

Yahoo Investor Urges Board Compromise With Icahn

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Dissident [Yahoo Inc](#) investor Eric Jackson on Monday urged fellow shareholders to vote for a board comprising five existing directors and four nominees from billionaire investor [Carl Icahn's](#) slate.

Jackson, who leads a group of 146 investors holding 3.2 million Yahoo shares, said that while he supported Icahn fully, he recognized that major shareholders may not. So he proposed a "third option" to create a new board that is more responsive to shareholders' concerns.

Icahn, who owns more than 4 percent of Yahoo, launched a proxy battle in May to replace the Web pioneer's board in the wake of [Microsoft](#) Corp's failed effort to acquire the company.

"Neither side running for election can guarantee that Microsoft will ever come back to the table with an offer for Yahoo," Jackson said in a statement. "We must accept that reality and select a board to do the best job in the current situation (even as distasteful as the situation is)."

He added: "I want Icahn to win outright, but I am putting forward this "Third Option" because I fear several large shareholders will worry about the operational abilities of Icahn and his team."

Jackson said his move was aimed at major Yahoo shareholders, including Capital Research, [Legg Mason](#) and Vanguard, as well as proxy advisory firms like RiskMetrics and Glass Lewis.

Yahoo last week signed a Web search advertising deal with [Google Inc](#) after talks with Microsoft broke down. The news sent Yahoo shares plunging more than 17 percent.

Jackson became the star of Yahoo's 2007 annual meeting when he accused then-chairman and CEO [Terry Semel](#) of mismanaging the company and failing to do more to revive its falling stock price. He also spearheaded a campaign against board-nominated directors, resulting in a hefty minority vote against the re-election of Semel, who stepped down soon after.

In May, Jackson launched a "vote no" campaign, reaching out to Yahoo shareholders via the Internet to urge them to vote against Yahoo directors.

RECOMMENDED CHANGES

Jackson said on Monday that the three members of Yahoo's compensation committee, including Chairman Roy Bostock, and a fourth director, Softbank Capital's Eric Hippeau, should not be re-elected.

"I frankly hold Mr. Bostock more responsible (than Yahoo CEO [Jerry Yang](#)) for the break-down in talks with Microsoft," wrote Jackson, who runs investment firm Ironfire Capital and personally owns only a handful of Yahoo shares.

"He supposedly has much more experience in such deal-making matters than Yang," Jackson wrote, "and I find it puzzling that he would choose not to attend that fateful meeting on May 3rd in Seattle, which led to Microsoft finally pulling the plug on their offer."

Yang met with Microsoft Chief Executive [Steve Ballmer](#) on May 3 in a last attempt to negotiate before the software giant rescinded its offer to buy all of Yahoo. Ballmer had sweetened the offer to \$33 a share, but Yahoo would not go below \$37, sources told Reuters earlier.

Jackson endorsed Yang's re-election, but left it to the new board to determine whether he should remain chief executive.

From the Icahn slate, he endorsed venture capitalist Adam Dell, who is Dell Inc chief Michael Dell's brother; Harvard law professor Lucian Bebchuk; former Nextel CEO John Chapple; and former Grey Global CEO Edward Meyer.

Jackson said electing a minority of Icahn's nominees to Yahoo's board would also keep a \$2.6 billion severance plan from being triggered through a change of control clause, which would happen if Icahn's entire slate was elected.