currency exchange rates and interest rates could unfavorably affect our performance.

We utilize derivative instruments to hedge our exposure to fluctuations in foreign currency exchange rates and interest rates. Some of these instruments and contracts may involve elements of market and credit risk in excess of the amounts recognized in our financial statements.

Our continued business success may depend on obtaining licenses to intellectual property developed by others on commercially reasonable and competitive terms.

If we or our suppliers are unable to obtain desirable technology licenses, we may be prevented from marketing products; could be forced to market products without desirable features; or could incur substantial costs to redesign products, defend legal actions, or pay damages. While our suppliers may be contractually obligated to indemnify us against such expenses, those suppliers could be unable to meet their obligations. In addition, our operating costs could increase because of copyright levies or similar fees by rights holders and collection agencies in European and other countries. For a description of potential claims related to copyright levies, see Note 10 of Notes to Annual Consolidated Financial Statements and Note 10 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus.

Our success depends on our ability to attract, retain, and motivate our key employees.

We rely on key personnel to support anticipated continued rapid international growth and increasingly complex product and service offerings. There can be no assurance that we will be able to attract, retain, and motivate the key professional, technical, marketing, and staff resources we need.

Loss of government contracts could harm our business.

Government contracts are subject to future funding that may affect the extension or termination of programs and are subject to the right of the government to terminate for convenience or non-appropriation. In addition, if we violate legal or regulatory requirements, the government could suspend or disbar us as a contractor, which would unfavorably affect our net revenue and profitability.

The expiration of tax holidays or favorable tax rate structures could result in an increase of our effective tax rate in the future.

Portions of our operations are subject to a reduced tax rate or are free of tax under various tax holidays that expire in whole or in part during Fiscal 2010 through Fiscal 2021. Many of these holidays may be extended when certain conditions are met. If they are not extended, then our effective tax rate would increase in the future. See Note 3 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

Current environmental laws, or laws enacted in the future, may harm our business.

Our operations are subject to environmental regulation in all of the areas in which we conduct business. Our product design and procurement operations must comply with new and future requirements relating to the materials

composition, energy efficiency and collection, recycling, treatment, and disposal of our electronics products, including restrictions on lead, cadmium, and other substances. If we fail to comply with the rules and regulations regarding the use and sale of such regulated substances, we could be subject to liability. While we do not expect that the impact of these environmental laws and other similar legislation adopted in the U.S. and other countries will have a substantial unfavorable impact on our business, the costs and timing of costs under environmental laws are difficult to predict.

Armed hostilities, terrorism, natural disasters, or public health issues could harm our business.

Armed hostilities, terrorism, natural disasters, or public health issues, whether in the U.S. or abroad, could cause damage or disruption to us, our suppliers or customers, or could create political or economic instability, any of which could harm our business. These events could cause a decrease in demand for our products, could make it difficult or impossible for us to deliver products or for our suppliers to deliver components, and could create delays and inefficiencies in our supply chain.

Risks Related to the Notes

Despite our current levels of debt, we may still incur substantially more debt and increase the risks associated with our proposed leverage.

The provisions contained or to be contained in the agreements relating to our indebtedness do not completely prohibit our ability to incur additional indebtedness and the amount of indebtedness that we could incur could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future, much of which could constitute secured or senior indebtedness. If we incur any additional debt that ranks equally with the notes, the holders of that debt will be entitled to share ratably with the holders of these notes in any proceeds distributed in connection with any bankruptcy, liquidation, reorganization or similar proceedings. If new debt is added to our current debt levels, the related risks that we now face could intensify.

Effective subordination of the notes may reduce amounts available for payment of the notes.

The notes are unsecured. Accordingly, the notes will effectively rank junior to all of our secured obligations. In the event of bankruptcy, liquidation or similar proceeding, or if payment under any secured obligation is accelerated, claims of any secured creditors for the assets securing the obligation will be prior to any claim of the holders of the notes for these assets. After the claims of the secured creditors are satisfied, there may not be assets remaining to satisfy our obligations under the notes. The indenture governing the notes permits us and our subsidiaries to incur secured debt under specified circumstances.

The notes are not guaranteed by any of our subsidiaries. Accordingly, the notes effectively will also be subordinated to the unsecured indebtedness and other liabilities of our subsidiaries. Our subsidiaries are separate legal entities that have no obligation to pay any amounts due under the notes or to make any funds available therefor, whether by dividends, loans or other payments. Except to the extent that we are a creditor with recognized claims against our other subsidiaries, all claims of creditors (including trade creditors) and holders of preferred stock, if any, of our other subsidiaries will have priority with respect to the assets of such subsidiaries over our claims (and therefore the claims of our creditors, including holders of the notes). As of August 1, 2008, our subsidiaries had approximately $11.4 billion of liabilities, including trade payables.

Changes in our credit ratings may adversely affect the value of the notes.

As of April 14, 2008, the notes are rated A2, A- and A by Moody s Investors Service, Inc., Standard & Poor s Ratings Service and Fitch Ratings, respectively, in each case with a stable outlook. Such ratings are limited in scope, and do

not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There can be no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency s judgment, circumstances so warrant. Actual or anticipated changes or downgrades in our credit

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ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs.

Your ability to transfer the notes may be limited by the absence of an active trading market, and there is no assurance that any active trading market will develop for the notes.

Each series of notes is a new issue of securities for which there is no established public market. We do not intend to have the old notes or any new notes listed on a national securities exchange or to arrange for quotation on any automated dealer quotation systems. Although the initial purchasers advised us, when the old notes were issued, that they intended to make a market in the new notes, they are not obligated to do so and they may discontinue their market-making activities at any time without notice. In addition, such market-making activities may be limited during the exchange offer. Therefore, we cannot assure you as to the development or liquidity of any trading market for the new notes or the old notes. The liquidity of any market for the notes will depend on a number of factors, including:

- the number of holders of notes;
- our operating performance and financial condition;
- our ability to complete the offer to exchange the old notes for the new notes;
- the market for similar securities;
- the interest of securities dealers in making a market in the notes; and
- prevailing interest rates.

Historically, the market for debt securities similar to the notes has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the notes. We cannot assure you that the market, if any, for the notes will be free from similar disruptions or that any such disruptions may not adversely affect the prices at which you may sell your notes. Therefore, we cannot assure you that you will be able to sell your notes at a particular time or that the price you receive when you sell will be favorable.

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EXCHANGE OFFER

We sold the old notes on April 17, 2008, pursuant to the purchase agreement dated as of April 14, 2008, by and among us and the initial purchasers named therein. The old notes were subsequently offered by the initial purchasers to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to non-U.S. persons pursuant to Regulation S under the Securities Act.

Purpose of the Exchange Offer

We sold the old notes in transactions that were exempt from or not subject to the registration requirements under the Securities Act. Accordingly, the old notes are subject to transfer restrictions. In general, you may not offer or sell the old notes unless either they are registered under the Securities Act or the offer or sale is exempt from, or not subject to, registration under the Securities Act and applicable state securities laws.

In connection with the sale of the old notes, we entered into a registration rights agreement with the initial purchasers of the old notes. In that agreement, we agreed to file an exchange offer registration statement no later than November 7, 2008. We also agreed to use our reasonable best efforts to cause the exchange offer registration statement for the new notes to become effective within 270 days after the closing date. We have complied with these two agreements. Now, to satisfy our obligations under the registration rights agreement, we are offering holders of the old notes who are able to make certain representations described below the opportunity to exchange their old notes for the new notes in the exchange offer. The exchange offer will be open for a period of at least 30 days. During the exchange offer period, we will exchange the new notes for all old notes properly tendered and not withdrawn before the expiration date. The new notes will be registered under the Securities Act, and the transfer restrictions and registration rights relating to the old notes will not apply to the new notes.

Resale of New Notes

Based on no-action letters of the staff of the SEC issued to third parties, we believe that new notes may be offered for resale, resold and otherwise transferred by you without further compliance with the registration and prospectus delivery provisions of the Securities Act if:

- you are not an affiliate of us within the meaning of Rule 405 under the Securities Act;
- such new notes are acquired in the ordinary course of your business; and
- you do not intend to participate in a distribution of the new notes.

The staff of the SEC, however, has not considered the exchange offer for the new notes in the context of a no-action letter, and the staff of the SEC may not make a similar determination as in the no-action letters issued to these third parties.

If you tender in the exchange offer with the intention of participating in any manner in a distribution of the new notes, you

- cannot rely on such interpretations by the staff of the SEC; and

must comply with the registration and prospectus delivery requirements of the Securities Act in connection with a secondary resale transaction.

Unless an exemption from registration is otherwise available, any securityholder intending to distribute new notes should be covered by an effective registration statement under the Securities Act. The registration statement should contain the selling securityholder s information required by Item 507 of Regulation S-K under the Securities Act.

This prospectus may be used for an offer to resell, resale or other transfer of new notes only as specifically described in this prospectus. If you are a broker-dealer, you may participate in the exchange offer only if you acquired the old notes as a result of market-making activities or other trading activities. Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge by way of the

letter of transmittal that it will deliver this prospectus in connection with any resale of the new notes. Please read the section captioned Plan of Distribution for more details regarding the transfer of new notes.

Terms of the Exchange Offer

Subject to the terms and conditions described in this prospectus and in the letter of transmittal, we will accept for exchange any old notes properly tendered and not withdrawn prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. We will issue new notes of each series in principal amounts equal to the principal amounts of old notes of each such series surrendered in the exchange offer and we will deliver the new notes promptly after the expiration date. Old notes may be tendered only for new notes and only in denominations of $2,000 and integral multiples of $1,000 in excess thereof.

The exchange offer is not conditioned upon any minimum aggregate principal amount of old notes being tendered in the exchange offer.

As of the date of this prospectus, $600 million in aggregate principal amount of 4.700% Notes due 2013, $500 million in aggregate principal amount of 5.650% Notes due 2018 and $400 million in aggregate principal amount of 6.500% Notes due 2038 representing old notes are outstanding. This prospectus is being sent to DTC, the sole registered holder of the old notes, and to all persons that we can identify as beneficial owners of the old notes. There will be no fixed record date for determining registered holders of old notes entitled to participate in the exchange offer.

We intend to conduct the exchange offer in accordance with the provisions of the registration rights agreement, the applicable requirements of the Securities Act and the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations of the SEC. Old notes whose holders do not tender for exchange in the exchange offer will remain outstanding and continue to accrue interest. These old notes will be entitled to the rights and benefits such holders have under the indenture relating to the notes and the registration rights agreement.

We will be deemed to have accepted for exchange properly tendered old notes when we have given oral or written notice of the acceptance to the exchange agent and complied with the applicable provisions of the registration rights agreement. The exchange agent will act as agent for the tendering holders for the purposes of receiving the new notes from us.

If you tender old notes in the exchange offer, you will not be required to pay brokerage commissions or fees or, subject to the letter of transmittal, transfer taxes with respect to the exchange of old notes. We will pay all charges and expenses, other than certain applicable taxes described below, in connection with the exchange offer. Please read Fees and Expenses for more details regarding fees and expenses incurred in connection with the exchange offer.

We will return any old notes that we do not accept for exchange for any reason, subject to the conditions of the exchange offer, without expense to their tendering holders promptly after the expiration or termination of the exchange offer.

Expiration Date

The exchange offer will expire at 5:00 p.m., New York City time, on December 3, 2008, unless, in our sole discretion, we extend it.

Extensions, Delays in Acceptance, Termination or Amendment

We expressly reserve the right, at any time or various times, to extend the period of time during which the exchange offer is open. We may delay acceptance of any old notes by giving oral or written notice of such extension to their holders at any time until the exchange offer expires or terminates. During any such extensions, all old notes previously tendered will remain subject to the exchange offer, and we may accept them for exchange.

To extend the exchange offer, we will notify the exchange agent orally or in writing of any extension. We will notify the holders of old notes of the extension via a press release issued no later than 9:00 a.m., New York City time, on the business day after the previously scheduled expiration date.

If any of the conditions described below under Conditions to the Exchange Offer have not been satisfied, we reserve the right, in our sole discretion

- to extend the exchange offer; or
- to terminate the exchange offer

by giving oral or written notice of such delay, extension or termination to the exchange agent. Subject to the terms of the registration rights agreement, we also reserve the right to amend the terms of the exchange offer in any manner.

Any such delay in acceptance, extension, termination or amendment will be followed promptly by oral or written notice thereof to holders of the old notes. If we amend the exchange offer in a manner that we determine to constitute a material change, we will promptly disclose such amendment by means of a prospectus supplement. The prospectus supplement will be distributed to holders of the old notes. Depending upon the significance of the amendment and the manner of disclosure to holders, we will extend the exchange offer if it would otherwise expire during such period. If an amendment constitutes a material change to the exchange offer, including the waiver of a material condition, we will extend the exchange offer, if necessary, to remain open for at least five business days after the date of the amendment. In the event of any increase or decrease in the consideration we are offering for the old notes or in the percentage of old notes being sought by us, we will extend the exchange offer to remain open for at least 10 business days after the date we provide notice of such increase or decrease to the registered holders of old notes.

Conditions to the Exchange Offer

We will not be required to accept for exchange, or exchange any new notes for, any old notes if the exchange offer, or the making of any exchange by a holder of old notes, would violate applicable law or any applicable interpretation of the staff of the SEC or would be impaired by any action or proceeding that has been instituted or is reasonably likely to be instituted in any court or before any government agency with respect to the exchange offer. Similarly, we may terminate the exchange offer as provided in this prospectus before accepting old notes for exchange in the event of such a potential violation.

We will not be obligated to accept for exchange the old notes of any holder that has not made to us the representations described under Procedures for Tendering and Plan of Distribution and such other representations as may be reasonably necessary under applicable SEC rules, regulations or interpretations to allow us to use an appropriate form to register the new notes under the Securities Act.

Additionally, we will not accept for exchange any old notes tendered, and will not issue new notes in exchange for any such old notes, if at such time any stop order has been threatened or is in effect with respect to the exchange offer registration statement of which this prospectus constitutes a part or the qualification of the indenture under the Trust Indenture Act of 1939.

We expressly reserve the right to amend or terminate the exchange offer, and to reject for exchange any old notes not previously accepted for exchange, upon the occurrence of any of the conditions to the exchange offer specified above. We will promptly give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the old notes.

These conditions are for our sole benefit, and we may assert them or waive them in whole or in part at any time or at various times prior to the expiration of the exchange offer in our sole discretion. If we fail at any time to exercise any of these rights, this failure will not mean that we have waived our rights. Each such right will be deemed an ongoing right that we may assert at any time or at various times prior to the expiration of the exchange offer.

Procedures for Tendering

To participate in the exchange offer, you must properly tender your old notes to the exchange agent as described below. We will only issue new notes in exchange for old notes that you timely and properly tender. Therefore, you should allow sufficient time to ensure timely delivery of the old notes, and you should follow carefully the instructions on how to tender your old notes. It is your responsibility to properly tender your old notes. We have the right to waive any defects. However, we are not required to waive defects, and neither we nor the exchange agent is required to notify you of any defects in your tender.

If you have any questions or need help in exchanging your old notes, please call the exchange agent whose address and phone number are described in the letter of transmittal included herewith.

All of the old notes were issued in book-entry form, and all of the old notes are currently represented by global certificates registered in the name of Cede & Co., the nominee of DTC. We have confirmed with DTC that the old notes may be tendered using ATOP. The exchange agent will establish an account with DTC for purposes of the exchange offer promptly after the commencement of the exchange offer, and DTC participants may electronically transmit their acceptance of the exchange offer by causing DTC to transfer their old notes to the exchange agent using the ATOP procedures. In connection with the transfer, DTC will send an agent s message to the exchange agent. The agent s message will state that DTC has received instructions from the participant to tender old notes and that the participant agrees to be bound by the terms of the letter of transmittal.

By using the ATOP procedures to exchange old notes, you will not be required to deliver a letter of transmittal to the exchange agent. However, you will be bound by its terms just as if you had signed it.

There is no procedure for guaranteed late delivery of the old notes.

Each broker-dealer that receives new notes for its own account in exchange for old notes, where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. Please read Plan of Distribution.

Determinations Under the Exchange Offer. We will determine in our sole discretion all questions as to the validity, form, eligibility, time of receipt, acceptance of tendered old notes and withdrawal of tendered old notes. Our determination will be final and binding. We reserve the absolute right to reject any old notes not properly tendered or any old notes our acceptance of which would, in the opinion of our counsel, be unlawful. We also reserve the right to waive any defect, irregularities or conditions of tender as to particular old notes. Our interpretation of the terms and conditions of the exchange offer, including the instructions in the letter of transmittal, will be final and binding on all parties. Unless waived, all defects or irregularities in connection with tenders of old notes must be cured within such time as we shall determine. Although we intend to notify holders of defects or irregularities with respect to tenders of old notes, neither we, the exchange agent nor any other person will incur any liability for failure to give such notification. Tenders of old notes will not be deemed made until such defects or irregularities have been cured or waived. Any old notes received by the exchange agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned to the tendering holder promptly following the expiration date of the exchange.

When We Will Issue New Notes. In all cases, we will issue new notes for old notes that we have accepted for exchange under the exchange offer only after the exchange agent receives, prior to 5:00 p.m., New York City time, on the expiration date:

- a book-entry confirmation of such old notes into the exchange agent s account at DTC; and

a properly transmitted agent s message.

Return of Old Notes Not Accepted or Exchanged. If we do not accept any tendered old notes for exchange or if old notes are submitted for a greater principal amount than the holder desires to exchange, the unaccepted or non-exchanged old notes will be returned without expense to their tendering holder. Such non-exchanged old notes will be credited to an account maintained with DTC. These actions will occur promptly after the expiration or termination of the exchange offer.

Your Representations to Us. By agreeing to be bound by the letter of transmittal, you will represent to us that, among other things:

any new notes that you receive will be acquired in the ordinary course of your business;

you have no arrangement or understanding with any person or entity to participate in the distribution (within the meaning of the federal securities laws) of the new notes;

you are not engaged in and do not intend to engage in the distribution (within the meaning of the federal securities laws) of the new notes;

if you are a broker-dealer that will receive new notes for your own account in exchange for old notes, you acquired those old notes as a result of market-making activities or other trading activities and you will deliver this prospectus, as required by law, in connection with any resale of the new notes; provided, however, that by acknowledging that you will deliver, and by delivering, a copy of this prospectus, you will not be deemed to admit that you are an underwriter within the meaning of the Securities Act;

you are not an affiliate, as defined in Rule 405 under the Securities Act, of us; and

you are not acting on behalf of any person or entity who could not truthfully make the statements set forth above.

Withdrawal of Tenders

Except as otherwise provided in this prospectus, you may withdraw your tender at any time prior to 5:00 p.m., New York City time, on the expiration date of the exchange offer. For a withdrawal to be effective you must comply with the appropriate ATOP procedures. Any notice of withdrawal must specify the name and number of the account at DTC to be credited with withdrawn old notes and otherwise comply with the ATOP procedures.

We will determine all questions as to the validity, form, eligibility and time of receipt of a notice of withdrawal. Our determination shall be final and binding on all parties. We will deem any old notes so withdrawn not to have been validly tendered for exchange for purposes of the exchange offer.

Any old notes that have been tendered for exchange but that are not exchanged for any reason will be credited to an account maintained with DTC for the old notes. This return or crediting will take place promptly after withdrawal, rejection of tender, expiration or termination of the exchange offer. You may retender properly withdrawn old notes by following the procedures described under Procedures for Tendering above at any time on or prior to the expiration date of the exchange offer.

Fees and Expenses

We will bear the expenses of soliciting tenders. The principal solicitation is being made by mail; however, we may make additional solicitation by telegraph, telephone or in person by our officers and regular employees and those of our affiliates.

We have not retained any dealer-manager in connection with the exchange offer and will not make any payments to broker-dealers or others soliciting acceptances of the exchange offer. We will, however, pay the exchange agent reasonable and customary fees for its services and reimburse it for its related reasonable out-of-pocket expenses.

We will pay the cash expenses to be incurred in connection with the exchange offer. They include:

- SEC registration fees;
- fees and expenses of the exchange agent and trustee;
- accounting and legal fees and printing costs; and
- related fees and expenses.

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Transfer Taxes

We will pay all transfer taxes, if any, applicable to the exchange of old notes under the exchange offer. Each tendering holder, however, will be required to pay any transfer taxes, whether imposed on the registered holder or any other person, if a transfer tax is imposed for any reason other than the exchange of old notes under the exchange offer.

Consequences of Failure to Exchange

If you do not exchange your old notes for new notes under the exchange offer, the old notes you hold will continue to be subject to the existing restrictions on transfer. In general, you may not offer or sell the old notes except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not intend to register old notes under the Securities Act unless the registration rights agreement requires us to do so.

Accounting Treatment

We will record the new notes in our accounting records at the same carrying value as the old notes. This carrying value is the aggregate principal amount of the old notes, less a discount of $2 million received from the issuance of the old notes, as reflected in our accounting records on the date of exchange. Accordingly, we will not recognize any gain or loss for accounting purposes in connection with the exchange offer, other than the recognition of the fees and expenses of the offering as stated under Fees and Expenses.

Other

Participation in the exchange offer is voluntary, and you should consider carefully whether to accept. You are urged to consult your financial and tax advisors in making your own decision on what action to take.

We may in the future seek to acquire untendered old notes in open market or privately negotiated transactions, through subsequent exchange offers or otherwise. We have no present plans to acquire any old notes that are not tendered in the exchange offer or to file a registration statement to permit resales of any untendered old notes.

