Yahoo investor tells board to fire CEO for lying

MICHAEL LIEDTKE - AP Technology Writer - Associated Press

Yahoo CEO Scott Thompson could lose his job after just four months leading the troubled Internet company because of a lie about his academic credentials.

A major Yahoo shareholder who exposed the fabrication Thursday is now leading the charge to oust Thompson for unethical conduct. In a Friday letter, activist hedge fund manager Daniel Loeb demanded that Yahoo's board fire Thompson by noon ET (1600 GMT) Monday or face possible legal action.

"Mr. Thompson and the board should make no mistake: this is a big deal," wrote Loeb, who controls a 5.8 percent stake in Yahoo through his hedge fund, Third Point LLC. CEO's have been terminated for less at other companies."

Yahoo Inc. didn't immediately respond to requests for comment Friday.

Thompson's troubles revolve around an exaggeration about his education at Stonehill College, a small school near Boston where he was graduated in 1979. Since announcing Thompson's hiring in early January, Yahoo had had included two bachelor's degrees — one for accounting and the other for computer science — on the executive's biography. The dual degrees not only appeared on Yahoo's own website, but also in a legal document filed April 27 with the Securities and Exchange Commission.

After being confronted Thursday by Loeb, Yahoo confirmed that Thompson only received an accounting degree from Stonehill. The company initially attributed the misrepresentation about the computer science degree to an "inadvertent error." Late Thursday, Yahoo issued another statement to announce its board would look into what happened and disclose its findings to shareholders. The company didn't set a timetable for completing the investigation.

It's unclear whether the distortion originated with Thompson or someone else at Yahoo. But Thompson's bio with dual degrees periodically cropped up before he joined Yahoo. He was listed with a computer degree on a website touting his appearance at the Web 2.0 technology conference in 2010 while he was running eBay Inc.'s PayPal payment service. The computer science degree also has appeared in Thompson's bio in connection with his 2008 appointment to a Silicon Valley startup, Zuora.

EBay only listed Thompson's accounting degree in its SEC filings while he was working at PayPal.

In his Friday letter, Loeb argued that Thompson has to be dumped to avoid "irreparable damage to Yahoo's culture." He argues Yahoo's own code of ethics justifies firing Thompson "for cause," a move that probably would prevent him for

qualifying for a severance package. Yahoo's code states information filed with the SEC "must be full, fair, accurate, timely and understandable."

If Yahoo fires Thompson, the company would have to look for its fifth CEO in the past five years. The company, which is based in Sunnyvale, Calif., recruited Thompson in hopes that he could do something that his predecessors couldn't — snap Yahoo out of a financial funk that has depressed its stock for years while the fortunes of rivals such as Google Inc. and Facebook Inc. have been soaring.

Thompson so far has been focused on cutting costs. Just last month, Thompson laid off 2,000 Yahoo employees, or 14 percent of the workforce, in the biggest payroll purge in the company's history. He has also promised to close or sell about 50 Yahoo services that haven't been attracting enough online traffic or generating enough revenue.

Loeb is trying to shove aside Thompson as he pursues another agenda. He is trying to gain four seats on Yahoo's board of directors — one for himself and three for his allies. Yahoo instead added four directors in late March when Thompson told Loeb he wasn't qualified to be one of the company's directors.

Grudges aside, Loeb has valid grounds for demanding Thompson's ouster, according to Kirk Hanson, executive director for the Markkula Center for Applied Ethics at Santa Clara University.

"Sadly, for Yahoo and its investors, I think the board has no choice but to terminate the CEO unless it can be clearly shown that someone else made the error," Hanson told the San Jose Mercury News.

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