UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 000-28018

YAHOO! INC.
(Exact name of Registrant as specified in its charter)

Delaware	**77-0398689**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

701 First Avenue
Sunnyvale, California 94089
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (408) 349-3300

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $.001 par value	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**
Rights to Purchase Series A Junior Participating Preferred Stock	**The NASDAQ Stock Market LLC (NASDAQ Global Select Market)**

Securities registered pursuant to Section 12(g) of the Act: None
(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2008, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's common stock, as reported on the NASDAQ Global Select Market, was $22,361,337,406. Shares of common stock held by each officer and director and by each person who owns 10 percent or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant's common stock outstanding as of February 13, 2009 was 1,394,201,105.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents (or parts thereof) are incorporated by reference into the following parts of this Form 10-K:

Proxy Statement for the 2009 Annual Meeting of Stockholders—Part III Items 10, 11, 12, 13 and 14.

YAHOO! INC.
Form 10-K
Fiscal Year Ended December 31, 2008

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The trademarks and/or registered trademarks of Yahoo! Inc. and its subsidiaries referred to herein include, but are not limited to, Yahoo!, Y!, del.icio.us, Flickr, HotJobs, Bix, Geocities, Jumpcut, Launch, Musicmatch, Overture, and their respective logos. All other names are trademarks and/or registered trademarks of their respective owners.

Part I

Item 1. *Business*

OVERVIEW

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo!," the "Company," "our," "we," or "us"), is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. Yahoo! is focused on powering its communities of users, advertisers, publishers, and developers by creating indispensable experiences built on trust. Together with our owned and operated online properties and services ("Yahoo! Properties" or "Owned and Operated sites"), we also provide our advertising offerings and access to Internet users beyond Yahoo! through our distribution network of third-party entities ("Affiliates"), who have integrated our advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. We generate revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services we provide to our users are free, we do charge fees for a range of premium services.

The core of our strategy and operations is to become the starting point for Internet users; to provide must buy marketing solutions for the world's largest advertisers; and to deliver industry-leading open platforms that attract developers and publishers.

We provide several key starting points where Internet users start their daily online activity, through such services as the Yahoo! Home Page; Search; and Mail; and through our mobile solutions, such as Yahoo! Go. We are focused on expanding our communities of users and deepening their engagement on Yahoo! Properties by offering compelling Internet services and effectively integrating search, community, personalization, and content to create a powerful user experience. We believe that expanding our communities of users will enhance the value of our users to advertisers and lead to increased spending by advertisers on our Owned and Operated sites and Affiliate sites.

We provide a range of marketing services that make it easier and more effective for advertisers and marketers to reach and connect with users who visit Yahoo! Properties and our Affiliate sites. We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

We attract developers and publishers with an array of innovative and easily accessible Web services, technical resources, tools, and channels enabling them to easily create innovative applications and consumer experiences through the Yahoo! Open Strategy ("Y!OS").

Yahoo! was developed and first made available in 1994 by our founders, David Filo and Jerry Yang, while they were graduate students at Stanford University. We were incorporated in 1995 and are a Delaware corporation. We are headquartered in Sunnyvale, California, and have offices in more than 25 countries, provinces, or territories in which Yahoo! conducts business by offering products or services to local audiences.

Management and Board of Directors Changes

Following our annual meeting and election of directors on August 1, 2008, Robert Kotick resigned from our Board of Directors (our "Board") and Carl Icahn was appointed to our Board to fill the vacancy. In addition, on August 14, 2008, our Board was expanded from 9 to 11 directors and Frank Biondi, Jr. and John Chapple were appointed as directors.

On January 13, 2009, we announced that Jerry Yang had stepped down as our Chief Executive Officer ("CEO") and returned to his former role as Chief Yahoo and that Carol Bartz had been appointed as our new CEO. Mr. Yang continues to serve on our Board, and on January 13, 2009, our Board was expanded from 11 to 12 directors and Ms. Bartz was appointed as a director. On January 13, 2009, we announced that Sue Decker indicated she would resign after a transition period. Ms. Decker's date of resignation will be April 1, 2009. On February 26, 2009, we announced that Blake Jorgensen, Chief Financial Officer of the Company, will be leaving

the Company. The Company has initiated a search for a new Chief Financial Officer. Mr. Jorgensen will remain with the Company as its Chief Financial Officer through a transition period.

2008 HIGHLIGHTS

Following are some of our key accomplishments during 2008 directed at furthering our strategic objectives:

Users—Engagement and Offerings

- Launched the next-generation of Yahoo! Mail, unifying email, instant messaging (“IM”) and mobile text messaging (“SMS”).
- Expanded the availability of Yahoo! Search Assist, our patented search assistance technology that provides real-time search suggestions and related concepts to help users get relevant results faster and easier.
- Launched mobile offerings, including Yahoo! oneSearch 2.0, a new version of our mobile search service, Yahoo! Go 3.0, a new version of our mobile all-in-one application, and Yahoo! oneConnect, which aggregates communications tools such as address book and email on the iPhone.

Advertisers—Marketing Services

- Launched APT from Yahoo!, our new display advertising platform designed to simplify the process of buying and selling advertisements online.
- Expanded and introduced improvements to our search marketing system, including completing the global roll-out of the system.
- Continued the expansion of our Newspaper Consortium by adding 11 new media holding companies, increasing the number of newspapers in the Consortium to a total of nearly 800 participating newspapers.

Open Platforms

- Launched Y!OS, platforms designed to open Yahoo! to third party developers and publishers and create innovative applications and user experiences that will run across the Yahoo! network and beyond.
- Launched the Yahoo! Application Platform (“Y!AP”), a framework for building web applications that third-party developers can use to create innovative applications and user experiences that will run across the Yahoo! network and beyond.
- Introduced a new open Web services platform, Build your Own Search Service or Yahoo! Search BOSS, that provides third party developers access to Yahoo! Search infrastructure and technology.
- Introduced SearchMonkey, an open platform enabling publishers and developers to customize Yahoo! Search to provide richer, more relevant, and targeted search results for users.

We expect to continue to acquire or make investments in companies, products, services, and technologies in the future. See Note 3—“Acquisitions” of the Notes to the consolidated financial statements, which appears in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to our acquisitions.

USER OFFERINGS

Our offerings to users on Yahoo! Properties currently fall into six categories: Front Doors, Communities, Search, Communications, Audience, and Connected Life.

Front Doors

Our Front Doors offerings include Yahoo! Front Page, My Yahoo!, and Yahoo! Toolbar. These offerings are generally provided to users free of charge. We generate revenues from our Front Doors offerings primarily from display advertising.

Yahoo! Front Page (www.yahoo.com) is a navigation hub and starting point into Yahoo! Properties where users have the ability to perform a Web search, read the latest news, and find links to other Yahoo! Websites.

My Yahoo! is a personalized start page that delivers registered users information of personal interest via a user-customized interface.

Yahoo! Toolbar is a Web browser add-on that enables users to conveniently access Yahoo! Properties from anywhere on the Web.

Communities

Our Communities offerings, including Yahoo! Groups, Yahoo! Answers, and Flickr, enable users to organize into groups and share knowledge and photos. These offerings are generally provided to users free of charge. We generate revenues from our Communities offerings primarily through display advertising.

Yahoo! Groups provides members with shared access to information such as message archives, photo albums, event calendars, and polls.

Yahoo! Answers is a service where anyone can ask and answer questions on any topic.

Flickr is an online photo management and sharing service that makes it easy for people to upload, store, organize, and share their photos. In addition to the basic service, Flickr offers a fee-based service with unlimited storage, uploads, and an advertising-free browsing and sharing interface.

Search

Our Search offerings include Yahoo! Search, Yahoo! Local, Yahoo! Yellow Pages and Yahoo! Maps and are available free to users and are often the starting point for our users navigating the Internet and searching for information. We generate revenues through our Search offerings from search and display advertising.

Yahoo! Search, our proprietary search technology, provides users with a free search capability with search results ranked and sorted based on relevance to the users' search query. Pages on the Internet are ranked according to their relevance to a particular query by analyzing document features, including text, title and description accuracy, source, associated links, and other unique document characteristics. Sponsored search results are a subset of the overall search results and provide links to paying advertisers' Web pages.

Yahoo! Local is a stand-alone local search offering, which helps users find local business listings and related content such as recommendations, user reviews, merchant photos, and maps.

Yahoo! Maps provides interactive maps with zooming, real-time traffic conditions, and accident reports, together with integrated driving directions.

Communications

Our Communications offerings include Yahoo! Mail, Zimbra Mail, and Yahoo! Messenger and provide a wide range of communication services to users and small businesses across a variety of devices and through our broadband Internet access partners. We offer some services free of charge to our users and also provide some of our services on a fee or subscription basis. We generate display advertising revenues from these offerings.

