

DELL INC
Form S-1/A
July 21, 2008

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As filed with the Securities and Exchange Commission on July 21, 2008

Registration No. 333-151463

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**AMENDMENT NO. 1
TO
FORM S-1**

**REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933**

Dell Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

3571

*(Primary Standard Industrial
Classification Code Number)*

74-2487834

*(I.R.S. Employer
Identification Number)*

**One Dell Way
Round Rock, Texas 78682
(512) 338-4400**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)*

**Lawrence P. Tu
Senior Vice President and General Counsel**

Dell Inc.
One Dell Way
Round Rock, Texas 78682
(512) 338-4400

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

With copies to:

Janet B. Wright
Director Corporate Legal
Dell Inc.
One Dell Way
Round Rock, Texas 78682
(512) 338-4400

Mark E. Betzen
Jones Day
2727 North Harwood Street
Dallas, Texas 75201
(214) 220-3939

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell or buy these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell or buy these securities and it is not soliciting an offer to sell or buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated [], 2008

PROSPECTUS

Dell Inc.

1,852,486 Units

Dell Inc. Common Stock Fund

Dell Inc. 401(k) Plan

Rescission Offer

Under the terms and conditions described in this prospectus, we are offering to rescind (the Rescission Offer) the previous purchase of units in the Dell Inc. Stock Fund (the Dell Stock Fund) by persons who acquired such units (the Units) through the Dell Inc. 401(k) Plan (the Plan) between March 31, 2006 and April 3, 2007 (the Purchase Period). Each Unit represents an interest in shares of our common stock, par value \$0.01 per share, plus a varying amount of short-term liquid investments.

The Rescission Offer applies to Units purchased during the Purchase Period at prices ranging from \$109.03 per Unit to \$162.45 per Unit.

If you purchased Units pursuant to the Plan during the Purchase Period and accept the Rescission Offer, you will receive:

In the event you sold such Units at a loss, an amount equal to the excess of the amount you paid for such Units over the proceeds from your sale of the Units, plus interest.

In the event you currently hold such Units, upon your tender of such Units to us by accepting the Rescission Offer, the amount you paid for such Units, plus interest from the date of the purchase. However, we will not repurchase the Units if the amount you paid for the Units, plus interest, is less than the value of the Units on the date of expiration of this Rescission Offer.

Although this prospectus uses the term interest when describing the calculation of the Rescission Offer price, the term is only intended to describe the method used to calculate the payment amount, and the payment is not considered interest for federal income tax purposes. Instead, the entire amount will be considered as a payment for the sale of your Shares.

The Rescission Offer will expire at 3:00 p.m., U.S. Central Time, on September 26, 2008 (the Expiration Date), which is [] days from the date of this prospectus.

Our common stock is listed on The NASDAQ Stock Market under the trading symbol DELL. The last reported sale price of our common stock (as reported on The NASDAQ Stock Market) on [], 2008, was \$[] per share. The value of a Unit on such date was \$[]. Our principal executive offices are located at One Dell Way, Round Rock, Texas 78682.

Our telephone number is (512) 338-4400.

You may elect to accept the Rescission Offer by submitting a Rescission Offer Acceptance Form to us on or before the Expiration Date as set forth in this prospectus. You do not need to take any action to reject the Rescission Offer. If you fail to return the Rescission Offer Acceptance Form by the Expiration Date, you will be deemed by us to have rejected the Rescission Offer. Acceptance or rejection of the Rescission Offer may prevent you from maintaining any action against us based on a claim that we failed to register shares of our common stock represented by the Units purchased pursuant to the Plan during the Purchase Period. In any event, any such claim may be barred by applicable statutes of limitations. See Risk Factors Your right of rescission, if any, under federal and state law may not survive if you affirmatively reject or fail to accept the Rescission Offer on page [].

Investing in Units, and in the shares of our common stock represented thereby, involves risks. See Risk Factors on page [].

The shares of our common stock represented by the Units subject to the Rescission Offer may be deemed not to have been properly registered under the Securities Act of 1933, as amended (the Securities Act), because we inadvertently exceeded the number of shares of our common stock registered with the Securities and Exchange Commission (the SEC) for offer and sale to participants under the Plan. This prospectus is part of a Registration Statement on Form S-1 filed with the SEC to register these shares, regardless of whether or not you accept the Rescission Offer.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is [], 2008

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with additional or different information. If anyone provides you with additional or different information, you should not rely on it. This prospectus is not an offer to sell or purchase nor is it soliciting an offer to buy or sell these securities in any jurisdiction where such offer, solicitation or sale is not permitted. You should assume that the information contained in this prospectus is accurate only as of its date and that any information incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless otherwise stated or the context otherwise requires, references in this prospectus to Dell, we, us, and our refer to Dell Inc. and its subsidiaries.

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CAUTIONARY STATEMENT REGARDING 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 or incorporated by reference in this document, including those disclosed under Risk Factors, these statements are subject to risks, uncertainties and other factors, including, among others:

our expectations regarding the effect of the Rescission Offer on the rescission or damage rights of Plan participants;

the applicability of exemptions from state law with respect to the sale and issuance of the shares underlying the Units and to the Rescission Offer;

general economic, business and industry conditions;

our ability to maintain 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;

our ability to maintain a strong internal control environment;

litigation and governmental investigations or proceedings arising out of or related to accounting and financial reporting matters;

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; and

other risks detailed in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended February 1, 2008. See "Where You Can Find More Information" on page [] of this prospectus.

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QUESTIONS AND ANSWERS ABOUT THE RESCISSION OFFER

The following questions and answers are intended to address briefly some commonly asked questions regarding the Rescission Offer. These questions and answers do not address all questions that may be important to you as a participant in the Plan who acquired Units between March 31, 2006, and April 3, 2007. Please refer to The Rescission Offer beginning on page [] and the more detailed information contained elsewhere in this prospectus and the documents incorporated by reference into this prospectus, which you should read carefully.

Q: Why are you making the Rescission Offer?

A: Plan participants can purchase Units, which include indirect interests in Dell common stock, through the Plan. The Trustee of the Plan, JP Morgan Chase (the Trustee), holds the Plan's shares of Dell common stock in the Dell Common Stock Fund, and Plan participants who invest in Units have an indirect interest in those shares through their Unit investment. Although the shares of Dell common stock held by the Trustee are purchased in the open market by the Trustee, the SEC takes the position that the participants' investments in Units are investments in the shares of Dell common stock and that we are required to register the deemed sale of these shares to Plan participants with the SEC. We have discovered that we inadvertently exceeded the number of shares of our common stock registered with the SEC for sale to participants in the Plan.

We are making the Rescission Offer with respect to 1,852,486 Units sold pursuant to the Plan from March 31, 2006, through April 3, 2007. We are making the Rescission Offer to ensure compliance with the Securities Act and to limit any contingent liability we may have as a result of possible noncompliance with applicable federal registration requirements in connection with the purchase of Units by Plan participants. We believe that the statute of limitations period applicable to potential claims for rescission under the Securities Act is one year. Accordingly, in determining the Purchase Period, we selected a date after which no unregistered sales of Units were made under the Plan as the ending date of the Purchase Period, and a date that is twelve months earlier (rounded to the preceding calendar month end) as the beginning date of the Purchase Period. Non-employee members of our Board of Directors were not eligible to participate in the Plan and therefore are not eligible to participate in the Rescission Offer. Our current executive officers and employee members of our Board of Directors who purchased Units pursuant to the Plan during the Purchase Period do not intend to participate in the Rescission Offer.

Q: What will I receive if I accept the Rescission Offer?

A: The answer to this question depends on whether you still hold the Units purchased pursuant to the Plan during the Purchase Period:

If you have sold such Units at a loss, we will pay you an amount equal to the amount of the loss, plus interest at a rate of 5.27% per year. Interest will be paid on the amount you originally paid for the Units during the period from the date of your purchase of the Units through the date of your sale of the Units and on the loss you realized from your sale of the Units from the date of your sale through the date that payment is made by us.

If you currently hold such Units, we will repurchase such Units for the amount you paid for such Units, plus interest at a rate of 5.27% per year from the date you purchased the Units through the date that payment is made by us. However, we will not repurchase the Units if the amount you paid for the Units, plus interest (to the Expiration Date), is less than the value of the Units as of the Expiration Date, as it would not be economically beneficial to you.

Q: When and how will I receive payment for my Units if I properly accept the Rescission Offer?

A: If we receive a legible, properly completed Rescission Offer Acceptance Form from you on or before 3:00 p.m., U.S. Central Time, on the Expiration Date and we determine that you are eligible to accept the Rescission Offer, we expect that on or before October 3, 2008:

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If you still have a Plan account and are an active employee of Dell, all proceeds to which you are entitled by accepting the Rescission Offer will be credited to your Plan account in accordance with your current investment elections for new contributions to the Plan. If you have separate investment elections on file for both employee and employer contributions, your proceeds will be invested in accordance with your investment elections for employer contributions.

If you have a Plan account but are not an active employee of Dell or do not have current investment elections on file, all proceeds to which you are entitled by accepting the Rescission Offer will be credited to your account and invested in the Dodge & Cox Balanced Fund.

If you no longer have a Plan account, a Plan account will be established for you and all proceeds to which you are entitled by accepting the Rescission Offer will be credited to your account and invested in the Dodge & Cox Balanced Fund. Distributions from your Plan account will be managed in accordance with the terms of the Plan as follows:

Plan account balance greater than \$5,000. If your Plan account balance is greater than \$5,000 and you are currently not employed by Dell, your assets will remain in the plan until you choose a distribution from the following two options: (1) a direct rollover to an IRA or another qualified plan, or (2) a lump sum payment. Absent an election by you, your account balance will remain in the Plan until a distribution is required by the Plan's mandatory distribution rules. You should review the Plan Summary Plan Description for more information on mandatory distribution events.

Plan account balance greater than \$1,000 but less than or equal to \$5,000. If your Plan account balance is greater than \$1,000 but less than or equal to \$5,000, you will be required to elect one of the following: (1) direct rollover to an IRA or another qualified plan, or (2) lump sum payment. If you do not make one of these elections within 90 days from the date your rescission proceeds are deposited into your Plan account, your account balance will automatically be directed to a rollover IRA. You will be provided with a notice and information about distribution options approximately 90 days prior to your account balance being automatically rolled over. The materials include the name and contact information for the company in which your automatic rollover will be invested and an explanation of how to access information about any fees and expenses and how they will affect your IRA.

Plan account balance of \$1,000 or less. If your Plan account balance is less than \$1,000, you may elect one of the following: (1) direct rollover to an IRA or another qualified plan, or (2) lump sum payment. You will receive notification and information about distribution options after the date your rescission proceeds are credited to your Plan account. If you do not make an election within 90 days following that notification, your account balance will be distributed to you in a lump sum.

To make any of the above elections, contact the Dell Benefits Center at 1-888-335-5663. Proceeds will be transferred to your 401(k) Plan account within 3-5 business days following the Expiration Date.

We strongly encourage you to review the Plan Summary Plan Description that contains additional information on distribution of account balances. To obtain a copy of the Plan Summary Plan Description, go to the Dell intranet or contact the Dell Benefits Center at 1-888-335-5663. Payment of proceeds directly to you may result in adverse tax consequences. See Material U.S. Federal Income Tax Considerations.

Q: What interest rate will be used in calculating any amounts owed to me?

A: We will use an annual interest rate of 5.27%, which is calculated on the basis of the highest weekly average 1-year constant maturity Treasury yield in effect at any time during the Purchase Period.

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Q: Does it matter whether I purchased Units through salary deferrals, rollover contributions, loan repayments, company contributions or transfers between investment funds?

A: No. All purchases of Units made pursuant to the Plan during the Purchase Period will be considered when determining whether you are eligible to accept the Rescission Offer.

Q: Am I required to accept the Rescission Offer?

A: No. You are not required to accept the Rescission Offer. Your decision to accept or reject the Rescission Offer is completely voluntary. If you are an employee of Dell, acceptance or rejection of the Rescission Offer will not have any bearing or effect on your employment status.

Q: Should I accept the Rescission Offer?

A: You must make your own decision whether to accept the Rescission Offer. In general, it may be economically beneficial to you to accept the Rescission Offer **if**:

you sold Units you purchased during the Purchase Period for less than you paid for them, **or**

you now hold Units you purchased during the Purchase Period that on the Expiration Date will be worth less than the Rescission Offer price for such Units (*i.e.*, the price you paid for the Units, plus interest).

However, in making your decision whether to accept the Rescission Offer, you should consider all relevant factors in light of your particular circumstances, including the potential tax consequences of accepting the Rescission Offer (see Material U.S. Federal Income Tax Consequences) and, if you now hold Units you purchased during the Purchase Period, the possibility that the value of such Units may increase or decrease after the Expiration Date.

You should note, however, that under the terms of the Rescission Offer, we will not repurchase any Units unless our records indicate that (1) you sold Units you purchased during the Purchase Period for less than you paid for them and/or (2) you now hold Units you purchased during the Purchase Period that on the Expiration Date are worth less than the Rescission Offer price. Consequently, if you are unsure whether you sold Units at a loss or you are unsure whether Units you have continued to hold are likely to have a value on the Expiration Date less than the Rescission Offer purchase price, you may accept the Rescission Offer by signing and returning the Rescission Offer Acceptance Form that accompanies this Prospectus, and we will determine whether the criteria for the repurchase of your Units described above are satisfied. Unless these criteria are satisfied, we will not repurchase your Units pursuant to the Rescission Offer.

In applying those criteria, we will use a first-in, first-out, or FIFO, principle in determining whether Units were sold at a loss and whether you now hold Units eligible for repurchase pursuant to the Rescission Offer. You should apply the same principle in determining whether or not to accept the Rescission Offer. An example calculation using the FIFO principle is included with the Rescission Offer Acceptance Form that accompanies this prospectus.

WE URGE YOU TO REVIEW THIS PROSPECTUS CAREFULLY BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE RESCISSION OFFER.

If you have questions about the Rescission Offer acceptance process, you can call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday between the hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time.

Q: Where can I find information about my purchases and sales of Units?

A: Detailed information about your purchases of Units during the Purchase Period and any subsequent sales of such Units is available to you through your online account. You can access your online account through Your Benefits Resources (YBR) website.

If you are an active employee of Dell, you can access your online account through the Dell intranet by going directly to the YBR website at <http://resources.hewitt.com/dell>. To access YBR by way of the Dell

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intranet, go to **Your Pay and Investments** under **You and Dell** and click on the link titled **My 401(k)**. You will be directed to the YBR website home page.

