

Icahn Seeks to Unseat Yahoo's Entire Board

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Billionaire investor Carl Icahn Thursday filed a proxy slate to unseat Yahoo Inc.'s board, accusing its directors of acting "irrationally" and setting the stage for what could be a battle for control of the Internet company.

Mr. Icahn's move -- preceded by his purchase of roughly 10 million Yahoo shares and options to acquire 49 million more -- is largely a bet that he can interest Microsoft Corp. in reconsidering its abandoned bid for Yahoo. It isn't clear whether Microsoft is willing to do so or whether Mr. Icahn can win the support of shareholders to push his board slate through at Yahoo's July 3 annual meeting.

In a statement Thursday, Yahoo said it sent a letter to Mr. Icahn saying his view "reflects a significant misunderstanding of the facts about the Microsoft proposal and the diligence with which our board evaluated and responded to that proposal." A Microsoft spokesman declined to comment.

Some investors believe Mr. Icahn's role in the takeover saga increases the chances of a deal at a premium to Yahoo's current share price. In a letter to Yahoo Chairman Roy Bostock, Mr. Icahn said other shareholders asked him 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."

Mr. Icahn's slate of 10 candidates to Yahoo's board includes himself, his associate Keith Meister, former Viacom Inc. Chief Executive Frank Biondi, Harvard Law School Professor Lucian Bebchuk, Dallas Mavericks owner Mark Cuban and a number of other investors. In his letter, Mr. Icahn said he had requested Federal Trade Commission antitrust clearance to buy up to about \$2.5 billion worth of Yahoo stock.

Yahoo's ten-member board is comprised of nine independent directors and Yahoo CEO Jerry Yang.

Other investors seem to be betting on a deal with Microsoft. John Paulson, the hedge-fund investor who racked up \$15 billion betting against housing last year, filed a regulatory form Thursday disclosing that he owned 50 million shares of Yahoo as of the end of the first quarter, making his firm, Paulson & Co., one of the largest shareholders of the company. "We intend to support the Icahn slate but sincerely hope that Yahoo will negotiate an agreement with Microsoft thereby making a proxy fight unnecessary," Mr. Paulson said in a statement.

Observers say Mr. Icahn's bid to replace Yahoo's entire board is a bold move. In recent years, activist investors have tended to limit demands to a few seats -- often on expanded boards -- since it raises their chances of success. Activists find it easier to get companies to agree to

replacing a minority of directors without a proxy fight; shareholders are also more likely to support such campaigns.