Yahoo! girds for fight with activist investor

May 2 2012

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In a letter to shareholders, Yahoo! said it had been unable to reach a compromise with Daniel Loeb, head of New York-based hedge fund Third Point, who wants a direct hand in running the California company.

"Regrettably, our efforts to avoid a proxy contest with Third Point were unsuccessful," Yahoo! said a letter to stockholders.

"The board continues to believe that Mr. Loeb himself does not bring the relevant skill set and experience to the board, particularly in comparison to the candidates selected by the board."

Yahoo! said that it offered Third Point two seats on the board but would not approve Loeb being one of them. Loeb insisted any compromise include him being appointed to the board, according to Yahoo!.

Loeb owns early six percent of Yahoo! stock. His "Shareholder Slate" of candidates includes himself, Harry Wilson, Michael Wolf, and Jeff Zucker.

"After years of failed leadership and poor governance, Yahoo! shareholders have a chance to inject experienced, independent voices aligned with their interests," Loeb said at a ValueYahoo.com website devoted to his cause.

Yahoo! has yet to announce the timing of its annual meeting of shareholders at which the vote is to take place.

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