If you are not employed currently by Dell, you can access your online account at <http://resources.hewitt.com/dell>. Once you have accessed the YBR website, enter your Plan user ID and password. If you have forgotten your password or user ID, you can contact the Dell Benefits Center at 1-888-335-5663 for assistance.

Once you have logged on to the YBR website, from the YBR home page, click on the 401(k) tab, then **Find it Fast**, which is located in the drop-down menu on the upper right side of your screen, or click on **Manage Investments** in the blue panel at the top of your screen on the 401(k) page. In **Find it Fast**, select **Your Transactions**, and press the **Go** button on the right side of the drop-down menu. You then will be directed to the **Manage Your Investments** webpage. On this page, you will find details about your transaction history, including historical contributions, loan payments, investment fund transfers and other activities. Summary information about the Plan will be located towards the top of this webpage. You will need to scroll down below this summary information to see your detailed transaction history. Your transaction history will be arranged first by investment fund and then by the date of your transaction. Each entry on this webpage will contain the date of your transaction, the dollar amount of the transaction, the price used to value the transaction that day, Units bought or sold as part of that transaction and a brief description of the transaction type. To view a given date range of your activity, change the date range using the **From** and **To** drop-down menu boxes in the upper portion of your screen.

If your transaction history indicates that you sold Units at a loss, acceptance of the Rescission Offer may be economically beneficial to you. The historical transaction information available to you through your online account can also assist you in determining whether you should accept the Rescission Offer if you now hold Units you bought during the Purchase Period. If you believe the value of a Unit on the Expiration Date (taking into account the current market value of Dell common stock) will be less than the amount you paid during the Purchase Period for that Unit plus interest to the Expiration Date, acceptance of the Rescission Offer may be economically beneficial to you. The value of a Unit on [], 2008, was \$[]. To obtain the current value of a Unit during the period the Rescission Offer is open and prior to the Expiration Date, you can access your online account by following the procedures listed above.

If you have any questions about accessing your Dell Stock Fund transaction history, you can find more information by accessing your account at <http://resources.hewitt.com/dell>. If you need further assistance or if you do not have access to your online account, you should call the Dell Benefits Center at 1-888-335-5663 to request a detailed listing of your transactions by mail or fax. Please allow 10-13 days to receive your transactions history. If you have questions about the Rescission Offer, you may call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday between the hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time.

Q: Will the Rescission Offer affect my ability to direct transactions in my account?

A: Yes. In order to ensure smooth processing of the Rescission Offer, if you hold Units purchased during the Purchase Period in the Dell Stock Fund as of the Expiration Date, all transactions relating to your Plan account will be temporarily suspended on the Expiration Date whether or not you accept the Rescission Offer and whether or not we repurchase your Units. This temporary suspension is called a **blackout period**. As a result, you will be subject to the risk that, due to events in the securities markets, the value of your Plan account could significantly decline during this period and you would not be able to transfer funds in and out of the Plan's investment options, including the Dell Stock Fund, to avoid this result. For more information about the blackout period, see **Notice of Blackout Period**. The blackout period will commence at 3:00 p.m., U.S. Central Time, on the Rescission Offer Expiration Date of September 26, 2008; the blackout period is anticipated to end at

12:01 a.m., U.S. Central Time, on September 29, 2008, if you do not accept the offer and at 11:59 p.m., U.S. Central Time on October 1, 2008, if you accept the offer.

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Q: What is the effect of the Rescission Offer on my ability to assert claims?

A: The rights remaining to the recipients of a rescission offer are not clearly delineated under federal or certain state securities laws. The staff of the SEC takes the position that a person's federal right of rescission may survive a rescission offer.

For a more detailed description of the effect of the Rescission Offer on any applicable federal securities law claims, see Risk Factors. The Rescission Offer may not bar claims relating to our non-compliance with securities laws, and we may continue to be contingently liable for rescission or damages in an indeterminate amount and Risk Factors. Your right of rescission, if any, under federal and state law may not survive if you affirmatively reject or fail to accept the Rescission Offer.

Q: May I accept the Rescission Offer in part?

A: No. If you accept the Rescission Offer, then you must accept it for all Units that were purchased during the Purchase Period that you still hold as well as all Units that you purchased during the Purchase Period that were sold at a loss. As described above, however, if you accept the Rescission Offer, we will only repurchase those Units that, as of the Expiration Date, have a value less than the price you paid for the Units, plus interest (to the Expiration Date).

If you do not accept the Rescission Offer in full, you will retain ownership of all of your Units and will not receive any payment for the Units subject to the Rescission Offer.

Q: What happens if I accept the Rescission Offer for Units that I currently hold in my account but the amount I would receive for the Units is less than the value of the Units on the Expiration Date?

A: If you submit a Rescission Offer Acceptance Form, we will not repurchase those Units for which the price per Unit that you paid, plus interest (to the Expiration Date), is less than the value of a Unit as of the Expiration Date. Accordingly, those Units will remain in your Plan account.

Q: When does the Rescission Offer expire?

A: The Rescission Offer expires at 3:00 p.m., U.S. Central Time, on September 26, 2008, which is [] days from the date of this prospectus.

Q: What do I need to do now to accept the Rescission Offer?

A: You may mail or fax to us your Rescission Offer Acceptance Form. In order to accept the Rescission Offer, you must complete, sign and date the Rescission Offer Acceptance Form and return it by mail or fax so that it is received by us on or before 3:00 p.m., U.S. Central Time, on September 26, 2008. The Rescission Offer Acceptance Form must be legible. You may mail your Rescission Offer Acceptance Form to:

Dell Inc. Rescission Offer
70 University Avenue, P.O. Box 5
Toronto, ON
M5J 2M4

If you choose to overnight your Rescission Offer Acceptance Form, please send it to:

Dell Inc. Rescission Offer
70 University Avenue, 8th Floor
Toronto, ON
M5J 2M4
877-888-4601

You may fax your Rescission Offer Acceptance Form to 888-810-7480 if you are in North America or to 800-810-7480-0 if you are outside of North America.

If you choose to accept the Rescission Offer, we recommend that you mail or fax the Rescission Offer Acceptance Form sufficiently in advance of the Expiration Date to ensure its receipt by the deadline

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specified above. The method for returning the Rescission Offer Acceptance Form is at your option and risk, and delivery will be deemed made only when actually received by us at the address or fax indicated above. If delivery is by mail, we recommend using registered mail with return receipt requested. You can also call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday between the hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time to confirm your Rescission Offer Acceptance Form was received.

WE MUST RECEIVE YOUR LEGIBLE AND PROPERLY COMPLETED RESCISSION OFFER ACCEPTANCE FORM ON OR BEFORE 3:00 P.M., U.S. CENTRAL TIME, ON THE EXPIRATION DATE OF SEPTEMBER 26, 2008. OTHERWISE, YOU WILL BE DEEMED TO HAVE REJECTED THE RESCISSION OFFER. WE WILL, IN OUR SOLE DISCRETION, DETERMINE WHETHER YOUR RESCISSION OFFER ACCEPTANCE FORM HAS BEEN PROPERLY COMPLETED AND WHETHER YOU ARE ELIGIBLE TO ACCEPT THE RESCISSION OFFER.

Proceeds will be disbursed to your 401(k) Plan account within 3-5 business days following the Expiration Date of the Rescission Offer.

We recommend that you write down your identification number printed on your Rescission Offer acceptance form. You will need to provide that identification number if you change your mind and decide to revoke your acceptance of the offer prior to the Expiration Date.

Q: What do I need to do now to reject the Rescission Offer?

A: You do not need to take any action to reject the Rescission Offer.

Q: What happens if I do not return the Rescission Offer Acceptance Form?

A: If you do not return the Rescission Offer Acceptance Form on or before the Expiration Date, you will be deemed to have rejected the Rescission Offer.

If you reject the Rescission Offer, you will not receive any payment with respect to the Units subject to the Rescission Offer. In addition, the shares included in the Units that you now own and that are subject to the Rescission Offer, for purposes of applicable federal securities law, will be registered securities as of the date of this prospectus.

Q: What happens to my 401(k) account if I reject the Rescission Offer?

A: If you hold Units in the Dell Stock Fund as of the Expiration Date, you will be subject to the blackout period even if you reject the Rescission Offer. This temporary suspension is called a blackout period, which will begin at 3:00 p.m., U.S. Central Time, on September 26, 2008. We currently anticipate the blackout period will end at 12:01 a.m., U.S. Central Time, on September 29, 2008, if you reject the Rescission Offer. You will be notified in the event that the blackout period is extended past such date. The Units will remain in your account and this Rescission Offer will not affect your ability to sell Units once the blackout period ends.

Q: Can I change my mind after I have mailed my signed Rescission Offer Acceptance Form?

A: Yes. You can change your decision about accepting or rejecting the Rescission Offer at any time before 3:00 p.m., U.S. Central Time, on the Expiration Date.

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If you change your decision and want to reject the Rescission Offer after having submitted the Rescission Offer Acceptance Form, then you may reject the Rescission Offer by sending a notice via mail or fax that includes your name, your identification number located on your Rescission Offer Acceptance Form, and a clear indication that you are rejecting the Rescission Offer. You may mail your notice of rejection to:

Dell Inc. Rescission Offer
70 University Avenue, P.O. Box 5
Toronto, ON
M5J 2M4

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If you choose to overnight your Rescission Offer Acceptance Form, please send it to:

Dell Inc. Rescission Offer
70 University Avenue, 8th Floor
Toronto, ON
M5J 2M4
877-888-4601

You may fax your notice of rejection to 888-810-7480 if you are in North America or to 800-810-7480-0 if you are outside of North America.

THIS NOTICE OF REJECTION MUST BE LEGIBLE AND RECEIVED BY MAIL OR FAX AT THE ABOVE ADDRESS ON OR BEFORE 3:00 P.M., U.S. CENTRAL TIME, ON THE EXPIRATION DATE OF SEPTEMBER 26, 2008. OTHERWISE YOU WILL BE DEEMED TO HAVE ACCEPTED THE RESCISSION OFFER PURSUANT TO YOUR ELECTION ON THE ORIGINAL RESCISSION OFFER ACCEPTANCE FORM(S).

Q: Does the Rescission Offer affect any loan repayments I am currently making to the Plan?

A: If you have an outstanding loan from the Plan, the amount that you are required to repay will not change as a result of your acceptance or rejection of the Rescission Offer. However, new loan and distribution requests made during the blackout period will be delayed until after the blackout period ends. Any requests made during the blackout period do not need to be resubmitted after the blackout period ends.

Q: Who can help answer my questions?

A: If you have any questions about accessing your Dell Stock Fund transaction history, you can find more information by accessing your account at <http://resources.hewitt.com/dell>. If you need further assistance or if you do not have access to your online account, you should call the Dell Benefits Center at 1-888-335-5663 to request a detailed listing of your transactions by mail or fax. Please allow 10-13 days to receive your records.

If you have questions regarding the Rescission Offer, you may call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday, between the hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time.

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RISK FACTORS

An investment in our common stock involves risks. You should carefully consider the following risk factors relating to the Rescission Offer in addition to the risks identified in Cautionary Statement Regarding Forward-Looking Statements above and the risks identified in our Annual Report on Form 10-K for the year ended February 1, 2008, including those risks identified under the caption Risk Factors in our Annual Report on Form 10-K. Please see Where You Can Find More Information on page [].

The Rescission Offer may not bar claims relating to our possible non-compliance with securities laws, and we may continue to be contingently liable for rescission or damages in an indeterminate amount.

It is not certain that the Rescission Offer will have the effect of barring claims relating to our possible non-compliance with applicable federal securities laws. If a person accepts the Rescission Offer, we believe our potential liability to that person will be eliminated. Should the Rescission Offer be rejected, we may continue to be contingently liable for rescission or damages, which could result in an adverse effect on our results of operations and financial condition. In addition, the Rescission Offer will not prevent regulators from pursuing enforcement actions or imposing penalties and fines against us with respect to any violations of securities laws. In any event, we do not expect the Rescission Offer to have a material impact on our financial condition or liquidity.

Your right of rescission, if any, under federal and state law may not survive if you affirmatively reject or fail to accept the Rescission Offer.

The rights remaining to the recipients of a rescission offer are not clearly delineated under federal or certain state securities laws. If you affirmatively reject or fail to accept the Rescission Offer, it is unclear whether your federal right of rescission, if any, will be preserved. The staff of the SEC takes the position that a person's federal right of rescission may survive a rescission offer. However, the few federal courts that have addressed this issue in the past have suggested that, at least in certain circumstances, a person who rejects or fails to accept a rescission offer may be precluded from later seeking similar relief.

The Rescission Offer may also affect your right of rescission and your right to damages, if any, under state law. We believe that the sale of shares of our common stock included in the Units that are the subject of the Rescission Offer were exempt from registration under state laws. Furthermore, we believe that the Rescission Offer is exempt from registration under the laws of such states and thus need not comply with the laws of such states regulating such offers. However, we do not make any representation as to the compliance of this Rescission Offer with applicable state law. Under most state laws, acceptance or rejection of rescission offers may preclude offerees from initiating an action against the rescission offeror in connection with the registration of securities that are the subject of the rescission offer. We may assert, among other defenses, in any litigation initiated by a person eligible to participate in the Rescission Offer who accepts or rejects the Rescission Offer, that such person is stopped from asserting such claims as a result of the Rescission Offer.

Generally, the statute of limitations for enforcement of federal statutory rescission rights by a security holder is one year commencing on the date of the sale of the security sold in violation of the federal registration requirements, but in no event later than three years after the security was bona fide offered to the public. The Company believes that the one-year federal statute of limitations on sales of shares of our common stock represented by the Units has expired and that participants in the Plan now have no federal rescission rights except as a result of the tolling agreement described below under The Rescission Offer Effect of the Rescission Offer. Statutes of limitations under state laws vary by state, with the limitation time period under many state statutes not typically beginning until the facts giving

rise to a violation are known. Our Rescission Offer is not an admission that we did not comply with any federal and state registration or disclosure requirements nor is it a waiver by us of any applicable statute of limitations or any potential defense we may have. Determining when a statute of limitations expires under federal or state law can be a difficult issue, and you should consult with an attorney if you have any questions regarding how federal or state statutes of limitations may apply to any claims you have.

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You will not be permitted to conduct any transactions within your Plan account for a period of time following the Expiration Date.

