

Dow Chemical Company Adds New Board Members

By Alejandro Almodovar, J.D. Candidate 2017 | December 2, 2014

A raging dispute has finally been settled in the Dow Chemical boardroom following criticism from its shareholders.

[The Dow Chemical Company](#) is a multinational chemical corporation headquartered in Midland, Michigan. Since January, there has been an internal struggle between the board and its shareholders. The CEO of Third Point, LLC, Daniel Loeb, has headed the shareholder attacks against Dow. Loeb has been one of the more [successful hedge fund managers](#) in recent years, posting good returns that were far better than the average hedge fund manager. [Third Point](#) is an investment advising company based in New York City that focuses on highly-experienced accounting, operations, investor relations and marketing. In early 2014, Loeb's company invested more than one billion dollars to take a stake in Dow Chemicals, consequently holding [27.5 million](#) in shares in Dow. After taking such a big stake in the company, Loeb proceeded to take action in making changes.

Loeb thought it best for Dow to separate its petrochemical business to a distinct company. In addition, earlier in the year, Loeb criticized Dow for failing to fully capture the [ethane advantage](#) that has been extremely successful for other chemical companies, like LyondellBasell, who used cheap U.S. ethane as a feedstock. The board of Dow disagreed and as a result Loeb has kept pressing his attack. Despite Loeb's criticisms, shares of Dow Chemical are up [thirty percent](#) in the past twelve months and have actually increased a little over [two percent](#) in the past week.

Surprisingly, even with Dow's recent success, the board has been feeling the pressure and entered into an agreement with Third Point. As a result, two of Third Point's suggested [nominees](#) for the board have recently been added, increasing the board from ten to twelve. The two new board members are Raymond Milchovich and Robert Steve Miller. Mr. Milchovich is the former chief executive at Foster Wheeler AG. Mr. Miller is the former chief executive at Hawker Beechcraft Inc. and is the chairman of American International Group. Mr. Miller [claims](#) that, "[he has] a significant incentive to create long-term shareholder value over a three-to five-year period, but that indeed should be the primary objective of every director." Furthermore, Third Point [agreed](#) to a one-year standstill agreement where the firm promised not to publicly criticize Dow Chemical.

Third Point is pleased that two of its nominees have been successfully added to the board and its concerns about the success of the company are at ease at the moment. Only time will tell if the new appointees will do their due diligence and help in the continued rise of Dow Chemical.