

February 28, 2006

Dell  
Attn: General Counsel's Office  
1 Dell Way  
Round Rock, TX 78682-2222

Dear General Counsel of Dell:

The Project On Government Oversight (POGO) is overhauling and renewing its Federal Contractor Misconduct Database ([www.pogo.org/db/index.cfm](http://www.pogo.org/db/index.cfm)), a compilation of information from public resources regarding government contractors, including Dell. I have enclosed the findings relevant to Dell and am requesting verification or refutation of the data from you by March 10, 2006.

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

Changes to the database include: the addition of more current instances, removal of Superfund cleanup costs, and removal of information that could not be verified with official documents. Additionally, pending cases will still be included, but this information will be kept separate from the resolved cases and will not be included in any totals.

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

Sincerely,

Kevin L. Phelps  
Project Director

Enclosure

## Instances

1.

Case Name: N/A

Date: 4/2/1998 – Date of Penalty

Amount: \$800,000

Disposition: Fine

Court Type: Administrative

Misconduct Type: Other

Contracting Party: N/A

Synopsis: “Dell Computer Corporation, the country's largest direct seller of personal computers, has agreed to settle Federal Trade Commission charges that it violated the FTC's Mail Order Rule when it advertised and sold a "Dell Dimension" computer system bundled with a package of third-party software that was not ready to be shipped. The company, which is based in Round Rock, Texas, has agreed to pay an \$800,000 civil penalty -- the largest penalty ever paid by a single defendant for a violation of the Rule...

The FTC's complaint detailing the allegations states that Dell violated the Mail Order Rule by:

- soliciting orders for merchandise, either by mail or phone, when it had no reasonable basis to expect to be able to ship some or all of the merchandise within the time stated in the solicitation, or if no time was stated, within 30 days of receiving a properly completed order;
- failing to offer the buyer the option of either consenting to a delay in shipping or to cancel the order and receive a prompt refund; and
- failing to offer the buyer a prepaid means to exercise those options.”

Documents:

FTC Press Release: <http://www.ftc.gov/opa/1998/04/dell.htm>

2.

Case Name: N/A

Date: 5/13/1999 – Date of Press Release

Amount: N/A

Disposition: Administrative Agreement

Court Type: Administrative

Misconduct Type: Other

Contracting Party: N/A

Synopsis: “Dell Computer Corp. and Micron Electronics, Inc. have agreed to settle Federal Trade Commission charges that their computer lease advertisements violated federal laws. According to the agency, both Dell and Micron disseminated misleading ads for consumer leases by placing material cost information in inconspicuous or unreadable fine print or omitting such information altogether. The proposed settlements with Dell and Micron would require the companies to provide consumers with clear, readable, and understandable information in their lease advertisingÉ

The proposed consent agreements that the FTC negotiated with Dell and Micron would settle the charges and prevent the companies from engaging in similar acts and practices in the future. Under the proposed order, Dell would be prohibited from failing to disclose clearly and conspicuously (in a manner that an ordinary consumer could read [or hear] and comprehend) that any advertised terms pertain to a lease offer. Both Dell and Micron would be prohibited from making any reference to any charge that is part of the total amount due at leasing signing or that no such amount is due, unless the ad also states with equal prominence the total amount due at lease inception. The companies also would be prohibited from running ads that highlight low monthly payments, unless the ads also state, clearly and conspicuously that (1) the advertised transaction is a lease; (2) the total amount due at lease signing; (3) whether or not a security deposit is required; (4) the number, amount, and timing of scheduled payments; and (5) that, for open-end leases, an extra charge may be imposed at the end of the lease term.Ó

Documents:

FTC Press Release: <http://www.ftc.gov/opa/1999/05/dell.htm>

### Pending

1.

Case Name: Unknown

Date: 2/14/2005 – Date of Filing

Amount: Pending

Disposition: Pending

Court Type: Civil

Misconduct Type: Non-Governmental Contract Fraud

Contracting Party: Non-Governmental

Synopsis: “Two Dell customers in California have filed class-action lawsuits against the company for what their lawyers call bait-and-switch marketing tactics.”

“The suit, filed in San Francisco County Superior Court on Feb. 14, seeks class action status in California and accuses Dell of "bait and switch" practices, false advertising, fraud and deceit in sales and advertising, and breach of contract... The case centers on the allegation that Dell advertises low prices for its computers, but people who try to purchase a machine at the advertised price find it's no longer available for that price. Often those customers wind up with another computer”

Documents:

<http://www.internetnews.com/bus-news/article.php/3485221>