

Yahoo selects Biondi, Chapple as new board members

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By Jessica Mintz

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SEATTLE (AP) — Yahoo Inc. said Thursday it will add the former chief executives of Viacom and Nextel Partners to its board of directors as part of the company's deal to ward off a proxy fight with billionaire investor Carl Icahn.

The Sunnyvale, Calif.-based company selected Frank Biondi Jr. and John Chapple, former chief executives of Viacom Inc. and Nextel Partners, respectively, from a list of nine possible new board members submitted by Icahn.

Icahn, who has a long history of corporate rabble-rousing, had been pressing Microsoft Corp. and Yahoo to renew buyout talks. The New York-based financier acquired 5 percent of Yahoo's shares and spent two months spearheading a campaign to replace the Internet company's entire board after it rejected Microsoft's \$47.5 billion takeover bid in May.

A showdown with Icahn had been set to culminate in a shareholder vote at Yahoo's Aug. 1 annual meeting, but a truce in late July headed it off.

As part of the deal, Icahn got a seat on the board, and Yahoo agreed to name two others backed by the activist investor. To make way for the new directors, Robert Kotick, chief executive of video game maker Activision Blizzard Inc., stepped down after five years on Yahoo's board.

None of the three new directors has led a Web company, but together Biondi and Chapple have high-profile content and technology credentials.

"Frank's extensive experience in the entertainment and media industries, combined with John's deep management experience in telecommunications, will provide valuable perspectives to our already diverse board," Yahoo Chairman Roy Bostock said in a statement.

Biondi, 63, served as CEO of Viacom, the entertainment company that owns MTV and Paramount Pictures, among many other content brands, from 1987 to 1996. He led Universal Studios until 1998 and is currently senior managing director of WaterView Advisors, a private equity fund specializing in media and entertainment ventures.

Biondi has worked with Icahn in previous battles — known as proxy contests — to unseat corporate boards. During Icahn's unsuccessful challenge to Time Warner Inc.'s management in 2005 and 2006, the activist investor tapped Biondi as his intended replacement CEO.

Chapple, 55, was chief executive of Nextel Partners from 1998 to 2006, when the wireless company was acquired by Sprint Communications. He is currently president of Hawkeye Investments, a private equity firm that focuses on telecom ventures.

Whether Biondi and Chapple could help turn Yahoo around is unclear.

"The fate of Yahoo is not going to change by any addition of these board members," said Global Equities Research analyst Trip Chowdry in an interview. "This is a blessing for the competition."

With Icahn, Biondi and Chapple on board, Chowdry said, Yahoo will suffer from having "too many cooks in the kitchen." Chowdry said he expects their appointments to result in strategic plotting and restructuring that would simply give Microsoft and Google Inc. more space to grow stronger.

Although Yahoo co-founder and CEO Jerry Yang may not have been the best businessman or manager, Chowdry said, Yang's technical savvy and ability to understand Web surfers represents the company's best hope for a comeback.

Icahn had said that Yahoo needed a more experienced CEO than Yang. The candidate seen as Icahn's choice to succeed Yang as CEO, former AOL chief Jonathan F. Miller, was cut from board consideration after AOL's owner, Time Warner, indicated it would enforce a noncompete agreement.

Icahn remains highly motivated to boost Yahoo's stock price because he paid about \$25 per share to acquire his stake in the company, but since the July agreement, he has appeared more willing to give Yang more time to prove himself.

Yahoo had until Friday to pick the two directors from Icahn's allies. Icahn's short list also included Mark Cuban, who sold Broadcast.com to Yahoo in 1999; venture capitalist Adam Dell; Harvard Law professor Lucian Bebchuk; and co-CEO of New Line Cinema, Robert Shaye.

Yahoo is just the latest target of Icahn's agitating. The list of troubled companies he has recently pressured into shake-ups includes Blockbuster Inc., Motorola Inc. and Mylan Laboratories Inc. He also pushed software maker BEA Systems Inc. into agreeing to an \$8.5 billion sale to its rival Oracle Corp. this year after Oracle dropped a bid of \$6.7 billion.

Shares of Yahoo closed down 8 cents, or 0.4 percent, at \$20.28 in trading Thursday. After the board announcement, Yahoo gained 8 cents to \$20.36 in after-market trading.