

Icahn Moves To Force Microsoft & Yahoo Together

Corporate Raider Carl Icahn Started His Proxy Fight for Control of Yahoo

SYS-CON Media

By Maureen O'Gara

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Corporate raider Carl Icahn started his proxy fight for control of Yahoo this morning, beginning with the classic Icahn opening, the letter of reproach to the Yahoo board telling them they have acted “irrationally and lost the faith of shareholders and Microsoft.”

“It is unconscionable,” he says, “that you have not allowed your shareholders to choose to accept an offer that represented a 72% premium over Yahoo’s closing price of \$19.18 on the day before the initial Microsoft offer.”

He threatens to unseat the entire Yahoo board with an alternate slate of 10 hand-picked Icahn substitutes including himself if Yahoo doesn’t “move expeditiously to negotiate a merger with Microsoft, thereby making a proxy fight unnecessary.”

“It is quite obvious that Microsoft’s bid of \$33 per share is a superior alternative to Yahoo’s prospects on a standalone basis,” the letter says. “It is irresponsible to hide behind management’s more than overly optimistic financial forecasts.”

But for Craig Mundie’s much-parsed remark last week that “Yahoo could always come back again and say please buy us for \$33 and I’m sure we might reconsider it,” it is unclear that Microsoft can be enticed back to the table under any circumstances, having supposedly “moved on” since talks with Yahoo’s co-founders failed on May 3. Yahoo wanted \$37 a share.

Even Icahn reportedly can’t get Microsoft on the phone.

Icahn warns Yahoo about making any deal with Google that would alienate Microsoft further.

“While it is my understanding,” he says, “that you do not intend to enter into any transaction that would impede a Microsoft-Yahoo merger, I am concerned that in several recent press releases you stated that you intend to pursue certain ‘strategic alternatives.’ I therefore hope and trust that if there is any question that these ‘strategic alternatives’ might in any way impede a future Microsoft merger you will at the very least allow shareholders to opine on them before embarking on such a transaction.”

Icahn claims the support of other disaffected and disgusted Yahoo stockholders and says a number of them “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.”

He does not identify who might have approached him.

One might assume that it includes Yahoo’s biggest shareholder Capital Research & Management, which has been outspoken in its criticism of Jerry Yang and the Yahoo board since

they blew the deal, and perhaps Legg Mason Capital Management, Yahoo's second-biggest holder, which seemed to want assurances that Microsoft was still interested.

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

The question is does Microsoft still think so.

Icahn says he has amassed 59 million shares of Yahoo – more than has been reported – and is prepared to take that ~4.2% position to ~6.5% and buy up to \$2.5 billion worth of stock.

Team Icahn includes Dallas Mavericks owner Mark Cuban; Harvard law professor Lucian Bebchuk; former Universal Studios CEO Frank Biondi; Michael Dell's brother Adam Dell; Icahn Enterprises vice-chairman Keith Meister; Hawkeye Investments president John Chapple; investment manager Edward Meyer; New Line Cinema co-CEO Robert Shaye; and private investor Brian Posner.

Meyer and Chapple were reportedly on the slate that Microsoft put together but didn't use/

The Yahoo stockholders meeting is set for July 3. Sitting directors who don't win a majority of the votes have to offer to resign.