

# Dell, Icahn agree on a share ownership cap (Update)

April 16 2013, by The Associated Press



In this Thursday, March 26, 2009 file photo, Michael Dell, Chairman and CEO of Dell Inc., reacts to a question during a news conference in Beijing. Dell Inc. and Carl Icahn have agreed to cap his stake in the personal computer maker while a special board committee considers competing takeover bids from the billionaire investor, a group led by CEO Michael Dell and buyout specialist Blackstone Group. (AP Photo/Alexander F. Yuan, File)

Dell Inc. and Carl Icahn have agreed to cap his stake in the personal computer maker while a special board committee considers competing

takeover bids from the billionaire investor, a group led by CEO Michael Dell and buyout specialist Blackstone Group.

The Round Rock, Texas, company said Tuesday that its board approved the agreement with Icahn under which he and entities tied to him pledge not to buy up more than 10 percent of the company's shares.

The deal also covers other shareholders who, together with Icahn, would own more than 15 percent of Dell's shares.

In exchange, Icahn is allowed to talk to other shareholders about putting together a superior proposal to a \$24.4 billion buyout offer backed by company founder Michael Dell.

The company said the agreement maximizes its chances of getting a better proposal from Icahn but also protects shareholders from the accumulation of an "unduly influential voting interest."

In a statement, Icahn stressed that he still retains the right to lead a shareholder rebellion against Dell's board if the company continues to favor the deal to sell to Michael Dell and an investment group led by Silver Lake Partners. Icahn said he turned down Dell's offer to reimburse his expenses of up to \$25 million so he could still wage a potential fight against the board.

"My affiliates and I expect to engage in meaningful discussions with other Dell shareholders, discussions that we believe will help to facilitate alternatives to the existing transaction with Michael Dell," Icahn said

Dell announced earlier this year that it had struck a deal to sell itself to Michael Dell and Silver Lake that would end its 25-history as a publicly traded company. The proposed deal calls for Dell to be sold for \$13.65 per share, with Michael Dell contributing about \$4.5 billion in cash and

stock. Most of the rest of the money would be supplied through loans from Microsoft Corp. and banks.

Other prominent company shareholders complained that the price was too low. That emboldened Blackstone Group and Icahn to submit separate proposals offering a slightly higher price. Blackstone is proposing to buy most of Dell Inc.'s stock for \$14.25 per share while Icahn is willing to pay \$15 per share for up to 58 percent of the shares.

A portion of the company's stock will remain publicly traded if Blackstone or Icahn prevail. That would allow current shareholders to share some of the gains if Dell Inc. successfully executes on a plan calling for the company to lessen its dependence on the shrinking PC market and diversify into more profitable sectors such as selling data storage services and business software.

Dell's largest independent shareholder, Southeastern Asset Management, has said it was leaning toward supporting one of the attempts to scuttle Michael Dell's bid.

Dell's special committee said it's still backing the deal with Michael Dell and Silver Lake while it assesses the alternate proposals. Both Blackstone and Icahn are reviewing Dell Inc.'s books before taking the next step in their bids.

Dell is reimbursing Blackstone for expenses of up to \$25 million because that investment firm has promised not to take the company to court if its bid is rejected.

Shares of Dell rose a penny to \$14.05 in late afternoon trading. The stock has already climbed 39 percent since closing 2012 at \$10.14, but it still remains well below its price of about \$24 when Michael Dell returned in early 2007 for his second stint as the company's CEO.

Copyright 2013 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Dell, Icahn agree on a share ownership cap (Update) (2013, April 16) retrieved 21 September 2024 from <https://phys.org/news/2013-04-dell-icahn-ownership-cap.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.