

## Icahn moves to replace Yahoo board, restart Microsoft talks

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WASHINGTON (AFP) — Billionaire corporate raider Carl Icahn announced a bid Thursday to unseat the board of Yahoo and reopen merger talks with Microsoft, which Icahn said had been "completely botched" by the Internet firm.

Icahn said in an open letter to the Yahoo board that he had acquired 59 million shares of Yahoo - around four percent of its capital -- and had formed a 10-person slate which will stand for election against the current board.

"It is unconscionable that you have not allowed your shareholders to choose to accept an offer that represented a 72 percent premium over Yahoo's closing price of 19.18 dollars on the day before the initial Microsoft offer," Icahn said in the letter.

He added that he is seeking antitrust clearance to buy as much as 2.5 billion dollars' worth of Yahoo shares, which would give him seven percent of the company.

"I and many of your shareholders strongly believe that a combination between Yahoo and Microsoft would form a dynamic company and more importantly would be a force strong enough to compete with Google on the Internet."

He added that in the past week, "a number of shareholders have asked me to lead a proxy fight to attempt to remove the current board and to establish a new board which would attempt to negotiate a successful merger with Microsoft, something that in my opinion the current board has completely botched."

Icahn said a combination between Microsoft and Yahoo "is by far the most sensible path for both companies."

The move means a proxy fight for control of the company at the Yahoo annual shareholder meeting July 3.

Greg Sterling, an analyst at Search Engine Land, said if Icahn succeeds, the new board would move immediately to restart talks with Microsoft.

"Assuming Microsoft were still interested it would be in an arguably stronger position than it was with (chairman) Roy Bostock, (chief executive) Jerry Yang, et al, in control of Yahoo," Sterling said.

"That's because these new directors really want the deal and would thus have less negotiating strength, ironically. Microsoft might accordingly be able to lower the per-share bid it would be willing to pay."

The 72-year-old Icahn, an activist shareholder who has targeted companies ranging from airline TWA to General Motors, was ranked number 46 by Forbes magazine in its list of global billionaires, with a net worth of 14 billion dollars.

Earlier this month, Microsoft yanked its proposal for Yahoo, saying the struggling Internet pioneer refused to budge despite the software giant upping its offer to nearly 50 billion dollars.

Talks aimed at resolving corporate dueling that began with Microsoft's offer on February 1 to buy Yahoo for 31 dollars per share ended with the two firms unable to close a multibillion-dollar gap in price expectations.

Microsoft's bid would have brought together the world's biggest software firm and second-largest Internet search firm in an effort to better compete with Google, which has been gobbling up an increasing share of the lucrative Web search market.

Icahn said in his letter: "It is clear to me that the board of directors of Yahoo has acted irrationally and lost the faith of shareholders and Microsoft." Icahn said he was concerned by news that Yahoo's current management wants to pursue "strategic alternatives" and urged against any move that "might in any way impede a future Microsoft merger."

"I sincerely hope you heed the wishes of your shareholders and move expeditiously to negotiate a merger with Microsoft, thereby making a proxy fight unnecessary," he said in his letter.

The slate proposed by Icahn includes, in addition to himself: Lucian Bebchuk, a professor of corporate governance at Harvard Law School; Frank Biondi, a former chief executive of Viacom and current head of investment firm WaterView Advisors; and Mark Cuban, owner of the Dallas Mavericks basketball team.

Yahoo shares rose 2.25 percent to close at 27.75. Microsoft added 1.74 percent to 30.45.