

Icahn, Southeastern Challenge Dell Takeover Plan

TOM MURPHY, AP Business Writer

Dell's largest independent shareholder has teamed with activist investor Carl Icahn in another challenge to founder Michael Dell's \$24.4 billion bid to take the struggling computer maker private.

Southeastern Asset Management and Icahn said in a letter sent Thursday to the Dell Inc. board that they want to let shareholders keep their stock and give them either \$12 per share in cash or additional shares in a deal that keeps the company publicly traded. They said this would give shareholders a stake in future gains made by the Round Rock, Texas, company.

An investment group led by Michael Dell offered earlier this year to pay \$13.65 per share in a deal that would take the company private. Southeastern and Icahn criticized that proposal in a scathing letter to Dell's board outlining their latest offer.

The letter accused the Dell board of insulting shareholder intelligence by claiming to be focused on shareholders' best interests while accepting Dell's offer to buy the company at a price "far below what we consider its value to be."

"You not only sanctioned Michael Dell's offer, which amazingly allows him to purchase the company from shareholders with their own money but, to add insult to injury, you have agreed to give Mr. Dell a break-up fee of up to \$450 million," the letter states.

Southeastern and Icahn said they own about 13 percent of the company's outstanding shares. They said that if the board does not deem their offer superior, they will work "assiduously" to convince the other shareholders to reject Michael Dell's bid. They also would nominate a dozen directors at the company's annual meeting to challenge the current board.

"This company has suffered long enough from very wrong-headed decisions made by the Board and its management," the letter states. "Do not make another by putting the company through an unnecessary debilitating proxy fight.

"Allow the shareholders to decide for themselves which offer they choose."

If the company fails to give shareholders a choice, it will face "legal liability," the letter threatened in all capital letters.

Dell spokesman David Frink said a special committee of the company's board is reviewing the letter from Icahn and Southeastern.

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PC sales have been declining as people delay replacing desktop and laptop computers and spend money instead on smartphones and tablet computers. Michael Dell believes he can turn around the company by diversifying into more profitable niches such as business software, data storage and consulting. The company founder wants to do this without worrying about Wall Street's fixation on short-term results.

But major shareholders expressed their unhappiness with Michael Dell's offer shortly after the company announced it in early February.

In a letter to Dell's board of directors, Southeastern CEO O. Mason Hawkins warned he would lead a shareholder mutiny unless the company came up with an alternative.

A competing bid from buyout specialist Blackstone Group LP then emerged, and Icahn also made a preliminary proposal to buy 58 percent of Dell stock for \$15 per share.

But Blackstone said last month that it had dropped its plan to buy most of Dell's outstanding stock for \$14.25 per share due in part to the slumping PC market. The Wall Street Journal also reported that Icahn was unlikely to follow through on his preliminary offer.

Icahn did not mention his preliminary proposal in the May 9 letter.

Dell shares climbed 5 cents to \$13.37 on Friday before markets opened. The stock has ranged from \$8.69 to \$15.81 over the past year.

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