Yahoo! Mail provides users with a full-featured e-mail functionality and experience. In addition to our free e-mail service, for a subscription fee, we offer Yahoo! Mail Plus, a premium mail service providing features such as a display-ad-free interface.

Zimbra Mail is a messaging and collaboration application for educational institutions, small to large businesses, internet service providers, and government agencies.

Yahoo! Messenger instant messaging (“IM”) service provides an interactive and personalized way for people to connect and share experiences on a real-time basis.

Audience

Our Audience offerings include some of the most visited destinations on the Web, such as Yahoo! News, Yahoo! Finance, and Yahoo! Sports, along with many additional category leading properties. We generate revenues from our audience offerings from display advertising and fee-based services.

Yahoo! News aggregates stories from major news agencies. Users receive free up-to-the-minute news coverage with video, text, photos, and audio content.

Yahoo! Finance provides a comprehensive set of financial data, information, and tools that help users make informed financial decisions. The content is mainly provided through relationships with a number of third party providers. Some of these providers pay a fee when a user is referred from Yahoo! Finance to their websites. Some financial content, such as analyst research reports, is also available to users for a fee.

Yahoo! Sports offers free and fee-based fantasy games, up-to-the-minute news, real-time statistics, scores and game updates, broadcast programming, integrated shopping, and an online sports community.

In addition, we offer Yahoo! Autos, Yahoo! Food, Yahoo! Games, Yahoo! Health, Yahoo! Kids, Yahoo! Movies, Yahoo! Music, Yahoo! Personals, Yahoo! Real Estate, Shine, Yahoo! Shopping, Yahoo! Tech, Yahoo! Travel, Yahoo! TV, and omg!.

Connected Life

Our Connected Life business includes Yahoo! Mobile and Yahoo! Connected TV. Connected Life offers services designed to provide users with easy access to the open Internet and their Yahoo! content and communities across a variety of Internet-enabled devices including mobile devices and television.

Yahoo! Mobile is focused on creating experiences specifically built for the mobile environment, building open mobile platforms, and driving mobile advertising opportunities. We offer advertising solutions in 23 territories across North America, Latin America, Europe, and Asia. We generate revenues from Yahoo! Mobile by selling traditional display and search advertising on the mobile phone. Additionally, Yahoo! Mobile also generates fees revenues by distributing its services through mobile operators and device manufacturers.

OFFERINGS AND SERVICES TO ADVERTISERS AND PUBLISHERS

We seek to provide the most efficient and effective marketing services for advertisers and publishers. Advertisers are increasing their use of online media as individuals shift their media consumption away from traditional television and print media towards the Internet. We offer Internet marketing solutions that enable users to interact with our advertisers’ brands as well as provide valuable insights to our advertisers and publishers about their customer base. We offer a suite of targeted marketing services for our advertisers and publishers, which includes brand building to increase consumer awareness, direct marketing, lead generation, and commerce services. Our offerings enable marketers to display their advertisements in different formats and in different locations on Yahoo! Properties and on our Affiliate sites and to optimize their performance against their marketing objectives.

In addition, we offer a broad range of tools for online display advertising, including rich media, video, and targeting. Our knowledge of our audience enables advertisers and publishers to reach their desired communities by placing contextually relevant advertising on both our Owned and Operated sites and the sites of our Affiliates.

In late 2008, we launched APT from Yahoo!, our new display advertising platform designed to simplify the process of buying and selling advertisements online by providing an integrated, web-based solution that will ultimately facilitate cross-selling across a large open network of publishers and advertisers, enabling advertisers to better target audiences and publishers to better monetize their content. APT from Yahoo! is being rolled out in phases. We commenced the rollout of APT from Yahoo! to select members of the Newspaper Consortium in 2008. We plan to continue our rollout in phases.

We generate revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. The majority of our marketing services revenue is from sales of search and display advertising.

OTHER OFFERINGS AND SERVICES

In addition to offering marketing services to advertisers and publishers, we also provide the following services:

Yahoo! HotJobs provides comprehensive solutions for employers, staffing firms, and job seekers. We generate revenues from Yahoo! HotJobs through employers and staffing firms that pay to access our database of job seekers and use our tools to post, track, and manage job openings.

Yahoo! Small Business provides a comprehensive and integrated suite of fee-based online services including Yahoo! Domains, Yahoo! Web Hosting, Yahoo! Business Mail, and our e-commerce platform called Yahoo! Merchant Solutions. We generate revenues from Yahoo! Small Business primarily through user subscription fees.

OPEN PLATFORMS

We introduced the Y!OS platform, an initiative designed to make the Yahoo! experience more social for our users, open Yahoo! to third party developers and publishers, drive rapid innovation in the user experience, and position Yahoo! as a key platform for the rest of the Web. In 2008, we began execution of our Y!OS strategy by launching version 1.0 of the Y!OS platform. Key milestones included introductions of the following:

Yahoo! Mail, the next-generation of Yahoo! Mail that provides richer communications by bringing together communications channels (email, IM, SMS) and social interactions into Yahoo! Mail's inbox, a starting point for Web users.

Y!AP, an application platform that third-party developers can use to create innovative applications and consumer experiences that will run across the Yahoo! network and beyond.

Yahoo! Search BOSS, an open search web services platform that enables developers, start-ups, and large Internet companies to build web-scale search products by utilizing the entire Yahoo! Search index.

GLOBAL BUSINESS

We measure our business geographically based on two segments: the United States and International. Additional information required by this item is incorporated herein by reference to Note 14—"Segments" of the Notes to the consolidated financial statements, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

We provide services in more than 30 languages and in more than 30 countries, regions, and territories, including localized versions of Yahoo! in Argentina, Australia, Brazil, Canada, Chile, China, Columbia, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Peru, Philippines, Russia, Scandinavia (Denmark, Norway, Sweden), Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, the United States, Venezuela, and Vietnam.

Outside of native English speaking countries, we provide some of our most popular user services through Yahoo! Asia (our English language portal to Southeast Asia), Yahoo! Chinese (United States Chinese language site), Yahoo! Canada en Français (French Canadian site), and Yahoo! en Català (part of Yahoo! Spain's Catalan language offerings).

We own our international operations (except in Australia, New Zealand, China, and Japan where we have joint ventures and/or minority interests). We support these businesses through a network of offices worldwide.

Revenues are primarily attributed to individual countries according to the international online property that generated the revenues.

Information regarding risks involving our international operations is included in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K and is incorporated herein by reference.

SALES

We maintain three primary channels for selling our marketing services: direct, online, and telesales. Our direct advertising sales team focuses on selling our display and search marketing services and solutions to leading advertising agencies and marketers in the U.S. Our online channel operates and is fulfilled by a self-service program that enables advertisers to place targeted text-based links to their Websites on Yahoo! Properties as well as on our Affiliate sites. Our telesales channel focuses on sales of marketing services to small-and medium-sized businesses.

We employ sales professionals in locations across the U.S., including Atlanta, Boston, Chicago, Dallas, Detroit, Hillsboro, Los Angeles, Miami, New York, San Francisco, and Sunnyvale. In the international markets, we have either our own internal sales professionals or we have established sales agency relationships in 50 countries.

No individual customer represented more than 10 percent of our revenues in 2006, 2007, or 2008.

Internet usage is subject to seasonal fluctuations, typically declining during customary summer vacation periods and most active during the fourth quarter holiday period due to increased online retail activity. This seasonality has affected and we expect will continue to affect our business and quarterly sequential revenue growth rates.

MARKETING

The Yahoo! brand is one of the most widely recognized in the world. Maintaining and growing that brand enables us to attract, retain, and more deeply engage users, advertisers, publishers, and developers. We believe a great brand begins with great products, services, and content. Our marketing teams engage in each step of product and services development, deployment, and management and content design to understand our offerings and how best to market them to our communities of potential and existing users. Our marketing communications' efforts help accelerate product momentum, awareness, adoption, and engagement. We use online, television, print, radio, and outdoor advertising, and we leverage our global online network and our distribution partnerships to market our products and services to the right people at the right time. With continued investment in global brand and product marketing, we believe we can continue to attract and engage users, advertisers, publishers, and developers.