Because you will not be permitted to conduct any transactions with respect to your Plan account during this period, you will be subject to the risk that due to events in the securities markets, the value of your account could significantly decline during this period and you would not be able to make transfers to avoid or mitigate this result. In addition, any proceeds you receive for the sale of Units in the Rescission Offer will not be deposited into your Plan account for up to 3-5 business days following the Expiration Date. If you still have a Plan account and are an active employee of Dell, these proceeds will be allocated to your Plan account in accordance with your current investment elections for new contributions to the Plan. If you have separate investment elections on file for both employee and employer contributions, your proceeds will be invested in accordance with your investment elections for employer contributions. If you are not an active employee of Dell or do not have current elections on file, these funds will be credited to your Plan account and invested in the Dodge & Cox Balanced Fund. In all cases, you will be subject to the risk that the purchase price of the applicable investment could increase in value prior to the reinvestment of proceeds in your account, resulting in a higher unit cost for such investment. See [Notice of Blackout Period](#) for additional information.

OUR COMPANY

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, servers and networking products, storage, mobility products, software and peripherals, and services. According to the IDC Worldwide Quarterly PC Tracker, 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.

Our principal executive offices are located at One Dell Way, Round Rock, Texas 78682. Our telephone number is (512) 338-4400.

THE RESCISSION OFFER

Background and Reasons for the Rescission Offer

The Plan is a qualified defined contribution plan under Section 401(a) of the Internal Revenue Code of 1986, as amended. The purpose of the Plan is to provide a voluntary, systematic method for participants to save a specified percentage of the participant's compensation for retirement and to defer federal income tax and, where allowed, state, city and county income tax, on such compensation. JP Morgan Chase is the Trustee of the Plan.

Amounts in participants' accounts are held in a trust fund maintained for the benefit of participants in the Plan. There are currently 11 core investment funds plus 6 pre-mixed portfolios available to participants under the Plan. All contributions to a participant's Plan account are invested in accordance with his or her investment elections.

One of the investment choices in the Plan is the Dell Stock Fund, which gives participants the opportunity to invest some or all of the amounts deposited in their Plan account in Units principally comprised of Dell common stock. A participant's investment in the Dell Stock Fund is measured in Units. Each Unit represents an interest in shares of our

common stock plus a varying amount of short-term liquid investments. To effectuate purchases and sales of Units by participants, the Trustee will from time to time purchase and sell our common stock in the open market at market prices.

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Plan participants can purchase Units, which include indirect interests in Dell common stock, through the Plan. The Trustee holds the Plan's shares of Dell common stock in the Dell Common Stock Fund, and Plan participants who invest in Units have an indirect interest in those shares through their Unit investment. Although the shares of Dell common stock held by the Trustee are purchased in the open market by the Trustee, the SEC takes the position that the participants' investments in Units are investments in the shares of Dell common stock and that we are required to register the deemed sale of these shares to Plan participants with the SEC. In the Spring of 2007, it appeared that the on-going Audit Committee investigation would prevent us from timely filing our annual report on Form 10-K for the fiscal year 2007. As a result, we began planning for a suspension of participant investments in the Dell Common Stock Fund under the Plan. In the process of planning for the suspension, we discovered that investments in the Dell Common Stock Fund under the Plan exceeded the number of shares we had registered on Form S-8. Our inadvertent failure to register with the SEC the sale of certain shares of our common stock under the Plan may have constituted a violation of Section 5 of the Securities Act (which generally requires registration of offers and sales of securities) and may give rise to liability under Section 12 of the Securities Act (which generally provides a rescission remedy for offers and sales of securities in violation of Section 5).

We are making the Rescission Offer with respect to 1,852,486 Units sold pursuant to the Plan during the Purchase Period. We are making the Rescission Offer to ensure compliance with the Securities Act and to limit any contingent liability we may have as a result of possible noncompliance with applicable federal registration requirements in connection with the purchase of Units by Plan participants. Non-employee members of our Board of Directors were not eligible to participate in the Plan and therefore are not eligible to participate in the Rescission Offer. Our current executive officers and employee directors who purchased Units pursuant to the Plan during the Purchase Period do not intend to participate in the Rescission Offer.

Effect of the Rescission Offer

If you reject, fail to timely accept, or fail to accept in full, the Rescission Offer by 3:00 p.m., U.S. Central Time, on the Expiration Date, or if you accept the Rescission Offer but we determine that you are not eligible to accept the Rescission Offer under the terms set forth in this prospectus, you will retain ownership of the Units and will not receive any payment for the Units subject to the Rescission Offer. In addition, the shares of common stock included in the Units that you now own that are subject to the Rescission Offer, for purposes of applicable federal securities law, will be registered securities as of the date of this prospectus.

Your acceptance of the Rescission Offer may preclude you from later seeking similar relief, if any is available. For federal securities law purposes, rejection or the failure to accept a rescission offer may not terminate an offeree's right to bring a civil action against the offeror for failure to register securities under the Securities Act before expiration of the applicable statute of limitations. The staff of the SEC takes the position that a person's federal right of rescission may survive a rescission offer. However, the few federal courts that have addressed this issue in the past have suggested that, at least in certain circumstances, a person who rejects or fails to accept a rescission offer may be precluded from later seeking similar relief.

The above discussion relates primarily to your potential rescission rights and does not address the antifraud provisions of federal securities laws or rights under state securities laws, common law or equity. We believe that the sale and issuance of shares of our common stock included in the Units that are the subject of the Rescission Offer were exempt from registration under state laws. Furthermore, we believe that this Rescission Offer is exempt from registration under state laws and thus need not comply with state laws regulating such offers. However, we do not make any representation as to the compliance of this Rescission Offer with any applicable state law. Under most state laws, acceptance or rejection of rescission offers may preclude offerees from initiating an action against the rescission offeror in connection with the registration of securities that are the subject of the rescission offer.

Generally, the federal statute of limitations for enforcement of such statutory rights by a security holder is one year commencing on the date of the sale of the security sold in violation of the federal registration requirements, but in no event later than three years after the security was bona fide offered to the public. The Company believes that the one-year federal statute of limitations on sales of shares of our common stock

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represented by the Units has expired and that participants in the Plan now have no federal rescission rights except as a result of the tolling agreement described below. Statutes of limitations under state laws vary by state, with the limitation period under many state statutes not typically beginning until the facts giving rise to the violation are known. Our Rescission Offer is not an admission that we did not comply with any federal or state registration or disclosure requirement nor is it a waiver by us of any applicable statute of limitations or any potential defense we may have. Determining when a statute of limitations expires under federal or state law can be a difficult issue, and you should consult with an attorney if you have any questions regarding how federal or state statutes of limitations may apply to any claims you have or regarding any of your legal rights and remedies before deciding whether or not to accept the Rescission Offer.

Prior to the commencement of the Rescission Offer, Dell entered into a Tolling and Standstill Agreement (the Tolling Agreement) with the Dell Inc. Benefits Administration Committee, acting on behalf of the Plan. Effectively, the Tolling Agreement stops the running of the one-year federal statute of limitations (or any other time related defense) as of March 31, 2007, for claims related to the Plan's acquisition of unregistered Dell securities. As a result, claims of Plan participants for rescission of purchases of Units on and after March 31, 2006, will be deemed to be preserved until the earlier of completion of this Rescission Offer or termination of the Tolling Agreement. The Tolling Agreement may be terminated by Dell or by the Benefits Administration Committee at any time upon thirty days prior written notice. It may also be terminated by Dell upon ten (10) business days prior written notice if any claim related to the Plan's acquisition of unregistered securities is brought against Dell by any person.

Terms of the Rescission Offer

If you purchased Units through the Plan during the Purchase Period and have already sold such Units at a loss, you may accept the Rescission Offer, in which case you will receive an amount equal to the amount you paid for the Units less the proceeds of the sale of the Units, plus interest at a rate of 5.27% per year. Interest will be paid on the amount originally paid for the Units from the date you purchased the Units through the date you sold the Units. Interest will also be paid on the loss realized from your sale of the Units from the date of such sale through the date that payment is made by us.

If you currently hold Units purchased through the Plan during the Purchase Period, you may accept the Rescission Offer, in which case the Trustee will sell the shares included in the Units and credit your Plan account with the amount you paid for the Units, plus interest at a rate of 5.27% per year for the period from the date you purchased the Units to the date payment is made by us. However, we will not repurchase any Unit if the price you paid for the Unit plus interest (to the Expiration Date) is less than the value of the Unit as of the Expiration Date, as it would not be economically beneficial to you.

Units are deemed sold in the order in which you purchased them. In order to determine which Units acquired during the Purchase Period are eligible for repurchase and which, if any, Units so acquired were sold at a loss, all Units acquired on your behalf pursuant to the Plan will be matched against all sales of Units during or after the Purchase Period by matching the first Unit acquired with the first Unit sold. This principle, commonly called first-in, first-out, or FIFO, will be used by Dell in determining which Units you sold at a loss and which Units you now hold are eligible for repurchase and should be used by you to help determine whether or not you wish to accept the Rescission Offer. An example of the application of the FIFO principle is included with the Rescission Offer Acceptance Form that accompanies this Prospectus.

Because this Rescission Offer is being made, in part, to limit any contingent liability that we may have as a result of possible noncompliance with applicable U.S. federal registration requirements, and because the offerees to whom this Rescission Offer is being made reside in a variety of U.S. jurisdictions, the Company believes that it is appropriate to use a U.S. federal reference rate of interest to determine the interest rate to be applied in this Rescission Offer.

U.S. federal law does not provide a specific rate of interest to be used in rescission offers. However, we have determined that an appropriate interest rate to be applied in this Rescission Offer is the weekly average 1-year current maturity Treasury yield (CMT), as published by the Board of Governors of the Federal Reserve System. We have selected the CMT rate in effect on both June 30, 2006, and July 7, 2006 (5.27%), because it represents the highest CMT rate in effect for any calendar week during

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the Purchase Period and is significantly higher than the CMT rate in effect on the date of this prospectus. Consequently, we will apply an annual rate of interest of 5.27% to all interest rate calculations used in this Rescission Offer.

The Rescission Offer will expire at 3:00 p.m., U.S. Central Time, on September 26, 2008, which is [] days from the date of this prospectus. If we receive a legible and properly completed Rescission Offer Acceptance Form from you on or before the deadline specified in the preceding sentence, and we determine that you are eligible to accept the Rescission Offer, we expect any proceeds to which you are entitled will be credited to your Plan account, or a Plan account established for you within 3-5 business days following the Expiration Date.

If you still have a Plan account and are an active employee of Dell, we will credit all proceeds resulting from acceptance of the Rescission Offer to your Plan account in accordance with your current investment elections for new contributions to the Plan. If you have separate investment elections on file for both employee and employer contributions, your proceeds will be invested in accordance with your investment elections for employer contributions. If you still have a Plan account, but you are not an active employee of Dell or do not have current investment elections on file, all proceeds resulting from acceptance of the Rescission Offer will be credited to your Plan account and invested in the Dodge & Cox Balanced Fund. If you no longer have a Plan account, a Plan account will be established for you and all proceeds payable to you under this Rescission Offer will be invested in the Dodge & Cox Balanced Fund. The Plan's distribution rules vary based on your personal circumstances such as your account balance, age, and employment status. As a result, you should review the Plan Summary Plan Description and the Questions and Answers About the Rescission Offer located in this Prospectus for more information on your distribution options. Payment of proceeds directly to you may result in adverse tax consequences (see Material U.S. Federal Income Tax Considerations).

As of [], 2008, the closing sale price of our common stock (as reported on The NASDAQ Stock Market) was \$[] per share. The value of a Unit on such date was \$[].

The tables below set forth (1) the highest and lowest net asset values of the Units for the first quarter of fiscal year 2009 and for each quarter during fiscal year 2008 and fiscal year 2007 and (2) the high and low sale prices of our common stock for the first quarter of fiscal year 2009 and for each quarter during fiscal year 2008 and fiscal year 2007.

	Fiscal Year 2009		Fiscal Year 2008			Fiscal Year 2007			
	First Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Unit value:									
High	\$ 113.47	\$ 139.77	\$ 159.04	\$ 165.76	\$ 163.88	\$ 174.11	\$ 143.95	\$ 135.02	\$ 150.02
Low	\$ 99.23	\$ 118.74	\$ 133.95	\$ 140.73	\$ 109.02	\$ 137.99	\$ 109.03	\$ 114.63	\$ 128.05

	Fiscal Year 2009		Fiscal Year 2008			Fiscal Year 2007			
	First Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

Stock
sales price
per share:

High	\$ 21.18	\$ 25.95	\$ 29.61	\$ 30.77	\$ 30.37	\$ 32.00	\$ 26.43	\$ 24.62	\$ 27.62
Low	\$ 18.13	\$ 21.61	\$ 24.64	\$ 24.96	\$ 18.87	\$ 25.32	\$ 19.91	\$ 20.99	\$ 23.52

During the fiscal quarter ended May 2, 2008, we repurchased 52,330,027 shares of common stock at an aggregate purchase price of \$1,031,001,292. Thereafter, through July 9, 2008, we repurchased 53,343,449 shares of common stock at an aggregate purchase price of \$1,258,916,042. We have not sold significant amounts of our common stock during either of such periods other than upon the exercise of options granted under our Amended and Restated 2002 Long-Term Incentive Plan.

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How to Accept or Reject the Rescission Offer

YOU ARE NOT LEGALLY REQUIRED TO ACCEPT THE RESCISSION OFFER.

How to accept the Rescission Offer

Acceptance of the Rescission Offer is optional. Generally, acceptance of the Rescission Offer is economically beneficial only if you have sold Units purchased during the Purchase Period at a loss, or if you currently hold Units purchased during the Purchase Period and the value of a Unit on the Expiration Date is less than the price you paid for the Unit, plus interest (to the Expiration Date).

You may accept your Rescission Offer by mail or fax. In order to accept the Rescission Offer, you must complete the Rescission Offer Acceptance Form and return it by mail or fax so that it is received by us on or before 3:00 p.m., U.S. Central Time, on September 26, 2008. The Rescission Offer Acceptance Form must be legible. You may mail your Rescission Offer Acceptance Form to:

Dell Inc. Rescission Offer
70 University Avenue, P.O. Box 5
Toronto, ON
M5J 2M4

If you choose to overnight your Rescission Offer Acceptance Form, please send it to:

Dell Inc. Rescission Offer
70 University Avenue, 8th Floor
Toronto, ON
M5J 2M4
877-888-4601

You may fax your Rescission Offer Acceptance Form to 888-810-7480 if you are in North America or to 800-810-7480-0 if you are outside of North America.