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DESCRIPTION OF NEW NOTES

The new notes, consisting of up to $600 million aggregate principal amount of our 4.700% Notes due 2013, up to $500 million aggregate principal amount of our 5.650% Notes due 2018 and up to $400 million aggregate principal amount of our 6.500% Notes due 2038 will be issued under an indenture (the Indenture), dated as of April 17, 2008, between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee (the Trustee), which is filed as an exhibit to the registration statement of which this prospectus is a part. See Available Information. The terms of the notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). The following description is only a summary of the material provisions of the Indenture and the new notes and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture and the new notes, including the definitions therein of certain terms. This description may not contain all information that you may find useful. You should read the Indenture and the new notes because they, not this description, define your rights as holders of these new notes. You may request copies of these agreements at our address set forth under the heading Available Information. Certain terms used in this description are defined under the subheading Definitions. Capitalized terms used and not defined in this summary have the meanings specified in the Indenture. References to the Company, we, us and our in this sect of the prospectus are only to Dell Inc. and not to any of its Subsidiaries.

We are offering the new notes in exchange for old notes, which were issued under the Indenture in a transaction not subject to the registration requirements of the Securities Act, in order to satisfy our obligations under the registration rights agreement entered into in connection with that previous transaction.

The new notes of each series will be treated as a single class with any old notes of such series that remain outstanding after the completion of the exchange offer. If the exchange offer is consummated, holders of old notes who do not exchange their old notes for new notes will vote together with the holders of the applicable series of new notes for all relevant purposes under the Indenture. In that regard, the Indenture requires that certain actions by the holders under the Indenture (including acceleration after an Event of Default) must be taken, and certain rights must be exercised, by holders of specified minimum percentages of the aggregate principal amount of all outstanding notes issued under the Indenture. In determining whether holders of the requisite percentage of aggregate principal amount of notes have given any notice, consent or waiver or taken any other action permitted under the Indenture, any old notes of any series that remain outstanding after the exchange offer will be aggregated with the new notes of such series, and the holders of these old notes and new notes will vote together as a single series for all such purposes. Accordingly, all references in this Description of New Notes to specified percentages in aggregate principal amount of a series of the outstanding notes mean, at any time after the exchange offer for the old notes is consummated, such percentage in aggregate principal amount of such old notes and the new notes of the applicable series then outstanding.

Brief Description of the Notes

The notes:

- are unsecured senior obligations of the Company; and
- are senior in right of payment to any future subordinated obligations of the Company.

General

The 4.700% Notes due 2013 will mature on April 15, 2013, the 5.650% Notes due 2018 will mature on April 15, 2018, and the 6.500% Notes due 2038 will mature on April 15, 2038.

Interest on the old notes has accrued from April 17, 2008. Interest will accrue on the notes from April 17, 2008 or from the most recent interest payment date to which interest has been paid or provided for, payable semi-annually in arrears on April 15 and October 15 of each year commencing on October 15, 2008 to the person (or any predecessor) in whose name the notes are registered at the close of business on April 1 or October 1, as the case may be, next preceding such interest payment date. Interest will be computed assuming a 360-day year consisting of

twelve 30-day months. In the case of the new notes, all unpaid interest accrued on old notes from April 17, 2008 will be treated as having accrued on the new notes that are issued in exchange for the old notes.

We are not required to make any mandatory redemption or sinking fund payments with respect to the notes. We may at any time and from time to time purchase notes in the open market or otherwise.

The notes will be issued only in fully registered form in denominations of $2,000 and any greater integral multiple of $1,000. The notes will be represented by Global Securities registered in the name of the nominee of The Depository Trust Company, or DTC.

The Company has appointed the Trustee at its offices at 601 Travis Street, 18th Floor, Houston, TX, 77002, to serve as registrar and paying agent under the Indenture. No service charge will be made for any transfer, exchange or redemption of notes, except in certain circumstances, for any tax or other governmental charge that may be imposed in connection therewith.

Ranking

Senior Indebtedness versus Notes

The indebtedness evidenced by the old notes are and the new notes will be unsecured general obligations of the Company that rank on a parity in right of payment with all other unsecured and unsubordinated indebtedness of the Company from time to time outstanding. As of August 1, 2008, the Company had $300 million of other senior indebtedness, consisting of outstanding Senior Debentures. Secured debt and other secured obligations of the Company will be effectively senior to the notes to the extent of the value of the assets securing such debt or other obligations.

Liabilities of Subsidiaries versus Notes

Because the Company is a holding company, substantially all of our operations are conducted through our Subsidiaries. The notes will not be guaranteed by any of our Subsidiaries, and our obligations pursuant to the notes will not be guaranteed in the future. See Risk Factors Risks Related to the Notes Effective subordination of the notes may reduce amounts available for payment of the notes. Claims of creditors of such Subsidiaries, including trade creditors and creditors holding indebtedness or guarantees issued by such Subsidiaries, and claims of preferred stockholders of such Subsidiaries generally will have priority with respect to the assets and earnings of such Subsidiaries over the claims of our creditors, including holders of the notes. Accordingly, the notes will be effectively subordinated to creditors (including trade creditors) and preferred stockholders, if any, of our Subsidiaries.

As of August 1, 2008, our Subsidiaries had approximately $11.4 billion of liabilities, including trade payables. The Indenture does not restrict the ability of our Subsidiaries to incur indebtedness.

Issuance of Additional Notes

The Company may, without the consent of the holders, increase the principal amount of either of the series of notes by issuing additional notes of such series in the future on the same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional notes, and with the same CUSIP number as the notes of such series offered hereby. The notes of any of the series offered by this prospectus and any additional notes of such series will be treated as a single class for purposes of the Indenture, including waivers, amendments and redemptions. Any additional notes will be fungible for U.S. tax purposes. Unless the context otherwise requires, for all purposes of the Indenture and this Description of New Notes, references to the notes include any additional notes

actually issued.

Optional Redemption

The notes will be redeemable, in whole or in part at any time, at the Company s option, each at a make-whole premium redemption price calculated by us equal to the greater of:

(a) 100% of the principal amount of the notes to be redeemed; and

(b) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 35 basis points,

plus, in each case, accrued interest thereon to the date of redemption. Notwithstanding the foregoing, installments of interest on notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date according to the notes and the Indenture.

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, such quotation.

Quotation Agent means the Reference Treasury Dealer appointed by the Company.

Reference Treasury Dealer means (i) Barclays Capital Inc., Goldman, Sachs & Co. or J.P. Morgan Securities Inc. (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), the Company will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by the Company.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Selection and Notice of Redemption

If we are redeeming less than all the notes at any time, the Trustee will select notes on a *pro rata* basis to the extent practicable.

We will redeem notes of $2,000 or less in whole and not in part. We will cause notices of redemption to be mailed first-class mail at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed at its registered address.

If any note is to be redeemed in part only, the notice of redemption that relates to that note will state the portion of the principal amount thereof to be redeemed. We will issue a new note in a principal amount equal to the unredeemed

portion of the original note in the name of the holder upon cancellation of the original note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on notes or portions of them called for redemption.

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Covenants

Except as set forth below, neither the Company nor any of its Subsidiaries will be restricted by the Indenture from:

- incurring any indebtedness or other obligation;
- paying dividends or making distributions on its capital stock; or
- purchasing or redeeming its capital stock.

In addition, we will not be required to maintain any financial ratios or specified levels of net worth or liquidity or to repurchase or redeem or otherwise modify the terms of any of the notes upon a change in control or other events involving us or any of our Subsidiaries which may adversely affect the creditworthiness of the notes. Among other things, the Indenture does not contain covenants designed to afford holders of the notes any protections in the event of a highly leveraged or other transaction involving us that may adversely affect holders of the notes.

As of the date of this prospectus, the Company has a limited amount of property that constitutes Principal Property. The covenants in the Indenture will only apply to Subsidiaries that own Principal Property.

The Indenture contains the following covenants:

Limitation on Liens

The Company will not issue, incur, create, assume or guarantee, and will not permit any Subsidiary to issue, incur, create, assume or guarantee, any debt for borrowed money secured by a mortgage, security interest, pledge, lien, charge or other encumbrance (liens) upon any Principal Property of the Company or of any Subsidiary or upon any shares of stock or indebtedness of any Subsidiary that owns any Principal Property (whether such Principal Property, shares or indebtedness are now existing or owed or hereafter created or acquired) without in any such case effectively providing concurrently with the issuance, incurrence, creation, assumption or guaranty of any such secured debt that the notes (together with, if the Company shall so determine, any other indebtedness of or guarantee by the Company or such Subsidiary ranking equally with the notes) shall be secured equally and ratably with (or, at the option of the Company, prior to) such secured debt. The preceding provisions shall not require the Company to secure the notes if the liens consist of either Permitted Liens or liens securing excepted indebtedness (as described below).

Limitations on Sale and Lease-Back Transactions

The Company will not, nor will it permit any Subsidiary to, enter into any Sale and Lease-Back Transaction with respect to any Principal Property unless (a) the Company or such Subsidiary would be entitled to incur indebtedness secured by a lien on the Principal Property involved in such transaction at least equal in amount to the Attributable Debt with respect to such Sale and Lease-Back Transaction without equally and ratably securing the notes pursuant to the covenant described above under Limitation on Liens, or (b) the Company shall apply an amount equal to the Attributable Debt with respect to such Sale and Lease-Back Transaction within six months of such sale to the defeasance or retirement (other than any mandatory retirement, mandatory prepayment or sinking fund payment or by payment at maturity) of notes or other debt for borrowed money of the Company or a Subsidiary that matures more than one year after the creation of such debt or to the purchase, construction or development of other comparable property.

Excepted Indebtedness

Notwithstanding the covenants described above under Limitation on Liens and Limitations on Sale and Lease-Back Transactions, the Company or any Subsidiary will be permitted to issue, incur, create, assume or guarantee indebtedness secured by a lien or may enter into a Sale and Lease-Back Transaction, in either case without regard to the restrictions contained in the preceding two paragraphs, if the sum of the aggregate principal amount of all such indebtedness (or, in the case of a lien, the lesser of such principal amount and the fair market value of the property subject to such lien, as determined in good faith by the Company s Board of Directors) and the

Attributable Debt of all such Sale and Lease-Back Transactions, in each case not otherwise permitted in the preceding two paragraphs, does not exceed the greater of 10% of the Consolidated Net Tangible Assets or $800 million.

Merger, Consolidation or Sale of Assets

The Company may not consolidate with or merge with or into any person, or convey, transfer or lease all or substantially all of its assets, or permit any person to consolidate with or merge into the Company, unless the following conditions have been satisfied:

(a) either (1) the Company shall be the continuing person in the case of a merger or (2) the resulting, surviving or transferee person, if other than the Company (the Successor Company), is a person (if such person is not a corporation, then the Successor Company shall include a corporate co-issuer of the notes) organized and existing under the laws of the United States, any State or the District of Columbia and shall expressly assume all the obligations of the Company under the notes and the Indenture;

(b) immediately after giving effect to the transaction (and treating any indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Company as a result of the transaction as having been incurred by the Successor Company or the Subsidiary at the time of the transaction), no Default, Event of Default or event that, after notice or lapse of time, would become an Event of Default under the Indenture would occur or be continuing; and

(c) the Company shall have delivered to the Trustee an officers certificate and an opinion of counsel, each stating that the consolidation, merger, transfer or lease complies with the Indenture.

Upon any consolidation by the Company with, or merger by the Company into, any other person or any conveyance, transfer or lease of the properties and assets of the Company as an entirety or substantially as an entirety as described in the preceding paragraph, the successor person resulting from such consolidation or into which the Company is merged or the transferee or lessee to which such conveyance, transfer or lease is made, will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture, and thereafter, except in the case of a lease, the predecessor (if still in existence) will be released from its obligations and covenants under the Indenture and the notes.

Events of Default

Each of the following events is an Event of Default with respect to the notes of any series under the Indenture:

(a) the failure to pay the principal of (or premium, if any, on) any series of the notes when due and payable;

(b) the failure to pay any interest installment on any series of the notes when due and payable, continued for 30 days;

(c) the failure of the Company to perform any other covenant under the Indenture (other than a covenant included in the Indenture solely for the benefit of a series of debt securities other than the notes), continued for 90 days after written notice to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in principal amount of the outstanding notes of the series; and

(d) certain events of bankruptcy, insolvency or reorganization involving the Company.

If an Event of Default enumerated above with respect to the notes of any series at the time outstanding shall occur and be continuing, then either the Trustee or the holders of not less than 25% in aggregate principal amount of the

outstanding notes of that series may declare to be due and payable immediately by a notice in writing to the Company and to the Trustee the entire principal amount of all the notes of that series. At any time after such declaration of acceleration has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in principal amount of the outstanding notes of any series, by

written notice to the Company and the Trustee, may, in certain circumstances, rescind and annul such declaration (except an acceleration due to a Default in payment of the principal or interest on notes of any series).

No holder of any notes of any series shall have any right to institute any proceeding with respect to the Indenture or the notes of that series or for any remedy thereunder, unless such holder previously shall have given to the Trustee written notice of a continuing Event of Default with respect to the notes of that series and unless also the holders of at least 25% of the principal amount of outstanding notes of that series shall have made written request upon the Trustee, and have offered to the Trustee indemnity reasonably satisfactory to it, to institute such proceeding as trustee, and the Trustee shall not have received direction inconsistent with such request in writing by the holders of a majority in principal amount of outstanding notes of that series and shall have neglected or refused to institute such proceeding within 60 days. These limitations do not apply, however, to a suit instituted by a holder of a note for the enforcement of payment of the principal or interest on such note on or after the respective due date expressed in such note.

If a Default occurs and is continuing and is known to the trustee, the trustee must mail to each holder notice of the Default. Except in the case of a Default in the payment of principal or premium, if any, or interest on any note, the Trustee may withhold notice if the Trustee determines in good faith that withholding notice is not opposed to the interests of the holders.

The Company will also be required to deliver to the Trustee, within 120 days after the end of each fiscal year, an officer s certificate indicating whether the signers of the certificate know of any failure of the Company to comply with all conditions and covenants of the Indenture during the previous year.

Definitions

Attributable Debt when used in connection with a Sale and Lease-Back Transaction involving a Principal Property shall mean, at the time of determination, the lesser of (a) the fair market value of property or assets involved in the Sale and Lease-Back Transaction (as determined in good faith by the Company s Board of Directors), (b) the present value of the total net amount of rent required to be paid under such lease during the remaining term thereof (including any renewal term or period for which such lease has been extended), discounted at the rate of interest set forth or implicit in the terms of such lease or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the debt securities of each series outstanding pursuant to the Indenture compounded semi-annually, or (c) if the obligation with respect to the Sale and Lease-Back Transaction constitutes an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with generally accepted accounting principles, the amount equal to the capitalized amount of such obligation determined in accordance with generally accepted accounting principles and included in the financial statements of the lessee. For purposes of the foregoing definition, rent shall not include amounts required to be paid by the lessee, whether or not designated as rent or additional rent, on account of or contingent upon maintenance and repairs, insurance, taxes, assessments, water rates and similar charges. In the case of any lease that is terminable by the lessee upon the payment of a penalty, such net amount shall be the lesser of the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the net amount determined assuming no such termination.

Consolidated Net Tangible Assets means, as of any particular time, the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (a) all current liabilities, except for (1) notes and loans payable, (2) current maturities of long-term debt and (3) current maturities of obligations under capital leases, and (b) certain intangible assets, to the extent included in such aggregate amount of assets, all as set forth on the most recent consolidated balance sheet of the Company and its consolidated Subsidiaries and computed in accordance with generally accepted accounting principles.

Default means any event, act or condition which is, or after notice or passage of time or both would be, an Event of Default.

Exchange Act means the U.S. Securities Exchange Act of 1934, as amended.

Issue Date means April 17, 2008, the original date of issuance of the old notes.

Nonrecourse Obligation means indebtedness or other obligations substantially related to (a) the acquisition of assets not previously owned by the Company or any Subsidiary or (b) the financing of a project involving the development or expansion of properties of the Company or any Subsidiary, as to which the obligee with respect to such indebtedness or obligation has no recourse to the Company or any Subsidiary or any assets of the Company or any Subsidiary other than the assets which were acquired with the proceeds of such transaction or the project financed with the proceeds of such transaction (and the proceeds thereof).

Permitted Liens means (a) liens on property, shares of stock, indebtedness or other assets of any person existing at the time such person becomes a Subsidiary, provided that such liens are not incurred in anticipation of such person becoming a Subsidiary; (b)(i) liens on property, shares of stock, indebtedness or other assets existing at the time of acquisition thereof by the Company or a Subsidiary, or liens thereon to secure the payment of all or any part of the purchase price thereof or (ii) liens on property, shares of stock, indebtedness or other assets to secure any indebtedness for borrowed money incurred prior to, at the time of, or within one year after, the latest of the acquisition thereof, or, in the case of property, the completion of construction, the completion of improvements or the commencement of substantial commercial operation of such property for the purpose of financing all or any part of the purchase price thereof, such construction or the making of such improvements; (c) liens to secure indebtedness owing to the Company or to a Subsidiary; (d) liens existing at the date of the initial issuance of the notes; (e) liens on property or other assets of a person (which is not a Subsidiary) existing at the time such person is merged into or consolidated with the Company or a Subsidiary or at the time of a sale, lease or other disposition of the properties of a person as an entirety or substantially as an entirety to the Company or a Subsidiary; (f) liens in favor of the United States of America or any State, territory or possession thereof (or the District of Columbia), or any department, agency, instrumentality or political subdivision of the United States of America or any State, territory or possession thereof (or the District of Columbia), to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of constructing or improving the property subject to such liens; (g) liens created in connection with a project financed with, and created to secure, a Nonrecourse Obligation; (h) liens on any property to secure bonds for the construction, installation or financing of pollution control or abatement facilities, or other forms of industrial revenue bond financing, or indebtedness issued or guaranteed by the United States, any State or any department, agency or instrumentality thereof; and (i) extensions, renewals or replacements of any lien referred to in the foregoing clauses (a) through (h); provided, however, that any liens permitted by any of the foregoing clauses (a) through (h) shall not extend to or cover any property of the Company or such Subsidiary, as the case may be, other than the property specified in such clauses and improvements thereto.

person means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

Principal Property means the land, land improvements, buildings and fixtures (to the extent they constitute real property interests) (including any leasehold interest therein) constituting the principal corporate office, any manufacturing plant or any manufacturing facility (whether now owned or hereafter acquired) and the equipment located thereon which (a) is owned by the Company or any Subsidiary; (b) has not been determined in good faith by the Board of Directors of the Company not to be materially important to the total business conducted by the Company and its Subsidiaries taken as a whole; and (c) has a net book value on the date as of which the determination is being made in excess of 1% of Consolidated Net Tangible Assets of the Company as most recently determined on or prior to such date (including for purposes of such calculation the land, land improvements, buildings and such fixtures compromising such office, plant or facilities, as the case may be).

Sale and Lease-Back Transaction means any arrangement with any person providing for the leasing by the Company or any Subsidiary of any Principal Property, which property has been or is to be sold or transferred by the Company or such Subsidiary to such person, other than (a) any such transaction involving a lease for a term of not more than three years, (b) any such transaction between the Company and a Subsidiary or between Subsidiaries, or (c) any such transaction executed by the time of or within one year after the latest of the acquisition, the

completion of construction or improvement or the commencement of commercial operation of such Principal Property.

Subsidiary means (a) any person of which more than 50% of the outstanding Voting Stock is at the time owned, directly or indirectly, by the Company or by one or more other Subsidiaries of the Company or (b) any other person (other than a corporation) in which the Company or one or more other Subsidiaries of the Company directly or indirectly has more than 50% equity ownership and power to direct the policies, management and affairs thereof.

Voting Stock means stock that ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

Waiver, Modification and Amendment

Subject to certain exceptions, modification and amendments of the Indenture and the notes may be made by the Company and the Trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding notes affected thereby (including consents obtained in connection with a tender offer or exchange for the notes) and any past default or compliance with any provisions may also be waived with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding notes; *provided, however*, that no such modification or amendment may, without the consent of the holder of each outstanding note affected thereby:

change the stated maturity of the principal of, or installment of interest on, any note;

reduce the principal amount of, or the rate of interest on, any notes;

reduce any premium, if any, payable on the redemption of any note or change the date on which any note may or must be redeemed or repaid;

change the coin or currency in which the principal of, premium, if any, or interest on any note is payable;

impair the right of any holder to institute suit for the enforcement of any payment on or after the stated

maturity of any note;

reduce the percentage in principal amount of the outstanding notes, the consent of whose holders is required in order to take certain actions;

modify any of the provisions in the Indenture regarding the waiver of past Defaults and the waiver of certain covenants by the holders of notes except to increase any percentage vote required or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each note affected thereby; or

modify any of the above provisions.

