

# CEO Dauman takes over chair at Viacom, replacing Redstone

AP

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LOS ANGELES (AP) — Aging media mogul Sumner Redstone stepped down as executive chairman of Viacom on Thursday and was replaced by CEO Philippe Dauman, a move that immediately disappointed investors.

Although the decision mimicked a similar move at sister company CBS, Thursday's action has the potential to set off a future board fight. Redstone's daughter Shari said Wednesday she was against Dauman's promotion to the role because of his deep involvement in Redstone family affairs.

Investment adviser SpringOwl, which holds a stake of undisclosed size in Viacom, had also opposed Dauman's bid for the chairmanship, calling instead for an independent director.

Dauman is one of seven trustees who will control nearly 80 percent of the voting stakes at both CBS and Viacom after 92-year-old Redstone dies. That fortune is worth around \$4 billion. Shari Redstone and her son Tyler Korff are also trustees along with several other lawyers close to the family.

Viacom shares, which had been trading as much as 6 percent higher earlier Thursday, immediately dropped to a level about 1 percent higher after the news was announced at around 11 a.m. Eastern time.

Shari Redstone said in a statement Thursday she "is going to continue to advocate for what she believes to be in the best interests of Viacom shareholders."

Viacom director William Schwartz said the board considered the "need for seasoned leadership" in appointing Dauman.

The board voted 10-1 in favor of Dauman's ascension, with only Shari Redstone opposed, according to two people close to Thursday's events. The people requested anonymity because the vote was confidential. Sumner Redstone also participated in the meeting, which made him chairman emeritus, according to one of those people.

Mario Gabelli, whose Gabelli Asset Management Inc. owns 10 percent of Viacom's voting shares, told CNBC on Thursday that Dauman has "bought himself six more months or nine more months to indicate how he plays his cards."

The comments reflect investor dissatisfaction with Viacom, whose shares have fallen by almost half since July 2014. Gabelli suggested putting the company or its movie studio, Paramount Pictures, up for sale.

"What exactly is he doing in the mobile world and what is he doing to get into the hit business and what is he doing to get into the TV series which are the hot areas?" Gabelli told CNBC. "Maybe now we'll get a different form of focus on what they're not doing."

Redstone is embroiled in a legal battle involving his ex-girlfriend and former caregiver Manuela Herzer over his health and mental capacity. A court-ordered medical examination of Redstone is due in the court Friday.

Viacom is also facing a shareholder lawsuit over Redstone's compensation as executive chair, given his apparent lack of involvement in company affairs. Redstone hasn't made even limited remarks on Viacom conference calls for more than a year — since November 2014, in fact.

Lucian Bebchuk, a Harvard law professor and director of its program on corporate governance, said the board conflict highlights the problems of companies with two classes of stock — one set that holds voting power, and another that does not. He said in an email that Viacom's corporate structure is now "highly problematic and fraught with risks for public investors."

"The company's CEO is unaccountable to public investors and accountable only to a person whose health prevents him from actively monitoring the affairs of the company," Bebchuk said.