

Icahn's personality is a blend of the relentless and the quirky. This billionaire regularly appears in the office in chinos, boat shoes, and a braid belt, with two pairs of glasses entwined around his neck. Scribbling on a yellow notepad, his hair matted down, he resembles a mad professor. A conversation with Icahn is a wild ride. He'll start by saying how former Paramount chief Martin Davis warned him never to invest in a movie, veer into a description of how he pays performance bonuses to the principal and teachers who work at the charter school he supports in the South Bronx, and finish with an anecdote about a seriocomic encounter with the president of South Korean tobacco company KT&G, one of the hedge fund's major investments. Icahn recalls that he kept making requests, the translator kept laboriously translating them, and the president kept dismissing them with a clipped "No!" Finally, Icahn grabbed the president for a private conference, muddling along in English without the translator, and lo and behold, they got to like each other, reaching agreement on a host of topics. "We walked out and he gave me a high-five!" raves Icahn. "And he's a lot shorter than I am!"

On Thursday evenings Icahn and his wife, Gail, the former assistant whom the divorced Icahn wed in 1999, drive to their beachfront home in East Hampton in a Lexus SUV. She's at the wheel but forbids him to use his cellphone, so they listen to books on tape. (Recent choice: *The Kite Runner*, the bestselling novel about an Afghan boy.) In East Hampton they unwind by singing old show tunes after dinner with friends. "We'll waltz down the hallway singing 'On the Road to Mandalay,'" says Gail, who dubs her husband "Cineplex" because he juggles so many deals. Their favorite pastime is tennis. Gail says Icahn is so aggressive that playing him is like suffering through "the Bataan death march." Icahn does a standup comedy routine at hedge fund dinners in exchange for donations to his charities. One of his favorite jokes: "A thief stole my wife's credit card, but I didn't report it. Guess why? The thief spends less than my wife!"

Icahn can be brutally tough in business meetings, where he's known for hurling epithets ranging from "You'll never work on Wall Street again" to "That's the dumbest thing I ever heard." "He uses a lot of crude, abusive language," says Ross. He's also famous for mangling names to hilarious effect, and adversaries swear the practice is intentional. "When I disagreed with him, he'd call me 'Mollusk,'" recalls Moelis. "You always get a show with Carl."

If Icahn aspires to being something of a populist today, the makeover would have been an even bigger reach in the past. Besides the greenmailing that left regular shareholders in the cold, his tenure as owner-operator of TWA from 1985 to 1993 no doubt cost many workers their jobs after he stripped the airline of many of its most profitable assets and starved it of new spending on planes and equipment. The chief criticisms of Icahn today: His fierce attacks sometimes hurt the effectiveness of targeted CEOs who don't deserve it, and sometimes his quick fixes are wrong for the situation. "He puts the fear of God in management and gets them to do what he wants," says a prominent investor. "It might

be a quick shot in the arm for the stock but might not be in the best long-term interests of the company." A case in point is Time Warner. Early last year Icahn pushed for a big share buyback and championed breaking up the media giant into four separate companies. The buyback turned out to be effective, but the breakup idea didn't convince Wall Street that the parts were worth more individually than as units of Time Warner. "We got tepid backing from institutions," says Rosenstein, whose fund endorsed Icahn's plan. Yet the Time Warner excursion is a classic case of how Icahn wins by losing—all the way to the bank. His coup was recognizing that Time Warner was cheap. Though his attack failed, it barely mattered. The stock rose \$4, to \$21.50.

On Motorola, Icahn is counting on a similar insight. Quite simply, Icahn sees Motorola as a bargain and is confident that management must either fix the cellphone business or depart. "The proxy fight focused the board and management on the fact that they have a major problem that must be fixed," he asserts. "And they don't have a long time to fix it." Icahn isn't even particularly upset that he lost the election. "It's not great to be in a minority position," he admits. "It's like being in midcourt in tennis. It's often better to be outside, where you can buy more stock or launch a tender offer." Meister reckons that Motorola, with a market cap of \$42 billion, presents a compelling opportunity now that the market

is valuing its huge cellphone business at just \$10 billion. If the business is revived, Meister estimates it will be worth \$25 billion, driving Motorola's stock up by around 35%. Icahn says he wishes Zander well. "If he fixes it, no one will be happier than me," says Icahn. "I'm a nice guy. I stay friends with guys like Zander despite all the fighting." Zander told FORTUNE his conversations

with Icahn have been "engaging and constructive."

To his credit, Icahn is waging a limited but highly effective war against bloated CEO pay. His most notable battleground is Blockbuster. Icahn was appalled that CEO John Antioco's package called for a golden parachute of more than \$20 million. He was also irritated that Antioco stood to make a \$6.5 million bonus for 2006 with Blockbuster stock in the dumps. Icahn assigned his lawyers to study the contract and discovered that the board had "negative discretion," meaning it could cancel or reduce any bonus. So this year, at Icahn's request, the board chose him personally to bargain down the pay package for Antioco, who was pledging to leave at the end of 2007. Icahn called him at home on a Friday night. "I'd had two margaritas, and Carl sounded like he'd had a martini," recalls Antioco. "He said, 'Your bonus could be zero!' I said I'd arbitrate. Carl said, 'You'll lose in arbitration!'" But the next day they reached an amicable settlement that cut Antioco's bonus and severance payment from what could have been more than \$30 million to just \$8 million. "It was painful," says Antioco, "but Carl and I will stay friends. He calls me 'Jawn,' and I had the Pasta alla Icahn." Antioco says he wouldn't even rule out working for an Icahn venture someday. Might not be all fun, he implies, but it sure would be a moneymaker. **F**

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