Notwithstanding the preceding, the Company and the Trustee may, without the consent of any holders, modify or amend the terms of the Indenture and the notes with respect to the following:

to cure any ambiguity, omission, defect or inconsistency;

to evidence the succession of another person to the Company and the assumption by any such successor of the obligations of the Company as described above under Covenants Merger, Consolidation or Sale of Assets;

to add any additional Events of Default;

to add to our covenants for the benefit of holders of the notes or to surrender any right or power conferred upon us;

to add one or more guarantees for the benefit of holders of the notes;

to add collateral security with respect to the notes;

to add or appoint a successor or separate trustee or other agent;

to provide for the issuance of the exchange notes, which will have terms substantially identical in all material respects to the notes (except that the transfer restrictions contained in the notes will be modified or eliminated, as appropriate, and there will be no registration rights), and which will be treated, together with any outstanding notes, as a single issue of securities;

to provide for the issuance of any additional notes;

to comply with any requirement in connection with the qualification of the Indenture under the Trust Indenture Act;

to comply with the rules of any applicable securities depository;

to provide for uncertificated notes in addition to or in place of certificated notes; and

to make any change if the change does not adversely affect the interests of any holder of notes.

Other amendments and modifications of the Indenture or the notes may be made with the consent of not less than a majority of the aggregate principal amount of the debt securities of each series affected by the amendment or modification (voting as one class), and the Company s compliance with any provision of the Indenture with respect to any series of debt securities may be waived by written notice to the Trustee by the holders of a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the waiver (voting as one class). If the exchange offer is consummated, holders of old notes who do not exchange their old notes for new notes will vote together with the holders of the new notes for all relevant purposes under the Indenture.

The consent of the holders of the notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

After an amendment under the Indenture becomes effective, we are required to mail to holders of the notes a notice briefly describing such amendment. However, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

Neither the Company nor any affiliate of the Company may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the notes unless such consideration is offered to all holders and is paid to all holders that so consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement.

Transfer

The notes will be issued in registered form and will be transferable only upon the surrender of the notes being transferred for registration of transfer. We may require payment of a sum sufficient to cover any tax, assessment or other governmental charge payable in connection with certain transfers and exchanges.

Satisfaction and Discharge

When we (1) deliver to the Trustee all outstanding notes for cancellation or (2) all outstanding notes have become due and payable, whether at maturity or on a redemption date as a result of the mailing of notice of redemption, and, in the case of clause (2), we irrevocably deposit with the Trustee funds sufficient to pay at maturity or upon redemption all

outstanding notes, including interest thereon to maturity or such redemption date, and if in either case we pay all other sums payable under the Indenture by us, then the Indenture shall, subject to certain exceptions, cease to be of further effect.

Defeasance and Covenant Defeasance

The Indenture provides that we may elect either (1) to defease and be discharged from any and all obligations with respect to the notes (except for, among other things, certain obligations to register the transfer or exchange of the notes, to replace temporary or mutilated, destroyed, lost or stolen notes, to maintain an office or agency with respect to the notes and to hold moneys for payment in trust) (legal defeasance) or (2) to be released from our obligations to comply with the restrictive covenants under the Indenture, and any omission to comply with

such obligations will not constitute a Default or an Event of Default with respect to the notes, and clause (c) under Events of Default will no longer be applied (covenant defeasance). Legal defeasance or covenant defeasance, as the case may be, will be conditioned upon, among other things, the irrevocable deposit by us with the Trustee, in trust, of an amount in U.S. dollars, or U.S. Government obligations, or both, applicable to the notes which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal or premium, if any, and interest on the notes on the scheduled due dates therefor.

If we effect covenant defeasance with respect to the notes and the notes are declared due and payment because of the occurrence of any Event of Default other than under clause (c) of Events of Default, the amount in U.S. dollars, or U.S. Government obligations, or both, on deposit with the Trustee will be sufficient, in the opinion of a nationally recognized firm of independent accountants, to pay amounts due on the notes at the time of the stated maturity buy may not be sufficient to pay amounts due on the notes at the time of the acceleration resulting from such Event of Default. However, we would remain liable to make payment of such amounts due at the time of acceleration.

To effect legal defeasance or covenant defeasance, we will be required to deliver to the Trustee an opinion of counsel that the deposit and related defeasance will not cause the holders and beneficial owners of the notes to recognize income, gain or loss for federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option.

Governing Law

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Regarding the Trustee

The Trustee is The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, 18th Floor, Houston, TX, 77002. The Trustee provides certain corporate trust services to the Company in the ordinary course of business and may provide such services in the future.

The Indenture and provisions of the Trust Indenture Act contain limitations on the rights of the Trustee, should it become a creditor of the Company, to obtain payment of claims in certain cases, or to realize on certain property received by it in respect of any such claims as security or otherwise. The Trustee is permitted to engage in other transactions. However, if the Trustee acquires any conflicting interest it must either eliminate such conflict within 90 days, apply to the SEC for permission to continue or resign.

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USE OF PROCEEDS

The exchange offer is intended to satisfy our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the new notes in the exchange offer. In consideration for issuing the new notes as contemplated by this prospectus, we will receive old notes in a like principal amount. The form and terms of the new notes are substantially the same as the form and terms of the old notes, except the new notes are not subject to certain transfer restrictions and registration rights. Old notes surrendered in exchange for the new notes will be retired and cancelled and will not be reissued. Accordingly, the issuance of the new notes will not result in any change in our outstanding indebtedness.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our historical ratios of earnings to fixed charges for the periods indicated. This information should be read in conjunction with our Consolidated Financial Statements and the notes thereto included elsewhere in this prospectus.

	Six Months Ended	Years Ended				
	August 1, 2008	February 1, 2008	February 2, 2007	February 3, 2006	January 28, 2005	January 30, 2004
Ratio of earnings to fixed charges	33x	47x	49x	90x	128x	96x

Earnings included in the calculation of this ratio consist of (i) our operating income, plus (ii) investment and other income, plus (iii) our fixed charges less capitalized interest, plus (iv) our minority interests in the income of subsidiaries. Fixed charges included in the calculation of this ratio consist of (i) our interest expensed, plus (ii) our interest capitalized, plus (iii) a reasonable estimation of the interest factor included in rental expense.

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CAPITALIZATION

The following table sets forth a summary of our cash, cash equivalents and investments and capitalization as of August 1, 2008, which gives effect to the original offering of the old notes. The issuance of the new notes will not result in any change in our outstanding indebtedness.

We derived this table from, and it should be read in conjunction with and is qualified in its entirety by reference to, our Consolidated Financial Statements and notes thereto included elsewhere in this prospectus. You should also read this table in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations.

		As of August 1, 2008 (in millions; unaudited)
Cash, cash equivalents and investments	$	9,534
Long-term debt:		
2013 Notes offered hereby	$	600
2018 Notes offered hereby		500
2038 Notes offered hereby		400
Total Notes		1,500
Other long-term debt		340
Total long-term debt		1,840
Stockholders equity:		
Preferred stock and capital in excess of $.01 par value; shares issued and outstanding: none		
Common stock and capital in excess of $.01 par value; shares authorized: 7,000; shares issued: 3,332; shares outstanding: 1,960		10,781
Treasury stock at cost: 897 shares		(27,488)
Retained earnings		19,599
Accumulated other comprehensive loss		(69)
Total stockholders equity		2,823
Total capitalization	$	4,663

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SELECTED FINANCIAL DATA

The consolidated balance sheet as of February 1, 2008 and February 2, 2007 and the results of operations and cash flows for the fiscal years ended February 1, 2008, February 2, 2007 and February 3, 2006 and notes thereto appear elsewhere herein. The balance sheet data as of February 3, 2006 and the results of operations and cash flow data for the fiscal year ended January 28, 2005 are derived from our audited financial statements included in our previously filed Annual Report on Form 10-K for Fiscal Year 2007 not included herein. The data as of and for the six months ended August 1, 2008 and August 3, 2007 has been derived from unaudited financial statements also appearing herein, which, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the unaudited interim periods. The balance sheet data as of January 28, 2005 and the balance sheet and results of operations and cash flow data as of and for the fiscal year ended January 30, 2004 are derived from our unaudited financial statements.

The following table should be read in conjunction with the information under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations included in this prospectus and our Consolidated Financial Statements and notes thereto included elsewhere in this prospectus.

	Fiscal Year Ended					Six Months Ended	
	February 1, 2008[(a)]	February 2, 2007[(a)]	February 3, 2006[(b)]	January 28, 2005[(c)]	January 30, 2004	August 1, 2008	August 3, 2007
	(in millions, except per share data)						
Results of Operations:							
Net revenue	$ 61,133	$ 57,420	$ 55,788	$ 49,121	$ 41,327	$ 32,511	$ 29,498
Gross margin	11,671	9,516	9,891	9,018	7,563	5,792	5,789
Operating income	3,440	3,070	4,382	4,206	3,525	1,718	1,835
Income before income taxes	3,827	3,345	4,608	4,403	3,711	1,861	2,009
Net income	2,947	2,583	3,602	3,018	2,625	1,400	1,502
Earnings per common share:							
Basic	$ 1.33	$ 1.15	$ 1.50	$ 1.20	$ 1.02	$ 0.70	$ 0.67
Diluted	1.31	1.14	1.47	1.18	1.00	0.69	0.66
Number of weighted-average shares outstanding:							
Basic	2,223	2,255	2,403	2,509	2,565	2,013	2,236
Diluted	2,247	2,271	2,449	2,568	2,619	2,019	2,259
Cash Flow Data:							
Change in cash from operating activities	$ 3,949	$ 3,969	$ 4,751	$ 5,821	$ 4,064	$ 1,251	$ 1,754
Balance Sheet Data (at period end):							
Cash, cash equivalents and investments	$ 9,532	$ 12,445	$ 11,756	$ 14,101	$ 11,921	$ 9,534	$ 13,822
Total assets	27,561	25,635	23,252	23,318	19,340	28,407	28,054

Short-term borrowings	225	188	65	74	157	129	328
Long-term debt	362	569	625	662	645	1,840	378
Total stockholders equity	3,735	4,328	4,047	6,412	6,238	2,823	5,928

(a) Results for Fiscal 2008 and Fiscal 2007 include stock-based compensation expense pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (*SFAS 123(R)*). See Note 5 of Notes to Consolidated Financial Statements included elsewhere in this prospectus.

(b) Results for Fiscal 2006 include charges aggregating $421 million ($338 million of other product charges and $83 million in selling, general and administrative expenses) related to the cost of servicing or replacing certain OptiPlex[tm] systems that included a vendor part that failed to perform to our specifications, workforce realignment, product rationalizations, excess facilities, and a write-off of goodwill recognized in the third quarter. The related tax effect of these items was $96 million. Fiscal 2006 also includes an $85 million income tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004 recognized in the second quarter.

(c) Results for Fiscal 2005 include an income tax charge of $280 million related to the repatriation of earnings under the American Jobs Creation Act of 2004 recorded in the fourth quarter.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SPECIAL NOTE: This section, Management s Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements that are based on our current expectations. Actual results in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks and uncertainties. For a discussion of risk factors affecting our business and prospects, see Risk Factors and Forward-Looking Statements. This section should be read in conjunction with our Consolidated Financial Statements and the notes thereto included elsewhere in this prospectus.

Overview

Our Company

As a leading technology company, we offer a broad range of product categories, including desktop PCs, notebooks, software and peripherals, servers and networking products, services, and storage. We are the number one supplier of personal computer systems in the United States, and the number two supplier worldwide.

We have manufacturing locations around the world and relationships with third-party original equipment manufacturers. This structure allows us to optimize our global manufacturing and logistics network to best serve our global customer base. We continue to expand our supply chain which allows us to enhance product design and features, shorten product development cycles, improve logistics, and lower costs, thus improving our competitiveness.

We were founded on the core principle of a direct customer business model which included build to order hardware for consumer and commercial customers. The inherent velocity of this model, which included highly efficient manufacturing and logistics, allowed for low inventory levels and the ability to be the industry leader in selling the most relevant technology, at the best value, to our customers. Our direct relationships with customers also allowed us to bring to market products that featured customer driven innovation, thereby allowing us to be on the forefront of changing user requirements and needs. Over time we have expanded our business model to include a broader portfolio of products, including services, and we have also added new distribution channels, such as consumer retail and value added resellers, which allow us to reach even more customers around the world. We also offer various financing alternatives, asset management services, and other customer financial services for business and consumer customers. As a part of our overall growth strategy, we have executed targeted acquisitions to augment select areas of our business with more products, services, and technology.

Our new distribution channels include the launch in Fiscal 2008 of our global retail initiative, offering select products in retail stores in the Americas; Europe, Middle East, and Africa (EMEA); and Asia Pacific-Japan (APJ). In Fiscal 2008, we also launched PartnerDirect, a global program that will bring our existing value-added reseller programs under one umbrella including training, certification, deal registration, focused sales and customer care, and a dedicated web portal.

We continue to simplify technology and lower costs for our customers while expanding our business opportunities. Underpinning these goals are our core competencies of world-class competitiveness, low cost and expense, any-to-any supply chain, services and solutions, and sales effectiveness. We are currently focused on five key growth priorities which, when coupled with our core competencies, we believe will drive an optimal balance of long-term sustained growth, profitability, and cash flow:

Global Consumer In the first quarter of Fiscal 2009, we realigned our management and reporting structure to focus on worldwide sales to individual consumers and retailers as a part of an internal consolidation of our consumer business. Our global consumer business is comprised of on-line sales, sales over the phone, and sales through our retail channel. The global consolidation of this business will improve our global sales execution and coverage through better customer alignment, targeted sales force investments in rapidly growing countries, and improved marketing tools. We are also designing new, innovative products with faster development cycles and competitive features including the new Studio line of notebooks, which allow consumers greater personalization and self expression. Finally, we have rapidly expanded our retail business in order to reach more consumers.

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Enterprise In the enterprise, our solution mission is to help companies of all sizes simplify their IT environments. The complete solution includes servers, storage, services, and software. At the core of this simplification problem is complexity in IT architecture and operations developed over decades and ineffective services models that create unnecessary complexity and cost. We are focused on helping customers identify and remove this unnecessary cost and complexity. As a result of our simplify IT focus, we have become the industry leader in server virtualization, power, and cooling performance. We recently launched our broadest ever lineup of virtualization solutions combining PowerEdge servers, switches, EqualLogic SAN, along with VM Ware software enabling the virtual cloud.

Notebooks Our goal is to reclaim notebook leadership by creating the best products while shortening our development cycle and being the most innovative developer of notebooks. To help meet this goal, we have separated our consumer and commercial design functions to drive greater focus and launched several notebook products. Industry analysts expect the sale of notebook units globally to outpace that of desktops for the first time next year and for that trend to continue into the future. Recently, we had the largest global product launch in our company s history with our new E Series commercial Latitude and Dell Precision notebooks. We expect to continue to launch a number of new notebook products throughout the remainder of Fiscal 2009, targeting various price and performance bands.

Small and Medium Business We are focused on providing small and medium businesses the simplest and most complete IT solution, customized for their needs, by extending our channel direct program (PartnerDirect) and expanding our offerings to mid-sized businesses. We are committed to improving our storage products and services as evidenced by our new Building IT-as-a-Service solution, which provides businesses with remote and lifecycle management, e-mail backup, and software license management.

Emerging countries We are focused on and investing resources in emerging countries with an emphasis on Brazil, Russia, India, and China, from where we expect a majority of the worldwide growth will come in the next four years. We are also creating custom products and services to meet the preferences and demands of individual countries and various regions, including the new Vostro A notebooks and desktops designed specifically for cost sensitive growing businesses in emerging economies.

We continue to invest in initiatives that will align our new and existing products around customers needs to drive long-term, sustainable growth, profitability, and cash flow. We also continue to grow our business organically and through strategic acquisitions. During the first half of Fiscal 2009, we acquired two companies, with the larger being MessageOne, Inc. These acquisitions are targeted to further expand our service capabilities. During Fiscal 2008, we acquired five companies, among which the two largest were EqualLogic, Inc. (EqualLogic) and ASAP Software Express, Inc. (ASAP), and we purchased CIT Group Inc. s (CIT) 30% interest in Dell Financial Services, L.P. (DFS). We expect to make more strategic acquisitions in the future.

Second Quarter of Fiscal 2009 Performance

Share position	n	We shipped approximately 11.5 million units, resulting in a worldwide PC share position of 16.4%, an increase of approximately one percentage point year-over-year.
Net revenue	n	Net revenue increased 11% year-over-year to $16.4 billion, with unit shipments up 19% year-over-year.
Operating income	n	Operating income was $819 million for the current quarter, or 5.0% of revenue, as compared to $902 million or 6.1% of revenue for the second

		quarter of Fiscal 2008.
Earnings per share	n	Earnings per share decreased 6% to $0.31 for the current quarter compared to $0.33 for the second quarter of Fiscal 2008.

Fiscal 2008 Performance

Share position	n	We shipped 40 million units for calendar year 2007 according to IDC, resulting in a worldwide PC share position of 14.9%. After leading the worldwide PC market for the past six years, we fell to the second position for calendar year 2007. We lost share, both in the U.S. and internationally, as our growth did not meet the overall PC growth. Our Global Consumer segment continued to underperform, which slowed our overall growth in unit shipments, revenue, and profitability. This was mainly due to intense competitive pressure, particularly in the lower priced desktops and notebooks where competitors offered aggressively priced products with better product recognition and more relevant feature sets. A slight decline in our worldwide desktop shipments also was a factor in our losing worldwide PC share position; worldwide desktop shipments grew 5% during calendar year 2007.
Net revenue	n	Fiscal 2008 net revenue increased 6% year-over-year to $61.1 billion, with unit shipments up 5% year-over-year, as compared to Fiscal 2007 net revenue which increased 3% year-over-year to $57.4 billion on unit growth of 2% over Fiscal 2006 net revenue of $55.8 billion.
Operating income	n	Operating income was $3.4 billion for Fiscal 2008, or 5.6% of net revenue compared to $3.1 billion for Fiscal 2007, or 5.4% of net revenue, and $4.4 billion or 7.9% of net revenue in Fiscal 2006.
Net income	n	Net income was $2.9 billion for Fiscal 2008, or 4.8% of net revenue compared to $2.6 billion for Fiscal 2007, or 4.5% of net revenue, and $3.6 billion or 6.5% of net revenue in Fiscal 2006.
Earnings per share	n	Earnings per share increased 15% to $1.31 for Fiscal 2008, compared to $1.14 for Fiscal 2007 and $1.47 for Fiscal 2006.

Results of Operations

The following tables summarize our consolidated results of operations for the three and six month periods ended August 1, 2008 and August 3, 2007 and each of the past three fiscal years:

	Three Months Ended				Six Months Ended			
	August 1, 2008		August 3, 2007		August 1, 2008		August 3, 2007	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except per share amounts and percentages)							
Net revenue	$ 16,434	100.0%	$ 14,776	100.0%	$ 32,511	100.0%	$ 29,498	100.0%
Gross margin	2,827	17.2%	2,951	19.9%	5,792	17.8%	5,789	19.6%
Operating expenses	2,008	12.2%	2,049	13.8%	4,074	12.5%	3,954	13.4%
Operating income	819	5.0%	902	6.1%	1,718	5.3%	1,835	6.2%
Net income	616	3.7%	746	5.1%	1,400	4.3%	1,502	5.1%
Earnings per share diluted	0.31	N/A	0.33	N/A	0.69	N/A	0.66	N/A

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	Fiscal Year Ended					
	February 1, 2008[a]		February 2, 2007[a]		February 3, 2006[b]	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except per share amounts and percentages)					
Net revenue	$ 61,133	100.0%	$ 57,420	100.0%	$ 55,788	100.0%
Gross margin	11,671	19.1%	9,516	16.6%	9,891	17.7%
Operating expenses	8,231	13.5%	6,446	11.2%	5,509	9.8%
Operating income	3,440	5.6%	3,070	5.4%	4,382	7.9%
Income tax provision	880	1.4%	762	1.3%	1,006	1.8%
Net income	2,947	4.8%	2,583	4.5%	3,602	6.5%
Earnings per share diluted	1.31	N/A	1.14	N/A	1.47	N/A

(a) Results for Fiscal 2008 include stock-based compensation expense of $436 million, or $309 million ($0.14 per share) net of tax, and results for Fiscal 2007 include stock-based compensation expense of $368 million, or $258 million ($0.11 per share) net of tax, due to the implementation of Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (SFAS 123(R)). We implemented SFAS 123(R) using the modified prospective method effective February 4, 2006. For additional information, see Note 5 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

(b) Results for Fiscal 2006 include charges aggregating $421 million ($338 million of other product charges and $83 million in selling, general, and administrative expenses) related to the cost of servicing or replacing certain OptiPlex[tm] systems that include a vendor part that failed to perform to our specifications, workforce realignment, product rationalizations, excess facilities, and a write-off of goodwill recognized in the third quarter. The related tax effect of these items was $96 million. Fiscal 2006 also includes an $85 million income tax benefit related to a revised estimate of taxes on the repatriation of earnings under the American Jobs Creation Act of 2004 recognized in the second quarter.

Consolidated Operations

Consolidated revenue grew 11% and 10%, year-over-year, for the second quarter and first six months of Fiscal 2009, respectively. We grew revenue across all segments, led by Global Consumer with 28% and 24% revenue growth year-over-year for the second quarter and first six months of Fiscal 2009, respectively. APJ Commercial and EMEA Commercial also experienced strong year-over-year revenue growth of 16% and 11%, respectively, for the second quarter of Fiscal 2009, and 17% and 13%, respectively, for the six months ending August 1, 2008, as compared to the same period in the prior year. During the second quarter and first six months of Fiscal 2009, we grew revenue across all major product lines, except for desktops, as compared to the same periods in Fiscal 2008. Our mobility products and software & peripherals business led our product revenue growth with year-over-year growth of 26% and 17%, respectively, for the second quarter of Fiscal 2009, and year-over-year growth of 24% and 17%, respectively, for the first half of Fiscal 2009. Revenue outside the U.S. comprised 47% of consolidated revenue for the second quarter of Fiscal 2009, compared to 45% for the same period last year. Combined Brazil, Russia, India, and China (BRIC) year-over-year revenue growth was 41% on unit growth of 46% for the second quarter of Fiscal 2009.

