

# Yahoo's Chairman Disputes Icahn's Accusations

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Yahoo's chairman, Roy Bostock, rejected late Thursday accusations from the billionaire investor Carl C. Icahn that the company's board had acted irrationally in turning down a \$47.5 billion takeover offer from Microsoft and repeated that Yahoo remained open to a deal at the right price.

Mr. Icahn announced earlier in the day that he intended to initiate a proxy fight to replace Yahoo's board with 10 new directors that would try to negotiate a merger with Microsoft. Mr. Icahn said he hoped Yahoo would resume merger negotiations with Microsoft and make the proxy fight unnecessary.

Yet even as Mr. Icahn moved 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. A Microsoft spokesman declined to comment about Mr. Icahn's efforts on Thursday and repeated that the company had "moved on."

In a letter addressed to Mr. Bostock, Mr. Icahn said: "It is clear to me that the board of directors of Yahoo has acted irrationally and lost the faith of shareholders and Microsoft." Mr. Icahn said that Microsoft's final \$33-a-share bid was a "superior alternative to Yahoo's prospects on a stand-alone basis."

Yahoo's shares closed at \$27.75 on Thursday, up 61 cents.

Mr. Icahn said he had already purchased about 59 million shares of Yahoo. He said he would seek clearance from the Federal Trade Commission to acquire a stake of about \$2.5 billion in Yahoo, which would be about 6 percent of the company.

"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," Mr. Icahn said.

Mr. Icahn said that a number of Yahoo shareholders had encouraged him to initiate the proxy fight.

Mr. Bostock fired back in a letter saying that Mr. Icahn's argument "reflects a significant misunderstanding of the facts about the Microsoft proposal and the diligence with which our board evaluated and responded to that proposal."

Mr. Bostock detailed Yahoo's efforts to negotiate a deal with Microsoft, leading up to a May 3 meeting between its chief executive, Jerry Yang, and Steven A. Ballmer, the Microsoft chief executive. After that meeting, Microsoft withdrew its \$33 a share offer after Mr. Yang said Yahoo needed a bid of at least \$37 a share.

Mr. Bostock also said: “We do not believe it is in the best interests of Yahoo stockholders to allow you and your hand-picked nominees to take control of Yahoo for the express purpose of trying to force a sale of Yahoo to a formerly interested buyer who has publicly stated that they have moved on.”

Mr. Bostock also said that Yahoo was still pursuing other strategic alternatives and added that none of those alternatives would preclude a deal with Microsoft.

Yahoo remains in discussions over a search advertising partnership with Google, which would increase the company’s cash flow.

Mr. Icahn received some support Thursday afternoon. John Paulson, the hedge fund manager and founder of Paulson & Company, said he had acquired a 3.6 percent stake in Yahoo and would back the push to get the company into takeover talks with Microsoft.

Others among Yahoo’s largest investors have also said they would like Microsoft and Yahoo to resume talks.

Besides Mr. 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, co-chairman and co-chief executive at New Line Cinema.

People involved in Mr. Icahn’s proxy effort said the financier wanted to propose a full slate, as opposed to proposing only a couple of candidates, so that he would 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 Mr. Icahn.

Still, Microsoft has given Mr. Icahn no assurance it will re-enter talks, these people said.