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# In Letter, Icahn Pledges to Fight Dell Over Sale

***By MICHAEL J. DE LA MERCED***

A special committee of Dell's board disclosed on Thursday that it had received a letter from Carl C. Icahn, who hinted at "years of litigation" if Dell did not back away from its $24.4 billion deal to sell the company to its founder.

The confirmation of Mr. Icahn's intent to oppose the bid illustrates the growing pressure on Dell not to pursue the buyout by Michael S. Dell and his partner, the private equity firm Silver Lake. Mr. Icahn is joining a growing chorus that already includes the beleaguered computer company's two biggest shareholders outside of Mr. Dell himself.

Mr. Icahn did not disclose the exact size of his stake, describing his hedge fund's holdings only as "substantial." CNBC reported on Wednesday that he held a stake of roughly 6 percent, acquired in recent weeks.

In the letter, sent to the committee on Tuesday, Mr. Icahn proposed that Dell instead issue a special dividend of $9 a share. Such a payout would be financed from the company's cash on hand and new debt.

He estimated that the publicly traded company was worth about $13.81 a share, making his suggested transaction – a so-called leveraged recapitalization – worth about $22.81 a share.

"We believe, as apparently does Michael Dell and his partner Silver Lake, that the future of Dell is bright," Mr. Icahn wrote in the letter. "We see no reason that the future value of Dell should not accrue to all the existing Dell shareholders – not just Michael Dell."

If Dell fails to comply, Mr. Icahn said he would call on the board to combine a vote on the deal with a vote on re-electing the company's directors. He said he planned to nominate an alternate slate of nominees.

He also wrote that the $24.4 billion management buyout would be subject to lengthy litigation from shareholders, who will claim it was negotiated to give maximum advantage to Mr. Dell, who is also the company's chairman and chief executive.

Dell's special committee, made up of independent directors, has argued that it reached the deal in good faith, having bargained hard for the current price and secured a number of concessions from Mr. Dell aimed at facilitating a higher alternative bid.

Potential bidders have signed nondisclosure agreements to take a look at the company's books, including Hewlett-Packard, Lenovo and the Blackstone Group, according to a person briefed on the matter.

It is unclear that any of those companies will ultimately make an offer.

In a statement on Thursday, the committee reiterated that it was seeking higher offers through March 22, and invited Mr. Icahn to participate in that process. So far, he has declined, the person briefed on the matter said.

"Our goal is to secure the best result for Dell's public shareholders — whether that is the announced transaction or an alternative," the committee said.

Here is the text of Mr. Icahn's letter to the special committee of Dell's board:

> We are substantial holders of Dell Inc. shares. Having reviewed the Going Private Transaction, we believe that it is not in the best interests of Dell shareholders and substantially undervalues the company.
>
> Rather than engage in the Going Private Transaction, we propose that Dell announce that in the event that the Going Private Transaction is voted down by shareholders, Dell will immediately declare and pay a special dividend of $9 per share comprised of proceeds from the following sources: (1) $4.26 per share, or $7.4 Billion, from available cash as proposed in the Going Private Transaction, (2) $1.73 per share, or $3 Billion, from factoring existing commercial and consumer receivables as proposed in the Going Private Transaction, and (3) $4.26, or $5.25 Billion in new debt.
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> We believe that such a transaction is superior to the Going Private Transaction because we value the pro forma "stub" at $13.81 per share using a discounted cash flow valuation methodology based on a consensus of analyst forecasts. The "stub" value of $13.81 combined with our proposed $9.00 special dividend gives Dell shareholders a total value of $22.81 per share, representing a 67% premium to the $13.65 per share price proposed in the Going Private Transaction. We have spent a great deal of time and effort in determining the $22.81 per share value and would be pleased to meet with you to share our analysis and to understand why you disagree, if you do.
>
> We hope that this Board will agree to adopt our proposal by publicly announcing that the Board is committed to implement our proposal if the Going Private Transaction

is voted down by Dell shareholders. This would avoid a proxy fight.

However, if this Board will not promise to implement our proposal in the event that the Dell shareholders vote down the Going Private Transaction, then we request that the Board announce that it will combine the vote on the Going Private Transaction with an annual meeting to elect a new board of directors. We then intend to run a slate of directors that, if elected, will implement our proposal for a leveraged recapitalization and $9 per share dividend at Dell, as set forth above. In that way shareholders will have a real choice between the Going Private Transaction and our proposal. To assure shareholders of the availability of sufficient funds for the prompt payment of the dividend, if our slate of directors is elected, Icahn Enterprises would provide a $2 billion bridge loan and I would personally provide a $3.25 billion bridge loan to Dell, each on commercially reasonable terms, if that bridge financing is necessary.

Like the "go shop" period provided in the Going Private Transaction, your fiduciary duties as directors require you to call the annual meeting as contemplated above in order to provide shareholders with a true alternative to the Going Private Transaction. As you know, last year's annual meeting was held on July 13, 2012 (and indeed for the past 20 years Dell's annual meetings have been held in this time frame) and so it would be appropriate to hold the 2013 annual meeting together with the meeting for the Going Private Transaction, which you have disclosed will be held in June or early July.

If you fail to agree promptly to combine the vote on the Going Private Transaction with the vote on the annual meeting, we anticipate years of litigation will follow challenging the transaction and the actions of those directors that participated in it. The Going Private Transaction is a related party transaction with the largest shareholder of the company and advantaging existing management as well, and as such it will be subject to intense judicial review and potential challenges by shareholders and strike suitors. But you have the opportunity to avoid this situation by following the fair and reasonable path set forth in this letter.

Our proposal provides Dell shareholders with substantial cash of $9 per share and the ability to continue as owners of Dell, a stock that we expect to be worth approximately $13.81 per share following the dividend. We believe, as apparently does Michael Dell and his partner Silver Lake, that the future of Dell is bright. We see no reason that the future value of Dell should not accrue to ALL the existing Dell shareholders – not just Michael Dell.

As mentioned in today's phone call, we look forward to hearing from you tomorrow to discuss this matter without the need for us to bring this to the public arena.

Very truly yours,
Icahn Enterprises L.P.

By:
Carl C. Icahn
Chairman of the Board