In general, foreign exchange spot rates experienced greater than normal volatility year-over-year. The estimated impact of the weak U.S. dollar to Dell was approximately 4% year-over-year. The weak dollar helped to stimulate demand as we generally pass on foreign currency benefits to customers through lower local currency pricing because

we typically manage our business on a U.S. dollar basis. To continue to capitalize on and increase international growth, we are tailoring solutions to meet specific regional needs, enhancing relationships to provide customer choice and flexibility, and expanding into these and other emerging countries that represent 85% of the world s population.

Fiscal 2008 revenue increased 6% year-over-year to $61.1 billion, with unit shipments up 5% year-over-year. Revenue grew across all segments except for Global Consumer: APJ Commercial grew 15%; EMEA Commercial increased 15%; Americas Commercial grew 6%; and Global Consumer decreased 6%. Revenue outside the U.S. represented approximately 47% of Fiscal 2008 net revenue, compared to approximately 44% in the prior year. Outside the U.S., we produced 14% year-over-year revenue growth for Fiscal 2008; however, our unit growth was below the overall unit growth rate of the international PC market. During Fiscal 2008, the U.S. dollar weakened relative to the other principal currencies in which we transact business; however, as a result of our

hedging activities, foreign currency fluctuations did not have a significant impact on our consolidated results of operations. Combined BRIC revenue growth during Fiscal 2008 was 27%. To continue to capitalize on and increase international growth, we are tailoring solutions to meet specific regional needs, enhancing relationships to provide customer choice and flexibility, and expanding into these and other emerging countries that represent 85% of the world s population. Worldwide, all product categories grew revenue over the prior year other than desktop PCs, which declined 1% as consumers continue to migrate to mobility products. Desktop PC revenue in the Global Consumer and Americas Commercial segments declined 13% and 1% year-over-year, respectively, as opposed to desktop PC revenue in APJ Commercial and EMEA Commercial which increased 13% and 1% respectively.

Fiscal 2007 revenue increased 3% year-over-year to $57.4 billion, with unit shipments up 2% year-over-year. Revenue grew across the Americas Commercial, EMEA Commercial, and APJ Commercial segments by 3%, 6%, and 12%, respectively, while the Global Consumer segment revenue declined 5% year-over-year. Revenue outside the U.S. represented approximately 44% of Fiscal 2007 net revenue, compared to approximately 41% in the prior year. Outside the U.S., we produced 10% year-over-year revenue growth for Fiscal 2007. All product categories grew revenue over the prior year periods, other than desktop PCs which declined 8%.

Operating income decreased 9% year-over-year to $819 million for the second quarter of Fiscal 2009. The decline in operating income is driven by a decline in gross margin due to overlapping record industry-wide component cost declines in the second quarter of Fiscal 2008, expanding our global retail channel presence in our Global Consumer segment, and strategic growth initiatives taken in advance of cost improvements. The decline in gross margin was partially offset by an improvement in operating expenses. Decline in profitability as a percentage of revenue was most pronounced in the results of our EMEA Commercial and Global Consumer segments. Net income decreased 17% year-over-year to $616 million during the second quarter of Fiscal 2009. Impacting net income was a decline in investment and other income, and a slightly higher effective income tax rate.

Operating income decreased 6% year-over-year to $1.7 billion for the six months ending August 1, 2008. The decline in operating income is due to overlapping record industry-wide component cost declines in the second quarter of Fiscal 2008, expanding our global retail channel presence in Global Consumer, and the impact of the strategic growth initiatives mentioned above. Also impacting operating income for the first six months of Fiscal 2009 was increased selling, general, and administrative expense dollars, although selling, general, and administrative expenses decreased year-over-year as a percentage of revenue. In addition, for the first six months of Fiscal 2009, adjustments to correct items related to prior periods, in the aggregate, increased income before taxes by approximately $110 million. The two largest of these corrections include a reversal of the excess amount of the provision for Fiscal 2008 employee bonuses and foreign exchange rate errors. Correcting these errors increased operating income by $46 million and net income before taxes by $42 million, respectively. Dell recorded the correction of these errors in the first quarter of Fiscal 2009. For the first half of Fiscal 2009, net income decreased 7% year-over-year to $1.4 billion. Net income was impacted by a decline in investment and other income, partially offset by a slight decrease in our effective tax rate for the first six months of Fiscal 2009.

Operating income and net income increased 12% and 14% year-over-year to $3.4 billion and $2.9 billion, respectively, for Fiscal 2008. The increased profitability was mainly a result of strength in mobility, solid demand for enterprise products, and a favorable component-cost environment. In Fiscal 2007 and Fiscal 2006, operating and net income were $3.1 billion and $2.6 billion, and $4.4 billion and $3.6 billion, respectively. Net income for Fiscal 2006 includes an income tax repatriation benefit of $85 million pursuant to a favorable tax incentive provided by the American Jobs Creation Act of 2004. This tax benefit is related to the Fiscal 2006 repatriation of $4.1 billion in foreign earnings.

Our average selling price (total revenue per unit sold) during the second quarter and first six months of Fiscal 2009 decreased 7% and 8%, respectively, year-over-year, which primarily resulted from our actions to increase our

presence in consumer retail and our business mix. Our recent market strategy has been to concentrate on solutions sales to drive a better mix of products and services, while aggressively pricing our products to remain competitive in the marketplace. In the second quarter and first half of Fiscal 2009, we continued to see competitive pressure, particularly for lower priced desktops and notebooks, as we targeted a broader range of products and price bands. However, we were able to gain share across all regions and major products during the second quarter and first six

months of calendar 2008. We expect that this competitive pricing environment will continue for the foreseeable future.

Our average selling price (total revenue per unit sold) in Fiscal 2008 increased 2% year-over-year, which primarily resulted from our pricing strategy, compared to a 1% year-over-year increase for Fiscal 2007. Our recent pricing strategy has been to concentrate on solutions sales, realign pricing, and drive a better mix of products and services, while aggressively pricing our products to remain competitive in the marketplace. In Fiscal 2008, we continued to see intense competitive pressure, particularly for lower priced desktops and notebooks, as competitors offered aggressively priced products with better product recognition and more relevant feature sets. As a result, particularly in the U.S., we lost share among consumers in notebooks and desktops, which slowed our overall growth in unit shipments, revenue, and profitability. We expect that this competitive pricing environment will continue for the foreseeable future.

Revenues by Segment

We conduct operations worldwide. Effective the first quarter of Fiscal 2009, we combined our consumer businesses of EMEA, APJ, and Americas International (formerly reported through Americas Commercial) with our U.S. Consumer business and re-aligned our management and financial reporting structure. As a result, effective in the first quarter of Fiscal 2009, our operating structure consisted of the following four segments: Americas Commercial, EMEA Commercial, APJ Commercial, and Global Consumer. Our commercial business includes sales to corporate, government, healthcare, education, small and medium business customers, and value-added resellers and is managed through the Americas Commercial, EMEA Commercial, and APJ Commercial segments. The Americas Commercial segment, which is based in Round Rock, Texas, encompasses the U.S., Canada, and Latin America. The EMEA Commercial segment, based in Bracknell, England, covers Europe, the Middle East, and Africa; and the APJ Commercial segment, based in Singapore, encompasses the Asian countries of the Pacific Rim as well as Australia, New Zealand, and India. The Global Consumer segment, which is based in Round Rock, Texas, includes global sales and product development for individual consumers and retailers around the world. We revised previously reported operating segment information to conform to our new operating structure in effect during the first quarter of Fiscal 2009.

During the second half of Fiscal 2008, we began selling desktop and notebook computers, printers, ink, and toner through retail channels in the Americas, EMEA, and APJ in order to expand our customer base. Our goal is to have strategic relationships with a number of major retailers in our larger geographic regions. In the U.S., we currently have relationships with retailers such as Staples, Wal-Mart, and Best Buy; and in Latin America, we have relationships with retailers, including Wal-Mart and Pontofrio. Additionally, some of our relationships include Carphone Warehouse, Carrefour, Tesco, and DSGi in EMEA; and in APJ, we are working with retailers such as Gome, HiMart, Courts, and Bic Camera. During the second quarter of Fiscal 2009, we expanded our global retail presence, and we now reach more than 15,000 retail locations worldwide. See Note 11 of Notes to Annual Consolidated Financial Statements and Note 11 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus for additional information about our operating segments.

The following tables summarize our net revenue by reportable segment for each of the three and six months ended August 1, 2008 and August 3, 2007 and Fiscal 2008, 2007, and 2006:

	Three Months Ended				Six Months Ended			
	August 1, 2008		August 3, 2007		August 1, 2008		August 3, 2007	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue

	(in millions, except percentages)							
Net revenue								
Americas Commercial	$ 8,096	49%	$ 7,680	52%	$ 15,394	47%	$ 14,931	50%
EMEA Commercial	3,503	21%	3,162	21%	7,309	22%	6,479	22%
APJ Commercial	2,054	13%	1,765	12%	4,078	13%	3,472	12%
Global Consumer	2,781	17%	2,169	15%	5,730	18%	4,616	16%
Net revenue	$ 16,434	100%	$ 14,776	100%	$ 32,511	100%	$ 29,498	100%

	Fiscal Year Ended					
	February 1, 2008		February 2, 2007		February 3, 2006	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)					
Net revenue						
Americas Commercial	$ 29,981	49%	$ 28,289	49%	$ 27,489	49%
EMEA Commercial	13,607	22%	11,842	21%	11,124	20%
APJ Commercial	7,167	12%	6,223	11%	5,547	10%
Global Consumer	10,378	17%	11,066	19%	11,628	21%
Net revenue	$ 61,133	100%	$ 57,420	100%	$ 55,788	100%

Americas Commercial Americas Commercial revenue increased 5% with unit shipments up by 7% year-over-year for the second quarter of Fiscal 2009. Growth in Latin America and increasing sales to the Federal government drove the majority of the increase in revenue in Americas Commercial. This growth was partially offset by weaker performance with our global customers and small-and-medium business customers. We anticipate continued conservative spending in the U.S. in the second half of Fiscal 2009. From a product perspective, the slow net revenue growth was due to decreases in desktop sales of 1% and 7% for the second quarter and first six months of Fiscal 2009, respectively, on desktop unit growth of 3% and 1%, for the second quarter and first half of Fiscal 2009, respectively. This was offset by strong revenue growth of services and software and peripherals, which grew 18% and 14%, respectively, during the second quarter of Fiscal 2009 and 22% and 14% for the first half of Fiscal 2009. Growth in Latin America was led by Brazil and Chile, which experienced a 38% and 35% respectively, year-over-year increase in revenue during the second quarter of Fiscal 2009 as compared to Fiscal 2008.

Americas Commercial grew revenue as well as units by 6% in Fiscal 2008, compared to 3% revenue growth on a slight unit decline in Fiscal 2007. The increase in revenue in Fiscal 2008 resulted from strong sales of mobility products, servers and networking, services, and software and peripherals, which grew 9%, 8%, 9%, and 13%, respectively, year-over-year. The unit volume increases resulted from strong growth in notebooks. In Fiscal 2007, the slow down of net revenue growth was due to desktop weakness, lower demand, and a significant decline in our Public business.

EMEA Commercial EMEA Commercial had 11% year-over-year net revenue growth on unit shipment growth of 20%. The unit volume increases were the result of strong growth in mobility, with units up 52% and continued strength in emerging markets. The revenue growth was primarily a result of higher demand for mobility products, represented by a 33% increase in revenue. Growth in software and peripherals revenue also contributed to EMEA Commercial s strong second quarter Fiscal 2009 revenue performance, with revenue growth of 21% year-over-year. These increases were partially offset by desktop sales with a revenue decrease of 6% year-over-year. EMEA experienced strong revenue growth in emerging countries and small-and-medium business. This growth, while consistent with our overall strategy, drove a mix shift in the EMEA Commercial revenue base coupled with softness in EMEA Commercial s global and large commercial customers revenue. As a result, during the second quarter of Fiscal 2009, total average revenue per unit decreased 8%, which reflects our product and customer mix.

During the first half of Fiscal 2009 EMEA Commercial had 13% year-over-year increase in net revenue with unit shipments up by 25%. This growth was due to increase in mobility revenue of 33% on unit growth of 55% during the

first half of Fiscal 2009 compared to the same period last year. EMEA experienced strong revenue growth for the first six months of Fiscal 2009 consistent with the second quarter revenue growth in emerging countries as well as small and medium businesses. The strong Euro and British Pound against the U.S. dollar during the second quarter of Fiscal 2009 helped to stimulate overall demand; however, we generally pass on these foreign currency benefits to customers through lower local currency pricing of products and services, as we typically manage our business on a U.S. dollar basis.

During Fiscal 2008, EMEA Commercial represented 22% of our total consolidated net revenue as compared to 21% in Fiscal 2007. EMEA Commercial had 15% year-over-year net revenue growth as a result of unit shipment growth of 12%. Average price per unit increased 2%, which reflects the mix of products sold and a benefit from the strengthening of the Euro and British Pound against the U.S. dollar during Fiscal 2008, offset by our pricing strategy. The revenue growth was primarily a result of higher demand for mobility products, represented by a unit shipment increase of 30%. Additionally, revenue grew year-over-year for all product categories within EMEA Commercial, led by growth in mobility, services, and software & peripherals revenue of 23%, 32%, and 18%, respectively. In Fiscal 2007, revenue in EMEA Commercial grew 6% year-over-year.

APJ Commercial During the second quarter and first six months of Fiscal 2009, APJ Commercial experienced a 16% and 17% year-over-year increase in revenue to $2.1 billion and $4.1 billion, respectively. For the second quarter and first half of Fiscal 2009, sales of mobility products and unit volume increased year-over-year by 24% and 27%, and 30% and 36%, respectively, compared to same period last year. Sales of mobility products grew due to the continued shift in customer preference from desktops to notebooks. APJ Commercial also reported 16% revenue growth in servers and networking on unit growth of 21% primarily due to our focus on delivering greater value within customer data centers with our rack optimized server platforms, whose average selling prices are higher than our tower servers. From a country perspective, Malaysia, Australia, and New Zealand experienced strong revenue growth during the second quarter of Fiscal 2009. Significant growth in India, and China during the second quarter of Fiscal 2009 contributed to a revenue growth rate of 31% and 19%, respectively, for these targeted BRIC countries.

During Fiscal 2008, APJ Commercial s revenue continued to improve, with 15% revenue growth year-over-year. Consistent with the EMEA Commercial segment, these increases were mainly a result of strong growth in mobility. Unit sales of mobility products increased 32% in Fiscal 2008 as compared to Fiscal 2007. Sales of mobility products grew due to a shift in customer preference from desktops to notebooks as well as the strong reception of our Vostro™ notebooks. APJ Commercial also reported 21% growth in servers and networking revenue primarily due to our focus on delivering greater value within customer data centers with our rack optimized server platforms, whose average selling prices are higher than our tower servers. These increases were partially offset by a decrease in services revenue of 13%. In Fiscal 2007, APJ Commercial reported 12% year-over-year revenue growth on unit growth of 19%.

Global Consumer Global Consumer revenue increased 28% and 24% year-over-year for second quarter of Fiscal 2009 and first half of Fiscal 2009, respectively, on unit growth of 53% and 50% for the second quarter and first half of Fiscal 2009, respectively. We grew faster than the industry on a unit basis and increased our global share. This growth was led by APJ Consumer with 65% year-over-year increase in revenue. The increase in Global Consumer revenue is mainly due to strong mobility sales. Mobility revenue increased 62% and 56% in the second quarter and first six months of Fiscal 2009, respectively, on a unit increase of 101% and 90%, respectively as compared to the same periods last year. Software and peripherals revenue grew 24% and 26% during the second quarter and first half of Fiscal 2009, respectively. Our mobility growth in this segment can be primarily attributed to our entrance into retail distribution arrangements, which began in the second half of Fiscal 2008, and the continued shift of consumer preference from desktops to notebooks. Our software and peripherals growth is due to a strong performance in software licensing. These increases were offset by a 8% and 7% decrease in desktop revenue although desktop units grew 5% and 11% for the second quarter and first half of Fiscal 2009, respectively.

Global Consumer revenue and unit volume decreased 6% and 12%, respectively, in Fiscal 2008, compared to revenue and unit decreases of 5% and 3%, respectively, in Fiscal 2007. Global Consumer revenue declined as compared to Fiscal 2007 primarily due to a 23% decline in desktop unit volumes. In Fiscal 2008, this segment s average selling price increased 6% year-over-year mainly due to realigning prices and selling a more profitable product mix. We continue to see a shift to mobility products in Global Consumer and our other segments as notebooks become more

affordable. In response to this environment, we have updated our business model for Global Consumer and have entered into a limited number of retail distribution arrangements to complement and extend the existing direct business. In the fourth quarter of Fiscal 2008, the Global Consumer business began to improve and posted revenue growth of 16% over the fourth quarter of Fiscal

2007, which reflects changes we have made to the business to reignite growth, including introducing four notebook families for consumers in six months. In Fiscal 2009, we expect to continue to expand our product offerings by launching 50% more new notebooks than in Fiscal 2008.

For additional information regarding our reportable segments, see Note 11 of each of Notes to Annual Consolidated Financial Statements and Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus.

Revenue by Product and Services Categories

We design, develop, manufacture, market, sell, and support a wide range of products that in many cases are customized to individual customer requirements. Our product categories include desktop computer systems, mobility products, software and peripherals, servers and networking products, and storage products. In addition, we offer a range of services.

The following tables summarize our net revenue by product categories and services:

	Three Months Ended				Six Months Ended			
	August 1, 2008		August 3, 2007		August 1, 2008		August 3, 2007	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)							
Net revenue								
Desktop PCs	$ 4,928	30%	$ 5,017	34%	$ 9,628	30%	$ 9,959	34%
Mobility	4,871	30%	3,865	26%	9,775	30%	7,881	26%
Software & peripherals	2,790	17%	2,380	16%	5,531	17%	4,721	16%
Servers & networking	1,702	10%	1,618	11%	3,355	10%	3,211	11%
Services	1,462	9%	1,283	9%	2,910	9%	2,564	9%
Storage	681	4%	613	4%	1,312	4%	1,162	4%
Net revenue	$ 16,434	100%	$ 14,776	100%	$ 32,511	100%	$ 29,498	100%

	Fiscal Year Ended					
	February 1, 2008		February 2, 2007		February 3, 2006	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentage)					
Net revenue:						
Desktop PCs	$ 19,573	32%	$ 19,815	34%	$ 21,568	39%
Mobility	17,423	28%	15,480	27%	14,372	25%
Software and peripherals	9,908	16%	9,001	16%	8,329	15%
Servers and networking	6,474	11%	5,805	10%	5,449	10%
Services	5,320	9%	5,063	9%	4,207	8%
Storage	2,435	4%	2,256	4%	1,863	3%
Net revenue	$ 61,133	100%	$ 57,420	100%	$ 55,788	100%

Desktop PCs During the second quarter and first six months of Fiscal 2009, revenue from desktop PCs (which includes desktop computer systems and workstations) decreased 2% and 3%, respectively, from the same periods of Fiscal 2008. The decline was primarily due to the on-going competitive pricing pressure for lower priced desktops. The demand for desktops continues to decrease as customers preference shifts to mobility products. Consequently, our average selling price for desktops decreased 6% and 9% year-over-year during the first quarter and first half of Fiscal 2009, respectively, as we aligned our prices and product offerings with the marketplace. As a result of our pricing strategy, we were able to gain share during the second quarter and first half of calendar 2008. Average industry unit growth was 1% during those time periods compared to our unit growth of 5% and 7% during the second quarter and first six months of Fiscal 2009. Desktop revenue declined across all of our segments except for APJ Commercial, which experienced

year-over-year revenue growth of 11% for both the second quarter and first six months of Fiscal 2009. Our Americas Commercial, EMEA Commercial, and Global Consumer segments experienced weaker performance in desktop sales with year-over-year decreases of 1%, 6%, and 8%, respectively, for the second quarter of Fiscal 2009, and revenue decreases of 7%, 3%, and 7%, respectively, for the six months ending August 1, 2008. We are continuing to see rising user demand for mobility products that contributes to further slowing demand for desktop PCs as mobility growth is expected to outpace desktop growth at a rate of approximately six-to-one.

During Fiscal 2008, revenue from desktop PCs (which includes desktop computer systems and workstations) decreased slightly from Fiscal 2007 revenue on a unit decline of 2% even though worldwide industry unit sales grew 5% during calendar 2007. The decline was primarily due to us being out of product feature and price position and consumers migration to mobility products. Our Global Consumer segment continued to perform below expectation in Fiscal 2008 with a significant year-over-year decrease in desktop revenue of 13%. Global Consumer was the primary contributor to our worldwide full year decline in desktop revenue with Americas Commercial also contributing to the weaker performance during Fiscal 2008 as compared to Fiscal 2007. This decline was partially offset by a strong performance in APJ Commercial where desktop revenue and units both increased 13% during Fiscal 2008 over prior year. We will likely see rising user demand for mobility products in the foreseeable future that will contribute to a slowing demand for desktop PCs as mobility growth is expected to outpace desktop growth at a rate of approximately six-to-one. In Fiscal 2008, we introduced Vostro™ desktops specifically designed to meet the needs of small business customers.