If you choose to accept the Rescission Offer, we recommend that you mail or fax the Rescission Offer Acceptance Form sufficiently in advance of the Expiration Date to ensure its receipt by the deadline specified above. The method for returning the Rescission Offer Acceptance Form is at your option and risk, and delivery will be deemed made only when actually received by us at the address or fax indicated above. If delivery is by mail, we recommend using registered mail with return receipt requested. You can also call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday, between hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time to confirm your Rescission Offer Acceptance Form was received.

WE MUST RECEIVE YOUR LEGIBLE AND PROPERLY COMPLETED RESCISSION OFFER ACCEPTANCE FORM ON OR BEFORE 3:00 P.M., U.S. CENTRAL TIME, ON THE EXPIRATION DATE, SEPTEMBER 26, 2008. OTHERWISE, YOU WILL BE DEEMED TO HAVE REJECTED THE RESCISSION OFFER. WE WILL, IN OUR SOLE DISCRETION, DETERMINE WHETHER YOUR RESCISSION OFFER ACCEPTANCE FORM HAS BEEN PROPERLY COMPLETED AND WHETHER YOU ARE ELIGIBLE TO ACCEPT THE RESCISSION OFFER.

Proceeds will be disbursed to your 401(k) Plan account within 3-5 business days following the Expiration Date.

How to reject the Rescission Offer

You do not need to take any action to reject the Rescission Offer. If you change your decision and want to reject the Rescission Offer after having submitted the Rescission Offer Acceptance Form, you may reject the Rescission Offer by sending a notice that includes your name, your identification number located on your Rescission Offer acceptance form, and a clear indication that you are rejecting the Rescission Offer to the attention of Dell Inc. Rescission Offer, at the address or to the fax number above.

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If you have previously accepted the Rescission Offer and you change your mind, we must receive a legible notice of rejection on or before 3:00 p.m., U.S. Central Time, on September 26, 2008. Otherwise, you will be deemed to have accepted the Rescission Offer pursuant to your original Rescission Offer Acceptance Form.

IF YOU FAIL TO NOTIFY US IN WRITING OF YOUR ACCEPTANCE OF THE RESCISSION OFFER ON OR PRIOR TO 3:00 P.M., U.S. CENTRAL TIME, ON THE EXPIRATION DATE, SEPTEMBER 26, 2008, OR ATTEMPT TO ONLY ACCEPT THE RESCISSION OFFER IN PART, YOU WILL BE DEEMED TO HAVE REJECTED THE RESCISSION OFFER. ACCEPTANCE OR REJECTION OF THE RESCISSION OFFER MAY NOT TERMINATE YOUR RIGHT TO BRING A CIVIL ACTION AGAINST US FOR FAILURE TO REGISTER THE SHARES INCLUDED IN THE UNITS UNDER FEDERAL SECURITIES LAWS. HOWEVER, FEDERAL LAW DOES PROVIDE THAT YOU MAY LOSE ANY RESCISSION RIGHTS UNDER FEDERAL SECURITIES LAWS ONE YEAR FROM THE DATE OF PURCHASE OF SUCH SHARES AND THREE YEARS FROM THE DATE SUCH SHARES WERE BONA FIDE OFFERED TO THE PUBLIC.

If you have questions regarding how to reject the Rescission Offer, you can also call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday between the hours of 8:00 a.m. and 8:00 p.m., U.S. Central Time.

Funding the Rescission Offer

We have sufficient funds available to pay for the purchase of any Units that may be tendered to us as a result of the Rescission Offer.

Questions about the Rescission Offer

If you have questions about the Rescission Offer, you may call the Dell Inc. Rescission Offer Call Center by dialing your country's international long distance access code followed by 877-888-4601, Monday through Friday, between 8:00 a.m. and 8:00 p.m., U.S. Central Time. If you have any questions about accessing your Dell Stock Fund transaction history, you can find more information by accessing your account at <http://resources.hewitt.com/dell>. If you need further assistance or if you do not have access to your online account, you should call the Dell Benefits Center at 1-888-335-5663 to request a detailed listing of your transactions by mail or fax. Please allow 10-13 days to receive your Dell Stock Fund transaction history.

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes the material U.S. federal income tax considerations relating to the Rescission Offer. This discussion is based on current law. The following discussion is not exhaustive of all possible tax consequences. It does not give a detailed discussion of any state, local or foreign tax consequences, nor does it discuss all of the aspects of U.S. federal income taxation that may be relevant to you in light of your particular circumstances and only applies if you are an individual citizen or resident of the United States.

You are urged to consult with your own tax advisor regarding the specific consequences to you of the Rescission Offer, including the U.S. federal, state, local, foreign and other tax consequences and the potential changes in applicable tax laws.

Your acceptance or rejection of the Rescission Offer, or the sale of the Units representing our common stock and short-term liquid investments to us pursuant to the Rescission Offer or the receipt of the specified payment if you had previously sold your Units at a loss, is not considered to be a taxable event before withdrawal or distribution of funds from your Plan account. If you currently have a Plan account and are an active employee of Dell, your proceeds from

the Rescission Offer will be credited to your Plan account and will be invested in accordance with your current investment elections in the Plan. If you have separate investment elections on file for both employee and employer contributions, your proceeds will be invested in accordance with your investment elections for employer contributions. If you currently have a Plan account,

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but you are not an active employee of Dell or do not have current investment elections on file, your proceeds from the Rescission Offer will be credited to your Plan account and invested in the Dodge & Cox Balanced Fund. Upon any later withdrawal or distribution, any gain resulting from the Rescission Offer will generally be taxable as ordinary income. An additional ten percent income tax may be imposed in cases of early withdrawal.

If you have directed and caused a full distribution from the Plan and no longer have an individual account in the Plan, a new Plan account will be established for you and any amounts paid in respect of the Rescission Offer will be credited to your account and invested in the Dodge & Cox Balanced Fund. The Plan's distribution rules vary based on your personal circumstances such as your account balance, age, and employment status. As a result, you should review the Plan's Summary Plan Description and the "Questions and Answers About the Rescission Offer" in this Prospectus for more information on your distribution options. A direct rollover into an individual retirement account or other qualified retirement plan is not considered to be a taxable event. If the proceeds from the Rescission Offer are not rolled over, however, and you receive a distribution from the Plan, such distribution will generally be taxable as ordinary income to you as described above. An additional ten percent income tax may be imposed depending on your age.

To ensure compliance with U.S. Treasury Department Circular 230, we inform you that the preceding discussion (and any other discussion of U.S. federal tax issues herein) is written in connection with the promotion or marketing of the Rescission Offer and is not intended to be relied upon, and cannot be relied upon) by a participant in such offer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code. Each prospective participant in the Rescission Offer should seek advice based on his or her own particular circumstances from an independent tax advisor.

USE OF PROCEEDS

We will receive no proceeds from the Rescission Offer.

NOTICE OF BLACKOUT PERIOD

This notice is intended to comply with the requirements of Department of Labor Final Regulation Relating to Notice of Blackout Periods to Participants and Beneficiaries, 29 C.F.R. Section 2520.101-3, to the extent such requirements apply to the Rescission Offer. Accordingly, this notice is intended to inform affected participants (and beneficiaries) of the Plan of a blackout period during which their right to direct or diversify their Plan investments may be temporarily suspended.

If you are being offered the opportunity to participate in this Rescission Offer and you hold Units in the Dell Stock Fund in your Plan account on the Expiration Date, all transactions related to your Plan account will be temporarily suspended on the Expiration Date. The temporary suspension is called a "blackout period" and applies whether or not you accept the Rescission Offer. The blackout period will begin at 3:00 p.m., U.S. Central Time, on September 26, 2008, and, if you accept the Rescission Offer, will end at 11:59 p.m., U.S. Central Time on October 1, 2008. You will be notified in the event that the blackout period is extended past October 1, 2008. If you do not accept the Rescission Offer, the blackout period will end at 12:01 a.m., U.S. Central Time, on September 29, 2008.

The blackout period is required to ensure smooth processing of the Rescission Offer. The Trustee will not permit any transactions related to your Plan account during the blackout period. This means:

you will be unable to direct or diversify your investments in your Plan account during the blackout period; and

all requests for loans and distributions (including hardship distributions) will be delayed until after the blackout period ends (any requests made during the blackout period do not need to be remade once the blackout period ends).

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You will need to initiate any requests prior to 3:00 p.m., U.S. Central Time, on the date the blackout begins for those requests to take effect. It is important that you review and consider the appropriateness of your current investments in light of your inability to direct or diversify investments in your Plan account during the blackout period. For your long-term retirement security, you should give careful consideration to the importance of a well-balanced and diversified investment portfolio, taking into account all your assets, income and investments. You should be aware that there is a risk to holding substantial portions of your assets in the securities of any one company, such as the Dell Stock Fund, as individual securities tend to have wider price swings, up and down, in short periods of time, than investments in diversified funds. Our common stock may have a wide price swing during the blackout period resulting in a large loss, and you will not be able to direct the sale of Units from your Plan account during the blackout period.

If you have any questions concerning this notice or the blackout period, including whether the blackout period has ended, you should contact the Dell Benefits Center at 1-888-335-5663. Whether or not you are planning retirement in the near future, we encourage you to consider how this blackout period may affect your retirement planning, as well as your overall financial plan.

For additional information and limitations on Plan investments and how to direct investment of your Plan account, see the Plan Summary Plan Description. To obtain a copy of the Plan Summary Plan Description, you may view and print a copy from the Dell intranet or you may contact the Dell Benefits Center at 1-888-335-5663.

WHERE YOU CAN FIND MORE INFORMATION

We maintain an Internet website at www.dell.com. All of our reports filed with the SEC (including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statements) are accessible through the Investor Relations section of our website at www.dell.com/investor, free of charge, as soon as reasonably practicable after electronic filing. The public may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at www.sec.gov.

We have filed with the SEC a registration statement under the Securities Act that registers the distribution of the securities offered hereby. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us and the securities being offered. This prospectus, which forms part of the registration statement, omits certain of the information contained in the registration statement in accordance with the rules and regulations of the SEC. Reference is hereby made to the registration statement and related exhibits for further information with respect to us and the securities offered hereby. Statements contained in this prospectus concerning the provisions of any document are not necessarily complete and, in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We incorporate into this prospectus by reference the following documents filed by us with the SEC, each of which should be considered an important part of this prospectus:

Our Annual Report on Form 10-K for the fiscal year ended February 1, 2008;

Our Proxy Statement for the Annual Meeting of Stockholders scheduled for July 18, 2008;

Our Quarterly Report on Form 10-Q for the fiscal quarter ended May 2, 2008;

Our Current Reports on Form 8-K filed on February 12, 2008, March 31, 2008, April 17, 2008, April 24, 2008, May 19, 2008, June 5, 2008 and June 30, 2008; and

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The description of our common stock, par value \$0.01 per share, contained in the Registration Statement on Form 8-A dated June 20, 1988, including any amendment or report filed to update such description.

Any person, including any beneficial owner, to whom this prospectus is delivered may request copies of this prospectus and any of the documents incorporated by reference in this prospectus, without charge, by written or oral request directed to Dell Investor Relations, Dell Inc., One Dell Way, Round Rock, Texas 78682, telephone (512) 728-7800, on the Investor Relations section of Dell's website at <http://www.dell.com/investor> or from the SEC through the SEC's website at the address provided above. Documents incorporated by reference are available without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents.

LEGAL MATTERS

Unless otherwise specified in this prospectus, certain legal matters relating to the securities to be offered hereby will be passed upon for us by Janet B. Wright, Esq., Director Corporate Legal of our Company.

EXPERTS

The consolidated financial statements incorporated in this Prospectus by reference to Dell's Current Report on Form 8-K dated June 5, 2008, and the financial statement schedule and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this Prospectus by reference to the Annual Report on Form 10-K of Dell Inc. for the year ended February 1, 2008 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following is an itemized statement of the expenses expected to be incurred in connection with the Rescission Offer. With the exception of the SEC registration fee, the amounts set forth below are estimates.

SEC registration fee	\$ 12,063
Accounting fees and expenses	15,000
Printing and mailing fees	126,000
Legal fees and expenses	183,000
Miscellaneous	944,000
 Total	 \$ 1,280,063

Item 14. Indemnification of Directors and Officers.

Under our Restated Certificate of Incorporation and Restated Bylaws, our officers and directors are entitled to indemnification from Dell to the fullest extent permitted by the General Corporation Law of the State of Delaware, or DGCL. In addition, Dell may, to the fullest extent permitted by the DGCL or to such lesser extent as is determined in the discretion of the Board of Directors, indemnify its other employees and agents. Pursuant to Section 145 of the DGCL, Dell generally has the power to indemnify its present and former directors and officers against expenses and liabilities incurred by them in connection with any suit to which they are, or are threatened to be made, a party by reason of their serving in those positions so long as they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of Dell, and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. With respect to suits by or in the right of Dell, however, indemnification is generally limited to attorneys' fees and other expenses and is not available if the person is adjudged to be liable to Dell unless the court determines that indemnification is appropriate. The statute expressly provides that the power to indemnify authorized thereby is not exclusive of any rights granted under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. Dell also has the power to purchase and maintain insurance for its directors and officers.

The preceding discussion of our Restated Certificate of Incorporation and Section 145 of the DGCL is not intended to be exhaustive and is qualified by the Restated Certificate of Incorporation and Section 145 of the DGCL.

We have entered into indemnification agreements with each of our non-employee directors. Those agreements do not increase the extent or scope of the indemnification provided but were entered into to establish processes and procedures for indemnification claims.

Item 15. Recent Sales of Unregistered Securities.

Set forth below is a listing of all sales of securities by Dell during the past three years not registered under the Securities Act of 1933, as amended:

Internal Restructuring. We have modified the corporate organizational structure of certain of our subsidiaries to achieve more integrated global operations and to provide various financial, operational, and tax efficiencies. In connection with this internal restructuring, on December 28, 2006, we issued approximately 475 million shares of our

common stock valued at \$12.0 billion based on the closing price on The NASDAQ Stock Market on that date, to a wholly-owned subsidiary in return for an equivalent value in equity interests in the subsidiary. As part of the restructuring, the subsidiary used these shares to acquire a controlling interest in another wholly-owned subsidiary. Because all the shares issued as part of this restructuring are held by one or more of our wholly-owned subsidiaries, the shares are not considered outstanding in our consolidated financial

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statements or for voting purposes. We continue to be the ultimate beneficial owner of all subsidiaries involved in the internal restructuring.