COMPETITION

We operate in the Internet products, services, and content markets, which are highly competitive and characterized by rapid change, converging technologies, and increasing competition. Our most significant competition is from Google Inc. ("Google"), Microsoft Corporation ("Microsoft"), and Time Warner Inc.'s America Online business ("AOL" or "America Online"), which each offer an integrated variety of Internet

products, advertising services, technologies, online services and content in a manner similar to Yahoo!. We compete with these and other companies, including social networking sites, such as Facebook, Inc. and MySpace.com, for users, advertisers, publishers, and developers. We also compete with these companies to obtain agreements with software publishers, Internet access providers, mobile carriers, device manufacturers and others to promote or distribute our services to their users. We compete with advertising networks, such as Google AdSense, America Online’s Ad.com, as well as traditional media companies for a share of advertiser’s marketing budgets.

The principal competitive factors relating to attracting and retaining users include the usefulness, accessibility, integration, and personalization of the online services that we offer, the quality and relevance of our search results, and the overall user experience on Yahoo! Properties. The principal competitive factors relating to attracting advertisers and publishers are the reach, effectiveness, and efficiency of our marketing services as well as the creativity of the marketing solutions that we offer. “Reach” is the audience and/or demographic that can be accessed through the Yahoo! network. “Effectiveness” for advertisers is delivering against advertisers’ targets, measuring those achievements against those targets and optimizing for these across the Yahoo! network. “Effectiveness” for publishers is our advertising technology platforms and the monetization we are able to offer through our marketing services. “Efficiency” is simplifying the buying and reporting process across our entire network of Yahoo! Properties and Affiliate sites for our advertisers and publishers.

In international markets, we also compete with local portals that are predominantly supported by local telecommunication providers or local providers of specific locally designed and marketed Internet services, some of which may have a potential competitive advantage due to an existing direct billing relationship with their users.

Additional information regarding competition is included in Part I, Item 1A. “Risk Factors” of this Annual Report on Form 10-K.

PRODUCT DEVELOPMENT

Yahoo! continually enhances, expands, and launches products and features to meet evolving user, advertiser, and publisher needs for technological innovation and a deeper, more integrated experience.

Most of our software products and features are developed internally. However, we purchase technology and license intellectual property rights when the opportunity is strategically aligned, operationally compatible, and economically advantageous. We believe that Yahoo! is not materially dependent upon licenses and other agreements with third parties relating to product development.

In 2008, we also formed Yahoo! Labs, an umbrella organization that includes our industry-leading Yahoo! Research group, a new Applied Sciences group and its Academic Relations team, which has spearheaded key relationships with some of the world’s most influential universities and institutions. Yahoo! Labs is designed to foster the long-term scientific competitiveness of Yahoo! as a world leader on the Internet through cutting-edge, multi-disciplinary research in a variety of fields, including economic theory, computer science, artificial intelligence, and various social sciences.

Our engineering and production teams are primarily located in our Sunnyvale, California headquarters and in Bangalore, India and Burbank, California. Product development expenses for 2006, 2007, and 2008 totaled approximately $833 million, $1,084 million, and $1,222 million, respectively, which included stock-based compensation expense of $145 million, $218 million, and $178 million, respectively.

INTELLECTUAL PROPERTY

We create, own, and maintain a wide array of intellectual property assets that we believe are among our most valuable assets. Our intellectual property assets include patents and patent applications related to our innovations,

products and services; trademarks related to our brands, products and services; copyrights in software and creative content; trade secrets; and other intellectual property rights and licenses of various kinds. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark and other laws of the U.S. and other countries, and through contractual provisions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and non-disclosure agreements with third parties with whom we conduct business in order to secure our proprietary rights and additionally limit access to, and disclosure of, our proprietary information. We consider the Yahoo! trademark and our many related trademarks to be among our most valuable assets and we have registered these trademarks in the U.S. and other countries throughout the world and aggressively seek to protect them. We have licensed in the past, and expect that we may license in the future, certain of our proprietary rights, such as trademark, patent, copyright, and trade secret rights to third parties. Additional information regarding certain risks related to our intellectual property is included in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

EMPLOYEES

As of December 31, 2008, we had approximately 13,600 full-time employees, after giving effect to our workforce reduction implemented in the fourth quarter of 2008 (see "Management's Discussion and Analysis—Cost Reduction Initiatives" included in Part II, Item 7 of this Annual Report on Form 10-K). Our future success is substantially dependent on the performance of our senior management and key technical personnel, as well as our continuing ability to attract, maintain the caliber of, and retain highly qualified technical and managerial personnel. Additional information regarding certain risks related to our employees is included in Part I, Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

AVAILABLE INFORMATION

Our Website is located at http://www.yahoo.com. Our investor relations Website is located at http://yhoo.client.shareholder.com/. We make available free of charge on our investor relations Website under "SEC Filings" our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports as soon as reasonably practicable after we electronically file or furnish such materials to the U.S. Securities and Exchange Commission ("SEC"). The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding our filings at http://www.sec.gov.

Item 1A. ***Risk Factors***

We face significant competition for users, advertisers, publishers and distributors, principally from Google, Microsoft, and AOL.

We face significant competition from Google, Microsoft, and AOL, which each offer an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to Yahoo!. Among other areas, we compete against these companies:

- to attract and retain users;
- to attract advertisers;
- to attract third-party Website publishers to participate in our Affiliate network; and
- to obtain agreements with software publishers, internet access providers, mobile carriers, device manufacturers and others to promote or distribute our services to their users.

Google, Microsoft and AOL offer products and services that directly compete for users with our offerings, including consumer e-mail, desktop search, local search, instant messaging, photos, maps, video sharing, content channels, mobile applications, and shopping services.

We also compete with traditional media companies to attract advertising dollars, both domestically and internationally. Currently many advertisers direct a portion, but only a portion, of their advertising budgets to Internet advertising. In response, traditional media companies are increasingly expanding their content offerings onto the Web and thus are competing not only to keep offline advertising dollars but also for a share of online advertising dollars. We further compete for users, advertisers and developers with the wide variety of other providers of online services, including social media and networking sites like Facebook and MySpace.com. In recent years, social networks and social media sites have attracted an increased share of users' online time.

Some of our existing competitors and possible additional entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and greater operational, strategic, technological, financial, personnel, or other resources than we do. For example AOL, as a subsidiary of Time Warner Inc., may have access to content from Time Warner's movie, television, music, book, periodical, news, sports, and other media holdings; access to a network of cable and other broadband users and delivery technologies; and advertising offerings. In addition, Google and Microsoft have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions and research and development.

If our competitors are more successful than we are in developing compelling products or attracting and retaining users, advertisers, publishers, developers, or distributors, our revenues and growth rates could decline. In addition, competitors may consolidate with each other and new competitors may enter the market.

The majority of our revenues are derived from marketing services, and the reduction in spending by or loss of current or potential advertisers would cause our revenues and operating results to decline.

For the year ended December 31, 2008, 88 percent of our total revenues came from marketing services. Our ability to continue to retain and grow marketing services revenues depends upon:

- maintaining and growing our user base;
- maintaining and growing our popularity as an Internet destination site;
- attracting more advertisers to our user base;
- broadening our relationships with advertisers to small-and medium-sized businesses;
- the successful implementation and acceptance of our advertising exchange by advertisers, website publishers, and online advertising networks;

- the successful implementation, acceptance and ongoing improvement of our new advertising management platform, APT from Yahoo!;
- the successful implementation, acceptance and improvement of our search technologies;
- maintaining and expanding our Affiliate program for search and display marketing services; and
- deriving better demographic and other information about our users to enable us to offer better experiences to both our users and advertisers.

In many cases, our agreements with advertisers have terms of one year or less, or, in the case of search marketing agreements, may be terminated at any time by the advertiser or Yahoo!. Search marketing agreements often have payments dependent upon usage or click-through levels. Accordingly, it is difficult to forecast marketing services revenues accurately. In addition, our expense levels are based in part on expectations of future revenues, including occasional guaranteed minimum payments to our Affiliates in connection with search and/or display advertising, and are fixed over the short-term in some categories. The state of the global economy and availability of capital has and could further impact the advertising spending patterns of existing and potential future advertisers. Any reduction in spending by, or loss of, existing or potential future advertisers would cause our revenues to decline. Further, we may be unable to adjust our expenses and capital expenditures quickly enough to compensate for any unexpected revenue shortfall.

Deterioration in general economic conditions has caused and could cause additional decreases or delays in marketing services spending by our advertisers and could harm our ability to generate marketing services revenues and our results of operations.

Marketing services expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenues from marketing services, the current deterioration in economic conditions has caused and could cause additional decreases in or delays in advertising spending and is likely to reduce our marketing services revenues and negatively impact our short term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to the current deterioration in economic conditions could negatively impact our results of operations.

If our cost reduction initiatives do not yield anticipated benefits or if we do not manage our operating expenses effectively, our profitability might decline.