Mobility During the second quarter and first half of Fiscal 2009, revenue from mobility products grew 26% and 24%, respectively, on unit growth of 44% for both periods. This unit growth rate outpaced the industry s year-over-year unit growth of 37% and 38% for the second quarter and first six months of calendar 2008, respectively. We posted strong double-digit revenue growth across all segments, except for Americas Commercial, whose mobility revenue increased year-over-year only 4% and 1% for the second quarter and first six months of Fiscal 2009. We continued to see conservative spending in the small-and-medium business sector and with our large global customers in our Americas Commercial business; however, Americas Commercial experienced strong growth in its Federal government and Latin America sectors. Additionally, competitive pricing pressures, which were most pronounced in our Global Consumer and EMEA Commercial segments, drove our average unit pricing down in Fiscal 2009. For the second quarter of Fiscal 2009, mobility revenue in Global Consumer, APJ Commercial, and EMEA Commercial grew 62%, 24%, and 33% year-over-year, respectively, on unit growth of 101%, 27%, and 52%, respectively. For the six months ending August 1, 2008, mobility revenue in Global Consumer, APJ Commercial, and EMEA Commercial grew 56%, 30%, and 33% year-over-year, respectively, on unit growth of 90%, 36%, and 55%, respectively. The year-over-year growth in mobility was driven by our expansion into consumer retail and also increasing our notebook platforms by 50% this year. We recently announced a completely new line of Latitude™ and Dell Precision notebooks, ranging from the lightest ultra-portable in our history to the most powerful workstation. We also introduced the industry s first convertible tablet with multi-touch capabilities on the Dell LatitudeTMXT. As notebooks become more affordable and wireless products become standardized, demand for our mobility products continues to be strong.

In Fiscal 2008, revenue from mobility products (which includes notebook computers and mobile workstations) grew 13% year-over-year on unit growth of 16%. The growth was led by the APJ Commercial and EMEA Commercial segments with 35% and 23% increases in revenue year-over-year, respectively, while Americas Commercial revenue increased 9%. Unit shipments grew year-over-year in these three segments by 32%, 30%, and 19%, respectively. Global Consumer mobility units were flat during Fiscal 2008 as compared to Fiscal 2007. Even though we posted double-digit mobility growth during Fiscal 2008, according to IDC, industry mobility shipments grew 34% during calendar 2007. To capitalize on the industry growth in mobility, we have separated our consumer and commercial

design functions focusing our consumer team on innovation and shorter design cycles. As a result, we have launched four consumer notebook families in the past six months, including Inspiron™ color notebooks and XPS™notebooks, for which the demand has been better than expected. We also introduced Vostro™ notebooks, specifically designed to meet the needs of small business customers. During the fourth quarter of Fiscal 2008, we

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launched our first tablet the Latitude™ XT, the industry s only sub-four pound convertible tablet with pen and touch capability. As notebooks become more affordable and wireless products become standardized, demand for our mobility products continues to be strong, producing robust year-over-year revenue and unit growth. We are likely to see sustained growth in our mobility products in the foreseeable future due to the continued industry-wide migration from desktop PCs to mobility products.

In Fiscal 2007, revenue from mobility products grew by 8% year-over-year as compared to 20% in the previous year. The impact of the diminished growth was particularly acute in the U.S. and led to a loss of share as compared to Fiscal 2006. The slow growth resulted from both our product feature set and related value offering, particularly in the consumer business, as well as our inability to reach certain customer sets.

Software and Peripherals Revenue from sales of software and peripherals (S&P) consists of Dell-branded printers, monitors (not sold with systems), projectors, and a multitude of competitively priced third-party peripherals including plasma and LCD televisions, software, and other products. This revenue grew 17% year-over-year for both the second quarter and first six months of Fiscal 2009 driven by strength in software licensing. The growth was driven by our acquisition of ASAP Software (ASAP) in the fourth quarter of Fiscal 2008. With ASAP, we now offer products from over 2,000 software publishers. At a segment level, Global Consumer led the revenue growth with a 24% year-over-year increase for the second quarter of Fiscal 2009 and a 26% year-over-year growth rate for the first half of Fiscal 2009. APJ Commercial, EMEA Commercial, and Americas Commercial also experienced strong revenue growth of 18%, 21%, and 14%, respectively, for the three months ending August 1, 2008, and 19%, 19%, and 14%, respectively, for the six months ending August 1, 2008. From a dollars perspective, Americas Commercial led S&P revenue growth with year-over-year increases of $200 million and $375 million for the second quarter and first six months of Fiscal 2009, which reflects the strong performance of ASAP. Our S&P growth can also be attributed to improved performance in our displays business where we regained our number one position worldwide in flat panel displays.

In Fiscal 2008, revenue from S&P increased 10% year-over-year. EMEA Commercial lead S&P revenue growth with a year-over-year increase of 18%, and Americas Commercial and APJ Commercial revenue growth was 13% and 12%, respectively, during Fiscal 2008 as compared to Fiscal 2007. The increase in S&P revenue is primarily attributable to strength in imaging and printing, digital displays, and software licensing.

In Fiscal 2007, revenue from S&P increased 8% year-over-year. This increase was primarily attributable to a 12% year-over-year increase in software revenue that was offset by declines in our imaging product revenue.

Servers and Networking Revenue from sales of servers and networking products grew 5% year-over-year for both the second quarter and first six months of Fiscal 2009 on unit growth of 19% and 20%, respectively. Our year-over-year unit growth outpaced the industry s growth of 13% and 11% during the second quarter and first six months of calendar 2008, respectively. Our server and networking revenue grew slower than units due to our pricing strategy as we shift our product offerings to lower price bands to drive growth. APJ Commercial, EMEA Commercial, and Americas Commercial contributed to the modest revenue growth, and in the second quarter and first half of calendar 2008, we were again ranked number one in the United States with a 39% and 37% share, respectively, in server units shipped. Servers and networking revenue growth benefited from the success of our cloud computing initiatives featuring energy-efficient Dell customer solutions. During the quarter, we released our broadest lineup of dedicated virtualization solutions ever, including more than a dozen new servers, tools, and services, as a part of our mission to help companies of all sizes to simplify their IT environments.

In Fiscal 2008, servers and networking revenue grew 12% on unit growth of 6% year-over-year as compared to industry unit growth of 8%. Our unit growth was slightly behind the growth in the overall industry, while we improved our product feature sets by transitioning to new platforms, and as we managed through the realignment of certain portions of our sales force to address sales execution deficiencies. A significant portion of the revenue growth is due to higher average selling prices, which increased 5% during Fiscal 2008 as compared to the prior year. Fourth quarter year-over-year revenue growth of 2% was below industry growth and our expectations as conservatism in the U.S. commercial sectors affected sales of our server products. All regions experienced strong year-over-year revenue growth with APJ Commercial leading the

way with 21% growth on unit growth of 6%; additionally, server and networking revenue increased 16% and 8% in EMEA Commercial and Americas Commercial, respectively. For Fiscal 2008, we were again ranked number one in the United States with a 34% share in server units shipped; worldwide we were second with a 25% share. Servers and networking remains a strategic focus area. Late in the fourth quarter, we launched our 10G blade servers the most energy efficient blade server solution on the market. Our PowerEdge servers are ranked number one in server benchmark testing for overall performance, energy efficiency, and price.

In Fiscal 2007, servers and networking revenue grew 7% on unit growth of 6% year-over-year. During Fiscal 2007 we introduced our new ninth generation (9G) PowerEdge servers with Intel s Xeon 5100 series processors, and we began shipping two new PowerEdge servers featuring AMD Opterontm processors, providing our customers with an additional choice for high-performance two-socket and four-socket systems. We also launched the industry s first standards-based Quad-Core processors for two-socket blade, rack, and tower servers.

Services Services consists of a wide range of services including assessment, design and implementation, deployment, asset recovery and recycling, training, enterprise support, client support, and managed lifecycle. Services revenue increased 14% year-over-year for the three and six-month periods ended August 1, 2008, to $1.5 billion and $2.9 billion, respectively, aided by our new ProSupport offerings, which distilled ten service offerings down to two customizable packages spanning our commercial product and solutions portfolios with flexible options for service level and proactive management. Americas Commercial and APJ Commercial drove the increase in services revenue with revenue growth of 18% and 17%, respectively, in the second quarter of Fiscal 2009 as compared to the second quarter of Fiscal 2008, and revenue growth of 22% and 18%, respectively, for the first half of Fiscal 2009 as compared to the first half of Fiscal 2008. EMEA Commercial contributed with year-over-year revenue growth of 3% for the second quarter and 6% for the first six months of Fiscal 2009. EMEA Commercial s services revenue is lower than our other segments mainly due to a higher level of deferred service revenue related to strategic changes in our service offerings. The year-over-year growth is attributed to the strong performance of our Lifecycle services in our Americas Commercial and APJ Commercial segments and amortization of deferred service revenue. During Fiscal 2008, we acquired a number of service technologies and capabilities through strategic acquisitions of certain companies. These capabilities are being used to build-out our mix of service offerings. We are continuing to make solid progress in services, including ProSupport, remote infrastructure management, and Software as a Service (SaaS), which are aimed at simplifying IT for our customers. Our deferred service revenue balance increased from $5.3 billion at February 1, 2008, to $5.7 billion at August 1, 2008, due to continued strength in as sold services sales.

In Fiscal 2008, revenue from services increased 5% year-over-year compared to a 20% increase in Fiscal 2007. EMEA Commercial drove services revenue growth with a 32% increase in Fiscal 2008 as compared to Fiscal 2007, and Americas Commercial contributed with 9% revenue growth. This growth was offset by revenue declines in Global Consumer and APJ Commercial of 25% and 13%, respectively. Strong Fiscal 2008 services sales increased our deferred service revenue balance by approximately $1.0 billion in Fiscal 2008, a 25% increase to approximately $5.3 billion. In Fiscal 2007, our deferred service revenue increased $514 million or 14% to approximately $4.2 billion. During Fiscal 2008, we acquired a number of service technologies and capabilities through strategic acquisitions of certain companies. These capabilities are being used to build-out our mix of service offerings. In the first quarter of Fiscal 2009, we introduced ProSupport, which distilled ten service offerings down to two customizable packages spanning our commercial product and solutions portfolios with flexible options for service level and proactive management.

In Fiscal 2007, revenue from services increased 20% year-over-year. We introduced our new Platinum Plus offering during Fiscal 2007, which contributed to an increase in our premium service contracts.

Storage Revenue from sales of storage products increased 11% and 13% year-over-year for the second quarter and first six months of Fiscal 2009. Year-over-year storage growth was led by strength in our PowerVault line and the strong performance of our EqualLogic iSCSI networked storage solutions. To date

since acquisition, EqualLogic s business performance has met our expectations. The APJ Commercial, EMEA Commercial, and Americas Commercial regions all contributed to the strong year-over-year revenue growth. APJ Commercial led the revenue growth, with a 31% increase for the second quarter of Fiscal 2009; whereas, EMEA Commercial led storage revenue growth for the six-month period ending August 1, 2008, with a growth rate of 31%.

In Fiscal 2008, storage revenue increased 8% as compared to a 21% increase in Fiscal 2007. The revenue growth was led by EMEA Commercial, which experienced strong growth of 18%; additionally, APJ Commercial and Americas Commercial increased 10% and 5%, respectively. In Fiscal 2008, we expanded both our PowerVault and Dell | EMC solutions that drove both additional increases in performance and customer value. During the fourth quarter of Fiscal 2008, we completed the acquisition of EqualLogic, Inc., an industry leader in iSCSI SANs. With this acquisition, we now provide much broader product offerings for small and medium business consumers. Industry analysts believe that the iSCSI SAN space is expected to grow over 125% annually over the next five years.

In Fiscal 2007, storage revenue sustained double-digit growth with a 21% year-over-year increase. In Fiscal 2007, we also announced a five-year extension to our partnership with EMC. These portfolio enhancements continue to deliver lower cost solutions for our customers.

Gross Margin

The following tables present information regarding our gross margin during the three and six months ended August 1, 2008 and August 3, 2007 and Fiscal 2008, 2007, and 2006:

	Three Months Ended				Six Months Ended			
	August 1, 2008		August 3, 2007		August 1, 2008		August 3, 2007	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)							
Net revenue	$ 16,434	100.0%	$ 14,776	100.0%	$ 32,511	100.0%	$ 29,498	100.0%
Gross margin	$ 2,827	17.2%	$ 2,951	19.9%	$ 5,792	17.8%	$ 5,789	19.6%

	Fiscal Year Ended					
	February 1, 2008		February 2, 2007		February 3, 2006	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)					
Net revenue	$ 61,133	100.0%	$ 57,420	100.0%	$ 55,788	100.0%
Gross margin	$ 11,671	19.1%	$ 9,516	16.6%	$ 9,891	17.7%

During the second quarter of Fiscal 2009, our gross margin decreased in absolute dollars by $124 million to $2.8 billion from the same period in the prior year with a corresponding decrease in gross margin percentage to 17.2% from 19.9%. For the first half of Fiscal 2009, our gross margin remained flat in absolute dollars at $5.8 billion compared to the same period in the prior year although gross margin percentage decreased to 17.8% from 19.6% in the first half of Fiscal 2008. In the second quarter and first half of Fiscal 2009, overlapping industry-wide declines in component costs and expanding our presence in retail negatively impacted the overall gross margin percentage.

Additionally, the above-mentioned increase in EMEA Commercial deferred service revenue negatively impacted gross margins in the quarter. In the first half of Fiscal 2009, gross margin was positively impacted by a favorable ruling in a patent litigation case and the related reversal of $55 million of litigation reserves through cost of sales.

The gross margin percentage for all segments was impacted by overlapping record industry-wide declines in component costs and competitive pricing pressures. Our average selling price decreased and adversely impacted gross margins in the EMEA Commercial and Global Consumer segments. Gross margins in EMEA Commercial were also adversely impacted by weaker western European markets, significant growth in emerging markets with products focused on lower price and profitability bands, and the strategic pricing actions that were taken prior to the realization of cost savings. The APJ Commercial segment gross margin percentage is down from the second quarter

of Fiscal 2008 in part due to growth in emerging markets. However, gross margin percentage for APJ Commercial is up overall for the first half of Fiscal 2009 due to higher mobility shipment volumes. The Global Consumer segment experienced much higher year-over-year shipment volumes in both the second quarter and first half of Fiscal 2009. The gross margin percentage of the Global Consumer segment was lower as a result of mix into retail and associated lack of opportunities to sell customers additional margin rich adjacencies for both the second quarter and first half of Fiscal 2009, and it was impacted by increasing unit growth in the price-competitive Asian and Latin American markets. Global Consumer s gross margin in the second quarter was also negatively impacted by an $18 million increase in litigation reserves related to an unfavorable court ruling in an ongoing legal case.

During Fiscal 2008, our gross margin increased in absolute dollars and as a percentage of revenue from Fiscal 2007, driven by greater cost declines. The cost environment was more favorable in the first half of Fiscal 2008 than the second half. Our gross margin percentage was 18.8% in the fourth quarter of Fiscal 2008 as compared to 19.3% in the first quarter of Fiscal 2008. The fourth quarter was positively impacted by a $58 million reduction in accrued liabilities for a one-time adjustment related to a favorable ruling by the German Federal Supreme Court on a copyright levy case. We continue to evolve our inventory and manufacturing business model to capitalize on component cost declines, and we continuously negotiate with our suppliers in a variety of areas including availability of supply, quality, and cost.

We continue to evaluate and optimize our global manufacturing and distribution network, including our relationships with original design manufacturers, to better meet customer needs and reduce product cycle times. Our goal is to introduce the latest relevant technology more quickly and to rapidly pass on component cost savings to a broader set of our customers worldwide. As we continue to evolve our inventory and manufacturing business model to capitalize on component cost declines, we continuously negotiate with our suppliers in a variety of areas including availability of supply, quality, and cost. These real-time continuous supplier negotiations support our business model, which is able to respond quickly to changing market conditions due to our direct customer model and real-time manufacturing. Because of the fluid nature of these ongoing negotiations, the timing and amount of supplier discounts and rebates vary from time to time. These discounts and rebates are allocated to the segments based on a variety of factors including strategic initiatives to drive certain programs, direction from the respective vendors, product mix, and direction on joint activities.

In general, gross margin and margins on individual products will remain under downward pressure due to a variety of factors, including continued industry wide global pricing pressures, increased competition, compressed product life cycles, potential increases in the cost and availability of raw materials, and outside manufacturing services. We will continue to adjust our pricing strategy with the goals of remaining in competitive price position while maximizing margin expansion where appropriate.

We are actively reviewing all aspects of our logistics, supply chain, and manufacturing footprints. This review is focused on identifying efficiencies and cost reduction opportunities while maintaining a strong customer experience. Two examples of this include: our announcement on March 31, 2008, that we will close our desktop manufacturing facility in Austin, Texas, and the sale of our small package fulfillment center in the second quarter of Fiscal 2009. The cost of these actions and other headcount and infrastructure reductions was $25 million and $131 million in the second quarter and first half of Fiscal 2009, respectively, of which approximately $7 million and $31 million, respectively, affected gross margin. In addition, we anticipate taking further actions to reduce total costs in design, materials, and operating expenses.

In Fiscal 2007, our gross margin declined as compared to Fiscal 2006, while revenue increased year-over-year. Throughout Fiscal 2007, industry-wide competition put pressure on average selling prices while our pricing and product strategy evolved. In Fiscal 2007, we added a second source of micro processors (chip sets) ending a long-standing practice of sourcing from only one manufacturer. We believe that moving to more than one supplier of

chip sets is beneficial for customers long-term, as it adds choice and ensures access to the most current technologies. During the transition from sole to dual sourcing of chip sets, gross margin was negatively impacted as we re-balanced our product and category mix. In addition, commodity price declines stalled during Fiscal 2007.

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Operating Expenses

The following tables present information regarding our operating expenses for the three and six months ended August 1, 2008 and August 3, 2007 and for Fiscal 2008, 2007, and 2006:

	Three Months Ended				Six Months Ended			
	August 1, 2008		August 3, 2007		August 1, 2008		August 3, 2007	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)							
Operating expenses:								
Selling, general and administrative	$ 1,840	11.2%	$ 1,894	12.8%	$ 3,752	11.5%	$ 3,657	12.4%
Research, development and engineering	168	1.0%	155	1.0%	320	1.0%	297	1.0%
IPR&D					2	0.0%		
Operating expenses	$ 2,008	12.2%	$ 2,049	13.8%	$ 4,074	12.5%	$ 3,954	13.4%

	Fiscal Year Ended					
	February 1, 2008		February 2, 2007		February 3, 2006	
	Dollars	% of Revenue	Dollars	% of Revenue	Dollars	% of Revenue
	(in millions, except percentages)					
Operating expenses:						
Selling, general, and administrative	$ 7,538	12.4%	$ 5,948	10.3%	$ 5,051	9.0%
Research, development, and engineering	610	1.0%	498	0.9%	458	0.8%
In-process research and development	83	0.1%				
Operating expenses	$ 8,231	13.5%	$ 6,446	11.2%	$ 5,509	9.8%

<u>Selling, General, and Administrative</u> During the second quarter of Fiscal 2009, selling, general, and administrative (SG&A) expenses decreased 3% to $1.8 billion compared to $1.9 billion in the same period of Fiscal 2008. The decrease in SG&A expenses from the second quarter of Fiscal 2008 to the second quarter of Fiscal 2009 is primarily due to a reduction in compensation and outside consulting expenses of approximately $50 million. This $50 million decrease is due to decreases in stock-based compensation expense, which in the second quarter of Fiscal 2008 also included $86 million of additional expense for cash payments for expiring stock options. Additionally, costs associated with the U.S. Securities and Exchange Commission (SEC) investigation and the Audit Committee s independent investigation decreased by

$49 million from the prior year. Partially offsetting these decreases was an increase in depreciation, maintenance, and amortization of intangibles expenses of approximately $45 million year-over-year.

For the first six months of Fiscal 2009, SG&A expenses increased 3% to $3.8 billion compared to $3.7 billion for the same period in Fiscal 2008. The increase in SG&A expenses is primarily due to $100 million of expenses (an $87 million increase over the prior year) related to headcount and infrastructure reductions. Additionally, compensation and outside consulting expenses increased approximately $25 million for the first half of Fiscal 2009 over the prior year. Compensation costs are affected by both the weakening U.S. dollar as well as the increase in revenue year-over-year. Also, depreciation,

maintenance, and amortization of intangibles expenses increased approximately $85 million over the prior year. Partially offsetting these increases were the reversal of the excess amount of the Fiscal 2008 bonus accrual for $38 million in the first half of Fiscal 2009, and $77 million of reductions in costs associated with the SEC and Audit Committee investigations.

During Fiscal 2008, selling, general, and administrative expenses increased 27% to $7.5 billion. The increase was primarily due to investigation costs, higher compensation and benefits expense, and increased outside consulting fees. Expenses related to the SEC and Audit Committee investigations were $160 million and $100 million for Fiscal 2008 and Fiscal 2007, respectively. Fiscal 2008 results also include $76 million (of the total of $107 million) of additional expense for cash payments for expiring stock options, and selling, general, and administrative expenses related to headcount and infrastructure reductions were $92 million. In addition, compensation related expenses, which includes the aforementioned expiring stock options expense and headcount reductions, increased in Fiscal 2008 compared to Fiscal 2007. Employee bonus expense also increased substantially in Fiscal 2008 compared to Fiscal 2007 when bonuses were paid at a reduced amount.