These shares have not been registered under the Securities Act and were issued in a transaction not involving a public offering pursuant to the exemption under Section 4(2) of the Securities Act. The shares may not be resold absent registration or an applicable exemption from the registration requirements under the Securities Act or other applicable law.

Certain Employee Benefit Plan Securities. As a result of our inability to file our Annual Report on Form 10-K for Fiscal 2007 on its due date (April 3, 2007), we suspended our sale of Dell securities under our various employee benefit plans. In preparing for that suspension, we discovered that we had inadvertently failed to file with the SEC certain registration statements relating to securities under the plans.

Employee Stock Purchase Plan: Until the first quarter of Fiscal 2009, we maintained an Employee Stock Purchase Plan available to substantially all our employees worldwide. In 1994, stockholders approved additional shares for issuance under our Employee Stock Purchase Plan. We discovered that the issuance of these additional shares was never registered. Consequently, we have inadvertently issued approximately 54 million unregistered shares under this plan since 1996.

Retirement Plans: We maintain a 401(k) retirement savings plan that is available to substantially all of our U.S. employees and a separate retirement plan that is available to our employees in Canada. Both of those plans contain a Dell Stock Fund, and both plans allow participants to allocate some or all of their account balances to interests in the Dell Stock Fund. The Dell common stock held in the Dell Stock Funds is not purchased from Dell; rather, the plan trustees accumulate the plan contributions that are directed to the Dell Stock Funds and purchase for the Dell Stock Funds shares of Dell common stock in open market transactions. Nevertheless, because we sponsor the plans, we may be required to register certain transactions in the plans related to shares of Dell common stock. We discovered that we may be deemed to have been required to file a Form S-8 in July 2003 to register additional share transactions in the 401(k) Plan and a Form S-8 to register share transactions in the Canadian retirement plan in 1999. Consequently, we may be deemed to have inadvertently failed to register transactions in the two plans relating to up to approximately 37 million shares.

Table of Contents**Item 16. Exhibits and Financial Statement Schedules.**

Exhibit Number	Description of Exhibit
3.1	Restated Certificate of Incorporation, filed February 1, 2006 (incorporated by reference to Exhibit 3.3 of Dell's Current Report on Form 8-K filed on February 2, 2006, Commission File No. 0-17017).
3.2	Restated Bylaws, as amended and effective March 8, 2007 (incorporated by reference to Exhibit 3.1 of Dell's Current Report on Form 8-K filed on March 13, 2007, Commission File No. 0-17017).
4.1	Indenture, dated as of April 27, 1998, between Dell Computer Corporation and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed April 28, 1998, Commission File No. 0-17017).
4.2	Officers' Certificate pursuant to Section 301 of the Indenture establishing the terms of Dell's 6.55% Senior Notes Due 2008 (incorporated by reference to Exhibit 99.3 of Dell's Current Report on Form 8-K filed April 28, 1998, Commission File No. 0-17017).
4.3	Officers' Certificate pursuant to Section 301 of the Indenture establishing the terms of Dell's 7.10% Senior Debentures Due 2028 (incorporated by reference to Exhibit 99.4 of Dell's Current Report on Form 8-K filed April 28, 1998, Commission File No. 0-17017).
4.4	Form of Dell's 6.55% Senior Notes Due 2008 (incorporated by reference to Exhibit 99.5 of Dell's Current Report on Form 8-K filed April 28, 1998, Commission File No. 0-17017).
4.5	Form of Dell's 7.10% Senior Debentures Due 2028 (incorporated by reference to Exhibit 99.6 of Dell's Current Report on Form 8-K filed April 28, 1998, Commission File No. 0-17017).
4.6	Indenture, dated as of April 17, 2008, between Dell Inc. and The Bank of New York Trust Company, N.A., as trustee (including the form of notes) (incorporated by reference to Exhibit 4.1 of Dell's Current Report on Form 8-K filed April 17, 2008, Commission File No. 0-17017).
4.7	Exchange and Registration Rights Agreement, dated as of April 17, 2008, among Dell Inc. and Barclays Capital Inc., Goldman Sachs & Co. and J.P. Morgan Securities Inc., as representatives of the several purchasers named therein (incorporated by reference to Exhibit 4.2 of Dell's Current Report on Form 8-K filed April 17, 2008, Commission File No. 0-17017).
4.8**	Tolling and Standstill Agreement, dated May 14, 2008, between Dell and the Benefits Administration Committee, on behalf of the Dell Inc. 401(k) Plan.
5.1**	Opinion of Janet B. Wright, Esq., Director Corporate Legal of Dell Inc. regarding legality of common stock being registered.
10.1	

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Amended and Restated Dell Computer Corporation 1994 Incentive Plan (incorporated by reference to Exhibit 99 of Dell's Registration Statement on Form S-8, filed October 31, 2000, Registration No. 333-49014).

- 10.2 Amended and Restated Dell Computer Corporation 1998 Broad Based Stock Option Plan (incorporated by reference to Exhibit 99 of Dell's Registration Statement on Form S-8, filed October 31, 2000, Registration No. 333-49016).
- 10.3 Dell Computer Corporation 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of Dell's Quarterly Report on Form 10-Q for the fiscal quarter ended August 2, 2002, Commission File No. 0-17017).
- 10.4 Dell Inc. Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Appendix A of Dell's 2007 proxy statement filed on October 31, 2007, Commission File No. 0-17017).

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- 10.5 Amended and Restated Dell Inc. 401(k) Plan, adopted effective as of January 1, 2007 (incorporated by reference to Exhibit 10.5 to Dell's Annual Report on Form 10-K for the fiscal year ended February 1, 2008, Commission File No. 0-17017).
- 10.6 Amended and Restated Dell Computer Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.6 to Dell's Annual Report on Form 10-K for the fiscal year ended January 30, 2004, Commission File No. 0-17017).
- 10.7 Executive Incentive Bonus Plan, adopted July 18, 2003 (incorporated by reference to Exhibit 10.1 of Dell's Quarterly Report on Form 10-Q for the fiscal year ended August 1, 2003, Commission File No. 0-17017).
- 10.8 Form of Indemnification Agreement between Dell and each Non-Employee Director of Dell (incorporated by reference to Exhibit 10.11 to Dell's Annual Report on Form 10-K for the fiscal year ended January 31, 2003, Commission File No. 0-17017).
- 10.9 Form of Performance Based Stock Unit Agreement for employees under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed March 14, 2006, Commission File No. 0-17017).
- 10.10 Form of Restricted Stock Agreement for Non-Employee Directors under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 of Dell's Current Report on Form 8-K filed July 27, 2006, Commission File No. 0-17017).
- 10.11 Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed July 27, 2006, Commission File No. 0-17017).
- 10.12 Form of Nonstatutory Stock Option Agreement for Non-Employee Directors under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.3 of Dell's Current Report on Form 8-K filed July 27, 2006, Commission File No. 0-17017).
- 10.13 Form of Nonstatutory Stock Option Agreement for grant to Donald J. Carty under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 of Dell's Current Report on Form 8-K filed December 20, 2006, Commission File No. 0-17017).
- 10.14 Form of Stock Unit Agreement for grant to Donald J. Carty under the 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed December 20, 2006, Commission File No. 0-17017).
- 10.15 Form of Restricted Stock Unit Agreement for Non-Employee Directors under the Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.10 of Dell's Quarterly Report on Form 10-Q filed on October 30, 2007, Commission File No. 0-17017).
- 10.16 Form of Nonstatutory Stock Option Agreement for Non-Employee Directors under the Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.11 of Dell's Quarterly Report on Form 10-Q filed on October 30, 2007, Commission File No. 0-17017).

- 10.17 Form of Performance Based Stock Unit Agreement for Executive Officers under the Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.17 of Dell's Annual Report on Form 10-K for the fiscal year ended February 1, 2008, Commission File No. 0-17017).
- 10.18 Form of Nonstatutory Stock Option Agreement for Executive Officers under the Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.18 of Dell's Annual Report on Form 10-K for the fiscal year ended February 1, 2008, Commission File No. 0-17017).
- 10.19 Form of Restricted Stock Unit Agreement for Executive Officers under the Amended and Restated 2002 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.19 of Dell's Annual Report on Form 10-K for the fiscal year ended February 1, 2008, Commission File No. 0-17017).

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- 10.20 Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement for Executive Officers (incorporated by reference to Exhibit 10.1 of Dell's Current Report on Form 8-K filed on July 16, 2007, Commission file No. 0-17017).
- 10.21 Form of Release Agreement between Dell and Current and Former Executive Officers with respect to Expired Stock Options (incorporated by reference to Exhibit 10.1 of Dell's Current Report on Form 8-K file July 16, 2007, Commission file No. 0-17017).
- 10.22 Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement between Kevin B. Rollins and Dell Inc. (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed February 20, 2007, Commission File No. 0-17017).
- 10.23 Letter Agreement regarding Severance Benefits between Michael R. Cannon and Dell Inc. (incorporated by reference to Exhibit 99.1 of Dell's Current Report on Form 8-K filed February 21, 2007, Commission File No. 0-17017).
- 10.24 Letter Agreement regarding Severance Benefits between Ronald G. Garriques and Dell Inc. (incorporated by reference to Exhibit 99.2 of Dell's Current Report on Form 8-K filed February 21, 2007, Commission File No. 0-17017).
- 10.25 Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement (incorporated by reference to Exhibit 99.3 of Dell's Current Report on Form 8-K filed February 21, 2007, Commission File No. 0-17017).
- 10.26 Form of Protection of Sensitive Information, Noncompetition and Nonsolicitation Agreement for Executive Officers (incorporated by reference to Exhibit 10.1 of Dell's Current Report on Form 8-K filed on September 12, 2007, Commission file No. 0-17017).
- 10.27 Separation Agreement and Release between Kevin B. Rollins and Dell Inc. (incorporated by reference to Exhibit 99.1 of Dell's Current Report on Form 8-K filed February 20, 2007, Commission File No. 0-17017).
- 21 Subsidiaries of Dell (incorporated by reference to Exhibit 21 of Dell's Annual Report on Form 10-K for the fiscal year ended February 2, 2007, Commission File No. 0-17017).
- 23.1 Consent of Janet B. Wright, Esq., Director Corporate Legal of Dell Inc. (included as part of the opinion filed as Exhibit 5.1) (see Exhibit 5.1 above).
- 23.2* Consent of Independent Registered Public Accounting Firm.
- 24.1** Power of Attorney (set forth on signature page).
- 99.1* Forms of cover letters to Rescission Offer recipients.
- 99.2* Form of Rescission Offer Acceptance Form.

* Filed herewith

** Previously filed

Item 17. Undertakings.

The undersigned registrant hereby undertakes:

(a) (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

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(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

The Board of Directors of the Corporation has adopted a process to facilitate written communications by shareholders or other interested parties to the Board of Directors. Persons wishing to write to the Board of Directors of the Corporation or a specified director or committee of the Bank Board of Directors should send correspondence to the Corporate Secretary at First Farmers and Merchants Corporation, P.O. Box 1148, Columbia, Tennessee, 38402-1148.

All communications properly received from shareholders or other interested parties will be forwarded to the members of the Board of Directors, or to a specific director or committee if so designated by such person. Any shareholder who wishes to communicate with a specific Board member should send instructions asking that the material be forwarded to the director. Solicitations, junk mail and frivolous communications will not be forwarded but will be made available to any director who wishes to review them.

Code of Ethics

The Board of Directors of the Corporation has not adopted a Code of Ethics, as defined by the rules and regulations of the SEC, because the principal business of the consolidated company is conducted by the Bank rather than the Corporation, which is a bank holding company. The Board of Directors of the Bank, however, has adopted a Code of Ethics for all employees of the Bank. A copy of this Code of Ethics can be obtained without charge by a written request to Human Resources Director, First Farmers and Merchants Bank, P.O. Box 1148, Columbia, Tennessee, 38402-1148.

COMPENSATION DISCUSSION AND ANALYSIS

The executive officers of the Corporation do not receive compensation for service as executive officers of the Corporation but instead receive compensation from the Bank for service as executive officers of the Bank. The Compensation Committee of the Bank designs and implements compensation programs to attract, retain and motivate officers, employees and directors by offering attractive and competitive compensation elements and amounts. These goals are balanced against the need to control expenses for the benefit of the shareholders of the Corporation. The compensation programs are designed to reward production and foster loyalty to the Bank and the Corporation. To be competitive, the Bank seeks to provide salaries and benefits comparable to the median of those provided by other banking companies of similar asset size in the Bank's peer group. The Bank strives to be competitive using peer benchmark analysis of current market levels of compensation. The Compensation Committee believes that, in large part because of the Bank's compensation system, it has been able to assemble a team of effective and productive officers and employees.

General Compensation Philosophy

Decisions with respect to the compensation of the Bank's executive officers, including the Named Executive Officers, are made by the Compensation Committee. The Compensation Committee believes that the actions of each executive officer have the potential to impact the short-term and long-term profitability of the Corporation and the Bank. Consequently, the Compensation Committee places considerable importance on its task of designing and administering an executive compensation program.

The Bank has an executive compensation program that considers factors such as shareholder value and the overall performance of the Corporation and the Bank, as further described below under Cash Bonus Plan. The main components of the executive compensation program are base salary, cash bonus plan, employee benefits and perquisites. The Corporation and the Bank currently do not have an equity incentive compensation program. The Compensation Committee believes that an equity incentive program is not currently in the best interest of the Corporation or the Bank.

In determining the aggregate amount of base salary and cash bonus for the Named Executive Officers, the Compensation Committee considers compensation levels for the chief executive officer, the chief financial officer and other executive officer positions of peer financial institutions as published in annual compensation and benefits surveys conducted by the Tennessee Bankers Association. These surveys do not identify the specific banks or bank holding companies that participated in the survey, but do provide data for the participating institutions grouped according to asset size and geographic region. In its review of the aggregate amount of base salary and incentive bonus for the Named Executive Officers for 2009, the Compensation Committee primarily focused on data for financial institutions with an asset size of \$500 million to \$1 billion. The Corporation's compensation of its Named Executive Officers in 2009 generally was within the range of the median compensation levels of the peer group.

