Chairman, 3 others out in Yahoo board shake-up

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Yahoo Chairman Roy Bostock and three longtime board members are stepping down, submitting to the demands of many frustrated shareholders who blame them for contributing to the follies that have dragged down the Internet company's revenue and stock price.

The shake-up announced Tuesday continues a drastic makeover of Yahoo's leadership during the past month as the company negotiates to sell its Asian assets in a complex deal that could help ignite a long-promised turnaround.

After Yahoo hired former PayPal executive Scott Thompson as its CEO a few days into the new year, co-founder Jerry Yang resigned from the board and severed all other ties with the company that he helped start in 1995.

Now Bostock is departing after four years as chairman. Many shareholders still blame him and Yang for squandering an opportunity to sell Yahoo to Microsoft Corp. in May 2008 for $47.5 billion, or $33 per share. Yahoo's stock hasn't traded above $20 in nearly 3 1/2 years. The shares closed Tuesday at $15.83, up by a penny, then added another 9 cents in extended trading.

Bostock, a former advertising executive, more recently has been attacked for not moving more aggressively to fix the problems that have caused Yahoo to sink into a deeper financial rut while the fortunes of two major rivals, Google Inc. and Facebook Inc., have soared.

"It was time for him to leave the scene," said B. Riley & Co. analyst Sameet Sinha.

In a move that will give Thompson an even cleaner slate as he tries to come up with a new strategy, Yahoo board members Vyomesh Joshi, Arthur Kern and Gary Wilson also agreed not to seek re-election at Yahoo's shareholders meeting this June.

Kern, a former radio station owner, has been on Yahoo's board for more than 15 years. Wilson, a former airline executive, has been a director since 2001, and Joshi, a Hewlett-Packard Co. executive, has been a director since 2005.

"These changes are long overdue," said Ryan Jacob, portfolio manager of Jacob Asset Management, which owns more than 140,000 Yahoo shares. "It had gotten to the point where the board really didn't have any other choice. I think everyone needed a clean break."

With the housecleaning, Yahoo will be left with seven directors, all of whom have joined the board since the end of 2009. That list includes the two latest directors appointed Tuesday: Alfred Amoroso, former CEO of TV listings provider Rovi Corp., and Maynard Webb Jr., a former eBay Inc. executive who most recently was CEO of

LiveOps Inc., which helps to staff customer call centers.

Yahoo said it is conducting a search for additional directors. The company, which is based in Sunnyvale, has become accustomed to upheaval. Thompson is the company's fourth CEO in less than five years.

Bringing in new directors to work with Thompson will "provide Yahoo with the expertise and perspectives necessary to drive innovation and growth," Bostock wrote in a letter Tuesday announcing his plans.

It could also avoid a potential shareholder mutiny. Hedge fund manager Daniel Loeb, who controls a 5.2 percent stake in Yahoo, had been threatening to nominate an alternate slate of directors if Yahoo didn't overhaul its board. In a blistering letter sent late last year, Loeb told Bostock and Yang that they should step aside. The window for nominating alternate candidates to Yahoo's board is scheduled to open Feb. 24.

Calls to Loeb's office weren't immediately returned Tuesday.

Bostock became so unpopular among shareholders that nearly 40 percent of the votes were cast against his re-election in Yahoo's first annual meeting after Microsoft withdrew its takeover offer.

His decision-making came under scrutiny again in early 2009 when he and the rest of the board hired Carol Bartz as CEO in early 2009. Although she was well respected for per previous success in computer software, Bartz had no previous experience in online content or advertising - the keys to Yahoo's business.

The no-nonsense Bartz helped sharpen Yahoo's focus by cutting costs, but couldn't revive revenue growth. Bostock fired her last September, prompting Bartz to lambaste him and the rest of Yahoo's board as "doofuses."

Yahoo's financial struggles are becoming even more glaring now that Facebook, the owner of the Internet's largest social network, has opened its books in preparation for an initial public offering of stock later this year. Facebook's IPO documents revealed its revenue surged 88 percent to $3.7 billion in 2011 while Yahoo's declined by more than 20 percent to just under $5 billion. If that trend continues, Facebook's revenue will surpass Yahoo's this year.

As it is, Facebook's IPO is expected to value the 8-year-old company at $75 billion to $100 billion. Meanwhile, Yahoo's market value is hovering around $20 billion.

Yahoo is trying to generate some cash that could be used for acquisitions or shareholder dividends by selling its stakes in China's Alibaba Group and Yahoo Japan. The proposed deal requires clearing some tax hurdles and addressing other issues that Bostock indicated could take a long time to resolve. The negotiations already have been going on since last fall.

"The complexity and unique nature of these transactions is significant," Bostock

wrote Tuesday. "While we continue to devote significant resources to these discussions, we are not in a position at this time to provide further detail or to provide assurance that any transaction will be achieved."

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