During Fiscal 2007, selling, general, and administrative expenses increased 18% to $5.9 billion, compared to $5.1 billion for Fiscal 2006. The increase in Fiscal 2007 as compared to Fiscal 2006 was primarily attributed to increased compensation costs and outside consulting services. The compensation increase was largely due to increased stock-based compensation expense due to the adoption of SFAS 123(R) ($272 million), and the higher outside consulting services costs were mainly due to the SEC and Audit Committee investigations ($100 million). In addition, during Fiscal 2007, we made incremental customer experience investments of $150 million to improve customer satisfaction, repurchase preferences, as well as technical support. As a result, we increased our headcount through direct hiring and replacing of temporary staff with regular employees.

Research, Development, and Engineering — During the second quarter and first six months of Fiscal 2009, research, development, and engineering (RD&E) expenses remained flat as a percentage of revenue. During the second quarter of Fiscal 2009, RD&E expenses increased approximately $13 million to $168 million, and for the six months ending August 1, 2008, RD&E expenses increased approximately $23 million to $320 million.

Research, development, and engineering expenses increased 22% to $610 million compared to $498 million in Fiscal 2007. The increase in research, development, and engineering was primarily driven by significantly higher compensation costs. The higher compensation costs are partially attributed to increased focused investments in research and development (R&D), which are critical to our future growth and competitive position in the marketplace. During Fiscal 2008, we implemented our Simplify IT initiative for our customers. R&D is the foundation for this initiative, which is aimed at allowing customers to deploy IT faster, run IT at a lower total cost, and grow IT smarter. In Fiscal 2007, research, development, and engineering expense increased in absolute dollars compared to Fiscal 2006 due to increased staffing levels, product development costs, and stock-based compensation expense resulting from the adoption of SFAS 123(R).

We manage our research, development, and engineering spending by targeting those innovations and products most valuable to our customers, and by relying upon the capabilities of our strategic partners. We will continue to invest in research, development, and engineering activities to support our growth and to provide for new, competitive products. We have obtained 2,109 patents worldwide and have applied for 2,429 additional patents worldwide as of August 1, 2008.

In-Process Research and Development — We recognized in-process research and development (IPR&D) charges in connection with acquisitions accounted for as business combinations. For more discussion regarding our IPR&D accounting, see Note 7 of Notes to Annual Consolidated Financial Statements and

Note 8 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus. During the first half of Fiscal 2009, we recorded IPR&D charges of $2 million, primarily related to our acquisition of Message One, Inc. During Fiscal 2008, we recorded IPR&D charges of $83 million. Prior to Fiscal 2008, there were no IPR&D charges related to acquisitions.

On May 31, 2007, we announced that we had initiated a comprehensive review of costs across all processes and organizations with the goal to simplify structure, eliminate redundancies, and better align operating expenses with the current business environment and strategic growth opportunities. These efforts are continuing. Since this announcement and through the end of the second quarter of Fiscal 2009, we have reduced headcount by approximately 8,500, excluding acquisitions, and strategically closed some of our facilities. As noted above, we expect to take further action to invest in strategic growth areas while focusing on scaling costs and improving productivity.

Stock-Based Compensation

We use the 2002 Long-Term Incentive Plan, amended in December 2007, for stock-based incentive awards. These awards can be in the form of stock options, stock appreciation rights, stock bonuses, restricted stock, restricted stock units, performance units, or performance shares.

Stock-based compensation expense totaled $436 million for Fiscal 2008, compared to $368 million and $17 million for Fiscal 2007 and Fiscal 2006, respectively. The increase in Fiscal 2008 and Fiscal 2007 as compared to Fiscal 2006 is due to the implementation of SFAS 123(R) and cash payments of $107 million made for expired in-the-money stock options discussed below. We adopted SFAS 123(R) using the modified prospective transition method under SFAS 123(R) effective the first quarter of Fiscal 2007. Included in stock-based compensation for Fiscal 2008 and Fiscal 2007 is the fair value of stock-based awards earned during the year, including restricted stock, restricted stock units, and stock options, as well as the discount associated with stock purchased under our employee stock purchase plan (ESPP). The ESPP was discontinued effective February 2008 as part of an overall assessment of our benefits strategy. Prior to the adoption of SFAS 123(R), we accounted for our equity incentive plans under the intrinsic value recognition and measurement principles of Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees,* (APB 25) and its related interpretations. Accordingly, stock-based compensation for the fair value of employee stock options with no intrinsic value at the grant date and the discount associated with the stock purchase under our ESPP was not recognized in net income prior to Fiscal 2007. For further discussion on stock-based compensation, see Note 5 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

At February 1, 2008 there was $93 million and $600 million of total unrecognized stock-based compensation expense related to stock options and non-vested restricted stock, respectively, with the unrecognized stock-based compensation expense expected to be recognized over a weighted-average period of 2.0 years and 1.9 years, respectively. At February 2, 2007 there was $139 million and $356 million of total unrecognized stock-based compensation expense related to stock options and non-vested restricted stock, respectively, with the unrecognized stock-based compensation expense expected to be recognized over a weighted-average period of 1.7 years and 2.4 years, respectively.

Due to our inability to timely file our Annual Report on Form 10-K for Fiscal 2007, we suspended the exercise of employee stock options, the vesting of restricted stock units, and the purchase of shares under the ESPP on April 4, 2007. As a result, we agreed to pay cash to current and former employees who held in-the-money stock options (options that had an exercise price less than the then current market price of the stock) that expired during the period of unexercisability. We made payments of approximately $107 million in Fiscal 2008 relating to expired in-the-money stock options. We are now current in our periodic reporting obligations and, accordingly, are permitting the exercise of employee stock options by employees and the vesting of restricted stock units. As options have again become exercisable, we do not expect to pay cash for expired in-the-money stock options in the future.

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Investment and Other Income, net

The table below provides a detailed presentation of investment and other income, net for the three and six months ended August 1, 2008 and August 3, 2007 and for Fiscal 2008, 2007, and 2006.

	Three Months Ended		Six Months Ended	
	August 1, 2008	August 3, 2007	August 1, 2008	August 3, 2007
	(in millions)		(in millions)	
Investment and other income, net:				
Investment income, primarily interest	$ 49	$ 123	$ 104	$ 239
Gains (losses) on investments, net	(14)	1	(11)	5
Interest expense	(26)	(12)	(38)	(24)
CIT minority interest		(9)		(14)
Foreign exchange	20	(9)	110	(31)
Other	(11)	2	(22)	(1)
Investment and other income, net	$ 18	$ 96	$ 143	$ 174

	Fiscal Year Ended		
	February 1, 2008	February 2, 2007	February 3, 2006
	(in millions)		
Investment and other income, net:			
Investment income, primarily interest	$ 496	$ 368	$ 308
Gains (losses) on investments, net	14	(5)	(2)
Interest expense	(45)	(45)	(29)
CIT minority interest	(29)	(23)	(27)
Foreign exchange	(30)	(37)	3
Gain on sale of building		36	
Other	(19)	(19)	(27)
Investment and other income, net	$ 387	$ 275	$ 226

The year-over-year decrease in investment income for both the three and six-month periods ended August 1, 2008, and August 3, 2007, is primarily due to decreased earnings on lower average investment balances. Gain (losses) on investments decreased for the second quarter and first six months of Fiscal 2009 as compared to the same periods in Fiscal 2008, primarily due to a $10 million loss recorded for other-than-temporarily impaired investments during the second quarter of Fiscal 2009 based on a review of factors consistent with those disclosed in Note 2 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus. We continue to monitor our investment portfolio and take a number of actions to mitigate impacts from the current volatility in the capital markets. The year-over-year increase in interest expense is attributable to interest expense on the $1.5 billion debt issued in the first quarter of Fiscal 2009. CIT minority interest was eliminated due to our purchase of CIT Group Inc. s (CIT) 30%

interest in Dell Financial Services L.P. (DFS) during the fourth quarter of Fiscal 2008. Foreign exchange increased year-over-year for the second quarter of Fiscal 2009 due to gains realized on our hedge program. In addition to the gains realized on our hedge program, the year-over-year increase in foreign exchange for the six months ended August 1, 2008, as compared to the prior year, is due to a $42 million correction of errors in the remeasurement of certain local currency balances to the functional currency in prior periods. A deferred revenue liability was incorrectly remeasured over time based on changes in currency exchange rates instead of remaining at historical exchange rates while a tax liability was incorrectly held at a historical rate instead of being remeasured over time based on changes in currency exchange rates.

The increase in investment income from Fiscal 2007 to Fiscal 2008 is primarily due to earnings on higher average balances of cash equivalents and investments, partially offset by lower interest rates. In Fiscal 2007, investment income increased from the prior year primarily due to rising interest rates, partially offset by a decrease

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in interest income earned on lower average balances of cash equivalents and investments. The gains in Fiscal 2008 as compared to losses in Fiscal 2007 and Fiscal 2006 are mainly the result of sales of securities. The increase from Fiscal 2006 to Fiscal 2007 in interest expense is due to an increase in the effective rate on the debt swap agreements and the start of the commercial paper program in Fiscal 2007. The increase in foreign exchange loss in Fiscal 2008 and Fiscal 2007 relative to Fiscal 2006 is mainly due to higher net losses on derivative instruments. The gain on sale of building relates to the sale of a building in EMEA.

Income Taxes

We reported an effective income tax rate of approximately 26.4% for the second quarter of Fiscal 2009, as compared to 25.3% for the same quarter in the prior year. For the six-month periods ended August 1, 2008, and August 3, 2007, our effective tax rate was 24.8% and 25.3%, respectively. Our effective tax rate was 23.0%, 22.8%, and 21.8% for Fiscal 2008, 2007, and 2006, respectively. The differences between our effective tax rate and the U.S. federal statutory rate of 35% principally result from our geographical distribution of taxable income and permanent differences between the book and tax treatment of certain items. The increase in our effective rate in the second quarter of Fiscal 2009 is primarily due to increased profitability mix in higher tax rate jurisdictions partially offset by decreases in uncertain tax positions in foreign jurisdictions. Currently, we expect our full year Fiscal 2009 rate to trend slightly higher than our rate for the first half of Fiscal 2009; however, the tax rate for future fiscal quarters of Fiscal 2009 will be impacted by several factors, including the mix of jurisdictions in which income is generated. We reported an effective tax rate of approximately 23.0% for Fiscal 2008, as compared to 22.8% for Fiscal 2007. In the fourth quarter of Fiscal 2008, we were able to access $5.3 billion in cash from a subsidiary outside of the U.S. to fund share repurchases, acquisitions, and the continued growth of DFS. Accessing the cash slightly increased our effective tax rate. The taxes related to accessing the foreign cash and nondeductibility of the in-process research and development acquisition charges were offset primarily by the increase of our consolidated profitability in lower tax rate jurisdictions during Fiscal 2008. For Fiscal 2007, we reported an effective tax rate of approximately 22.8%, as compared to 21.8% for Fiscal 2006. The increase in our Fiscal 2007 effective tax rate compared to Fiscal 2006 is due to the $85 million tax reduction in the second quarter of Fiscal 2006 discussed below, offset by a higher proportion of our operating profits being generated in lower foreign tax jurisdictions during Fiscal 2007. Our foreign earnings are generally taxed at lower rates than in the United States. As a result, sales growth and related profit earned outside of the U.S. in lower tax jurisdictions is expected to lower our operational effective tax rate in future periods.

Dell is currently under income tax audit in various jurisdictions, including the United States. The tax periods open to examination by the major taxing jurisdictions to which Dell is subject include fiscal years 1997 through 2008. Dell does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next twelve months.

We adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109* (FIN 48) effective February 3, 2007. FIN 48 clarifies the accounting and reporting for uncertainties in income taxes recognized in our financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes* (SFAS 109). FIN 48 prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The adoption of FIN 48 resulted in a decrease to stockholders equity of approximately $62 million in the first quarter of Fiscal 2008. For a further discussion of the impact of FIN 48, see Note 3 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

On October 22, 2004, the American Jobs Creation Act of 2004 was signed into law. Among other items, that act created a temporary incentive for U.S. multinationals to repatriate accumulated income earned outside the U.S. at an effective tax rate of 5.25%, versus the U.S. federal statutory rate of 35%. In the fourth quarter of Fiscal 2005, we recorded an initial estimated income tax charge of $280 million based on the decision to repatriate $4.1 billion of

foreign earnings. This tax charge included an amount relating to a drafting oversight that Congressional leaders expected to correct in calendar year 2005. On May 10, 2005, the Department of Treasury issued further guidance that addressed the drafting oversight. In the second quarter of Fiscal 2006, we reduced our

original estimate of the tax charge by $85 million as a result of the guidance issued by the Treasury Department. At February 3, 2006, we had completed the repatriation of the $4.1 billion in foreign earnings.

Financing Receivables

Financing Receivables At August 1, 2008, our financing receivables balance was $2.0 billion, of which $1.4 billion represents customer receivables. Customer receivables decreased 15% from our balance at February 1, 2008. This decrease in customer receivables resulted from a reduction in receivables due from CIT in connection with promotional programs and an increase in receivables sold to the conduits. As of August 1, 2008, and February 1, 2008, the receivable due from CIT in connection with specified promotional programs was $60 million and $444 million, respectively. This decrease in the CIT receivables is primarily due to the liquidation of CIT receivables and funding lower volumes of promotional receivables through CIT.

At February 1, 2008, our financing receivables balance was $2.1 billion of which $1.6 billion represented customer receivables. Customer receivables increased 16% from our balance at February 2, 2007. This increase primarily reflects our contractual right to fund a greater percentage of customer receivables as CIT s funding rights decrease.

As our funding rights increase, we expect continued growth in customer financing receivables. To manage this growth, we will continue to balance the use of our own working capital and other sources of liquidity. The key decision factors in the analysis are the cost of funds, required credit enhancements for receivables sold to the conduits, and the ability to access the capital markets. Given the recent volatility in the credit markets, we are closely monitoring all of our customer receivables and are actively pursuing alternative strategies to mitigate any potential balance sheet risk. Based on our assessment of these customer receivables and the associated risks, we believe that we are adequately reserved. See Note 6 of Notes to Annual Consolidated Financial Statements and Note 5 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus for additional information.

We closely monitor our portfolio performance and have invested in credit risk management resources, which allow us to constantly monitor and evaluate credit risk. During Fiscal 2008 and the first six months of Fiscal 2009, we took underwriting actions, including reducing our credit approval rate of subprime customers, in order to protect our portfolio from the deteriorating credit environment. We continue to assess our portfolio risk and take additional underwriting actions as we deem necessary. Subprime consumer receivables comprise approximately 20% of the gross customer financing receivables balance at August 1, 2008. Subprime consumer receivables comprised less than 20% of the net customer financing receivables balance at February 1, 2008.

In the second quarter of Fiscal 2009, we continued to experience year-over-year increased financing receivable credit losses, consistent with trends in the financial services industry. We maintain an allowance for losses to cover probable financing receivable credit losses. The allowance for losses is determined based on various factors, including historical experience, past due receivables, receivable type, and customer risk profile. Substantial changes in the economic environment or any of the factors mentioned above could change the expectation of anticipated credit losses. Based on our assessment of the customer financing receivables and the associated risks, we believe that we are adequately reserved. As of August 1, 2008, February 1, 2008 and February 2, 2007, the allowance for financing receivable losses was $102 million, $96 million and $39 million, respectively. A 10% change in this allowance would not be material to our consolidated results. See Note 6 of Notes to Annual Consolidated Financial Statements and Note 5 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus for additional information.

On March 31, 2008, we announced that we were undertaking a strategic assessment of ownership alternatives for DFS financing activities, focusing primarily on the consumer and small-and-medium business revolving credit financing

receivables and operations in the U.S. In September 2008 we completed our assessment and concluded that we will retain the current ownership and operating structure of DFS for the forseeable future.

Off-Balance Sheet Arrangements

Asset Securitization During Fiscal 2008 and the first half of Fiscal 2009, we continued to sell customer financing receivables to unconsolidated qualifying special purpose entities. The qualifying special purpose entities are bankruptcy remote legal entities with assets and liabilities separate from ours. The sole purpose of the qualifying special purpose entities is to facilitate the funding of customer receivables in the capital markets. Once sold, these receivables are off-balance sheet. We determined the amount of receivables to securitize based on our funding requirements in conjunction with specific selection criteria designed for the transaction.

Off-balance sheet securitizations involve the transfer of customer financing receivables to unconsolidated qualifying special purpose entities that are accounted for as a sale in accordance with SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*, (SFAS 140). Upon the sale of the customer receivables, we recognize a gain on the sale and retain an interest in the assets sold. The gain on sale ranges from 1% to 3% of the customer receivables sold. The unconsolidated qualifying special purpose entities have entered into financing arrangements with various multi-seller conduits that, in turn, issue asset-backed debt securities in the capital markets. During the six-month periods ended August 1, 2008, and August 3, 2007, we sold $796 million and $557 million, respectively, of customer receivables to unconsolidated qualifying special purpose entities. The principal balance of the securitized receivables at August 1, 2008, and February 1, 2008, was $1.4 billion and $1.2 billion, respectively. During Fiscal 2008 and Fiscal 2007, we sold $1.2 billion and $1.1 billion, respectively, of customer receivables to unconsolidated qualifying special purpose entities. The principal balance of the securitized receivables at the end of Fiscal 2008 and Fiscal 2007 was $1.2 billion and $1.0 billion, respectively.

We provide credit enhancement to the securitization in the form of over-collateralization. Receivables transferred to the qualified special purpose entities exceed the level of debt issued. We retain the right to receive collections for assets securitized exceeding the amount required to pay interest, principal, and other fees and expenses (referred to as retained interest). Our retained interest in the securitizations is determined by calculating the present value of these excess cash flows over the expected duration of the transactions. Our risk of loss related to securitized receivables is limited to the amount of our retained interest. We service securitized contracts and earn a servicing fee. Our securitization transactions generally do not result in servicing assets and liabilities, as the contractual fees are adequate compensation based on fair market value.

In estimating the value of the retained interest, we make a variety of financial assumptions, including pool credit losses, payment rates, and discount rates. These assumptions are supported by both our historical experience and anticipated trends relative to the particular receivable pool. We review our investments in retained interests periodically for impairment, based on their estimated fair value. All gains and losses are recognized in income immediately. Retained interest balances and assumptions are disclosed in Note 6 of Notes to Annual Consolidated Financial Statements and in Note 5 of Notes to Quarterly Condensed Consolidated Financial Statements elsewhere in this prospectus.

Our securitization programs contain standard structural features related to the performance of the securitized receivables. These structural features include defined credit losses, delinquencies, average credit scores, and excess collections above or below specified levels. In the event one or more of these features are met and we are unable to restructure the program, no further funding of receivables will be permitted and the timing of expected retained interest cash flows will be delayed which would impact the valuation of our retained interest. Should these events occur, we do not expect a material adverse effect on the valuation of the retained interest or on our ability to securitize financing receivables.

Currently, capital markets are experiencing an unusual period of volatility and reduced liquidity that we expect will continue to increase costs and credit enhancements required for funding of financial assets. Our exposure to the capital

markets will increase as we continue to fund additional customer receivables. We do not expect current capital market conditions to limit our ability to access liquidity for funding customer receivables in the future, as we continue to find funding sources in the capital markets.

Liquidity, Capital Commitments, and Contractual Cash Obligations

Liquidity

Our cash balances are held in numerous locations throughout the world, including substantial amounts held outside of the U.S.; however, the majority of our cash and investments that are located outside of the U.S. are denominated in the U.S. dollar. Most of the amounts held outside of the U.S. could be repatriated to the U.S., but, under current law, would be subject to U.S. federal income taxes, less applicable foreign tax credits. In some countries repatriation of certain foreign balances is restricted by local laws. We have provided for the U.S. federal tax liability on these amounts for financial statement purposes, except for foreign earnings that are considered indefinitely reinvested outside of the U.S. Although we have no intention to do so, repatriation could result in additional U.S. federal income tax payments in future years. We utilize a variety of tax planning and financing strategies with the objective of having our worldwide cash available in the locations in which it is needed. In the fourth quarter of Fiscal 2008, we were able to access $5.3 billion in cash from a subsidiary outside of the U.S. The cash was used to fund shares repurchases, acquisitions, and the growth of DFS.

We use cash generated by operations as our primary source of liquidity and believe that internally generated cash flows are sufficient to support business operations driven mainly by our profitability, efficient cash conversion cycle, and the growth in our deferred service offerings. However, to further supplement domestic liquidity, promote an efficient capital structure, and provide us with additional flexibility, we issued the old notes and increased our commercial paper program and related revolving credit facility by $500 million to $1.5 billion in April 2008. We are increasingly relying upon access to the capital markets to provide sources of liquidity in the U.S. for general corporate purposes, including share repurchases. Although we believe that we will be able to maintain sufficient access to the capital markets, changes in current market conditions, movement in our credit ratings, deterioration in our business performance, or adverse changes in the economy could limit our access to these markets. We intend to establish the appropriate debt levels based upon cash flow expectations, overall cost of capital, cash requirements for operations, and discretionary spending including items such as share repurchases and acquisitions. We may access the capital markets during the remainder Fiscal 2009 dependent on our requirements and market conditions. We do not believe that the overall credit concerns in the markets would impede our ability to access the capital markets in the future because of the overall strength of our financial position.

