UNITED STATES OF AMERICA
before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 63600 / December 22, 2010

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 3222 / December 22, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-14171

In the Matter of: ORDER INSTITUTING ADMINISTRATIVE PROCEEDINGS PURSUANT TO RULE 102(e) OF THE COMMISSION’S RULES OF PRACTICE, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted against James M. Schneider (“Respondent” or “Schneider”) pursuant to Rule 102(e)(3)(i) of the Commission’s Rules of Practice.¹

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these

¹ Rule 102(e)(3)(i) provides, in relevant part, that:

The Commission, with due regard to the public interest and without preliminary hearing, may, by order, . . . suspend from appearing or practicing before it any . . . accountant . . . who has been by name . . . permanently enjoined by any court of competent jurisdiction, by reason of his or her misconduct in an action brought by the Commission, from violating or aiding and abetting the violation of any provision of the Federal securities laws or of the rules and regulations thereunder.
proceedings, and the findings contained in Section III.3 below, which are admitted, Respondent consents to the entry of this Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Schneider, age 57, is and has been a certified public accountant licensed to practice in the State of Wisconsin. Schneider served as Chief Accounting Officer (“CAO”) of Dell Inc. from the time he joined the company in September 1996 until March 2000, when he also became Dell’s Chief Financial Officer (“CFO”). In November 2002, Schneider ceased to be CAO, but remained CFO, a position he held until January 1, 2007. Schneider left Dell on February 2, 2007.

2. Dell Inc. is a Fortune 50 company in the business of providing electronic products, including mobility products, desktop PCs, peripherals, servers, networking equipment, and storage. Dell also offers services, including software, infrastructure technology, consulting and applications, and business process services. Dell was incorporated in Delaware in 1984 and is based in Round Rock, Texas. Since July 2006, Dell’s common stock has been registered with the Commission pursuant to Section 12(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and is traded on the NASDAQ Global Select Market. During the prior relevant period, Dell’s common stock was registered with the Commission under Section 12(g) of the Exchange Act and quoted on the Nasdaq National Market System.

3. On July 22, 2010, the Commission filed a complaint against Schneider in the U.S. District Court for the District of Columbia captioned SEC v. Dell Inc. et al. (Civil Action No. 1:10-cv-01245). On October 13, 2010, the court entered an order permanently enjoining Schneider, by consent, from future violations of Section 17(a)(2) and Section 17(a)(3) of the Securities Act of 1933 (“Securities Act”), Exchange Act Section 13(b)(5) and Rules 13a-14, 13b-1, and 13b-2 thereunder, and from aiding and abetting violation of Exchange Act Sections 13(a), 13(b)(2)(A), and 13(b)(2)(B) and Rules 12b-20, 13a-1, and 13a-13 thereunder. Schneider was also ordered to pay $83,096 in disgorgement of ill-gotten gains, $38,640 in prejudgment interest, and a $3 million civil money penalty.

4. The Commission’s complaint alleged, among other things, that Dell fraudulently committed various disclosure and accounting violations through the conduct of Schneider and others. The Complaint alleged that Schneider made or was involved in making material misrepresentations in earnings calls and material misrepresentations and omissions in Dell’s annual reports on Form 10-K for the fiscal years 2003 through 2006 and in the company’s quarterly reports on Form 10-Q for the first three quarters of fiscal years 2003 through 2006 and the first quarter of fiscal 2007 relating to the impacts on Dell’s operating results from payments from Intel Corp. The material misrepresentations during earnings calls misled investors as to the bases for Dell’s success in meeting or exceeding analyst consensus EPS estimates and the reasons
for Dell’s sharp drop in operating results in its second quarter of fiscal year 2007. The disclosure violations misrepresented to investors the bases for Dell’s increasing profitability and failed to disclose information required by Item 303 of Regulation S-K. The Commission’s complaint also alleged, among other things, that Schneider directed and engaged in improper accounting that resulted in Dell filing materially false and misleading financial statements in the company’s annual reports on Form 10-K for the fiscal years 2002 through 2004, and in the company’s quarterly reports on Form 10-Q for the first three quarters of fiscal years 2002 through 2004 and the first two quarters of fiscal 2005. The Complaint alleged that Schneider directed and engaged in a number of improper accounting practices in contravention of generally accepted accounting principles that materially misstated Dell’s financial results and enabled the company to report lower operating expense as a percentage of revenue. These practices included improperly manipulating excess reserve balances and improperly accounting for certain restructuring costs.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanction agreed to in Respondent Schneider’s Offer.

Accordingly, it is hereby ORDERED, effective immediately, that:

A. Schneider is suspended from appearing or practicing before the Commission as an accountant.

B. After five years from the date of this order, Respondent may request that the Commission consider his reinstatement by submitting an application (attention: Office of the Chief Accountant) to resume appearing or practicing before the Commission as:

1. a preparer or reviewer, or a person responsible for the preparation or review, of any public company’s financial statements that are filed with the Commission. Such an application must satisfy the Commission that Respondent’s work in his practice before the Commission will be reviewed either by the independent audit committee of the public company for which he works or in some other acceptable manner, as long as he practices before the Commission in this capacity; and/or

2. an independent accountant. Such an application must satisfy the Commission that:

   (a) Respondent, or the public accounting firm with which he is associated, is registered with the Public Company Accounting Oversight Board (“Board”) in accordance with the Sarbanes-Oxley Act of 2002, and such registration continues to be effective;

   (b) Respondent, or the registered public accounting firm with which he is associated, has been inspected by the Board and that inspection did not identify any criticisms of or potential defects in the Respondent’s or the firm’s quality control system that would indicate that the Respondent will not receive appropriate supervision;
(c) Respondent has resolved all disciplinary issues with the Board and has complied with all terms and conditions of any sanctions imposed by the Board (other than reinstatement by the Commission); and

(d) Respondent acknowledges his responsibility, as long as Respondent appears or practices before the Commission as an independent accountant, to comply with all requirements of the Commission and the Board, including, but not limited to, all requirements relating to registration, inspections, concurring partner reviews and quality control standards.

C. The Commission will consider an application by Respondent to resume appearing or practicing before the Commission provided that his state CPA license is current and he has resolved all other disciplinary issues with the applicable state boards of accountancy. However, if state licensure is dependent on reinstatement by the Commission, the Commission will consider an application on its other merits. The Commission’s review may include consideration of, in addition to the matters referenced above, any other matters relating to Respondent’s character, integrity, professional conduct, or qualifications to appear or practice before the Commission.

By the Commission.

Elizabeth M. Murphy
Secretary
Service List

Rule 141 of the Commission’s Rules of Practice provides that the Secretary, or another duly authorized officer of the Commission, shall serve a copy of the Order Instituting Administrative Proceedings Pursuant to Rule 102(e) of the Commission’s Rules of Practice, Making Findings, and Imposing Remedial Sanctions (“Order”), on the Respondent and his legal agent.

The attached Order has been sent to the following parties and other persons entitled to notice:

Honorable Brenda P. Murray
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