

# Icahn bids to topple “Irrational” Yahoo board

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Carl C. Icahn, the billionaire investor and activist shareholder, saying that the Yahoo board had acted irrationally in rejecting a takeover offer from Microsoft, started a proxy fight on Thursday to try and force Yahoo to restart talks to sell itself.

In a letter addressed to Roy Bostock, the Yahoo chairman, Icahn said that he would put up a slate of 10 directors and would seek regulatory clearance to acquire a stake of about \$2.5 billion in Yahoo. He has already about 59 million shares of Yahoo.

"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 the letter. "It is quite obvious that Microsoft's bid of \$33 per share is a superior alternative to Yahoo's prospects on a standalone basis."

Saying that he was perplexed by the board's actions, Icahn told the board that "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 on the day before the initial Microsoft offer."

The result, he said, was that "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."

Yahoo's shares were up 2 percent in Thursday trading.

Besides Icahn, the slate of dissident directors includes Lucian A. Bebchuk, a law professor at Harvard; Frank J. Biondi Jr., a former chief executive of Viacom and Universal Studios; Mark Cuban, the owner of the Dallas Mavericks basketball team and a founder of Broadcast.com; Keith A. Meister, an executive at Icahn Enterprises; Brian S. Posner, the chief executive of the equity firm, ClearBridge Advisors; and Robert K. Shaye, a chairman and chief executive at New Line Cinema.

The deadline for nominating a dissident slate was Thursday.

Even as Icahn moves ahead with his efforts to get Yahoo back to the negotiating table, the potential suitor, Microsoft has given no indication that it would be willing to return.

Microsoft withdrew a \$47.5 billion or \$33 a share offer about two weeks ago after Jerry Yang, Yahoo's chief executive and co-founder, said Yahoo needed a bid of at least \$37 a share.

Microsoft, which had already raised its bid from \$31 a share, refused to raise its offer and walked away.

Since then, many large Yahoo shareholders have accused the board of pushing Microsoft away. In recent days, Yahoo's directors have received a deluge of letters criticizing the company's tactics during the negotiations.

Icahn's decision to try to oust the entire board — as opposed to proposing only a couple of candidates — is considered a high-risk maneuver, analysts said. He might have a better chance of winning a campaign by proposing a smaller slate, several analysts added.

Under the proxy rules, Icahn can reduce his slate later, but had he nominated a smaller number of candidates he would not be allowed to increase it.

As part of his proxy contest, Icahn is taking direct aim at Yang, who is revered inside the company and has the support of many of its employees. Some analysts question whether ousting Yang would destabilize Yahoo if it were not sold and had to remain independent.

People included in Icahn's proxy effort say he wants to propose a full slate so that he will have enough leverage to push the company into the arms of Microsoft. Getting Microsoft, or any other suitor, to make a bid for Yahoo would raise the share price and yield a profit for Icahn.

Still, Microsoft has given Icahn no assurance it will re-enter talks, these people said. Icahn has tried to approach Steven A. Ballmer, Microsoft's chief executive, and his advisers through various channels.