We ended the second quarter of Fiscal 2009 with $9.5 billion in cash, cash equivalents, and investments, which was flat with respect to February 1, 2008, and down $4.3 billion from $13.8 billion at the end of the second quarter of Fiscal 2008. Since February 1, 2008, we have spent $2.5 billion on share repurchases offset primarily by our $1.5 billion debt issuance and a $1.3 billion increase from cash flow from operations. The decrease in cash and investments from the second quarter of Fiscal 2008 was a result of spending $6.5 billion on share repurchases and $2.4 billion on strategic acquisitions since the third quarter of Fiscal 2008, partially offset by issuing $1.5 billion in long-term debt and internally generated cash flows. We continue to evaluate our investments for any other-than-temporary impairments, and during the second quarter of Fiscal 2009, we recorded a $10 million loss, as noted above, based on a review of factors consistent with those disclosed in Note 2 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

We ended Fiscal 2008 with $9.5 billion in cash and investments compared to $12.4 billion at the end of Fiscal 2007. The decrease in cash and investments from Fiscal 2007 was a result of spending $4.0 billion on share repurchases and a net $2.2 billion on acquisitions, partially offset by internally generated cash flows. See Market Risk for discussion related to exposure to changes in the market value of our investment portfolio. In Fiscal 2008, we continued to maintain strong liquidity with cash flows from operations of $3.9 billion, compared to $4.0 billion

in Fiscal 2007. The following table summarizes our ending cash, cash equivalents, and investments balances for the past two fiscal years:

	February 1, 2008	February 2, 2007
	(in millions)	
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$ 7,764	$ 9,546
Debt securities	1,657	2,784
Equity and other securities	111	115
Cash, cash equivalents and investments	$ 9,532	$ 12,445

The following table summarizes the results of our Condensed Consolidated Statements of Cash Flows for the six-month periods ended August 1, 2008, and August 3, 2007 and for the fiscal years ended February 1, 2008, February 2, 2007 and February 3, 2006:

	Six Months Ended		Fiscal Year Ended		
	August 1, 2008	August 3, 2007	February 1, 2008	February 2, 2007	February 3, 2006
			(in millions)		
Cash Flow from:					
Operating activities	$ 1,251	$ 1,754	$ 3,949	$ 3,969	$ 4,751
Investing activities	579	(121)	(1,763)	1,003	4,149
Financing activities	(987)	(16)	(4,120)	(2,551)	(6,252)
Effect of exchange rate changes on cash and cash equivalents	16	41	152	71	(73)
Net change in cash and cash equivalents	$ 859	$ 1,658	$ (1,782)	$ 2,492	$ 2,575

- *Operating Activities* Cash provided by operating activities during the six-month period ended August 1, 2008, was $1.3 billion compared to $1.8 billion during the first six months of Fiscal 2008. The decrease in operating cash flows was primarily led by the deterioration of our cash conversion cycle, decrease in net income, and an increase in other assets due to pending receipt of international incentive claims and VAT receivables.

Cash flows from operating activities during Fiscal 2008, 2007, and 2006 resulted primarily from net income, which represents our principal source of cash. In Fiscal 2008, the slight decrease in operating cash flows was primarily due to changes in working capital slightly offset by the increase in net income. In Fiscal 2007, the decrease in operating cash flows was primarily led by a decrease in net income, slightly offset by changes in working capital. See discussion of our cash conversion cycle in Key Performance Metrics below.

Upon adopting SFAS 123(R) in the first quarter of Fiscal 2007, the excess tax benefits associated with employee stock compensation are classified as a financing activity; however, the offset reduces cash flows from operations. In Fiscal 2008 and 2007, the excess tax benefit was $12 million and $80 million, respectively. Prior to adopting SFAS 123(R), operating cash flows were impacted by income tax benefits that resulted from the exercise of employee stock options. These tax benefits totaled $224 million in Fiscal 2006. These benefits are the tax effects of corporate income tax deductions (that are considered taxable income to the employee) that represent the amount by which the fair value of our stock exceeds the option strike price on the day the employee exercises a stock option. The decline in tax benefits in Fiscal 2008 and Fiscal 2007 from Fiscal 2006 is due to fewer stock option exercises.

Key Performance Metrics Although our cash conversion cycle deteriorated from August 3, 2007, our direct model allows us to maintain an efficient cash conversion cycle, which compares favorably with that

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of others in our industry. We are capable of minimizing inventory risk while collecting amounts due from customers before paying vendors, thus allowing us to generate annual cash flows from operating activities that typically exceed net income. The following table presents the components of our cash conversion cycle at August 1, 2008 and August 3, 2007 and for the fourth quarter of each of the past three fiscal years:

	August 1, 2008	**August 3, 2007**	**February 1, 2008**	**February 2, 2007**	**February 3, 2006**
Days of sales outstanding[(a)]	38	35	36	31	29
Days of supply in inventory[(b)]	7	7	8	5	5
Days in accounts payable[(c)]	(74)	(80)	(80)	(78)	(77)
Cash conversion cycle	(29)	(38)	(36)	(42)	(43)

(a) Days of sales outstanding (DSO) calculates the average collection period of our receivables. DSO is based on the ending net trade receivables and the most recent quarterly revenue for each period. DSO also includes the effect of product costs related to customer shipments not yet recognized as revenue that are classified in other current assets. DSO is calculated by adding accounts receivable, net of allowance for doubtful accounts, and customer shipments in transit and dividing that sum by average net revenue per day for the current quarter (90 days). At August 1, 2008, and August 3, 2007, DSO and days of customer shipments not yet recognized were 35 and 3 days, and 32 and 3 days, respectively. At February 1, 2008, February 2, 2007, and February 3, 2006, DSO and days of customer shipments not yet recognized were 33 and 3 days, 28 and 3 days, and 26 and 3 days, respectively.

(b) Days of supply in inventory (DSI) measures the average number of days from procurement to sale of our product. DSI is based on ending inventory and most recent quarterly cost of sales for each period. DSI is calculated by dividing inventory by average cost of goods sold per day for the current quarter (90 days).

(c) Days in accounts payable (DPO) calculates the average number of days our payables remain outstanding before payment. DPO is based on ending accounts payable and most recent quarterly cost of sales for each period. DPO is calculated by dividing accounts payable by average cost of goods sold per day for the current quarter (90 days).

Our cash conversion cycle contracted by nine days at August 1, 2008, from August 3, 2007, driven by a three day increase in DSO and six day decrease in DPO. The increase in DSO from August 3, 2007, was attributable to our move into the retail channel and a shift to more customers with longer payment terms. The decrease in DPO from August 3, 2007, is attributable to a decrease in non-production supplier payables as we continue to control our operating expense spending and the timing of purchases from and payments to suppliers during the second quarter of Fiscal 2009 as compared to the second quarter of Fiscal 2008.

Our cash conversion cycle worsened by six days at February 1, 2008, as compared to February 2, 2007. This deterioration was driven by a five day increase in DSO largely attributed to timing of payments from customers, a continued shift in sales mix from domestic to international, and an increased presence in the retail channel. In addition, DSI increased by three days, which was primarily due to strategic materials purchases. The DSO and DSI declines were offset by a two-day increase in DPO largely attributed to an increase in the amount of strategic material purchases in inventory at the end of Fiscal 2008 and the number of suppliers with extended payment terms as compared to Fiscal 2007.

Our cash conversion cycle deteriorated one day at February 2, 2007, from February 3, 2006. This decline was driven by a two-day increase in DSO largely attributed to higher percentage of our revenue coming from outside the U.S., where payment terms are customarily longer and a higher percentage of revenue occurring at the end of the period. This decline was offset by a one-day increase in DPO largely attributed to an increase in the number of suppliers with extended payment terms as compared to Fiscal 2006.

We defer the cost of revenue associated with customer shipments not yet recognized as revenue until they are delivered. These deferred costs are included in our reported DSO because we believe it presents a more accurate presentation of our DSO and cash conversion cycle. These deferred costs are recorded in other current assets in our Condensed Consolidated Statements of Financial Position and Consolidated Statements of Financial Position and totaled $521 million and $426 million at August 1, 2008, and August 3, 2007, respectively, and $519 million, $424 million, and $417 million at February 1, 2008, February 2, 2007, and February 3, 2006, respectively.

We believe that we will continue to experience a cash conversion cycle in the high negative 20 to the low negative 30 day range given the shift in our business model with retail expansion, growth in emerging

countries which typically have longer payment terms, and our changing manufacturing and supplier infrastructure.

- *Investing Activities* Cash sourced from investing activities for the six-month period ended August 1, 2008, was $579 million, compared to cash used in investing activities of $121 million for the same period last year. Cash used in investing activities during Fiscal 2008 was $1.8 billion, as compared to $1.0 billion cash provided by investing activities during Fiscal 2007 and $4.1 billion provided in Fiscal 2006. Cash generated or used in investing activities principally consists of net maturities and sales or purchases of investments; net capital expenditures for property, plant, and equipment; and cash used to fund strategic acquisitions, which was approximately $165 million in the first half of Fiscal 2009 and $2.2 billion during Fiscal 2008. Considering continued capital market and interest rate volatility, we decided to increase liquidity and change the overall interest rate profile of the portfolio. As a result, in the first half of Fiscal 2009, we began repositioning our investment portfolio to shorter duration securities, thus increasing the volume of our sales and purchases of securities. In Fiscal 2008 as compared to Fiscal 2007, we re-invested a lower amount of our proceeds from the maturity or sales of investments to build liquidity for share repurchases and for cash payments made in connection with acquisitions. In Fiscal 2007 compared to Fiscal 2006, we had a lower amount of proceeds from maturities and sales of investments, and this was partially offset by an increase in capital expenditures as we continued to focus on investing in our global infrastructure in order to support our rapid global growth.

- *Financing Activities* Cash used for financing activities during the six-month period ended August 1, 2008, was $987 million, compared to use of $16 million during the same period last year. The year-over- year increase in cash used for financing activities is due primarily to repurchase of our common stock as our share repurchase program was reinstated during the fourth quarter of Fiscal 2008 after being suspended for the majority of Fiscal 2008, offset by proceeds from the issuance of long-term debt of $1.5 billion. During the first half of Fiscal 2009, we repurchased approximately 112 million shares at an aggregate cost of $2.5 billion; no shares were repurchased related to the program during the first six months of Fiscal 2008. We also paid the principal on the Senior Notes of $200 million that matured in April 2008 as discussed in Note 12 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus.

Cash used in financing activities during Fiscal 2008 was $4.1 billion, as compared to $2.6 billion in Fiscal 2007 and $6.3 billion in Fiscal 2006. Financing activities primarily consist of the repurchase of our common stock, partially offset by proceeds from the issuance of common stock under employee stock plans and other items. In Fiscal 2008, the year-over-year increase in cash used in financing activities was due primarily to the repurchase of our common stock as the temporary suspension of our share repurchase program ended in the fourth quarter of Fiscal 2008. In Fiscal 2008, we repurchased approximately 179 million shares at an aggregate cost of $4.0 billion. In Fiscal 2007, the year-over-year decrease in cash used in financing activities was due primarily to the suspension of our share repurchase program in September 2006. During Fiscal 2007, we repurchased approximately 118 million shares at an aggregate cost of $3.0 billion compared to 204 million shares at an aggregate cost of $7.2 billion in Fiscal 2006.

We believe our ability to generate cash flows from operations on an annual basis will continue to be strong, driven mainly by our profitability, efficient cash conversion cycle, and the growth in our deferred service offerings. In order to augment our liquidity and provide us with additional flexibility, we implemented a commercial paper program with a supporting credit facility on June 1, 2006. Under the commercial paper program, we issue, from time-to-time, short-term unsecured notes in an aggregate amount not to exceed $1.5 billion. We use the proceeds for general corporate purposes. At August 1, 2008, there was $100 million outstanding under the commercial paper program and no advances under the supporting credit facility.

We are increasingly relying upon access to the capital markets to fund financing for our customers and to provide sources of liquidity in the U.S. for general corporate purposes, including share repurchases. We believe that we will be

able to access the capital markets to increase the size of our existing commercial paper program and to meet our liquidity needs. Although we believe that we will be able to maintain sufficient access to the capital markets, even in light of the current market conditions, changes in our credit ratings, deterioration in our business performance, or adverse changes in the economy could limit our access to these markets. We intend to establish the

appropriate debt levels based upon cash flow expectations, cash requirements for operations, discretionary spending, including items such as share repurchases and acquisitions, and the overall cost of capital. We do not believe that the overall credit concerns in the markets would impede our ability to access the capital markets because of the overall strength of our financial position. See Note 2 of Notes to Annual Consolidated Financial Statements and Note 12 of the Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus for further discussion of our commercial paper program.

Capital Commitments

Redeemable Common Stock In prior years, we inadvertently failed to register with the SEC the issuance of some shares under certain employee benefit plans. As a result, certain purchasers of common stock pursuant to those plans may have the right to rescind their purchases for an amount equal to the purchase price paid for the shares, plus interest from the date of purchase. At August 1, 2008, February 1, 2008 and February 2, 2007, we have classified approximately 4 million shares ($83 million), 4 million shares ($94 million) and 5 million shares ($111 million), respectively, that are subject to potential rescission rights outside of stockholders equity because the redemption features are not within our control. We may also be subject to civil and other penalties by regulatory authorities as a result of the failure to register. These shares have always been treated as outstanding for financial reporting purposes. Dell made a registered rescission offer to eligible plan participants effective as of August 12, 2008. The registered rescission offer expired on September 26, 2008. We do not expect the impact of the rescission offer to have a material impact on our cash flows or results of operations.

Share Repurchase Program We have a share repurchase program that authorizes us to purchase shares of common stock in order to increase shareholder value and manage dilution resulting from shares issued under our equity compensation plans. However, we do not currently have a policy that requires the repurchase of common stock in conjunction with share-based payment arrangements. On December 3, 2007, our Board of Directors approved a new authorization for an additional $10.0 billion for share repurchases.

We typically repurchase shares of common stock through a systematic program of open market purchases. During the second quarter of Fiscal 2009, we repurchased approximately 60 million shares at an aggregate cost of $1.4 billion; no shares were repurchased related to the program during the second quarter of Fiscal 2008. During Fiscal 2008, we repurchased approximately 179 million shares of common stock for an aggregate cost of $4.0 billion as compared to 118 million shares at an aggregate cost of $3.0 billion in Fiscal 2007 and 204 million shares at an aggregate cost of $7.2 billion in Fiscal 2006. This significant decrease in share repurchases during Fiscal 2008 and Fiscal 2007 as compared to Fiscal 2006 is due to the temporary suspension of our share repurchase program in September 2006. We recommenced our share repurchase program in the fourth quarter of Fiscal 2008.

Capital Expenditures During the three and six-month periods ended August 1, 2008, we spent approximately $142 million and $264 million, respectively, and during Fiscal 2008 and Fiscal 2007, we spent approximately $831 million and $896 million, respectively, on property, plant, and equipment primarily on our global expansion efforts and infrastructure investments in order to support future growth. Product demand and mix, as well as ongoing investments in operating and information technology infrastructure, influence the level and prioritization of our capital expenditures. Capital expenditures for Fiscal 2009, related to our continued expansion worldwide, are currently expected to reach approximately $600 million, which is less than the $831 million spent during Fiscal 2008. These expenditures are expected to be funded from our cash flows from operating activities.

Restricted Cash Pursuant to an agreement between DFS and CIT, we are required to maintain escrow cash accounts that are held as recourse reserves for credit losses, performance fee deposits related to our private label credit card, and deferred servicing revenue. Restricted cash in the amount of $266 million, $294 million and $418 million is included in other current assets at August 1, 2008, February 1, 2008 and February 2, 2007, respectively.

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Contractual Cash Obligations

The following table summarizes our contractual cash obligations at February 1, 2008.

	Payments Due by Period				
	Total	Fiscal 2009	Fiscal 2010-2011	Fiscal 2012-2013	Beyond
	(in millions)				
Contractual cash obligations:					
Debt[(a)]	$ 529	$ 227	$ 2	$	$ 300
Operating leases	487	92	138	92	165
Advances under credit facilities	23	23			
Purchase obligations	893	544	348	1	
Interest	451	33	45	43	330
Current portion of uncertain tax positions[(b)]	98	98			
Contractual cash obligations	$ 2,481	$ 1,017	$ 533	$ 136	$ 795

(a) Changes in the fair value of the debt where the interest rate is hedged with interest rate swap agreements are not included in the contractual cash obligations for debt as the debt is expected to be settled at par at its scheduled maturity date.

(b) The current portion of uncertain tax positions does not include approximately $1.5 billion in additional liabilities associated with uncertain tax positions that are not expected to be liquidated in Fiscal 2009. We are unable to reliably estimate the expected payment dates for these additional non-current liabilities.

Debt On April 17, 2008, we issued the old notes in three tranches: $600 million aggregate principal amount of 4.70% Notes due 2013, $500 million aggregate principal amount of 5.65% Notes due 2018 and $400 million aggregate principal amount of 6.50% Notes due 2038. Interest is payable semi-annually on April 15 and October 15. We also have outstanding $300 million of 7.10% fixed rate senior debentures due April 15, 2028 (the Senior Debentures), which pay interest semi-annually on April 15 and October 15. Upon their maturity on April 15, 2008, we repaid the $200 million of 6.55% fixed rate senior notes (the Senior Notes).

Concurrent with the issuance of the Senior Notes and Senior Debentures, we entered into interest rate swap agreements converting our interest rate exposure from a fixed rate to a floating rate basis to better align the associated interest rate characteristics to our cash and investments portfolio. The interest rate swap agreements had an aggregate notional amount of $200 million that matured April 15, 2008, and have an additional aggregate notional amount of $300 million maturing April 15, 2028. The floating rate for the Senior Notes was based on three-month London Interbank Offered Rates plus 0.41% and the floating rate for the Senior Debentures is based on three-month London Interbank Offered Rates plus 0.79%. As a result of the interest rate swap agreements, our effective interest rates for the Senior Notes and Senior Debentures were 5.9% and 6.2%, respectively, for Fiscal 2008.

Operating Leases We lease property and equipment, manufacturing facilities, and office space under non-cancellable leases. Certain of these leases obligate us to pay taxes, maintenance, and repair costs.

Advances Under Credit Facilities Dell India Pvt Ltd., our wholly-owned subsidiary, maintains unsecured short-term credit facilities with Citibank N.A. Bangalore Branch India (Citibank India) that provide a maximum capacity of $30 million to fund Dell India s working capital and import buyers credit needs. Financing is available in both Indian Rupees and foreign currencies. The borrowings are extended on an unsecured basis based on our guarantee to Citibank U.S. Citibank India can cancel the facilities in whole or in part without prior notice, at which time any amounts owed under the facilities will become immediately due and payable. Interest on the outstanding loans is charged monthly and is calculated based on Citibank India s internal cost of funds plus 0.25%. At February 1, 2008, outstanding advances from Citibank India totaled $23 million, which are included in short-term borrowings on our Consolidated Statement of Financial Position.

Purchase Obligations Purchase obligations are defined as contractual obligations to purchase goods or services that are enforceable and legally binding on us. These obligations specify all significant terms, including fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Purchase obligations do not include contracts that may be cancelled without penalty.

We utilize several suppliers to manufacture sub-assemblies for our products. Our efficient supply chain management allows us to enter into flexible and mutually beneficial purchase arrangements with our suppliers in order to minimize inventory risk. Consistent with industry practice, we acquire raw materials or other goods and services, including product components, by issuing to suppliers authorizations to purchase based on our projected demand and manufacturing needs. These purchase orders are typically fulfilled within 30 days and are entered into during the ordinary course of business in order to establish best pricing and continuity of supply for our production. Purchase orders are not included in the table above as they typically represent our authorization to purchase rather than binding purchase obligations.

Our purchase obligations increased from $893 million at February 1, 2008, to approximately $2.8 billion at August 1, 2008. The increase is primarily due to us entering into longer-term purchase commitments with selected suppliers for certain commodities in order to ensure supply of select key components at the most favorable pricing. The agreements run through the end of Fiscal 2009 and allow for some variation in the units we are required to purchase. The purchase commitment approximates $1.9 billion for the remainder of Fiscal 2009.

Purchase obligations increased to $893 million at February 1, 2008, from $570 million at February 2, 2007. The significant increase is mainly due to the signing of a $450 million marketing services agreement with a vendor during the fourth quarter of Fiscal 2008, partially offset by a $99 million decrease in purchase commitments related to the improvement and construction of facilities as several projects were finished during Fiscal 2008, and a net decrease in our other purchase commitments.

Interest See Note 2 of Notes to the Annual Consolidated Financial Statements and Note 12 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus for further discussion of our debt and related interest expense.

Market Risk

We are exposed to a variety of risks, including foreign currency exchange rate fluctuations and changes in the market value of our investments. In the normal course of business, we employ established policies and procedures to manage these risks.

Foreign Currency Hedging Activities

Our objective in managing our exposures to foreign currency exchange rate fluctuations is to reduce the impact of adverse fluctuations on earnings and cash flows associated with foreign currency exchange rate changes. Accordingly, we utilize foreign currency option contracts and forward contracts to hedge our exposure on forecasted transactions and firm commitments in over 20 currencies in which we transact business. The principal currencies hedged during Fiscal 2008 were the Euro, British Pound, Japanese Yen, and Canadian Dollar. We monitor our foreign currency exchange exposures to ensure the overall effectiveness of our foreign currency hedge positions. However, there can be no assurance that our foreign currency hedging activities will substantially offset the impact of fluctuations in currency exchange rates on our results of operations and financial position. During Fiscal 2008, the U.S. dollar weakened relative to the other principal currencies in which we transact business. However, as a result of our hedging activities, foreign currency fluctuations did not have a significant impact on our results of operations and financial position during Fiscal 2008, 2007, and 2006.

