

Microsoft threatens Yahoo! with proxy battle

Microsoft Corp. has threatened Yahoo! Inc with a hostile takeover of the company if they do not agree to the offered deal within three weeks.

Microsoft chief executive Steven A. Ballmer, in a letter Saturday to Yahoo! board, said that 'by choosing not to enter into substantive negotiations with us, you have failed to give due consideration to a transaction that has tremendous benefits for Yahoo!'s shareholders and employees.'

According to the letter, in case Yahoo!'s board fails to begin talks within three weeks, Microsoft would be compelled to take its offer directly to shareholders and try to replace Yahoo!'s directors through proxy fight.

After the deadline, Microsoft's offer may even be lower than the one they made Jan 31, currently valued at about \$40 billion,

'If we are forced to take an offer directly to your shareholders, that action will have an undesirable impact on the value of your company from our perspective which will be reflected in the terms of our proposal,' the letter said, adding that worsening economic conditions have reduced Yahoo's market value.

Yahoo!'s board is reviewing the letter, a person close to the company said, The Wall Street Journal reported Saturday. They had rejected the earlier offer saying the company was worth substantially more than what Microsoft offered.

The Redmond, Washington, based software giant's new gambit to acquire the Sunnyvale, California based internet services company came after senior executives from both companies failed to make any progress in meetings recently.

To stave off takeover by Microsoft, Yahoo! has held fruitless talks with several other parties, including Google and Time Warner's AOL unit.

Microsoft wants Yahoo! in its fold to be able to compete with Google in internet search and other services.

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