Components of Compensation

Base Salary

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Base salary represents a fixed labor cost and is designed so that the executive officers receive acceptable salaries, helping the Bank keep talent needed to meet the challenges in the financial service industry. Many factors are included in determining base salaries such as job responsibilities, the scope of the position, length of service with the Bank, individual performance and compensation for similar positions in the Bank's peer group. All base salaries are reviewed annually. In August 2007, the Bank adopted a new salary administration program for determining base salary. In this system, all positions are assigned a position level and each position level has a salary range that is defined by a minimum, mid-point and maximum salary. The minimum of each salary range is typically 80% of the mid-point of the

applicable salary range and the maximum of each salary range is typically 120% of the mid-point. The Bank hired Koker Goodwin and Associates in 2007 to produce the salary ranges for each position level and the Compensation Committee plans to update the ranges annually in October of each year with respect to the following year based on several salary surveys. The salary ranges are adjusted for the Bank according to its asset size and geographic location. The salary ranges have been and will be used only as a guide for setting base salaries and will not reflect any incentive pay, benefits or other executive perquisites. All base salaries can be expressed as a percentage of the mid-point of the salary range applicable to each position level (the Compa-Ratio). In 2009, each of the Named Executive Officers received a base salary increase compared to 2008 base salary as follows, based on a combination of the above-mentioned factors:

Name	Salary Increase
T. Randy Stevens	7.50%
Patricia P. Bearden	7.10%
Timothy E. Pettus	10.00%
John P. Tomlinson, III	3.07%
N. Houston Parks	3.03%

For 2010, the base salary of each of the Named Executive Officers had the following Compa-Ratio:

Name	Compa-Ratio
T. Randy Stevens	97.1%
Patricia P. Bearden	83.6%
Timothy E. Pettus	101.5%
John P. Tomlinson, III	102.2%
N. Houston Parks	103.4%

The Compensation Committee has set the base salary for each of the Named Executive Officers for 2010 as follows:

Name	2010 Base Salary	Increase from 2009
T. Randy Stevens *	\$ 288,818	0.00%
Patricia P. Bearden	125,000	4.17%
Timothy E. Pettus *	220,000	0.00%
John P. Tomlinson, III	172,000	2.38%
N. Houston Parks	172,000	1.18%

* Although the Compensation Committee determined that Messrs. Stevens and Pettus were eligible and deserving of a salary increase for 2010, Messrs. Stevens and Pettus each determined to decline any increase in 2010 base salary.

Cash Bonus Plan

The second component in the executive compensation program is a cash bonus plan. The cash bonus plan is used as a short-term incentive to drive achievement of annual Bank performance goals. This plan determines the bonuses for all executive officers as a percentage of their salary and is based on an evaluation of each executive's performance as well as the Bank's performance in various categories, including the following that were used in 2009:

- Return on assets;
- Delinquencies and non-accruals;

- Gross loan growth;
- Net deposit growth; and
- Net income.

During 2009, the Compensation Committee established performance goals under the cash bonus plan. The goals and actual performance for 2009 were as follows (dollars in thousands):

Performance Metric	2009 Goal	2009 Actual
Return on assets	≥ 1.15%	0.90%
Delinquencies and non-accruals	≤ 1.50%	2.82%
Gross loan growth	≥ 5.00%	3.00%
Net deposit growth	≥ 5.00%	5.00%
Net income	≥ \$9.10	\$ 8.60

Values were assigned to varying target levels of performance in each category so that the maximum performance goal in each category was worth 20% of the total potential bonus.

The sum of the percentages for all of the categories (which equals 100% if each maximum performance goal is achieved) was then multiplied by the potential maximum bonus percentage set by the Compensation Committee for each executive position, which maximum bonus percentage was higher for positions with more responsibility, as indicated below. The Compensation Committee establishes the maximum bonus percentages based on the position of each Named Executive Officer in accordance with four different levels: CEO; President; Senior Executive; and CFO. The resulting percentage was multiplied by the base salary for each Named Executive Officer and the product was the Named Executive Officer's bonus for 2009.

The following bonuses were paid to the Named Executive Officers based on achievement of the performance goals for 2009:

Name	Bonus	Actual Bonus as Percentage of Base Salary	Maximum Potential Bonus (Percentage of Base Salary)
T. Randy Stevens	\$ 193,557*	67%	70%
Patricia P. Bearden	13,200	11%	25%
Timothy E. Pettus	48,400	22%	50%
John P. Tomlinson, III	25,872	15%	35%
N. Houston Parks	26,180	15%	35%

* Amount includes an additional \$100,000 discretionary bonus granted to Mr. Stevens by the Compensation Committee in recognition of Mr. Stevens' leadership.

All of these bonuses were in the same range as the bonus levels of the Bank's peer group for executives with similar positions. The performance metrics have been established for 2010, which will be the same as the 2009 performance metrics.

Employee Benefits

The Bank provides the following benefits for all employees of the Bank, including the Named Executive Officers:

- In 1996, the Bank established an officer group term replacement/split-dollar plan to provide life insurance benefits that continue after retirement. A single premium universal life insurance policy was purchased to fund the plan and a split-dollar agreement was made with an irrevocable trust that specified the portion of the insurance proceeds that would become part of the trust. For additional information, see the section below entitled "Split-Dollar Arrangements and Deferred Compensation Agreements."
- The Bank offers health insurance, life insurance and disability insurance at a minimal cost to full-time employees and makes available health insurance for each employee's family, the premiums for which are shared by the employee and the Bank. Each employee receives personal copies of these insurance plans detailing the coverage provided. Any eligible employee who becomes disabled can continue coverage under the Bank's health insurance and life insurance plans. The disabled employee must pay the same premiums as employees who have the same coverage and who are actively at work. This coverage will continue to be provided by the Bank for the entire period of time that the employee is eligible and receives compensation under the Bank's group long-term disability insurance policy.
- The Bank has adopted the Deferred Profit Sharing Plan, which is a tax-qualified profit sharing retirement plan that has been approved by the Internal Revenue Service. All employees of the Bank are eligible to participate who are at least 20 years old and who have completed one year of service with the Bank. An individual account is maintained for participants to record contributions by the Bank on their behalf and adjustments for gains and losses on investments. Participant accounts are subject to forfeiture upon termination of employment prior to vesting. Accounts become vested over a period of six years, with 25% vested after two years of service, an additional 15% after the third year of service and 20% each year thereafter until the benefit is 100% vested at the end of sixth year. The Bank's contribution to the plan is determined by the annual performance of the Bank and is subject to annual approval by the Board of Directors of the Bank. Contributions are allocated to participant accounts pro rata to their compensation each year. The aggregate amount the Bank contributed to the Deferred Profit Sharing Plan for the 304 participants during 2009 was \$1,161,484.
- The Bank provides dental insurance coverage for all eligible employees and makes dental insurance available for eligible dependents at the employee's expense.
- The Bank pays for one physical examination each year for all officers of the Bank, including the Named Executive Officers. The Bank pays for flu immunizations annually for all officers and employees. Payment is made upon the presentation of an itemized statement from the physician providing the services.
- The Bank provides long-term disability insurance to eligible employees at no cost to the employee.
- The Bank offers a "Cafeteria" Plan under Internal Revenue Code Section 125 that gives employees the opportunity to pay for certain benefits on a pre-tax basis rather than on an after-tax basis. Expenses that are eligible for the Section 125 Plan include certain insurance premiums, certain out-of-pocket medical expenses and dependent care expenses. Money spent for these items included in the Section 125 Plan is not subject to Social Security or federal income taxes.

Perquisites

In addition to salaries, bonus opportunities and employee benefits, the Bank provides to certain executive officers, including four of the Named Executive Officers, certain perquisites so that the Bank remains competitive in its ability to hire and retain talented employees. These perquisites include the use of a company vehicle or a vehicle allowance, certain club memberships and the payment of dues for those clubs. The Bank currently provides these perquisites to all of the Named Executive Officers except Ms. Bearden. The Bank's policy for providing perquisites is based on the number of years of experience within the banking industry and the executive's position with the Bank. The Compensation Committee periodically reviews perquisites that are made available to the executive officers, including the Chief Executive Officer, to ensure that they are in line with market practice.

Split-Dollar Arrangements and Deferred Compensation Agreements

The Bank provides certain split-dollar insurance arrangements to fund death benefits (the Plan) for directors and certain officers of the Bank in order to encourage their continued employment and service with the Bank and to reward them for their past service and contribution. The Bank has purchased bank-owned life insurance policies covering the lives of its directors and the Named Executive Officers, with an aggregate premium amount of \$833,000 in 2009. The Bank is the sole owner of and the primary beneficiary of these life insurance policies and recognizes the increase of the cash surrender value of the policies as tax-exempt other income.

The Bank has entered into separate agreements with each of its directors and the Named Executive Officers relating to the Plan. For the directors, each participant is entitled to designate a beneficiary to receive an amount of death benefits equal to the lesser of \$100,000 or the net-at-risk insurance portion of the proceeds (defined as total proceeds minus the cash surrender value of the policy). For the Named Executive Officers, each participant is entitled to designate a beneficiary to receive an amount of death benefits equal to the lesser of two and one-half times the participant's base annual salary at the effective date of the Plan or the net-at-risk insurance portion of the proceeds. A director or Named Executive Officer shall forfeit his or her right to the benefits provided by this Plan if he or she is terminated for cause, removed under certain other circumstances or violates the non-compete or confidentiality restrictive covenants contained in his or her agreement with the Bank. The non-compete provisions generally provide that the Plan participant may not, without the prior written consent of the Corporation, directly or indirectly (i) become employed by, participate in or be connected in any manner with the ownership, management, operation or control of any bank, savings and loan or similar financial institution if the participant's responsibilities will include providing banking or other financial services within a 25-mile radius of any office maintained by the Corporation as of the date of termination of service, (ii) participate in any way in hiring or otherwise engaging, or assisting any other person in hiring or otherwise engaging, any individual who was employed by the Corporation as of the date of termination of service, (iii) assist, advise or serve in any capacity any third party in any action against or transaction involving the Corporation, or (iv) sell, offer to sell, provide banking or other financial services, assist any other person in selling or providing banking or other financial services, or solicit or otherwise compete for any orders, contract or accounts for services of a kind or nature like or substantially similar to those sold by the Corporation to or from any person from whom the participant or the Corporation, to the knowledge of the participant, provided banking or other financial services or such other services during the three-year period immediately prior to the termination of the participant's service.

Because Messrs. Pettus and Stevens are directors and Mr. Tomlinson is a former director, each of them also has Director Deferred Compensation Agreements. For a description of these agreements, see the section below entitled Compensation of Directors Deferred Compensation Agreements and Split-Dollar Arrangements.

Group Term Carve-Out Plans

The Bank owns certain life insurance policies on the lives of participating executive officers and pays the premiums on these policies. Under the Bank's Group Term Carve-Out Plans, the Bank has agreed to pay certain death proceeds under these life insurance policies to a beneficiary designated by each participating executive. In general, if a participant dies while employed by the Bank, the participant's beneficiary will be entitled to a benefit equal to two and one-half times the deceased participant's base annual salary at the effective date of the plan. All of the Named Executive Officers participate in the Bank's 2002 Group Term Carve-Out Plan except Ms. Bearden, who participates in the Bank's 2007 Group Term Carve-Out Plan. The Named Executive Officers' beneficiaries are entitled to the following respective benefits under the Group Term Carve-Out Plans:

Name	Benefit Under Group Term Carve-Out Plan
T. Randy Stevens	\$ 450,000
Patricia P. Bearden	262,500
Timothy E. Pettus	250,000
John P. Tomlinson, III	325,000
N. Houston Parks	250,000

Risk Management Considerations

The Compensation Committee believes that the Bank's performance-based cash bonus program creates incentives to create long-term shareholder value. Several elements of the program are designed to promote the creation of long-term value and thereby discourage behavior that leads to excessive risk:

- Rather than determining cash bonus awards based on a single metric, the Compensation Committee applies a structured, principled framework that considers a balanced set of financial performance metrics that collectively best indicate successful management; and
- The performance metrics used to determine the amount of an executive's bonus are metrics that the Compensation Committee believes drive long-term shareholder value. Moreover, the Compensation Committee attempts to set goals for these metrics that encourage success without encouraging excessive risk taking to achieve short-term results.

In addition, under the Sarbanes-Oxley Act of 2002, if the Corporation is required to restate its financial results as a result of material noncompliance with financial reporting requirements under the securities laws as a result of misconduct, the chief executive officer and the chief financial officer must generally repay any bonus or other incentive-based compensation (including profits realized from the sale of Corporation common stock) received during the 12-month period following the filing of the erroneous financial results.

The Bank generally uses the same performance metrics for its cash bonus programs for the Named Executive Officers, other executive officers and non-executive employees.

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Management and the Compensation Committee periodically evaluate the risks involved with all compensation programs and do not believe that any of the Bank's compensation programs create risks that are reasonably likely to pose a material adverse impact to the Corporation.

Named Executive Officer Compensation

The executive compensation program described above is applied in setting the Named Executive Officer's compensation. The Compensation Committee reviews the executive compensation program in

relation to the performance of the Corporation's net income. Mr. Stevens participates in the same executive compensation program available to the other Named Executive Officers. Although Mr. Stevens is a member of the Compensation Committee, he does not participate in discussions regarding his compensation as the Chief Executive Officer of the Bank. None of the Named Executive Officers have employment, severance or change-of-control agreements. The Named Executive Officers serve at the will of the Board of Directors, which enables the Bank to terminate their employment with discretion as to the terms of any severance arrangement. This is consistent with the Bank's performance-based philosophy.

Conclusion

The Compensation Committee believes that this mix of market-based salaries, cash bonuses, employee benefits and perquisites represents a balance that will motivate the management team to continue to produce strong returns. The Compensation Committee further believes this program strikes an appropriate balance with the interests and needs of the Corporation and the Bank in operating a financial service business.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors of the Bank has reviewed and discussed the Compensation Discussion and Analysis required by SEC Regulation S-K, Item 402(b) with management. Based on our review and discussions, the Compensation Committee recommended to the Board of Directors of the Bank, who recommended to the Board of Directors of the Corporation, that the Compensation Discussion and Analysis be included in this Proxy Statement and be incorporated by reference in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2009.