Based on our foreign currency cash flow hedge instruments outstanding at February 1, 2008 and February 2, 2007, we estimate a maximum potential one-day loss in fair value of approximately $57 million and $41 million, respectively, using a Value-at-Risk (VAR) model. The VAR model estimates were made assuming normal market conditions and a 95% confidence level. We used a Monte Carlo simulation type model that valued our foreign currency instruments

against a thousand randomly generated market price paths. Forecasted transactions, firm commitments, fair value hedge instruments, and accounts receivable and payable denominated in foreign currencies were excluded from the model. The VAR model is a risk estimation tool, and as such, is not intended to represent actual losses in fair value that will be incurred. Additionally, as we utilize foreign currency instruments for hedging forecasted and firmly committed transactions, a loss in fair value for those instruments is generally offset by increases in the value of the underlying exposure.

Cash and Investments

At February 1, 2008, we had $9.5 billion of total cash, cash equivalents, and investments. Our investment policy is to manage our total cash and investments balances to preserve principal and maintain liquidity while maximizing the return on the investment portfolio through the full investment of available funds. We diversify our investment portfolio by investing in multiple types of investment-grade securities and through the use of third-party investment managers.

Of the $9.5 billion, $7.8 billion is classified as cash and cash equivalents. Due to the nature of these investments, we consider it reasonable to expect that their fair market values will not be significantly impacted by a change in interest rates, and that these investments can be liquidated for cash at short notice. As of February 1, 2008, the carrying value of our cash equivalents approximated fair value.

The remaining $1.7 billion is primarily invested in fixed income securities including government, agency, asset-backed, mortgage-backed and corporate debt securities of varying maturities at the date of acquisition. The fair value of our portfolio is affected primarily by interest rates more so than by the credit and liquidity issues currently facing the capital markets. We attempt to mitigate these risks by investing primarily in high credit quality securities with AAA and AA ratings and short-term securities with an A-1 rating, limiting the amount that can be invested in any single issuer, and by investing in short to intermediate term investments whose market value is less sensitive to interest rate changes. As of February 1, 2008, we did not hold any auction rate securities; at February 2, 2007, we held auction rate securities that had a carrying value of $255 million. The total carrying value of investments in asset-backed and mortgage-backed debt securities was approximately $550 million. Based on our investment portfolio and interest rates at February 1, 2008, a 100 basis point increase or decrease in interest rates would result in a decrease or increase of approximately $33 million in the fair value of the investment portfolio.

We periodically review our investment portfolio to determine if any investment is other-than-temporarily impaired due to changes in credit risk or other potential valuation concerns. During the second quarter of Fiscal 2009, we recorded a $10 million loss based on a review of factors consistent with those disclosed in Note 2 of Notes to Annual Consolidated Financial Statements. At February 1, 2008, the fair value of securities below their carrying value was $155 million. The unrealized loss of $9 million related to these securities has been recorded in other comprehensive income (loss), as we believed the investments were not other-than-temporarily impaired. While certain available-for-sale securities had market values below cost, we believed it was probable that the principal and interest will be collected in accordance with the contractual terms, and that the decline in the market value is exacerbated by the overall credit concerns in the market. Factors considered in determining whether a loss is other-than-temporary include the length of time and extent to which fair value has been less than the cost basis; the underlying collateral, agency ratings, and future cash flows; and our intent and ability to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value. Our assessment that an investment is not other-than-temporarily impaired could change in the future due to new developments or changes in any particular investment.

The fair value of our portfolio was based on quoted market prices, which we currently believe are indicative of fair value. The adoption of SFAS No. 157, *Fair Value Measurements* (SFAS 157) did not have a material effect on the consolidated financial statements for the second quarter and first six months of Fiscal 2009.

Debt

We have entered into interest rate swap arrangements that convert our fixed interest rate expense to a floating rate basis to better align the associated interest rate characteristics to our cash and investments portfolio. The interest rate swaps qualify for hedge accounting treatment pursuant to SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities, as amended*. We have designated the issuance of the Senior Notes and Senior Debentures and the

related interest rate swap agreements as an integrated transaction. The changes in the fair value of the interest rate swaps are reflected in the carrying value of the interest rate swap on the balance sheet. The carrying value of the debt on the balance sheet is adjusted by an equal and offsetting amount. The differential to be paid or received on the interest rate swap agreements is accrued and recognized as an adjustment to interest expense as interest rates change.

At August 1, 2008, we had a $1.5 billion commercial paper program with a supporting $1.5 billion senior unsecured revolving credit facility. This program allows us to obtain favorable short-term borrowing rates. At August 1, 2008, there was $100 million outstanding under the commercial paper program and no outstanding advances under the related revolving credit facilities. There were no outstanding advances under the commercial paper program at February 1, 2008. At February 2, 2007, $100 million was outstanding under the program, and the weighted-average interest rate on those outstanding short-term borrowings was 5.3%. We use the proceeds of the program and facility for general corporate purposes. We believe we will be able to access the capital markets to increase the size of our existing commercial paper program and to meet our liquidity needs.

Risk Factors Affecting Our Business and Prospects

There are numerous risk factors that affect our business and the results of our operations. Some of these risks are beyond our control. For a discussion of the risk factors affecting our business and prospects, see Risk Factors.

Critical Accounting Policies

We prepare our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in accordance with GAAP requires certain estimates, assumptions, and judgments to be made that may affect our Consolidated Statement of Financial Position and Consolidated Statement of Income. We believe our most critical accounting policies relate to revenue recognition, business combinations, warranty accruals, income taxes, stock-based compensation, and loss contingencies. We have discussed the development, selection, and disclosure of our critical accounting policies with the Audit Committee of our Board of Directors. These critical accounting policies and our other accounting policies are also described in Note 1 of Notes to Annual Consolidated Financial Statements included elsewhere in this prospectus.

Revenue Recognition and Related Allowances We frequently enter into sales arrangements with customers that contain multiple elements or deliverables such as hardware, software, peripherals, and services. Judgments and estimates are necessary to ensure compliance with GAAP. These judgments relate to the allocation of the proceeds received from an arrangement to the multiple elements, the determination of whether any undelivered elements are essential to the functionality of the delivered elements, and the appropriate timing of revenue recognition. We offer extended warranty and service contracts to customers that extend and/or enhance the technical support, parts, and labor coverage offered as part of the base warranty included with the product. Revenue from extended warranty and service contracts, for which we are obligated to perform, is recorded as deferred revenue and subsequently recognized over the term of the contract or when the service is completed. Revenue from sales of third-party extended warranty and service contracts, for which we are not obligated to perform, is recognized on a net basis at the time of sale, as we do not meet the criteria for gross recognition under Emerging Issues Task Force 99-19, *Reporting Revenue Gross as a Principal versus Net as an Agent.*

Estimates also related to revenue recognition relate primarily to customer sales returns and allowance for doubtful accounts. Generally, estimates are reasonably predictable based on historical experience. The primary factors affecting our accrual for estimated customer returns include estimated return rates as well as the number of units shipped that still have a right of return as of the balance sheet date. For sales to retailers, our accrual for estimated returns is generally based on the contractual caps specified in the sales arrangements. In the absence of contractual caps, revenue is deferred until the product has been sold by the retailer, the return rights expire, or a reliable estimate of returns can be made. Factors affecting our allowance for doubtful accounts include historical and anticipated customer default rates of the various aging categories of accounts receivable and financing receivables. Each quarter, we reevaluate our estimates to assess the adequacy of our recorded accruals for customer returns and allowance for doubtful accounts, and adjust the amounts as necessary. The expense associated with the allowance for doubtful accounts is recognized as selling, general, and administrative expense.

We report revenue net of any revenue-based taxes assessed by governmental authorities that are imposed on and concurrent with specific revenue-producing transactions.

Business Combinations and Intangible Assets Including Goodwill We account for business combinations using the purchase method of accounting and accordingly, the assets and liabilities of the acquired entities are

recorded at their estimated fair values at the acquisition date. Goodwill represents the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. Given the time it takes to obtain pertinent information to finalize the acquired company s balance sheet, it may be several quarters before we are able to finalize those initial fair value estimates. Accordingly, it is not uncommon for the initial estimates to be subsequently revised. The results of operations of acquired businesses are included in the Consolidated Financial Statements from the acquisition date.

Identifiable intangible assets with finite lives are amortized over their estimated useful lives. They are generally amortized on a non-straight-line approach based on the associated projected cash flows in order to match the amortization pattern to the pattern in which the economic benefits of the assets are expected to be consumed. They are reviewed for impairment if indicators of potential impairment exist. Goodwill and indefinite lived intangibles assets are tested for impairment on an annual basis in the second fiscal quarter, or sooner if an indicator of impairment occurs.

Warranty We record warranty liabilities at the time of sale for the estimated costs that may be incurred under the terms of the limited warranty. The specific warranty terms and conditions vary depending upon the product sold and country in which we do business, but generally include technical support, parts, and labor over a period ranging from one to three years. Factors that affect our warranty liability include the number of installed units currently under warranty, historical and anticipated rates of warranty claims on those units, and cost per claim to satisfy our warranty obligation. The anticipated rate of warranty claims is the primary factor impacting our estimated warranty obligation. The other factors are less significant due to the fact that the average remaining aggregate warranty period of the covered installed base is approximately 20 months, repair parts are generally already in stock or available at pre-determined prices, and labor rates are generally arranged at pre-established amounts with service providers. Warranty claims are reasonably predictable based on historical experience of failure rates. If actual results differ from our estimates, we revise our estimated warranty liability to reflect such changes. Each quarter, we reevaluate our estimates to assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary.

Income Taxes We calculate a provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences arising from the different treatment of items for tax and accounting purposes. In determining the future tax consequences of events that have been recognized in our financial statements or tax returns, judgment is required. Differences between the anticipated and actual outcomes of these future tax consequences could have a material impact on our consolidated results of operations or financial position.

Stock-Based Compensation Effective February 4, 2006, we adopted SFAS 123(R) using the modified prospective transition method which does not require revising the presentation in prior periods for stock-based compensation. Under this transition method, stock-based compensation expense for Fiscal 2008 and Fiscal 2007 includes compensation expense for all stock-based compensation awards granted prior to February 4, 2006, but not yet vested at February 3, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS 123). Stock-based compensation expense for all stock-based compensation awards granted after February 3, 2006 is based on the grant-date fair value estimated in accordance with the provisions of SFAS 123(R). We recognize this compensation expense net of an estimated forfeiture rate over the requisite service period of the award, which is generally the vesting term of three-to-five years for stock options and three-to-five years for restricted stock awards. In March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107) regarding the SEC s interpretation of SFAS 123(R) and the valuation of share-based payments for public companies. We have applied the provisions of SAB 107 in our adoption of SFAS 123(R).

SFAS 123(R) requires the use of a valuation model to calculate the fair value of stock option awards. We have elected to use the Black-Scholes option pricing model, which incorporates various assumptions, including volatility, expected

term, and risk-free interest rates. The volatility is based on a blend of implied and historical volatility of our common stock over the most recent period commensurate with the estimated expected term of our stock options. We use this blend of implied and historical volatility, as well as other economic data, because we believe such volatility is more representative of prospective trends. The expected term of an award is based on historical experience and on the terms and conditions of the stock awards granted to employees. The dividend yield of zero is based on the fact that we have never paid cash dividends and have no present intention to pay cash dividends.

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The cost of restricted stock awards is determined using the fair market value of our common stock on the date of grant.

Prior to the adoption of SFAS 123(R), we measured compensation expense for our employee stock-based compensation plan using the intrinsic value method prescribed by APB 25. We applied the disclosure provisions of SFAS 123 such that the fair value of employee stock-based compensation was disclosed in the notes to our consolidated financial statements. Under APB 25, when the exercise price of our employee stock options equaled the market price of the underlying stock at the date of the grant, no compensation expense was recognized.

Loss Contingencies We are subject to the possibility of various losses arising in the ordinary course of business. We consider the likelihood of loss or impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate current information available to us to determine whether such accruals should be adjusted and whether new accruals are required. Third parties have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, and other intellectual property rights to technologies and related standards that are relevant to us. If any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (SFAS 157), which defines fair value, provides a framework for measuring fair value, and expands the disclosures required for assets and liabilities measured at fair value. SFAS 157 applies to existing accounting pronouncements that require fair value measurements; it does not require any new fair value measurements. Dell adopted the effective portions of SFAS 157 beginning the first quarter of Fiscal 2009. In February 2008, FASB issued FASB Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), until the beginning of the first quarter of Fiscal 2010. Dell is currently evaluating the inputs and techniques used in these measurements, including such items such as impairment assessments of fixed assets and goodwill impairment testing. The adoption of this statement did not have a material effect on the consolidated financial statements for the first six months of Fiscal 2009. The amount of assets and liabilities measured at fair value on a recurring basis based on unobservable inputs (Level 3) are not significant relative to our balance sheet. See Note 6 of Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which provides companies with an option to report selected financial assets and liabilities at fair value with the changes in fair value recognized in earnings at each subsequent reporting date. SFAS 159 provides an opportunity to mitigate potential volatility in earnings caused by measuring related assets and liabilities differently, and it may reduce the need for applying complex hedge accounting provisions. While SFAS 159 became effective for Dell s 2009 fiscal year, Dell did not elect the fair value measurement option for any of its financial assets or liabilities.
In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (SFAS 141(R)). SFAS 141(R) requires that the acquisition method of accounting be applied to a broader set of business combinations and establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, any noncontrolling interest in the acquiree, and the goodwill acquired.
SFAS 141(R) also establishes the disclosure requirements to enable the evaluation of the nature and financial effects

of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by us beginning in the first quarter of Fiscal 2010. We are currently evaluating the impact that SFAS 141(R) may have on our results of operations, financial position, and cash flows.

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In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160). SFAS 160 requires that the noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary, and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by us beginning in the first quarter of Fiscal 2010. We do not expect SFAS 160 to have an impact on our results of operations, financial position, and cash flows.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* (SFAS 161), which requires additional disclosures about the objectives of derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (SFAS 133) and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on a company s financial position, financial performance, and cash flows. SFAS No. 161 does not change the accounting treatment for derivative instruments and is effective for Dell beginning Fiscal 2010. Management is currently evaluating the impact of the disclosure requirements of SFAS 161.

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BUSINESS

General

Dell listens to customers and delivers innovative technology and services they trust and value. As a leading technology company, we offer a broad range of product categories, including desktop PCs, notebooks, software and peripherals, servers and networking products, services, and storage. According to IDC, we are the number one supplier of personal computer systems in the United States, and the number two supplier worldwide.

Our company is a Delaware corporation and was founded in 1984 by Michael Dell on a simple concept: by selling computer systems directly to customers, we can best understand their needs and efficiently provide the most effective computing solutions to meet those needs. Our corporate headquarters are located in Round Rock, Texas, and we conduct operations worldwide through subsidiaries. When we refer to our company and its business in this report, we are referring to the business and activities of our consolidated subsidiaries. We operate principally in one industry, and we manage our business in four operating segments: Americas Commercial; Europe, Middle East and Africa (EMEA) Commercial; Asia Pacific-Japan (APJ) Commercial; and Global Consumer. See Operating Business Segments.

We are committed to managing and operating our business in a responsible and sustainable manner around the globe. This includes our commitment to environmental responsibility in all areas of our business. In June 2007, we announced an ambitious long-term goal to be the greenest technology company on the planet and have a number of efforts that take the environment into account at every stage of the product lifecycle. See Sustainability. This also includes our focus on maintaining a strong control environment, high ethical standards, and financial reporting integrity.

Business Strategy

Our core business strategy is built around our direct customer model, relevant technologies and solutions, and highly efficient manufacturing and logistics; and we are expanding that core strategy by adding new distribution channels to reach even more commercial customers and individual consumers around the world. Using this strategy, we strive to provide the best possible customer experience by offering superior value; high-quality, relevant technology; customized systems and services; superior service and support; and differentiated products and services that are easy to buy and use. Historically, our growth has been driven organically from our core businesses. Recently, we have begun to pursue a targeted acquisition strategy designed to augment select areas of our business with more products, services, and technology that our customers value. For example, with our recent acquisition of EqualLogic, Inc., a leading provider of high-performance storage area network solutions, and the subsequent expansion of Dell s PartnerDirect channel, we are ready to deliver customers an easier and more affordable solution for storing and processing data.

Our core values include the following:

> *We simplify information technology for customers.* Making quality personal computers, servers, storage, and services affordable is Dell s legacy. We are focused on making information technology affordable for millions of customers around the world. As a result of our direct relationships with customers, or customer intimacy , we are best positioned to simplify how customers implement and maintain information technology and deliver hardware, services, and software solutions tailored for their businesses and homes.

We offer customers choice. Customers can purchase systems and services from Dell via telephone, at a growing number of retail stores, and through our website, www.dell.com, where they may review, configure, and price systems within our entire product line; order systems online; and track orders from manufacturing through shipping. Customers may offer suggestions for current and future Dell products and services through an interactive portion of our website called Dell IdeaStorm. Commercial customers also can interact with dedicated account teams. We plan to continue to expand our recently launched indirect initiative by adding new distribution channels to reach additional consumers and small businesses through retail partners and value-added resellers globally.

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Customers can purchase custom-built products and custom-tailored services. Historically our flexible, build-to-order manufacturing process enabled us to turn over inventory quickly, thereby reducing inventory levels, and rapidly bring the latest technology to our customers. The global IT industry and our competition have evolved, and we are continuing to expand our utilization of original design manufacturers, manufacturing outsourcing relationships, and new distribution strategies to better meet customer needs and reduce product cycle times. Our goal is to introduce the latest relevant technology more quickly and to rapidly pass on component cost savings to a broader set of our customers worldwide.

We are committed to being environmentally responsible in all areas of our business. We have built environmental consideration into every stage of the Dell product life cycle from developing and designing energy-efficient products, to reducing the footprint of our manufacturing and operations, to customer use and product recovery.

Product Development

We focus on developing standards-based technologies that incorporate highly desirable features and capabilities at competitive prices. We employ a collaborative approach to product design and development, where our engineers, with direct customer input, design innovative solutions and work with a global network of technology companies to architect new system designs, influence the direction of future development, and integrate new technologies into our products. Through this collaborative, customer-focused approach, we strive to deliver new and relevant products and services to the market quickly and efficiently. Our research, development, and engineering expenses were $693 million for Fiscal 2008, $498 million for Fiscal 2007, and $458 million for Fiscal 2006, including in-process research and development of $83 million related to acquisitions in Fiscal 2008.

Products and Services

We design, develop, manufacture, market, sell, and support a wide range of products that in many cases are customized to individual customer requirements. Our product categories include desktop PCs, servers and networking products, storage, mobility products, and software and peripherals. In addition, we offer a wide range of services. See Management s Discussion and Analysis of Financial Condition and Results of Operations Revenue by Product and Service Categories and Note 11 of each of Notes to Annual Consolidated Financial Statements and Notes to Quarterly Condensed Consolidated Financial Statements included elsewhere in this prospectus.

Desktop PCs The XPS^tm and Alienware lines are targeted at customers seeking the best experiences and designs available, from multimedia capability to the highest gaming performance. The OptiPlex^tm line is designed to help business, government, and institutional customers manage their total cost of ownership by offering a portfolio of secure, manageable, and stable lifecycle products. The Inspiron^tm line of desktop computers is designed for mainstream PC users requiring the latest features for their productivity and entertainment needs. In July 2007, we introduced the Vostro^tm line, which is designed to provide technology and services to suit the specific needs of small businesses.

Dell Precision^tm desktop workstations are intended for professional users who demand exceptional performance from hardware platforms optimized and certified to run sophisticated applications, such as those needed for three-dimensional computer-aided design, digital content creation, geographic information systems, computer animation, software development, computer-aided engineering, game development, and financial analysis.

Servers and Networking Our standards-based PowerEdge^tm line of servers is designed to offer customers affordable performance, reliability, and scalability. Options include high performance rack, blade, and

tower servers for enterprise customers and aggressively priced tower servers for small organizations, networks, and remote offices. We also offer customized Dell server solutions for very large data center customers.

Our PowerConnect™ switches connect computers and servers in small-to-medium-sized networks. PowerConnect™ products offer customers enterprise-class features and reliability at a low cost.

Storage We offer a comprehensive portfolio of advanced storage solutions, including storage area networks, network-attached storage, direct-attached storage, disk and tape backup systems, and removable disk backup. With our advanced storage solutions for mainstream buyers, we offer customers functionality and value while reducing complexity in the enterprise. Our storage systems are easy to deploy, manage, and maintain. The flexibility and scalability offered by Dell PowerVault[tm], Dell EqualLogic, and Dell | EMC storage systems helps organizations optimize storage for diverse environments with varied requirements.

Mobility The XPS[tm] and Alienware lines of notebook computers are targeted at customers seeking the best experiences and designs available from sleek, elegant, thin, and light notebooks to the highest performance gaming systems. In Fiscal 2008, we introduced the XPS M1330, an innovative mobile platform featuring a 13.3-inch high definition display and ultra-portable form factor that received awards for its unique design. The Inspiron[tm] line of notebook computers is designed for users seeking the latest technology and high performance in a stylish and affordable