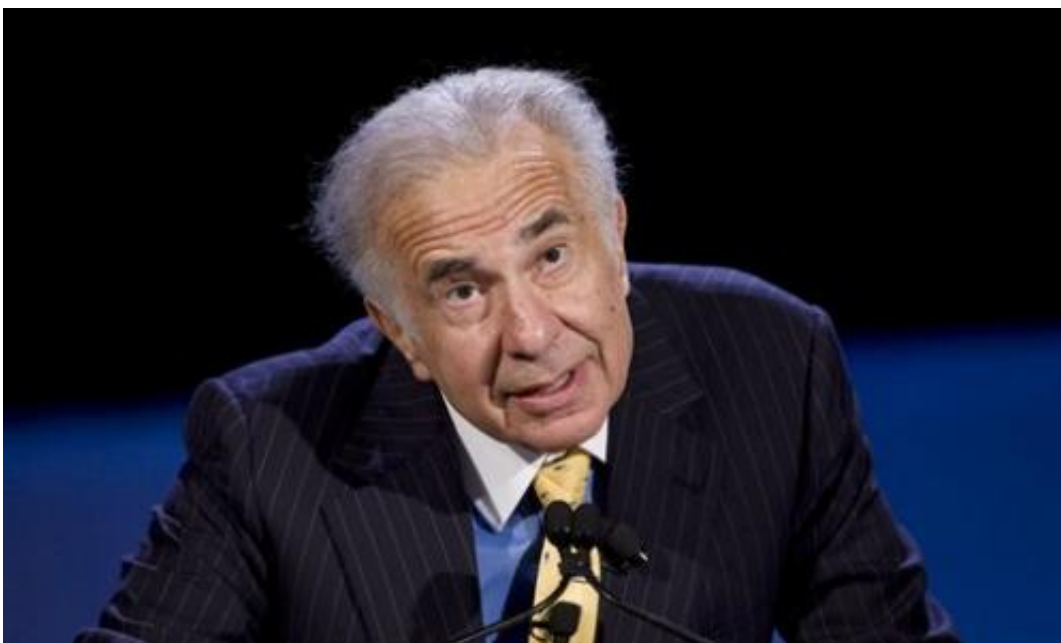


## Netflix moves to block a hostile takeover (Update)

November 5 2012

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In this Oct. 11, 2007 file photo, private equity investor Carl Icahn speaks at the World Business Forum in New York. On Monday, Nov. 5, 2012, Netflix announced it is moving to protect itself against hostile takeovers, less than a week after activist investor Carl Icahn disclosed that he has accumulated a stake of nearly 10 percent in the online video company. (AP Photo/Mark Lennihan, file)

(AP)—Netflix is moving to protect itself against hostile takeovers, less than a week after activist investor Carl Icahn disclosed that he has accumulated a stake of nearly 10 percent in the online video company.

Netflix Inc. said Monday that it has adopted a shareholder rights plan, also known as a poison pill. Such a plan is designed to make it difficult or even impossible for someone to take over the company without an agreement from the board. When the provision is triggered, additional shares flood the market and make it prohibitively expensive for a takeover.

Netflix said the provision is triggered if a person or group acquires 10 percent of Netflix, or 20 percent in the case of institutional investors, in a deal not approved by the board. The Los Gatos, California-company said that its plan isn't intended to interfere with a board-approved transaction.

"Adopting a rights plan is a very reasonable thing to do in light of the recent accumulation of a lot of Netflix stock by an activist shareholder," spokesman Jonathan Friedland said.

Icahn disclosed last Wednesday that he spent \$14 billion on his 10 percent stake. The documents he filed didn't disclose why Icahn and his investment funds have been buying 5.5 million Netflix shares since early September. But it's likely that he would press Netflix to make dramatic changes to boost its stock price.

The company has been stumbling since it raised its U.S. prices by as much as 60 percent last year. That triggered a backlash that resulted in the loss of hundreds of thousands customers and raised concerns on Wall Street that CEO Reed Hastings would have trouble paying for an ambitious plan to expand the company's service into dozens of other countries.

There is some cause for worry. Netflix's earnings through the first nine months of this year have fallen by 95 percent from last year. The company also issued a fourth-quarter forecast that indicated the

company might end up with a loss for the full year. This would be Netflix's first annual loss in a decade.

The rights plan expires on Nov. 2, 2015. In a regulatory filing Monday, Icahn called the adoption of a poison pill without a shareholder vote "an example of poor corporate governance."

Netflix shares fell 35 cents to \$76.55 in midday trading. The stock has traded in the 52-week range of \$52.81 to \$133.43. The stock peaked at close to \$305 nearly 16 months ago.

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