

# Yahoo staves off proxy war in board deal with hedge fund

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Yahoo reached a settlement with Starboard Value, adding four new directors to its board

Yahoo averted a proxy battle for control of the company with a compromise Wednesday that adds four new board members, including a hedge fund chief who has been critical of management.

Four members will be added as part of an agreement with investment

firm Starboard Value, which last month launched a bid to replace the entire board of the Internet giant, which is in turmoil and searching for a buyer of its core business.

"This constructive resolution will allow management and the board to keep our focus on our extremely important objectives," chief executive Marissa Mayer said in a statement.

The deal could give Mayer and Yahoo management some breathing room as they study "strategic" options for a possible sale.

The new board members include Starboard chief Jeff Smith, who last month announced a plan to take over the board of troubled Yahoo, saying it was "undervalued" and that management had "failed to deliver."

"I am pleased that we were able to reach a constructive agreement with Yahoo to add new independent directors to the Yahoo board," Smith said in a statement.

"We look forward to getting started right away and working closely with management and our fellow board members with the common goal of maximizing value for all shareholders."



Yahoo CEO Marissa Mayer says the company has achieved a "constructive resolution" with Starboard

Shares in Yahoo traded down 0.75 percent at \$36.83 on the news.

Yahoo said last week it continued to look at potential bidders and at the same time was pursuing Mayer's plan to revive growth at the company, which has fallen behind rivals Google and Facebook in key areas of online advertising.

## Board grows to 11

Under the deal, two current board members will not stand for re-election, which will mean the total number of directors will increase to 11.



Internet giant Yahoo has struggled to keep pace with new rivals, especially in mobile

The other new board members will be Tor Braham, a former Deutsche Bank executive involved in mergers and acquisitions in the technology industry; Eddy Hartenstein, former CEO of Tribune Company, DirecTV and the Los Angeles Times Media Group; and Richard Hill, a longtime technology executive who has been chairman of Tessera Technologies since 2013.

Yahoo is one of the best-known names on the Internet, but its failure to keep pace with new rivals, especially in mobile, has put pressure on Mayer to find a new plan.

The company is seeking a way to separate its core business from its stake in Chinese Internet giant Alibaba, which accounts for most of the market value of Yahoo.

Yahoo has not commented on any specific bidders for the core business, but much of the speculation centers around Verizon, the telecom giant which recently acquired another faded Internet star, AOL.

In February, Yahoo said it was cutting 15 percent of its workforce and narrowing its focus as it explored "strategic alternatives."

Mayer has simultaneously been working to revive growth and made priorities of what she refers to as "Mavens"—mobile, video, native advertising and social media.

Last month, Starboard said it would nominate nine new directors to the company's board, a plan which presumably would pave the way for a merger or sale of Yahoo's core business.

"We have been extremely disappointed with Yahoo's dismal financial performance, poor management execution, egregious compensation and hiring practices, and general lack of accountability and oversight by the board," the Starboard letter last month said.

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