

Yahoo settles with investor Carl Icahn

DMNews

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July 21, 2008

To avoid a proxy fight, Yahoo will appoint activist investor Carl Icahn to its board, in addition to two new members.

As part of the agreement, Icahn, who owns approximately 5% of Yahoo common stock, has agreed to withdraw his nominees for consideration at the company's annual meeting on August 1 and to vote in support of the board's nominees, Yahoo said.

According to the settlement agreement, Robert Kotick, a Yahoo board member and CEO of online and console game publisher Activision Blizzard, will not stand for reelection at the annual meeting. The remaining eight members of Yahoo's existing board, which include co-founder and CEO Jerry Yang and chairman Roy Bostock, will stand for reelection.

The two new seats — which will increase the number of Yahoo board members from 9 to 11 — will be filled from a list of candidates recommended by Icahn. Yahoo's board will approve the appointments after the two new members are selected from Icahn's list by its nominating and governance committee, Yahoo said.

According to a July 14 US Securities and Exchange Commission filing, Icahn's nominee list includes Lucian Bebchuk, Frank Biondi Jr., John Chapple, Mark Cuban, Adam Dell, Keith Meister, Edward Meyer and Brian Posner. According to Yahoo, Jonathan Miller, a partner in the Velocity Interactive Group and former Chairman and CEO of AOL, has been added to the list of nominees.

Today's announcement follows last week's news that Legg Mason Capital Management, which owns approximately 4.4% of the outstanding shares of Yahoo, would support Yahoo's existing board.

In a statement, Yang said, “This agreement will not only allow Yahoo to put the distraction of the proxy contest behind us, it will allow the company to continue pursuing its strategy of being the starting point for Internet users and a must buy for advertisers.”

When contacted, Emmeline Kuhn of Icahn Associates referred press inquiries to Icahn's press releases. In a statement, Icahn said, “While I continue to believe that the sale of the whole company or the sale of its search business in the right transaction must be given full consideration, I share the view that Yahoo's valuable collection of assets positions it well to continue expanding its online leadership and enhancing returns to stockholders.”

According to Yahoo spokesman Brad Williams, the company is still open to a deal with Microsoft, which initially offered to purchase Yahoo for \$31 a share on January 31.

Earlier this month, Yahoo rejected a joint proposal from Microsoft and Icahn to acquire Yahoo's search business and to restructure the company.

“We remain open to a possible deal with Microsoft that maximizes value for our stockholders, just as we've been all along,” said Williams when reached by e-mail.