Compensation Committee of the Bank's Board of Directors:

H. Terry Cook, Jr., Chairman
Kenneth A. Abercrombie
M. Darlene Baxter
T. Randy Stevens
William R. Walter
Dan C. Wheeler
W. Donald Wright

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth the aggregate remuneration accrued or paid by the Bank during the three fiscal years ended December 31, 2009 to the Named Executive Officers:

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation(1)	Total Compensation
T. Randy Stevens <i>Chairman of the Board,</i>	2009	\$ 288,818	\$ 193,557	\$	\$	\$	\$	\$ 114,384	\$ 596,759
<i>Chief Executive Officer of the Corporation and the Bank</i>	2008	268,668	134,401					176,885	579,954
Patricia P. Bearden <i>Assistant Treasurer of the Corporation and Chief Financial Officer of the Bank</i>	2007	244,668	55,050					186,215	485,933
	2009	120,000	13,200					18,693	151,893
	2008	112,000	20,160					21,584	153,744
Timothy E. Pettus <i>President of the Corporation and the Bank</i>	2007	105,000	11,813					17,408	134,221
	2009	220,000	48,400					59,720	328,120
	2008	200,000	72,000					55,244	327,243
John P. Tomlinson, III <i>Chief Administrative Officer of the Bank</i>	2007	172,000	27,090					22,496	221,586
	2009	168,000	25,872					41,017	234,889
	2008	163,000	41,076					44,457	248,533
N. Houston Parks <i>Treasurer of the Corporation and General Counsel of the Bank</i>	2007	163,000	25,673					61,745	250,418
	2009	170,000	26,180					37,295	233,475
	2008	165,000	41,580					40,945	247,525
	2007	160,000	27,090					30,582	217,672

(1) All other compensation for 2009 includes the following amounts:

Name and Principal Position	Fees for Services as Directors (a)	Contributions to Deferred Profit Sharing Plan	Imputed Income on Group Carve Out Plan	Personal Use of Company Automobile	Club Membership and Dues	Physical Exams	Total
T. Randy Stevens	\$ 76,001	\$ 25,725	\$ 3,113	\$ 2,859	\$ 5,728	\$ 958	\$ 114,384
Patricia P. Bearden	5,300	12,600	480		313		18,693
Timothy E. Pettus	26,936	23,100	1,237	128	8,319		59,720
John P. Tomlinson, III	11,690	17,640	2,575	8,400	120	592	41,017
N. Houston Parks	5,300	17,850	1,627	8,400	4,118		37,295

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(a) Fees for service by Named Executive Officers on the Board of Directors of the Corporation and the Bank and certain committees of the Board of Directors of the Bank during the year ended December 31, 2009 are reflected in the following table:

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings*	All Other Compensation	Total
T. Randy Stevens	\$ 31,700	\$	\$	\$	\$ 44,301	\$	\$ 76,001
Patricia P. Bearden **	5,300						5,300
Timothy E. Pettus	24,325				2,611		26,936
John P. Tomlinson, III							
**					11,690		11,690
N. Houston Parks **	5,300						5,300

* Represents interest earned on deferred compensation accounts and/or earnings on compensation that is deferred on a basis that is not tax-qualified.

** Ms. Bearden and Messrs. Tomlinson and Parks were not directors but received fees for attending board meetings.

Potential Payments Upon Termination or Change-in-Control

The Bank has entered into certain agreements and maintains certain plans that will require it to provide compensation to Named Executive Officers in the event of death. The amount of compensation payable to each Named Executive Officer as beneficiary if each corresponding executive on December 31, 2009 is listed in the tables below.

Mr. Stevens

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Involuntary Termination for Cause	Termination Related to Change in Control	Death or Disability
Cash Payments	\$	\$	\$	\$	\$ 1,235,889(1)
Insurance Benefits					
Excise Tax Gross-up					

Ms. Bearden

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Involuntary Termination for Cause	Termination Related to Change in Control	Death or Disability
Cash Payments	\$	\$	\$	\$	\$ 262,500(2)
Insurance Benefits					
Excise Tax Gross-up					

Mr. Pettus

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Involuntary Termination for Cause	Termination Related to Change in Control	Death or Disability
Cash Payments	\$	\$	\$	\$	\$ 1,162,000(1)
Insurance Benefits					
Excise Tax Gross-up					

Mr. Tomlinson

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Involuntary Termination for Cause	Termination Related to Change in Control	Death or Disability

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Cash Payments	\$	\$	\$	\$	\$	1,081,787(3)
Insurance Benefits						
Excise Tax Gross-up						

Mr. Parks

Executive Benefits and Payments upon Termination	Retirement	Involuntary Termination without Cause	Involuntary Termination for Cause	Termination Related to Change in Control	Death or Disability
Cash Payments	\$	\$	\$	\$	\$ 250,000(4)
Insurance Benefits					
Excise Tax Gross-up					

(1) The amounts shown reflect a payment to the Named Executive Officer's beneficiary equal to the sum of (i) an amount equal to the lesser of two and one-half times the Named Executive Officer's base annual salary at the effective date of the arrangement or the net-at-risk insurance portion of the proceeds under a split-dollar arrangement (i.e., total proceeds minus the cash surrender value of the policy), plus (ii) an amount equal to the greater of the Named Executive Officer's deferral account balance under a Director Deferred Compensation Agreement with the Corporation or a fixed amount based on actuarial calculations, plus (iii) an amount equal to the greater of the Named Executive Officer's deferral account balance under a Director Deferred Compensation Agreement with the Bank or a fixed amount based on

actuarial calculations, plus (iv) an amount equal to two and one-half times the Named Executive Officer's base salary as set forth in the Bank's 2002 Group Term Carve-Out Plan.

(2) The amount shown reflects a payment to Ms. Bearden's beneficiary in an amount equal to two and one-half times Ms. Bearden's base salary as set forth in the Bank's 2007 Group Term Carve-Out Plan.

(3) The amount shown reflects a payment to Mr. Tomlinson's beneficiary equal to the sum of (i) an amount equal to the greater of Mr. Tomlinson's deferral account balance under a Director Deferred Compensation Agreement with the Corporation or a fixed amount based on actuarial calculations, plus (ii) an amount equal to the greater of Mr. Tomlinson's deferral account balance under a Director Deferred Compensation Agreement with the Bank or a fixed amount based on actuarial calculations, plus (iii) an amount equal to two and one-half times Mr. Tomlinson's base salary as set forth in the Bank's 2002 Group Term Carve-Out Plan.

(4) The amount shown reflects a payment to Mr. Parks' beneficiary in an amount equal to two and one-half times Mr. Parks' base salary as set forth in the Bank's 2002 Group Term Carve-Out Plan.

COMPENSATION OF DIRECTORS

The following table summarizes the compensation of the non-management directors for the Bank and the Corporation during the year ended December 31, 2009.

Name(1)	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings(2)	All Other Compensation	Total
Kenneth Abercrombie	\$ 28,500	\$	\$	\$	\$ 25,549	\$	\$ 54,049
James L. Bailey, Jr.	30,325				34,573		64,898
M. Darlene Baxter	13,800				2,337		16,137
H. Terry Cook	38,700				45,870		84,570
Tom Napier Gordon	23,250						23,250
Dr. O. Rebecca Hawkins	18,200				14,390		32,590
Dr. Joseph W. Remke, III	16,600				12,101		28,701
Matthew M. Scoggins, Jr.	17,850						17,850
W. Lacy Upchurch	16,875				2,527		19,402
William R. Walter	28,175				11,456		39,631
Dan C. Wheeler	21,325				27,223		48,548
Dr. David S. Williams	16,200				10,511		26,711
W. Donald Wright	30,100				25,412		55,512

(1) Messrs. Stevens and Pettus receive compensation for serving as members of the Board of Directors of the Corporation and the Bank and certain committees of the Bank Board as described above in the section entitled EXECUTIVE COMPENSATION Summary Compensation Table.

(2) Represents interest earned on deferred compensation accounts.

During 2009, each director of the Corporation received an annual retainer of \$3,000 and was paid a fee of \$575 for each Board meeting attended. Each Bank director received \$575 for each Bank Board of Directors meeting attended and each honorary Bank director received \$400 for each Bank Board of Directors meeting attended. The following Bank advisory directors received \$325 for each Bank Board of Directors meeting attended: Dr. A. Lee Hunter; James D. Langsdon; H. Thomas Lucas; Emily McKnight; Dalton Mounger; Trent Ogilvie; Robert Otwell; John R. Parkes; Janet Smith; Dr. Bill Thrasher; and J. Cliff Walker. Each member of the Bank's Executive Committee received \$400 for each meeting attended. Each committee chair received \$575 and each committee member received \$400 for attendance at any scheduled or formally called committee meeting of any standing or specially appointed committee. No payment was received for participation in Board or committee meetings by telephone. Directors of the Corporation and the Bank may defer fees payable to them under the Corporation's and Bank's Directors Deferred Compensation Plans. During 2009, the Corporation and the Bank together paid total cash directors' fees of \$193,500 and directors' fees in the amount of \$291,525 were deferred. The method of compensating directors is the same for management and non-management directors.

Deferred Compensation Agreements and Split-Dollar Arrangements

Directors of the Corporation may defer fees payable to them for their service as directors by entering into a Director Deferred Compensation Agreement with the Corporation. Directors of the Bank may defer fees under similar agreements with the Bank. Under these agreements, a director may defer all or some portion of his or her director's fees. Amounts so deferred are accounted for separately on the

books of the Corporation or the Bank, as the case may be, segregated from other assets owned by the applicable entity and subject to the claims of general creditors of the applicable entity. Deferred amounts generally earn interest at *The Wall Street Journal*'s published prime rate on the last day of the previous calendar year plus 300 basis points. Deferred amounts are generally payable to the director on the first to occur of (i) termination of the director's Board service for reasons other than death or (ii) termination of the corresponding Director Deferred Compensation Agreement. If, however, the director dies while serving on the Board of Directors, his beneficiary will be paid the greater of the deferred amount or the projected benefit, which is a fixed amount based on actuarial calculations. Hardship payments may be made out of the deferred amounts in the sole discretion of the Board of Directors upon request of a director. These agreements may be terminated by the Corporation or the Bank, as the case may be, at any time upon 90 days' advance written notice to the effected director. In general, the agreements have similar terms but not all of the agreements have identical terms.

For a description of the split-dollar arrangements with the directors, see the section above entitled "Compensation Discussion and Analysis Components of Composition Split-Dollar Arrangements and Deferred Compensation Agreements."

Based on the terms of the Director Deferred Compensation Agreements and the Director Split-Dollar Agreements, the directors of the Corporation have the following death benefits:

Name	Benefit Under Split-Dollar Agreement with Bank	Benefit Under Deferred Compensation Agreement with Bank	Benefit Under Deferred Compensation Agreement with Corporation	Total Benefit
Kenneth Abercrombie	\$ 100,000	\$ 318,022	\$ 190,212	\$ 608,234
James L. Bailey, Jr.	100,000	559,097	200,632	859,729
M. Darlene Baxter		176,500	92,500	269,000
Hulet M. Chaney				
H. Terry Cook		611,978	154,907	766,885
Tom Napier Gordon				
Dr. O. Rebecca Hawkins	100,000	173,381	89,529	362,910
Timothy E. Pettus		750,000	162,000	912,000
Dr. Joseph W. Remke, III	100,000	658,340	376,797	1,135,137
Matthew M. Scoggins, Jr.				
T. Randy Stevens	100,000	483,289	202,600	785,889
John P. Tomlinson, III(1)		465,090	291,697	756,787
W. Lacy Upchurch		163,000	85,500	248,500
William R. Walter	100,000	147,752	84,854	332,606
Dan C. Wheeler	100,000	375,317	187,281	662,598
Dr. David S. Williams	100,000	274,621	166,189	540,810
W. Donald Wright	100,000	279,111	97,824	376,935

(1) Mr. Tomlinson is not a current director but, as a former director who served from 2000 to 2008, entered into a Deferred Compensation Agreement with each of the Bank and the Corporation.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Abercrombie, Baxter, Cook, Stevens, Walter, Wheeler and Wright served as members of the Bank's Compensation Committee throughout 2009. Mr. Stevens serves as Chairman of the Board of Directors of the Bank and the Corporation and Chief Executive Officer of the Bank and the Corporation. None of the other members of the Compensation Committee, however, have at any time been an officer or employee of the Corporation or the Bank, nor have any of the members had any other relationship requiring disclosure by the Corporation. During 2009, none of the executive officers of the Bank or the Corporation served as a member of another entity's compensation committee, one of whose executive officers served on the Bank's Compensation Committee or was a director of the Corporation, and none of the executive officers of the Bank or the Corporation served as a director of another entity, one of whose executive officers served on the Bank's Compensation Committee. Members of the Compensation Committee may, from time to time, have banking relationships in the ordinary course of business with the Bank, as described in the section entitled RELATED PERSON TRANSACTIONS.

RELATED PERSON TRANSACTIONS

During 2009, the Bank engaged in customary banking transactions and had outstanding loans to certain of the Corporation's and Bank's directors, including Messrs. Abercrombie, Stevens, Wheeler and Wright, and members of the immediate families of such directors. Messrs. Abercrombie, Stevens, Wheeler and Wright, their affiliates, families and companies in which they hold 10% or more ownership had outstanding loan balances of \$1,016,016 at December 31, 2009. These loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers, and did not involve more than the normal risk of collectability or present other unfavorable features.

Neither the Corporation nor the Bank has any written policies or procedures for the review, approval or ratification of any related person transaction required to be reported. Nonetheless, management of the Corporation and the Bank is responsible for reviewing and approving any transaction between the Corporation or the Bank and any director or officer of the Corporation, the Bank or members of their immediate family or entities with which they are affiliated. In addition, on an annual basis each director and executive officer of the Corporation and the Bank is obligated to complete a Director and Officer Questionnaire, which requires the director or executive officer to disclose any related person transactions or business relationships involving the Corporation or its subsidiaries that are required to be disclosed pursuant to Item 404 of SEC Regulation S-K. During 2009, there were no transactions with related persons other than the loans described above.

AUDIT COMMITTEE REPORT

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In overseeing the preparation of the Corporation's and the Bank's financial statements, the Audit Committee met with both management and the Corporation's independent registered public accounting firm to review and discuss all financial statements prior to their issuance and to discuss significant accounting issues. The Corporation files consolidated financial statements that include the financial condition and results of operation of the Bank for the periods indicated. In addition, the Audit Committee took the following actions:

- (i) Management advised the Audit Committee that all financial statements were prepared in accordance with generally accepted accounting principles.

- (ii) The Audit Committee discussed with the Corporation's independent registered public accounting firm the matters required to be discussed pursuant to Auditing Standards No. 61 as amended (AICPA Professional Standards, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

- (iii) The Audit Committee also received the written disclosures and the letter from the Corporation's independent registered public accounting firm regarding the independence of such accountants as required by the applicable requirements of the Public Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with such accountants their independence from the Corporation and its management.

- (iv) Based on its review and discussions with the Bank's management and the Corporation's independent registered public accounting firm, the Audit Committee recommended to the Bank's Board of Directors, who recommended to the Corporation's Board of Directors, approval of the inclusion of the audited consolidated financial statements of the Corporation and its subsidiary, the Bank, in its Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC.