We have implemented cost reduction initiatives designed to better align our operating expenses with our revenues, including reducing our headcount, outsourcing some administrative functions, consolidating space and terminating leases or entering into subleases. We plan to continue to implement these initiatives and to manage costs to better and more efficiently manage our business. Our cost reduction initiatives, however, might not yield the anticipated benefits. Our operating expenses might also increase, from their reduced levels, as we expand our operations in areas of desired growth, continue to develop and extend the Yahoo! brand, fund product development, and acquire and integrate complementary businesses and technologies. In addition, deteriorating economic conditions or other factors could cause our business to contract requiring us to implement additional cost cutting measures. If we do not recognize the anticipated benefits of our cost reduction initiatives, our expenses increase at a greater pace than our revenues, or we fail to implement additional cost cutting if required in a timely manner, our profitability will decline.

If we are unable to provide innovative search technologies and other services that generate significant traffic to our Websites, our business could be harmed, causing our revenues to decline.

We deploy our own Internet search technology to provide search results on our network. Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. We must continually invest in improving our users' experience, including search relevance, speed, and services responsive to users' needs and preferences, to continue to attract, retain,

and expand our user base. If we are unable to provide innovative search technologies and other services which generate significant traffic to our Websites, our business could be harmed, causing our revenues to decline.

We rely on the value of our brands, and a failure to maintain or enhance the Yahoo! brands in a cost-effective manner could harm our operating results.

We believe that maintaining and enhancing our brands, including those that contain the Yahoo! name as well as those that do not, is an important aspect of our efforts to attract and expand our user, advertiser, and Affiliate base. We also believe that the importance of brand recognition will increase due to the relatively low barriers to entry in the Internet market. We have spent considerable money and resources to date on the establishment and maintenance of our brands, and we anticipate spending increasing amounts of money on, and devoting greater resources to, advertising, marketing, and other brand-building efforts to preserve and enhance consumer awareness of our brands. Our brands may be negatively impacted by a number of factors, including among other issues: service outages; product malfunctions; data privacy and security issues; exploitation of our trademarks by others without permission; and poor presentation or integration of our search marketing listings by Affiliates on their sites or in their software and services.

Further, while we attempt to ensure that the quality of our brand is maintained by our licensees, our licensees might take actions that could impair the value of our brand, our proprietary rights, or the reputation of our products and media properties. If we are unable to maintain or enhance customer awareness of, and trust in, our brands in a cost-effective manner, or if we incur excessive expenses in these efforts, our business, operating results and financial condition could be harmed.

Our intellectual property rights are valuable, and any failure or inability to sufficiently protect them could harm our business and our operating results.

We create, own, and maintain a wide array of intellectual property assets, including copyrights, patents, trademarks, trade dress, trade secrets, and rights to certain domain names, which we believe are among our most valuable assets. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark, and other laws of the U.S. and other countries of the world, and through contractual provisions. However, the efforts we have taken to protect our intellectual property and proprietary rights might not be sufficient or effective at stopping unauthorized use of those rights. Protection of the distinctive elements of Yahoo! might not always be available under copyright law or trademark law, or we might not discover or determine the full extent of any unauthorized use of our copyrights and trademarks in order to protect our rights. In addition, effective trademark, patent, copyright, and trade secret protection might not be available or cost-effective in every country in which our products and media properties are distributed or made available through the Internet. Further, given the costs of obtaining patent protection, we might choose not to protect (or not to protect in some jurisdictions) certain innovations that later turn out to be important. There is also a risk that the scope of protection under our patents may not be sufficient in some cases or that existing patents may be deemed invalid or unenforceable.

With respect to maintaining our trade secrets, we have entered into confidentiality agreements with most of our employees and contractors, and confidentiality agreements with many of the parties with whom we conduct business in order to limit access to and disclosure of our proprietary information. However, these agreements might be breached and our trade secrets might be compromised by outside parties or by our employees, which could cause us to lose any competitive advantage provided by maintaining our trade secrets.

If we are unable to protect our proprietary rights from unauthorized use, the value of our intellectual property assets may be reduced. In addition, protecting our intellectual property and other proprietary rights is expensive and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and consequently harm our operating results.

We are, and may in the future be, subject to intellectual property infringement or other third-party claims, which are costly to defend, could result in significant damage awards, and could limit our ability to provide certain content or use certain technologies in the future.

Internet, technology, media companies, and patent holding companies often possess a significant number of patents. Further, many of these companies and other parties are actively developing or purchasing search, indexing, electronic commerce, and other Internet-related technologies, as well as a variety of online business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection. In addition, patent holding companies may continue to seek to monetize patents they have purchased or otherwise obtained. As a result, disputes regarding the ownership of technologies and rights associated with online business are likely to continue to arise in the future. From time to time, parties assert patent infringement claims against us. Currently, we are engaged in a number of lawsuits regarding patent issues and have been notified of a number of other potential disputes.

In addition to patent claims, third-parties have asserted, and are likely in the future to assert, claims against us alleging infringement of copyrights, trademark rights, trade secret rights or other proprietary rights, or alleging unfair competition. In addition, third-parties have made, and may continue to make, trademark infringement and related claims against us over the display of search results triggered by search terms that include trademark terms. Currently, we are engaged in lawsuits regarding such trademark issues.

As we expand our business and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement claims. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights, or other third-party rights such as publicity and privacy rights, we could incur substantial monetary liability, be required to enter into costly royalty or licensing agreements or be prevented from using such rights, which could require us to change our business practices in the future and limit our ability to compete effectively. We may also incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In addition, many of our agreements with our customers or Affiliates require us to indemnify them for some types of third-party intellectual property infringement claims, which could increase our costs in defending such claims and our damages. The occurrence of any of these results could harm our brand and negatively impact our operating results.

We are subject to U.S. and foreign government regulation of Internet, mobile, and voice over internet protocol, or VOIP, products and services which could subject us to claims, judgments, and remedies including monetary liabilities and limitations on our business practices.

We are subject to regulations and laws directly applicable to providers of Internet, mobile, and VOIP services both domestically and internationally. The application of existing domestic and international laws and regulations to Yahoo! relating to issues such as user privacy and data protection, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, billing, real estate, consumer protection, accessibility, content regulation, quality of services, telecommunications, mobile, television and intellectual property ownership and infringement in many instances is unclear or unsettled. In addition, we will also be subject to any new laws and regulations directly applicable to our domestic and international activities. Further, the application of existing laws to Yahoo! or our subsidiaries regulating or requiring licenses for certain businesses of our advertisers including, for example, distribution of pharmaceuticals, alcohol, adult content, tobacco, or firearms, as well as insurance and securities brokerage and legal services, can be unclear. Internationally, we may also be subject to laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country. We may incur substantial liabilities for expenses necessary to defend such litigation or to comply with these laws and regulations, as well as potential substantial penalties for any failure to comply. Compliance with these laws and regulations may also cause us to change or limit our business practices in a manner adverse to our business.

A number of U.S. federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act ("DMCA") is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party Websites that include materials that infringe copyrights or other rights of others. Portions

of the Communications Decency Act ("CDA") are intended to provide statutory protections to online service providers who distribute third-party content. Yahoo! relies on the protections provided by both the DMCA and CDA in conducting its business. Any changes in these laws or judicial interpretations narrowing their protections will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain lines of business. The Children's Online Protection Act and the Children's Online Privacy Protection Act are intended to restrict the distribution of certain materials deemed harmful to children and impose additional restrictions on the ability of online services to collect user information from minors. In addition, the Protection of Children From Sexual Predators Act of 1998 requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. U.S. export control laws and regulations impose requirements and restrictions on exports to certain nations and persons and on our business. The costs of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failure on our part to comply with these regulations may subject us to significant liabilities.

Changes in regulations or user concerns regarding privacy and protection of user data, or any failure to comply with such laws, could adversely affect our business.

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. We have posted on our and many of our Affiliates' Websites our own privacy policies and practices concerning the collection, use, and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders, or other federal, state, or international privacy or consumer protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business.

Further, failure or perceived failure by us to comply with our policies, applicable requirements, or industry self-regulatory principles related to the collection, use, sharing or security of personal information, or other privacy or data protection-related matters could result in a loss of user confidence in us, damage to the Yahoo! brands, and ultimately in a loss of users, advertising partners, or Affiliates which could adversely affect our business.

In addition, various federal, state and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning data privacy and retention issues which could adversely impact our business. The interpretation and application of privacy, data protection and data retention laws and regulations are currently unsettled in the U.S. and internationally. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current data protection policies and practices. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

We may be subject to legal liability for online services.

