Yahoo faces investor mutiny as Asia talks unravel

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(AP) -- Yahoo's hopes for a fresh start under a new CEO faded Tuesday as its closely watched discussions to sell most of its Asian holdings unraveled and a frustrated shareholder announced that he will try to seize four seats on the struggling Internet company's board.

The developments, which unfolded within a few hours of each other, mean Yahoo's recently hired CEO Scott Thompson will have to deal with more uncertainty and potential upheaval than he probably would have liked as he tries to end a strategic and financial malaise that has depressed the company's stock price for years.

"The honeymoon is already over," said BGC Financial analyst Colin Gillis. "Yahoo is probably looking at another year of turmoil."

Yahoo Inc. has been trying to appease shareholders by entering negotiations to sell two of its most valuable assets - its stakes in China's Alibaba Group and Yahoo Japan - in a complicated deal that could have generated billions of dollars for dividends and possible acquisitions. The company, based in Sunnyvale, Calif., had sought to avoid a confrontation with one of its largest shareholders, New York hedge fund manager Daniel Loeb, by purging its board of four longtime directors, including Chairman Roy Bostock.

Both those efforts foundered Tuesday.

The negotiations to sell Yahoo's stakes in Alibaba and Yahoo Japan ruptured abruptly over price and the best way to complete the complex deal, according to a person familiar with the matter. Another person familiar with the matter said Yahoo had second thoughts about selling after agreeing to the sales price in a 300-page proposal outlining the proposed deal in late December. Both people spoke to The Associated Press on Tuesday on the condition of anonymity because the negotiations are considered confidential, despite repeated leaks during the past few months.

All Things D, a technology blog affiliated with The Wall Street Journal, reported earlier that the talks had collapsed.

Investors quickly expressed their dismay. Yahoo's shares shed 76 cents, or 4.7 percent, to close at $15.36, below where they were trading six weeks ago when the company announced Thompson's hiring.

Shortly after the market closed, Loeb outlined his plans for a shareholder rebellion ahead of Yahoo's annual meeting, which usually isn't held until June.

Loeb disclosed in a regulatory filing that he wants a seat on Yahoo's board to protect his Third Point LLC fund's 5.6 percent stake in the company. He plans to nominate three other candidates to replace some of Yahoo's current board members. Loeb's allies are former NBC Universal CEO Jeff Zucker, former MTV Networks executive Michael Wolf and turnaround specialist Harry Wilson, a former adviser to the U.S. Treasury Department who helped General Motors navigate bankruptcy after the Obama administration bailed out the auto maker in 2009.

If Loeb's slate prevails, they would replace Alfred Amoroso and Maynard Webb Jr., two board members that Yahoo appointed last week, and Patti Hart, who is leading Yahoo's search to find candidates for the board seats to be vacated at the annual meeting. Besides Bostock, the directors stepping down are Vyomesh Joshi, Arthur Kern and Gary Wilson.

The shake-up wasn't enough to assure Loeb that the board has the expertise Yahoo needs in making a series of critical decisions, including the fate of the company's Asian holdings. In his regulatory filing, he asserted the company needs more directors with media experience, particularly in video, and more with turnaround know-how.

"Installing the hand-picked choices of the current board does nothing to allay investor fears that Yahoo is poised to repeat the errors of its past," Loeb wrote in the regulatory filing. None of Loeb's criticism specifically mentioned Thompson, who gained a seat on the board when he became CEO.

A representative for Loeb declined to comment Tuesday evening.

Yahoo said in a statement that it had sought suggestions for new directors from Loeb and several other shareholders.

"We have received constructive suggestions from several of our major shareholders and, therefore, it is especially disappointing that Mr. Loeb has chosen a potentially disruptive path, just as the company is moving forward under new leadership to aggressively increase the value of Yahoo," the statement said.

This isn't the first time Yahoo has had to wrestle with a disgruntled shareholder for control of its board. In 2008, billionaire investor Carl Icahn sought to overthrow the entire board after Yahoo squandered an opportunity to sell itself to Microsoft Corp. for $47.5 billion, or $33 per share. After two months of acrimony, the company wound up negotiating a truce that gave Icahn three board seats.

The impasse over the Asian assets comes as a surprise, given that Yahoo and the prospective buyers, Alibaba and Yahoo Japan shareholder Softbank Corp., all seemed motivated to seal a long-awaited deal. Yahoo was confident enough to dispatch negotiators to Hong Kong last week while Alibaba had been seeking financing to pay for its part, the person said.

But the sides couldn't agree on the value of Yahoo's holdings, which have been steadily rising in the past few years as Alibaba's electronic-commerce services prospered in China's rapidly growing Internet market. Analysts also have differed on how much Yahoo could fetch by selling its stakes, with estimates ranging from $11 billion to $18 billion.