

Icahn Amasses Yahoo Shares To Push Microsoft Merger

Billionaire investor Carl Icahn said he's been recruited to lead the proxy fight by Yahoo investors unhappy with the company's refusal to accept Microsoft's bid.

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Billionaire investor Carl Icahn on Thursday disclosed plans to buy up to \$2.5 billion worth of Yahoo shares in order to lead a proxy fight against a Yahoo board he claims "irrationally" rejected Microsoft's \$33 per share merger offer.

"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 in an open letter to Yahoo's board.

Microsoft CEO Steve Ballmer broke off merger talks with Yahoo earlier this month after its board sniffed at the offer, which represented a 72% premium over Yahoo's closing stock price prior to Microsoft's Feb. 1 announcement that it would attempt to buy the Internet company.

Icahn said he's been recruited to lead the proxy fight by Yahoo investors unhappy with the company's refusal to accept Microsoft's bid. To launch the campaign, Icahn said he has purchased 59 million Yahoo shares "and share-equivalents" over the past 10 days and has asked the Federal Trade Commission for permission to buy up to \$2.5 billion worth of Yahoo stock.

Icahn has also assembled an alternate board that he plans to present for election at Yahoo's July 3 shareholder meeting.

Icahn's slate includes himself, former Viacom CEO Frank Biondi, Dallas Mavericks owner Mark Cuban, and Adam Dell, the brother of PC magnate Michael Dell. Also on the list are Lucian Bebchuk, John Chapple, Keith Meister, Edward Meyer, Brian Posner, and New Line Cinema co-CEO Robert K. Shaye.

In his letter addressed to Yahoo chairman Roy Bostock, Icahn said the Yahoo board's behavior throughout the merger talks has been "irresponsible" and "unconscionable." He further charged that the board's insistence that Yahoo is worth more than Microsoft's offer was based on "overly optimistic" financial forecasts.

Icahn said that Yahoo needs to link up with Microsoft to prevent Google from dominating the Internet.

"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," Icahn told Bostock.

Microsoft has thus far been mum on whether it would re-enter merger talks with Yahoo at Icahn's request. After withdrawing from the negotiations, Ballmer and chairman Bill Gates have said the company has decided to build its Internet strategy internally.