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# AOL Investor Seeks Board Shake-Up

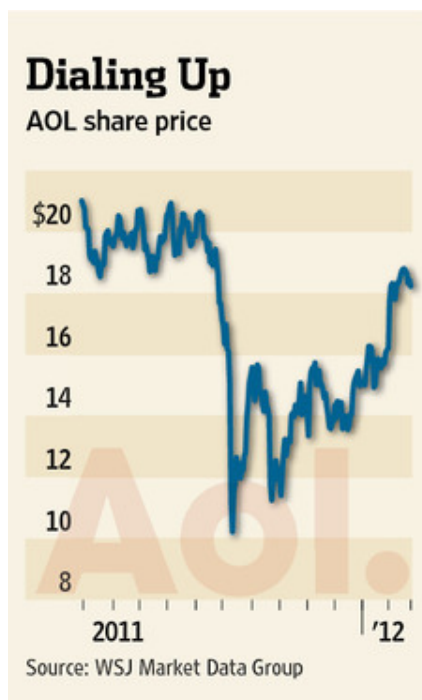
*Starboard Value, Upset With 'Closed-Minded' Business Strategy, Nominates Five New Directors*

By ANUPREETA DAS and SHALINI RAMACHANDRAN

Activist investor Starboard Value LLP is pushing to replace up to half of [AOL Inc.](#)'s board, accusing the struggling online company of a "closed-minded" attitude toward alternative business ideas.

Starboard, which owns about 5.2% of AOL, nominated five people for election to the company's board at its annual meeting later this year.

Among those nominated was Starboard CEO Jeffrey Smith, as well as an intellectual property specialist, a digital-marketing executive and two investors.



The nominations will serve as a referendum on Chief Executive [Tim Armstrong](#)'s strategy for AOL, whose status as a 1990s Internet powerhouse faded along with its original business of dial-up Internet access. Starboard is unhappy with Mr. Armstrong's investments in online-content businesses such as news sites The Huffington Post and Patch.com. It says there are ways to "unlock value" at the company.

In a letter sent on Friday, Starboard said discussions it held in the past couple of months with AOL management and directors had "stalled" and it was "increasingly uncomfortable" with their direction.

AOL said in a statement it offered Starboard an opportunity to shape the company's board composition and size. "Unfortunately," AOL said, Starboard has "a singularly focused agenda and rejected this productive path."

As an example of what it wants AOL to do, Starboard cites what it says is a portfolio of more than 800 patents held by AOL covering Internet technologies. The investor said it had been approached by "parties specializing in intellectual property valuation" who believed AOL's patents could generate more than \$1 billion in licensing income "if appropriately harvested." The parties said AOL had been "entirely unresponsive" to their

proposals, Starboard said.

AOL acknowledged it had a "valuable patent portfolio" and even before Starboard had written its first letter had hired advisors "to realize the value of these non-strategic assets."



Bloomberg News

AOL CEO Tim Armstrong

Many technology and media companies own valuable intellectual property, and the explosive growth of smartphones and online activity has highlighted their value as assets that can be bought, sold or licensed independently. Last year, the frenzied auction for a portfolio of patents owned by bankrupt Canadian networking company Nortel Networks led to a \$4.5 billion sale.

AOL shares fell 1.1% to \$18.23 on Friday. The stock is still up more than 20% since Starboard first wrote to AOL in December.

AOL has an eight-person board, all of whom are up for re-election this year, but Starboard said it wasn't "currently" seeking to replace a majority of the board. Starboard said it nominated five candidates in case AOL expanded the board before the annual meeting. Starboard will shrink the slate to three or four if AOL keeps the board at its present size, said a person familiar with the situation.

Starboard is seeking enough representation so it can influence the company's strategic direction, the person said.

Having any Starboard nominees elected would be expected to change the dynamic. All but one of the existing directors were on the board with Mr. Armstrong when AOL was spun out of [Time Warner](#) Inc. in 2009.

The nominees are: Ronald Epstein, the founder and chief executive of patent specialist Epicenter IP Group LLC; Steven Fink, a private technology-focused investor; Dennis Miller, a venture capitalist and adviser to Lions Gate Entertainment Corp; Mr. Smith, the co-founder and CEO of Starboard; and James Warner, a onetime CBS Corp. executive who now runs digital marketing and media firm Third Floor Enterprises.

Existing directors include several media veterans, including former CBS executive Fred Reynolds and former [Martha Stewart Living Omnimedia](#) executive Susan Lyne, as well as a former [Amazon.com](#) Inc. executive.

AOL said it hasn't set the date for this year's annual meeting. Last year's was held in May.

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