We host a wide variety of services and technology products that enable individuals and businesses to exchange information, generate content, advertise products and services, conduct business, and engage in various online activities on a domestic and an international basis. The law relating to the liability of providers of these online services and products for activities of their users is currently unsettled both within the U.S. and internationally. Claims have been threatened and have been brought against us for defamation, negligence, copyright or trademark infringement, unfair competition, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information to which we provide links or that may be posted online or generated by our users. In addition, Yahoo! has been and may again in the future be subject to domestic or international actions alleging that the availability of certain content within our services violates laws in domestic and international jurisdictions. Defense of any such actions could be costly and involve significant time and attention of our management and other resources and may require us to change our business in a manner adverse to our business.

We arrange for the distribution of third-party advertisements to third-party publishers and advertising networks, and we offer third-party products, services, or content, such as stock quotes and trading information, under the Yahoo! brand or via distribution on Yahoo! Properties. We may be subject to claims concerning these products, services, or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services, or content. While our agreements with respect to these products, services, and content, often provide that we will be indemnified against such liabilities, the ability to receive such indemnification depends on the financial resources of the other party to the agreement and any amounts received might not be adequate to cover our liabilities or the costs associated with defense of such proceedings.

It is also possible that if the manner in which information is provided or any information provided directly by us contains errors or is otherwise wrongfully provided to users, third parties could make claims against us. For example, we offer Web-based e-mail services, which expose us to potential risks, such as liabilities or claims resulting from unsolicited e-mail, lost or misdirected messages, illegal or fraudulent use of e-mail, or interruptions or delays in e-mail service. We may also face purported consumer class actions or state actions relating to our online services, including our fee-based services (particularly in connection with any decision to discontinue a fee-based service). In addition, our customers, third-parties or government entities may assert claims or actions against us if our online services or technologies are used to spread or facilitate malicious or harmful applications. Investigating and defending these types of claims is expensive, even if the claims are without merit or do not ultimately result in liability, could subject us to significant monetary liability or cause a change in business practices that could impact our ability to compete.

Acquisitions and strategic investments could result in adverse impacts on our operations and in unanticipated liabilities.

We have acquired, and have made strategic investments in, a number of companies (including through joint ventures) in the past, and we expect to make additional acquisitions and strategic investments in the future. Such transactions may result in dilutive issuances of our equity securities, use of our cash resources, and incurrence of debt and amortization expenses related to intangible assets. Our acquisitions and strategic investments to date were accompanied by a number of risks, including:

- the difficulty of assimilating the operations and personnel of our acquired companies into our operations;
- the potential disruption of our on-going business and distraction of management;
- the incurrence of additional operating losses and expenses of the businesses we acquired or in which we invested;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to successfully further develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- the failure of strategic investments to perform as expected;
- the potential for patent and trademark infringement claims against the acquired company;
- the impairment of relationships with customers and partners of the companies we acquired or in which we invested or with our customers and partners as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or our existing employees as a result of integration of new management personnel;
- our lack of, or limitations on, our control over the operations of our joint venture companies;
- in the case of foreign acquisitions and investments, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems, and operational differences; and

- the impact of known potential liabilities or unknown liabilities associated with the companies we acquired or in which we invested.

We are likely to experience similar risks in connection with our future acquisitions and strategic investments. Our failure to be successful in addressing these risks or other problems encountered in connection with our past or future acquisitions and strategic investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally.

Any failure to manage expansion, diversification, and changes to our business could adversely affect our operating results.

We continue to diversify and evolve our business both in the U.S. and internationally. As a result of diversification, acquisitions, and international expansion in recent years, more than one-half of our employees are now based outside of our Sunnyvale, California headquarters. If we are unable to effectively manage a large and geographically dispersed group of employees or to anticipate our future growth and personnel needs our business may be adversely affected.

As we expand and diversify our business, we must also expand and adapt our operational infrastructure. Our business relies on data systems, billing systems, and financial reporting and control systems, among others. All of these systems have become increasingly complex in the recent past due to the growing diversification and complexity of our business, to acquisitions of new businesses with different systems and to increased regulation over controls and procedures. To manage our business in a cost effective manner, we will need to continue to upgrade and improve our data systems, billing systems, and other operational and financial systems, procedures and controls. In some cases, we are outsourcing administrative functions to lower-cost providers. These upgrades, improvements and outsourcing changes will require a dedication of resources and in some cases are likely to be complex. If we are unable to adapt our systems and put adequate controls in place in a timely manner, our business may be adversely affected. In particular, sustained failures of our billing systems to accommodate increasing numbers of transactions, to accurately bill users and advertisers, or to accurately compensate Affiliates could adversely affect the viability of our business model.

Any failure to scale and adapt our existing technology architecture to manage expansion and respond to rapid technological change could adversely affect our business.

As some of the most visited sites on the Internet, Yahoo! Properties deliver a significant number of products, services, and page views to users around the world. The products and services offered by Yahoo! have expanded and changed significantly over time and are expected to continue to expand and change rapidly in the future to accommodate new technologies and Internet advertising solutions and new means of content delivery, such as rich media, audio, video, and mobile.

In addition, the Internet and online services industry is characterized by rapid technological change. Widespread adoption of new Internet, networking or telecommunications technologies, or other technological changes could require substantial expenditures to modify or adapt our services or infrastructure. The technology architectures utilized for our services are highly complex and may not provide satisfactory support in the future, as usage increases and products and services expand, change and become more complex. In the future, we may make additional changes to our architectures and systems, including moving to completely new architectures and systems. Such changes may be technologically challenging to develop and implement, may take time to test and deploy, may cause us to incur substantial costs or data loss, and may cause delays or interruptions in service. These changes, delays, or interruptions in our service may cause our users, Affiliates and other advertising exchange participants to become dissatisfied with our service and move to competing providers or seek remedial actions or compensation.

Further, to the extent that demands for our services increase, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. This expansion is likely to be expensive and

complex and require additional technical expertise. As we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store, and integrate data that will enable us to track each user's preferences. Any difficulties experienced in adapting our architectures and infrastructure to accommodate increased traffic, to store user data, and track user preferences, together with the associated costs and potential loss of traffic, could harm our operating results, cash flows from operations, and financial condition.

We have dedicated considerable resources to provide a variety of premium services, which might not prove to be successful in generating significant revenue for us.

We offer fee-based enhancements to many of our free services, including e-mail, personals, finance, games, music, photographs, and sports. The development cycles for these technologies are long and generally require significant investment by us. We have invested and will continue to invest in new products and services. Some of these new products and services might not generate anticipated revenue or might not meet anticipated user adoption rates. We have previously discontinued some non-profitable premium services and may discontinue others. We must, however, continue to provide new services that are compelling to our users while continuing to develop an effective method for generating revenues for such services. General economic conditions as well as the rapidly evolving competitive landscape may affect users' willingness to pay for such services. If we cannot generate revenues from these services that are greater than the cost of providing such services, our operating results could be harmed.

If we are unable to recruit and retain key personnel, we might not be able to execute our business plan.

Our business is dependent on our ability to recruit, hire, motivate and retain talented, highly skilled personnel. Achieving this objective may be difficult due to many factors, including the intense competition for such highly skilled personnel in the San Francisco Bay Area, where our corporate headquarters and the headquarters of several of our vertical and horizontal competitors are located, fluctuations in global economic and industry conditions, changes in Yahoo!'s management or leadership, competitors' hiring practices, and the effectiveness of our compensation programs. If we do not succeed in recruiting, retaining, and motivating our key employees and in attracting new key personnel, we may be unable to meet our business plan and as a result, our stock price may decline.

If we are unable to license or acquire compelling content at reasonable cost or if we do not develop or commission compelling content of our own, the number of users of our services may not grow as anticipated, or may decline, or users' level of engagement with our services may decline, all or any of which could harm our operating results.

Our future success depends in part on our ability to aggregate compelling content and deliver that content through our online properties. We in-license much of the content on our online properties, such as news items, stock quotes, weather reports, maps and audio and video content, from third-parties. We believe that users will increasingly demand high-quality audio and video content, such as music, film, speeches, news footage, concerts, and other special events. Such content may require us to make substantial payments to third parties from whom we license or acquire such content. Our ability to maintain and build relationships with third-party content providers is critical to our success. In addition, as new methods for accessing the Internet become available, including through alternative devices, we may need to enter into amended content agreements with existing third-party content providers to cover the new devices. We may be unable to enter into new, or preserve existing, relationships with the third-parties whose content we seek to obtain. In addition, as competition for compelling content increases both domestically and internationally, our content providers may increase the prices at which they offer their content to us, and potential content providers may not offer their content to us at all, or may offer it on terms that are not agreeable to us. An increase in the prices charged to us by third-party content providers could harm our operating results and financial condition. Further, many of our content licenses with third-parties are non-exclusive. Accordingly, other Webcasters and other media providers, such as radio or television providers, may be able to offer similar or identical content. This increases the importance of our ability to deliver compelling editorial content and personalization of this content for users in order to differentiate Yahoo! from other businesses. If we are unable to license or acquire compelling content at reasonable prices, if other

companies broadcast content that is similar to or the same as that provided by Yahoo!, or if we do not develop compelling editorial content or personalization services, the number of users of our services may not grow as anticipated, or may decline, which could harm our operating results.

