

Yahoo shareholder urges compromise in board battle over Microsoft deal

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A prominent Yahoo shareholder has proposed that a composite board from current management and rebel shareholder nominees should take over the company.

Ahead of a showdown at the company's annual general meeting on August 1, hedge fund founder Eric Jackson wants shareholders to vote to keep five of the current board and bring in only four new executives from the slate of nine proposed by Carl Icahn, the billionaire investor trying to take over the firm.

Jackson, who leads the Yahoo Plan B shareholder group of 150 individual investors, said in a statement that "it has become clear over the last two weeks that many shareholders are reluctant to support the entire list of Icahn nominees".

He added that Jerry Yang, Yahoo's co-founder and chief executive, should be replaced but remain on the board, arguing that the company would need continuity in its management to see through a deal with Microsoft. Icahn wants to sack Yang.

Icahn recently entered talks with Microsoft over a new deal to take over Yahoo. Previous talks between the two firms directly ground to a halt in May when they could not agree a price.

"We are confident this new hybrid Yahoo board can effectively conclude a deal with [Microsoft]," said Jackson, who wants to encourage voters to opt for HotJobs investor Adam Dell, Harvard professor Lucian Bebchuk and two advertising executives, John Chapple and Edward Meyer.

These four, as put forward by Icahn two months ago, would sit alongside five current Yahoo directors.

Icahn's bid was dented on Friday when major investor Bill Miller of Legg Mason, who represents Yahoo's fourth largest investor, said he would vote to support the current board which includes Yang.

Miller, who controls 4% of Yahoo's stock, was the first fund manager to speak out about the takeover.