

# Billionaire launches Yahoo! proxy battle

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**Microsoft walked away from its offer to acquire Yahoo!, but some investors think they know how to get the parties talking again - and that's bad news for the Yahoo! board.**

Billionaire Carl Icahn has purchased approximately 9.9 million Yahoo! shares plus 49 million options, and is leading a push to oust the entire board in favour of his own team.

In a letter to Yahoo! chairman Roy Bostock, Icahn used words including "irrationally," "irresponsible," "unconscionable" and "botched" to describe the board's handling of Microsoft's approach.

"It is clear to me that the board of directors of Yahoo has acted irrationally and lost the faith of shareholders and Microsoft," he wrote. "It is quite obvious that Microsoft's bid of \$33 per share is a superior alternative to Yahoo's prospects on a standalone basis."

The proxy board that will be put to shareholders comprises Icahn and his offsider Keith Meister, along with Harvard law professor Lucian Bebchuk, entertainment executive Frank Biondi, mobile communications exec John Chapple, entrepreneur Mark Cuban, venture capitalist Adam Dell (brother of Michael), former advertising executive Edward Meyer, fund manager Brian Posner, and New Line Cinema founder Robert Shaye.

Chapple and Meyer are believed to have been part of the slate that would have been proposed by Microsoft if it had made good on its threat of a proxy battle.

Who is supporting Icahn?

Hedge fund Paulson & Co, which owns 50 million Yahoo! shares, has thrown its weight behind Icahn. However, John Paulson has told Bloomberg "We intend to support the Icahn slate but sincerely hope that Yahoo will negotiate an agreement with Microsoft, thereby making a proxy fight unnecessary."

Some commentators have suggested that taking aim at the entire board could destabilise the company, as CEO and co-founder Jerry Yang is held in high regard by employees.

Furthermore, there is no guarantee that a new board will be able to attract a renewed bid from Microsoft, and shareholders would need to consider what alternative strategies it could bring to bear.

Yahoo! shares rose slightly on the news, closing on May 15 at \$US27.75. That's still well below the \$US33 offer made by Microsoft during discussions with Yahoo! executives and board members.