We rely on third-party providers of rich media products to provide the technologies required to deliver rich media content to our users, and any change in the licensing terms, costs, availability or user acceptance of these products could adversely affect our business.

We rely on leading providers of streaming media products to license the software necessary to deliver rich media content to our users. There can be no assurance that these providers will continue to license these products to us on reasonable terms, or at all. Our users are currently able to electronically download copies of the software to play rich media free of charge, but providers of rich media products may begin charging users for copies of their player software or otherwise change their business model in a manner that slows the widespread acceptance of these products. In order for our rich media services to be successful, there must be a large base of users of these rich media products. We have limited or no control over the availability or acceptance of rich media software, and to the extent that any of these circumstances occur, our business may be adversely affected.

If we are unable to attract, sustain and renew distribution arrangements on favorable terms, our revenues might decline.

We enter into distribution arrangements with operators of third-party Websites, online networks, software companies, electronics companies, computer manufacturers and others to promote or supply our services to their users. For example:

- We supply search and display advertising to Affiliate sites, which integrate our advertising offerings into their Websites;
- We enter into distribution alliances with Internet service providers (including providers of cable and broadband Internet access) and software distributors to promote our services to their users; and
- We enter into agreements with mobile device manufacturers and carriers as well as Internet-enabled television manufacturers and other electronics companies to promote our software and services on their devices.

In some markets we depend on a limited number of distribution arrangements for a significant percentage of our user activity. A failure by our distributors to attract or retain their user bases would negatively impact our user activity and, in turn, would reduce our revenues.

Distribution agreements often involve revenue sharing. Over time, competition to enter into distribution arrangements may cause our traffic acquisition costs to increase. In some cases, we guarantee distributors a minimum level of revenues and, as a result, run a risk that the distributors might not generate enough ad impressions, toolbar installations, etc. to otherwise earn their minimum payments. In other cases, we agree that if the distributor does not realize specified minimum revenues we will adjust the distributor’s revenue-share percentage or provide make-whole arrangements.

Some of our distribution agreements are not exclusive, have a short term, are terminable at will, or are subject to early termination provisions. The loss of distributors, increased distribution costs, or the renewal of distribution agreements on significantly less favorable terms might cause our revenues to decline.

More individuals are utilizing non-Personal Computer (“PC”), devices to access the Internet and versions of our services developed for these devices might not gain widespread adoption by the devices’ users, manufacturers, or distributors or might fail to function as intended on some devices.

The number of individuals who access the Internet through devices other than a PC, such as mobile telephones, personal digital assistants, smart phones, hand held computers, televisions, and set-top box devices, has increased dramatically, and the trend is likely to continue. Our services were originally designed for rich, graphical

environments such as those available on the desktop and PC. The lower resolution, functionality, and memory associated with alternative devices currently available may make the use of our services through such devices difficult, and the versions of our services developed for these devices may not be compelling to users, manufacturers, or distributors of alternative devices. Each manufacturer or distributor may establish unique technical standards for its devices, and our services may not work or be viewable on these devices as a result. As we have limited experience to date in operating versions of our services developed or optimized for users of alternative devices, and as new devices and new platforms are continually being released, it is difficult to predict the problems we may encounter in developing versions of our services for use on these alternative devices, and we may need to devote significant resources to the creation, support, and maintenance of such versions. We may be unable to attract and retain a substantial number of alternative device manufacturers, distributors, content providers, and users to our services, or to capture a sufficient share of an increasingly important portion of the market for these services, and, therefore, we may be unsuccessful in attracting both advertisers and premium service subscribers to these services.

To the extent that an access provider or device manufacturer enters into a distribution arrangement with one of our competitors, we face an increased risk that our users will favor the services or properties of that competitor. The manufacturer or access provider might promote a competitor's services or might impair users' access to our services by making its devices incompatible with our software or by not listing our services in a convenient directory. If competitive distributors impair access to our services, or if they simply are more successful than our distributors in developing compelling products that attract and retain users or advertisers, then our revenues could decline.

In the future, as new methods for accessing the Internet become available, including through alternative devices, we may need to enter into amended distribution agreements with existing distributors to cover the new devices and new agreements with additional distributors. We face a risk that existing and potential new distributors may decide not to offer distribution of our properties and services on reasonable terms, or at all. If we fail to obtain distribution or to obtain distribution on terms that are reasonable, we might not be able to fully execute our business plan.

In international markets we compete with local Internet service providers that may have competitive advantages.

In a number of international markets, especially those in Asia, Europe, and Latin America, we face substantial competition from local Internet service providers and other portals that offer search, communications, and other commercial services. Many of these companies have a dominant market share in their territories and are owned by local telecommunications providers which give them a competitive advantage. Local providers of competing online services may also have a substantial advantage over us in attracting users in their country due to more established branding in that country, greater knowledge with respect to the tastes and preferences of users residing in that country and/or their focus on a single market. Further, the local providers may have greater regulatory and operational flexibility than Yahoo! due to the fact that we are subject to both U.S. and foreign regulatory requirements. We must continue to improve our local offerings, become more knowledgeable about our local users and their preferences, deepen our relationships with our local users as well as increase our branding and other marketing activities in order to remain competitive and strengthen our international market position.

Our international operations are subject to increased risks which could harm our business, operating results, and financial condition.

In addition to uncertainty about our ability to continue to generate revenues from our foreign operations and expand our international market position, there are risks inherent in doing business internationally, including:

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;

- stringent local labor laws and regulations;
- longer payment cycles;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression or human rights issues;
- geopolitical events, including acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- seasonal volatility in business activity;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- different and more stringent user protection, data protection, privacy and other laws; and
- risks related to other government regulation or required compliance with local laws.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations could result in fines, criminal sanctions against us, our officers or our employees, prohibitions on the conduct of our business and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and could result in harm to our business, operating results and financial condition.

New technologies could block our advertisements or our search marketing listings, which would harm our operating results.

Technologies have been developed and are likely to continue to be developed that can block the display of our advertisements or our search marketing listings. Most of our revenues are derived from fees paid to us by advertisers in connection with the display of advertisements or clicks on search marketing listings on Web pages. As a result, advertisement-blocking technology could reduce the number and relevancy of advertisements and search results that we are able to deliver and, in turn, our advertising revenues and operating results.

Proprietary document formats may limit the effectiveness of our search technology by preventing our technology from accessing the content of documents in such formats, which could limit the effectiveness of our products and services.

A large amount of information on the Internet is provided in proprietary document formats such as Microsoft Word. These proprietary document formats may limit the effectiveness of our search technology by preventing our technology from accessing the content of such documents. The providers of the software applications used to create these documents could engineer the document format to prevent or interfere with our ability to access the document contents with our search technology. This would mean that the document contents would not be included in our search results even if the contents were directly relevant to a search. The software providers may also seek to require us to pay them royalties in exchange for giving us the ability to search documents in their format. If a software provider also competes with us, it may give its search technologies, or the technologies of our competitors, a preferential ability to search documents in its proprietary format. Any of these results could harm our brand and our operating results.

Interruptions, delays, or failures in the provision of our services could harm our operating results.

Delays or disruptions to our service could result from a variety of causes, including the following:

- Our operations are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, and similar events.
- Despite our implementation of network security measures, our servers are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized tampering, as well as coordinated denial-of-service attacks. We are distributing servers among additional data centers around the world to create redundancies; however, we do not have multiple site capacity for all of our services and some of our systems are not fully redundant in the event of delays or disruptions to service.
- We rely on third-party providers for our principal Internet connections and co-location of a significant portion of our data servers, as well as for key components of our e-mail and VOIP services, news and stock quote delivery, chat services, mapping, streaming, and other services. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to handle higher volumes of use could, in turn, cause delays or disruptions in our services.

Prolonged delays or disruptions to our service could result in a loss of users, damage our brand and harm our operating results. In addition, users' ability or willingness to access our services might be impaired by spam, viruses, worms, spyware, phishing, and other acts of malice by third parties affecting the user generally or the user's use of our services in particular.

If we fail to prevent click fraud or if we choose to manage traffic quality in a way that advertisers find unsatisfactory, our profitability might decline.

