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# BIOS Maker Balks at Sale to Hedge Fund

***Chief executive rejects $115 buyout offer, says Phoenix Technologies will rise again.***

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**By Ken Schachter**

The chief executive of Phoenix Technologies Friday defended his company's rebuff of a $115 million buyout proposal by hedge fund Ramius Capital Group, saying the Milipitas, Calif., software maker had weighed its options, including an outright sale, last year and had decided to continue to try to turn around the business as a public company.

Turnaround specialist Woodson Hobbs, who joined the company as chief executive in September, said that after the company delivers quarterly results next week, investors can judge "whether we're making changes that need to be made or not."

Ramius and its Admiral Advisors subsidiary have sought to ratchet up the pressure on Phoenix management to sell with a carrot and stick approach. The New York-based hedge fund launched a proxy campaign to place replace two members of the Phoenix board with its own candidates and, in a letter dated Jan. 16, formally offered to sweeten its bid for the approximately 86 percent of shares it does not already own to $5.25 per share, up from the $5.05 a share.

A Ramius spokesman declined to comment beyond the company's letter to the Phoenix board, which offered $5.25 per share and said that the company "faces a difficult and risky operational turnaround" which should not be attempted as a public company. The letter also said that its slate of two directors, up for election at the Feb. 14 annual meeting would try to push through a sale of the company.

On Friday, shares of Phoenix, which makes the core BIOS (basic input/output system) software used when computers are first powered up, rose $0.06, or 1.2%, to $4.90.

Hobbs noted that the company's cash position of $2.20 per share as of the end of last quarter makes Phoenix enticing to potential buyers.

Phoenix ran into problems when the company sought to accelerate growth by moving into enterprise software, a new business line. When the new products failed to meet sales goals, management sought to generate revenue by selling multi-year software licenses for its products, which was "basically selling the future of the company," Mr. Hobbs. said.

When the company hired Mr. Hobbs, he shuttered the enterprise channel, discontinued many products and sought to refocus the company on core technologies. At the same time, he sought to cut expenses.

Should Ramius choose to continue its effort to buy the company, it could launch a tender offer to the shareholders, while it seeks to place its representatives on the board.

"That process can take a while," Mr. Hobbs said.

In its letter, Ramius, Phoenix's biggest shareholder, said that the company is "too small to bear the costs and to handle the demands associated with operating as a public company."

On Friday, just three days after delivering that letter to the Phoenix board, Ramius, known as an activist investor, called on the board of Lamson & Sessions, a Cleveland-based maker of PVC pipe, to explore the sale of the company. Ramius filed a Schedule 13D with the Securities and Exchange Commission disclosing that it owns about 9% of Lamson's stock and urged the company to hire an investment bank.