

# Icahn targets Yahoo board

Financier blasts 'irrational' rejection of Microsoft takeover offer

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By Dane Hamilton

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Financier Carl Icahn yesterday launched a proxy battle to force Yahoo! Inc. to reopen buyout talks with Microsoft Corp., saying the Yahoo board had acted "irrationally" in refusing the \$47.5-billion offer.

Mr. Icahn harshly criticized Yahoo for the breakdown in talks, and said he had accumulated 59 million shares and options in Yahoo and assembled a 10-member dissident board slate for election at Yahoo's annual meeting on July 3.

"The board of directors of Yahoo has acted irrationally and lost the faith of shareholders and Microsoft," Mr. Icahn wrote in an open letter to Roy Bostock, Yahoo's chairman.

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

But the New York-based billionaire left the door open for a settlement instead of a full-blown proxy battle, whereby both sides typically spend millions of dollars.

He urged Yahoo to "move expeditiously to negotiate a merger with Microsoft, thereby making a proxy fight unnecessary."

The move came just two weeks after Microsoft walked away from three-month talks to buy Yahoo in a bid to catapult it into a top provider of on-line commerce and services. But Microsoft's final \$33-per-share offer wasn't enough to sway Yahoo CEO and co-founder Jerry Yang, who wanted \$37 per share.

One analyst said Mr. Yang will face a rougher road dealing with Mr. Icahn, a blunt-spoken veteran financier known for bare-knuckle takeover tactics, than Microsoft CEO Steve Ballmer.

"If Jerry Yang had a tough time dealing with Steve, wait until he meets Carl Icahn," said Colin Gillis, a Canaccord Adams analyst.

A bigger threat, said Mr. Gillis, is whether Microsoft is willing to come back to the table.

"It's not clear that he has a buyer. We think that Microsoft has really walked away."

Others said there is a reasonable chance of revived talks, saying the strategic rationale for Microsoft's initial interest in Yahoo hasn't changed in the last two weeks.

"Microsoft may still be interested as, in our view, it needs Yahoo to compete against Google," said UBS technology analysts in a note. "We continue to think a deal could be reached, with the value in the \$34 to \$35 range."

Others said the proxy contest gives new wind to shareholder pressure to revive talks.

"We view this is a very positive development," said a portfolio manager at a large investment firm that holds Yahoo shares. "It seems that the initial deal did not get done because some Yahoo directors got in the way. Getting some new blood on the board would be very beneficial."

Icahn's slate of nominees includes himself, Frank Biondi, a former Viacom Inc. chief, and Keith Meister, vice-chairman of Icahn Enterprises.

Mark Cuban, Dallas Mavericks basketball team owner and co-founder of cable network HDNet is also on Mr. Icahn's slate. Mr. Cuban is also familiar with Yahoo's negotiating style after he sold Broadcast.com to Yahoo in 1999 for about \$5 billion.

Other nominees include Lucian Bebchuk, professor of law, economics and finance at Harvard Law School; John Chapple, president of Hawkeye Investments; and telecom industry veteran and former chief executive of Nextel Partners; Adam Dell, managing partner of Impact Venture Partners; Edward Meyer, CEO of Ocean Road Advisors and former CEO of advertising firm Grey Global Group; Brian Posner, a former CEO of ClearBridge Advisors LLC; and Robert Shaye, the former co-CEO of Time Warner Inc.'s New Line Cinema.

Mr. Icahn also disclosed in the letter that he sought anti-trust