A portion of our marketing services revenues arises from advertisers that pay for advertising on a price-per-click basis, meaning that the advertisers pay a fee every time a user clicks on their advertising. This pricing model can be vulnerable to so-called "click fraud," which occurs when clicks are submitted on ads by a user who is motivated by reasons other than genuine interest in the subject of the ad. On Yahoo! Properties and Affiliate sites, we are exposed to the risk of click fraud or other clicks or conversions that advertisers may perceive as undesirable. If fraudulent or other malicious activity is perpetrated by others and we are unable to detect and prevent it, or if we choose to manage traffic quality in a way that advertisers find unsatisfactory, the affected advertisers may experience or perceive a reduced return on their investment in our advertising programs which could lead the advertisers to become dissatisfied with our advertising programs and they might refuse to pay or demand refunds. This could damage our brand and lead to a loss of advertisers and revenues. Advertiser dissatisfaction has led to litigation alleging click fraud and other types of traffic quality-related claims and could potentially lead to further litigation or government regulation of advertising. We may also issue refunds or credits as a result of such activity. Any increase in costs due to any such litigation, government regulation or legislation, refunds or credits could negatively impact our profitability.

Fluctuations in foreign currency exchange rates affect our operating results in U.S. dollar terms.

A portion of our revenues arises from international operations. Revenues generated and expenses incurred by our international subsidiaries are often denominated in the currencies of the local countries. As a result, our consolidated U.S. dollar financial statements are subject to fluctuations due to changes in exchange rates as the financial results of our international subsidiaries are translated from local currencies into U.S. dollars. In addition, our financial results are subject to changes in exchange rates that impact the settlement of transactions in non-local currencies.

We may be required to record a significant charge to earnings if our goodwill, amortizable intangible assets, or investments in equity interests become impaired.

We are required under generally accepted accounting principles to test goodwill for impairment at least annually and to review our amortizable intangible assets and investments in equity interests for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortizable intangible assets include significant adverse changes in the business climate and declines in the financial condition of our business. Factors that could lead to impairment of investments in equity interests include a prolonged period of decline in the stock price or operating performance of, or an announcement of adverse changes or events by, the company in which we invested. We have recorded and may be required in the future to record additional charges to earnings if a portion of our goodwill, amortizable intangible assets, or investments in equity interests becomes impaired. Any such charge would adversely impact our results of operations.

We may have exposure to additional tax liabilities which could negatively impact our income tax provision, net income, and cash flow.

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination is made.

Uncertainty resulting from potential proposals to acquire all or part of Yahoo! may adversely affect our business.

In 2008, we received proposals to acquire all or a part of our Company. Third parties may in the future make proposals to acquire all or part of the Company or take other actions that might create uncertainty for our employees, publishers, advertisers, and other business partners. This continuing uncertainty could negatively impact our business.

Our stock price has been volatile historically and may continue to be volatile regardless of our operating performance.

The trading price of our common stock has been and may continue to be subject to wide fluctuations. During the quarter ended December 31, 2008, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $8.95 to $16.96 per share and the closing sale price on February 13, 2009 was $12.84 per share. Our stock price may fluctuate in response to a number of events and factors, such as quarterly variations in operating results, announcements and implementations of technological innovations or new services, upgrades and media properties by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of other companies that investors may deem comparable to us; the operating performance of companies in which we have an equity investment, including Yahoo! Japan and Alibaba Group Holding Limited; and news reports relating to us, trends in our markets, or general economic conditions.

In addition, the stock market in general, and the market prices for Internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. Volatility or a lack of positive performance in our stock price may adversely affect our ability to retain key employees, all of whom have been granted stock options or other stock-based awards. A sustained decline in our stock price and market capitalization could lead to an impairment charge of our long-lived assets.

Anti-takeover provisions could make it more difficult for a third-party to acquire us.

We have adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of our two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of our common stock or of any company into which we are merged having a value of $500. The rights expire on March 1, 2011, unless extended by our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our rights plan could make it more difficult for a third-party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding that acquisition.

In addition, our Board of Directors has the authority to issue up to 10 million shares of Preferred Stock (of which 2 million shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders.

The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of Preferred Stock may have the effect of delaying, deterring or preventing a change in control of Yahoo! without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock. Further, some provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or management of Yahoo!, which could have an adverse effect on the market price of our stock. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third-party to gain control of our Board of Directors. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change in control of Yahoo!.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

Our headquarters is located in Sunnyvale, California and consists of owned and leased space aggregating approximately 1.8 million square feet. In 2006, we purchased additional land in Santa Clara, California, and we are currently reviewing options for its future use. Office space is also leased in Amsterdam, Auckland, Bangalore, Barcelona, Beijing, Budapest, Buenos Aires, Dublin, Dusseldorf, Grenoble, Haifa, Hamburg, Ho Chi Minh City, Hong Kong, Geneva, London, Madrid, Manila, Mexico City, Milan, Montreal, Mumbai, Munich, New Delhi, Paris, São Paulo, Seoul, Singapore, Sydney, Taipei, Tokyo, Toronto and Trondheim. We also lease offices in various locations in the United States, including Atlanta, Berkeley, Boston, Champaign, Chicago, Dallas, Detroit, Hillsboro, the Los Angeles Area, Miami, New York, Omaha, Orlando, the San Diego Area, the San Francisco Bay Area, the Seattle Area, Brentwood and Franklin, Tennessee, and Washington, D.C. Our data centers are operated in locations in the United States, Europe, and Asia.

We believe that our existing facilities are adequate to meet current requirements, and that suitable additional or substitute space will be available as needed to accommodate any further physical expansion of operations and for any additional sales offices.

Item 3. *Legal Proceedings*

For a description of our material legal proceedings, see Note 13—"Commitments and Contingencies" in the Notes to the consolidated financial statements, which is incorporated herein by reference.

Item 4. *Submission of Matters to a Vote of Security Holders*

No matters were submitted to a vote of security holders during the fourth quarter of 2008.

Part II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Information for Common Stock

Yahoo! Inc. common stock is quoted on the NASDAQ Global Select Market under the symbol "YHOO." The following table sets forth the range of high and low per share sales prices as reported for each period indicated:

	2007		2008	
	High	Low	High	Low
First quarter	$32.84	$25.26	$30.25	$18.58
Second quarter	$33.61	$26.61	$29.73	$20.60
Third quarter	$27.80	$22.27	$24.80	$16.88
Fourth quarter	$34.08	$22.80	$17.31	$ 8.94

Stockholders

We had 11,586 stockholders of record as of February 13, 2009.

Dividends

We have not declared or paid any cash dividends on our common stock. We presently do not have plans to pay any cash dividends in the near future.

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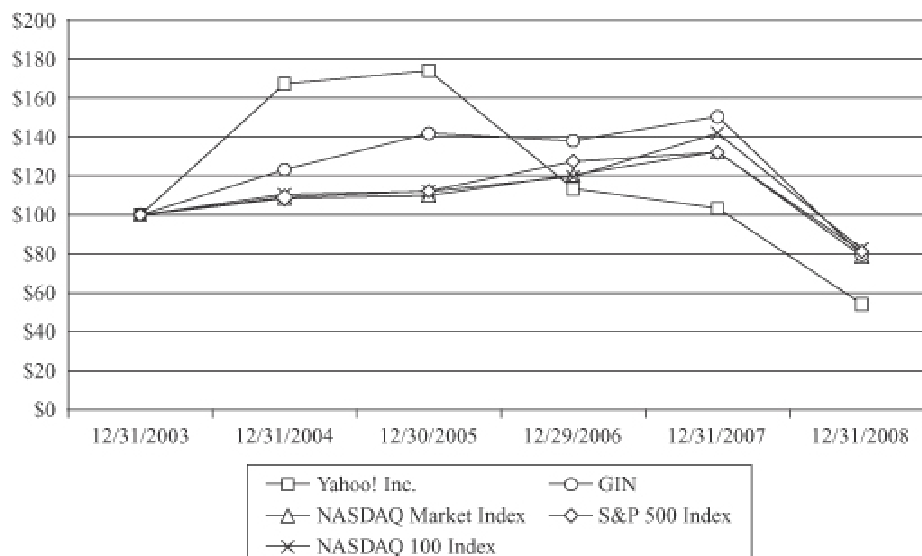
Performance Graph

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of Yahoo! under the Securities Act of 1933, as amended or the Exchange Act.