Audit Committee of the Bank's Board of Directors:

Dan C. Wheeler, Chairman

James L. Bailey, Jr.

Dr. O. Rebecca Hawkins

Dr. Joseph W. Remke, III

Matthew M. Scoggins, Jr.

Dr. David S. Williams

W. Donald Wright

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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Upon the recommendation of the Audit Committee of the Bank, the firm of KraftCPAs PLLC has been selected by the Board of Directors of the Corporation to serve as the Corporation's independent registered public accounting firm for 2010. The Board of Directors of the Bank has also chosen KraftCPAs PLLC as its independent registered public accounting firm. A representative of KraftCPAs PLLC will be present at the Annual Meeting and will have the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions from shareholders in attendance.

During the period covering the fiscal years ended December 31, 2009 and 2008, KraftCPAs PLLC performed the following professional services that were approved by the Audit Committee:

	2009		2008
Audit Fees(1)	\$ 172,250	\$	187,295
Audit-Related Fees(2)	8,474		8,340
Tax Fees(3)	14,500		13,500
All Other Fees(4)	4,465		850
	\$ 199,689	\$	209,985

(1) Fees for professional services rendered by KraftCPAs PLLC in connection with the audit of the Corporation's consolidated annual financial statements, the audit of internal controls over financial reporting (pursuant to Section 404 of Sarbanes-Oxley) and reviews of the interim condensed consolidated financial statements included in the Corporation's quarterly reports on Form 10-Q for the first three fiscal quarters of the fiscal years ended December 31, 2008 and 2009.

(2) Fees for services rendered by KraftCPAs PLLC for audit of pension plan.

(3) Fees for services rendered by KraftCPAs PLLC for assistance with tax compliance regarding tax filings and also for other tax advice and consulting services.

(4) Other fees for services consisted of consultations regarding future modification in REIT taxation, non-accrual interest tax election matters, and regulations regarding amortization of computer related costs for tax purposes.

Before KraftCPAs PLLC was engaged by the Bank, an engagement letter was submitted and approved by the Audit Committee. The aggregate amount of \$199,689 paid for such services does not constitute more than 5% of the total amount of the revenue paid by the Bank to KraftCPAs PLLC during the years ended December 31, 2009 and 2008.

GENERAL INFORMATION

Other Matters

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As of the date of this Proxy Statement, the management of the Corporation and the Bank knows of no other business that will be presented at the Annual Meeting.

Section 16(a) Beneficial Ownership Reporting Compliance

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Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Corporation's executive officers, directors and beneficial owners of more than 10% of the Common Stock to file reports of ownership and changes in ownership with the SEC. Such executive officers, directors and greater than 10% shareholders are also required to furnish the Corporation with copies of all Section 16(a) reports that they file. Based solely on a review of (1) the applicable filings, and any amendments thereto, made with the SEC and posted on the SEC's EDGAR website and (2) written representations from the Corporation's executive officers and directors, the Corporation believes that all reports were filed in a timely manner during 2009, except that Mr. Pettus filed a late Form 4 on April 1, 2009 with respect to shares owned by a family member who granted Mr. Pettus power of attorney on March 13, 2009.

Items of Business for 2011 Annual Meeting of Shareholders

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The Bylaws provide that nominations of persons for election of directors and proposals of business to be transacted by the shareholders at an annual meeting of shareholders may be made by any shareholder of record who is entitled to vote and who provides timely and proper notice. In order to be considered timely, a shareholder's notice must be received by the Secretary at the principal office of the Corporation not earlier than the close of business on the date which is 120 calendar days and not later than the close of business on the date which is 90 calendar days prior to the first anniversary of the preceding year's annual meeting of shareholders. However, if the date of the applicable year's annual meeting is more than 30 days before or more than 60 days after the first anniversary of the date of the previous year's meeting, then a shareholder's notice to be timely must be received by the Secretary not earlier than the close of business on the date which is 120 calendar days prior to the date on which the Corporation first mailed its proxy statement to shareholders in connection with the applicable year's annual meeting and not later than the date of the later to occur of (i) 90 calendar days before the date on which the Corporation first mailed its proxy statement to shareholders in connection with the applicable year's annual meeting of shareholders or (ii) ten calendar days after the Corporation's first public announcement of the date of the applicable year's annual meeting of shareholders. In no event shall any adjournment or postponement of an annual meeting or the public announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

Further, for a shareholder's notice to be proper, it must set forth:

- the name and address of the shareholder;
- the class and number of shares of stock of the Corporation held of record and beneficially owned by such shareholder;
- the name(s), including any beneficial owners, and address(es) of such shareholder(s) in which all such shares of stock are registered on the stock transfer books of the Corporation;
- a representation that the shareholder intends to appear at the meeting in person or by proxy to submit the business specified in such notice;

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- a brief description of the business desired to be submitted to the annual meeting of shareholders, the complete text of any resolutions intended to be presented at the annual meeting and the reasons for conducting such business at the annual meeting of shareholders;
- any personal or other material interest of the shareholder in the business to be submitted;
- as to each person whom the shareholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and
- all other information relating to the nomination or proposed business which may be required to be disclosed under applicable law. In addition, a shareholder seeking to submit such nominations or business at the meeting shall promptly provide any other information reasonably requested by the Corporation.

Nominations by shareholders of persons for election to the Corporation's Board of Directors may also be made at a special meeting of shareholders if the shareholder's notice, in the form required by the Bylaws, shall be delivered to the Corporate Secretary at the principal office of the Corporation not earlier than the date which is 120 calendar days before the date of such special meeting and not later than the date of the later to occur of (i) 90 calendar days before the date of such special meeting of shareholders or (ii) ten calendar days after the Corporation's first public announcement of the date of the special meeting of shareholders.

Shareholders who wish to nominate a candidate for election to the Corporation's Board of Directors (other than the candidates proposed by the Corporation's Board of Directors) or propose any other business at the 2011 annual meeting of shareholders must deliver written notice to the Corporate Secretary at the address below not earlier than December 21, 2010 or later than January 20, 2011. Shareholders who satisfy the SEC requirements and wish to have a proposal considered for inclusion in the Corporation's proxy statement for the 2011 annual meeting of shareholders should submit the proposal in writing by mailing it to the Corporate Secretary at the address below no later than December 1, 2010.

Any nomination for director or other proposal by a shareholder that is not submitted in a timely manner and does not comply with these notice requirements will be disregarded, and upon the instructions of the presiding officer of the annual meeting all votes cast for each such nominee and such proposal will be disregarded. Nominations or proposals for consideration at an annual meeting of shareholders must be sent to the following address:

First Farmers and Merchants Corporation

Attention: Corporate Secretary

P.O. Box 1148

Columbia, Tennessee 38402-1148

Shareholder Comments at 2010 Annual Meeting of Shareholders

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A shareholder who wishes to make comments to or ask questions of the presiding officer at the Annual Meeting on April 20, 2010, must submit in writing the comments or questions no later than April 12, 2010 to: First Farmers and Merchants Corporation, Attention: Corporate Secretary, P.O. Box 1148, Columbia, TN 38402-1148. Management reserves the right to edit or exclude any such comments or questions in the interests of relevance, appropriateness and time. A written communication of any such editing or exclusion will be sent to the shareholder before the Annual Meeting.

Annual Report

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The Corporation's annual report to shareholders for the fiscal year 2009 is enclosed but is not intended to be part of this Proxy Statement.

COPIES OF THE CORPORATION'S ANNUAL REPORT ON FORM 10-K FILED WITH THE SEC WILL BE MAILED TO SHAREHOLDERS WITHOUT CHARGE UPON WRITTEN REQUEST MADE TO: PATRICIA P. BEARDEN, ASSISTANT TREASURER, FIRST FARMERS AND MERCHANTS CORPORATION, P. O. BOX 1148, COLUMBIA, TENNESSEE 38402-1148.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting to Be Held on April 20, 2010:

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This Proxy Statement and the Corporation's 2009 Annual Report to Shareholders are available on the Information & Tools Annual Report page of our website at www.fandmbank.com.

By the order of the Board of Directors,

/s/ Martha M. McKennon

Martha M. McKennon
Corporate Secretary

First Farmers and Merchants Bank

Audit Committee Charter

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The Board of Directors of First Farmers and Merchants Bank (the Bank) establishes an Audit Committee (the Committee) with the purpose, authority, composition, meetings and responsibilities as outlined below:

PURPOSE

To assist the Board of Directors in fulfilling its oversight responsibilities for:

1. The integrity of the Bank's financial statements.
2. The Bank's compliance with legal and regulatory requirements.
3. The independent External Auditor, Kraft CPA, PLLC, qualifications and independence.
4. The independent Internal Auditors: 1) Professional Bank Services, Inc. (PBS), 2) Crowe Horwath, LLP, and 3) Credit Risk Management, LLC (CRM) qualifications and independence.
5. The performance of the Bank's Internal Audit function.
6. The Bank's Ethics Policy, Code of Conduct, and Fraud Policy.
7. Special investigations and Whistleblower responsibilities.

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of outside independent firms with whom the Bank outsources selected internal audit functions. The firms will report directly to the Audit Committee.
- Resolve any disagreements between Bank Management and the independent External or Internal Auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the Bank's External and Internal Audit firms.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - - all of whom are directed to cooperate with the committee's requests - - or external parties.
- Meet with Bank Officers, External and Internal Auditors, or outside counsel, as necessary.

COMPOSITION

The Audit Committee will consist of at least three and no more than seven members of the Board of Directors. Audit Committee members are appointed annually by a majority vote of the Board. One of the members shall be appointed Audit Committee Chairman by the Chairman of the Board. Each committee member will be both independent and financially literate. At least one member shall be designated as the financial expert, as defined by applicable legislation and regulation. No committee member shall simultaneously serve on the audit committees of more than two other public companies.

Bank Audit Committee Members:

Dan C. Wheeler, Chairman

W. Donald Wright

James L. Bailey

Dr. O. Rebecca Hawkins

Dr. David S. Williams

Dr. Joseph W. Remke, III

Matthew M. (Sonny) Scoggins, Financial Expert

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MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via phone conference. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It may meet separately, periodically, with management, with Internal Auditors and with External Auditors. It may also meet periodically in executive session. Meeting agendas will be prepared by the Board appointed Audit Committee Secretary and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statements

- Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:
- Complex or unusual transactions and highly judgmental areas.
- Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Bank's selection or application of accounting principles
- The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Bank.
- Review analysis prepared by management or the independent External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- Review with Management, the External and the Internal Auditors the results of the audits, including any difficulties encountered. This review will include any restrictions on the scope of the independent External and Internal auditor's activities or on access to requested information, and any significant disagreements with management.
- Discuss the annual audited financial statements and quarterly financial statements with management and the External Auditors, including the bank's disclosures under Management's Discussion and Analysis of Financial Condition & Results of Operations .

Review disclosures made by CEO and CFO during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the bank's internal controls.

External Audit

- Review the independent External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the independent External Auditors, and exercise final approval on the appointment or discharge of the auditors.
- Review and evaluate the lead partner of the independent External Auditor.

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- Present the report's conclusions with respect to the independent External Auditor to the Board.
- Ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.
- As needed, meet separately with the independent External Auditors to discuss any matters that the committee or auditors believe should be discussed privately.

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Internal Audit

- Review the independent Internal Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review with Bank Management and the Internal Controls Officer the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Internal Controls Officer.
- Review the effectiveness of the internal audit function.
- As needed, meet separately with the Internal Controls Officer to discuss any matters that the committee or internal audit believes should be discussed privately.

Internal Control

- Consider the effectiveness of the Bank's internal control process, including information technology security and control.
- Understand the scope of the Internal and External Auditors' review of internal control processes over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the effectiveness of the Whistleblower program through Compliance Partners. (Note: This program is the established procedures for monitoring complaints received by The Compliance Partners company from bank employees regarding accounting, internal accounting controls, or auditing matters, and, the confidential, anonymous reporting of concerns regarding questionable accounting or auditing matters.)
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Obtain regular updates from management regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board of Directors about committee activities and issues that arise with respect to the quality or integrity of the Bank's financial statements, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's independent External and Internal Auditors, and the performance of the internal audit function.
- Provide an open avenue of communication between internal audit, the independent External and Internal Auditors, and the Board of Directors.

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- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports the Bank issues that relate to committee responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- The Audit Committee will annually review its effectiveness.

FIRST FARMERS AND MERCHANTS CORPORATION

816 South Garden Street, P. O. Box 1148

Columbia, Tennessee 38402-1148

PROXY

KNOW ALL PERSONS BY THESE PRESENTS, that I, the undersigned shareholder of First Farmers and Merchants Corporation of Columbia, Tennessee (the Corporation), do nominate, constitute, and appoint Margaret York Puckett, Alvin Moore, and James G. White, II or any one of them with full power to act alone, my true and lawful representative with respect to all shares of Common Stock of the Corporation that I would be entitled to vote at the Annual Meeting of Shareholders to be held on **April 20, 2010, at 4:00 p.m.**, Central Time at the **Cherry Theater, Waymon L. Hickman Building, Columbia State Community College, Columbia, Tennessee**, or any adjournment thereof, with all the powers that I would possess if personally present, as follows:

1. **Election of the following 16 nominees as directors of the Corporation:**

Kenneth A. Abercrombie	Jonathan M. Edwards	Timothy E. Pettus	W. Lacy Upchurch
James L. Bailey, Jr.	Thomas Napier Gordon	Dr. Joseph W. Remke, III	William R. Walter
M. Darlene Baxter	Dr. O. Rebecca Hawkins	Matthew M. Scoggins, Jr.	Dan C. Wheeler
H. Terry Cook, Jr.	Dalton M. Mounger	T. Randy Stevens	Dr. David S. Williams

- FOR** all nominees listed
- AGAINST** all nominees listed
- MIXED VOTE** To Withhold Authority to vote for any individual nominee listed above, line through or strike out the nominee's name. In favor of those nominees not marked.

2. At their discretion, Margaret York Puckett, Alvin Moore, or James G. White, II are authorized to vote upon such other business as may properly come before the meeting.

Management presently knows of no other business to be presented at the meeting.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted for the directors nominated.

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This proxy is solicited on behalf of the Board of Directors. This proxy may be revoked prior to its exercise.

When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title. If there is more than one trustee, all should sign. All joint owners must sign. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated the day of , 2010

(Signature of Shareholder)

No. of Shares PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY.

I will attend the meeting/reception.

Number attending

I will not attend the meeting/reception.
