

# Yahoo Chairman Tells Icahn To Back Off

Yahoo's chairman Roy Bostock said corporate raider Carl Icahn misunderstands why Yahoo's merger talks with Microsoft collapsed.

*InformationWeek*

By Paul McDougall

May 16, 2008

Yahoo's embattled chairman on Thursday said corporate raider Carl Icahn should back down from his attempt to overthrow the company's board and force a merger with Microsoft because only Yahoo's current board "has the independence, the knowledge, and the commitment to navigate the company through the rapidly changing Internet environment."

In a publicly released letter to Icahn, Roy Bostock also told the billionaire investor that he holds "a significant misunderstanding" over why Yahoo's merger talks with Microsoft collapsed. "Our board of directors has met over twenty times to review Microsoft's proposal," Bostock said.

Bostock implied that Microsoft, and not Yahoo's board, should be held responsible for the talks' failure because the software maker ended negotiations just as the companies were zeroing in on a price. "With Microsoft's offer at \$33 and Yahoo's counter-proposal at \$37, Microsoft elected, within hours, to walk away from the negotiating table," said Bostock.

Bostock's letter came in response to Icahn's pointed missive earlier in the day accusing Yahoo's board of failing to seriously consider Microsoft's merger offer.

In his letter to 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 initial offer was based on "overly optimistic" financial forecasts.

Bostock said Icahn's charges are baseless. "What Yahoo's independent board refused to do was to allow control of this company to be acquired for less than its full value," Bostock said in his response to Icahn.

Icahn has been acquiring millions of dollars worth of Yahoo shares on the open market and has assembled an alternate board that he plans to present for election at Yahoo's July 3rd 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.

The hedge fund Paulson & Co., which manages \$33 billion, on Thursday revealed in a regulatory filing that it has acquired 50 million Yahoo shares and said that it would support Icahn in a proxy fight if necessary.

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, CEO Steve Ballmer and chairman Bill Gates have said the company has decided to build its Internet strategy internally.