The following graph compares, for the five-year period ended December 31, 2008, the cumulative total stockholder return for the Company's common stock, the NASDAQ Stock Market (U.S. companies) Index (the "NASDAQ Market Index"), the NASDAQ 100 Index (the "NASDAQ 100 Index"), the Standard & Poor's North American Technology-Internet Index, formerly the Goldman Sachs Internet Trading Index, (the "GIN"), and the Standard & Poor's 500 Stock Index (the "S&P 500 Index"). The Company has added the NASDAQ 100 Index to the graph because the Company is using total shareholder return as measured with reference to this index to determine the vesting of certain performance based equity awards. We do not plan to include the NASDAQ Market Index in our Annual Report on Form 10-K for the year ended December 31, 2009. Measurement points are the last trading day of each of the Company's fiscal years ended December 31, 2004, December 31, 2005, December 31, 2006, December 31, 2007, and December 31, 2008. The graph assumes that $100 was invested on December 31, 2003 in the common stock of the Company, the NASDAQ Stock Market Index, the NASDAQ 100 Index, the GIN, and the S&P 500 Index, assumes reinvestment of any dividends and is adjusted to give effect to the Company's May 11, 2004 stock split. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



	12/31/2003	12/31/2004	12/30/2005	12/29/2006	12/31/2007	12/31/2008
Yahoo! Inc.	$ 100.00	$ 167.36	$ 174.02	$ 113.44	$ 103.31	$ 54.19
NASDAQ Market Index	$ 100.00	$ 108.59	$ 110.08	$ 120.56	$ 132.39	$ 78.72
NASDAQ 100 Index	$ 100.00	$ 110.44	$ 112.08	$ 119.69	$ 142.03	$ 82.54
GIN	$ 100.00	$ 123.25	$ 141.83	$ 138.07	$ 150.46	$ 79.48
S&P 500 Index	$ 100.00	$ 108.99	$ 112.26	$ 127.55	$ 132.06	$ 81.23

Item 6. ***Selected Financial Data***

Consolidated Statements of Income Data:

	Years Ended December 31,				
	2004[1]	2005[2]	2006[3]	2007	2008[4]
	(In thousands, except per share amounts)				
Revenues	$ 3,574,517	$ 5,257,668	$ 6,425,679	$ 6,969,274	$ 7,208,502
Income from operations	$ 688,581	$ 1,107,725	$ 940,966	$ 695,413	$ 12,963
Net income	$ 839,553	$ 1,896,230	$ 751,391	$ 660,000	$ 424,298
Net income per share—basic	$ 0.62	$ 1.35	$ 0.54	$ 0.49	$ 0.31
Net income per share—diluted	$ 0.58	$ 1.28	$ 0.52	$ 0.47	$ 0.29
Shares used in per share calculation—basic	1,353,439	1,400,421	1,388,741	1,338,987	1,369,476
Shares used in per share calculation—diluted	1,452,499	1,485,591	1,457,686	1,405,486	1,400,101

(1) Our net income for the year ended December 31, 2004 included gains related to sales of an investment of $314 million, net of tax, or $0.23 per basic share or $0.22 per diluted share.

(2) Our net income for the year ended December 31, 2005 included gains related to sales of an investment of $580 million, net of tax; a gain of $205 million, net of tax, related to the divestiture of Yahoo! China in connection with the strategic investment with Alibaba Group Holding Limited (“Alibaba Group”); and a tax benefit of $248 million related to a subsidiary restructuring transaction. In aggregate, these items had an impact of $1,033 million on net income, or $0.74 per basic share or $0.70 per diluted share.

(3) For the year ended December 31, 2006, as a result of adopting Statement of Financial Accounting Standard (“SFAS”) No. 123 (revised 2004), “Share-Based Payment” (“SFAS 123R”), our income from operations was lower by $324 million and our net income was lower by $222 million, than if we had continued to account for stock-based compensation under Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees” (“APB 25”). Basic and diluted net income per share for the year ended December 31, 2006 was $0.16 and $0.15 lower, respectively, than if the Company had continued to account for stock-based compensation under APB 25.

(4) Our net income for the year ended December 31, 2008 includes a non-cash gain of $401 million, net of tax, related to Alibaba Group’s initial public offering (“IPO”) of Alibaba.com Limited, the business to business e-commerce subsidiary of Alibaba Group (“Alibaba.com”), and a non-cash loss of $30 million, net of tax, related to the impairment of our direct investment in Alibaba.com. In addition, in the year ended December 31, 2008, we recorded a goodwill impairment charge of $488 million related to our European reporting unit and net restructuring charges of $107 million related to our strategic workforce realignment and cost reduction initiatives, and a tax benefit for these two items of $42 million. In aggregate, these items had a net impact of $182 million on net income, or $0.13 per both basic and diluted share.

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Consolidated Balance Sheets Data:

	December 31,				
	2004	2005	2006	2007[1]	2008[2]
	(In thousands)				
Cash and cash equivalents	$ 823,723	$ 1,429,693	$ 1,569,871	$ 1,513,930	$ 2,292,296
Marketable debt securities	$ 2,918,539	$ 2,570,155	$ 1,967,414	$ 849,542	$ 1,229,677
Working capital	$ 2,909,768	$ 2,245,481	$ 2,276,148	$ 937,274	$ 3,040,483
Total assets	$ 9,178,201	$ 10,831,834	$ 11,513,608	$ 12,229,741	$ 13,689,848
Long-term liabilities	$ 851,782	$ 1,061,367	$ 870,948	$ 384,208	$ 715,872
Total stockholders' equity	$ 7,101,446	$ 8,566,415	$ 9,160,610	$ 9,532,831	$ 11,250,942

(1) As of December 31, 2007, our $750 million of outstanding zero coupon senior convertible notes were classified as short-term debt and are reflected in working capital. The zero coupon senior convertible notes were classified as long-term debt as of the end of each of the other previous fiscal years presented. Refer to Note 9—"Debt" in the Notes to the consolidated financial statements.

(2) During the year ended December 31, 2008, our $750 million of outstanding zero coupon senior convertible notes were converted into 36.6 million shares of Yahoo! common stock. Refer to Note 9—"Debt" in the Notes to the consolidated financial statements. During the year ended December 31, 2008, we received a $350 million, one-time payment from AT&T Inc., which was recorded in long-term deferred revenues.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

Forward-Looking Statements

In addition to current and historical information, this Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future operations, prospects, potential products, services, developments, and business strategies. These statements can, in some cases, be identified by the use of terms such as "may," "will," "should," "could," "would," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," or "continue," the negative of such terms, or other comparable terminology. This Annual Report on Form 10-K includes, among others, forward-looking statements regarding our:

- expectations about revenues, including revenues for marketing services and fees;
- expectations about growth in users;
- expectations about cost of revenues and operating expenses;
- expectations about the amount of unrecognized tax benefits;
- expectations about our on-going strategic and cost reduction initiatives;
- anticipated capital expenditures;
- impact of acquisitions on our business and evaluation of, and expectations for, possible acquisitions of, or investments in, businesses, products, and technologies; and
- expectations about positive cash flow generation and existing cash, cash equivalents, and investments being sufficient to meet normal operating requirements.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed in Part 1, Item 1A. "Risk Factors" of this Annual Report on Form 10-K. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Annual Report on Form 10-K to reflect actual results or future events or circumstances.

Overview

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo!," the "Company," "our," "we," or "us"), is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. We are focused on powering our communities of users, advertisers, publishers, and developers by creating indispensable experiences built on trust. Together with our owned and operated online properties and services ("Yahoo! Properties" or "Owned and Operated sites"), we also provide our advertising offerings and access to Internet users beyond Yahoo! through our distribution network of third-party entities ("Affiliates"), who have integrated our advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. We generate revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services we provide to our users are free, we do charge fees for a range of premium services.

We provide a range of marketing services that make it easier and more effective for advertisers and marketers to reach and connect with users who visit Yahoo! Properties and our Affiliate sites. We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

Our offerings to users on Yahoo! Properties currently fall into six categories: Front Doors, Communities, Search, Communications, Audience, and Connected Life. See Part I, Item 1. "Business"—"User Offerings" for additional information. The majority of our offerings are available in more than 30 languages. We manage and measure our business geographically. Our principal geographies are the United States ("U.S.") and International.

Revenue Sources

Marketing Services Revenues. Our online advertising offerings include the display of graphical advertisements (“display advertising”), the display of text-based links to an advertiser’s Website (“search advertising”), listing-based services, and commerce-based transactions.

We recognize revenues from display advertising on Yahoo! Properties and on Affiliate sites as “impressions” are delivered or when qualifying actions are performed by the user. An “impression” is delivered when an advertisement appears on a page viewed by users. We also recognize revenues from search advertising on Yahoo! Properties and on Affiliate sites. We recognize revenues from these arrangements as “click-throughs” occur. A “click-through” occurs when a user clicks on an advertiser’s listing.

Marketing services revenues also includes listings and transaction revenues. Listings revenues are generated from a variety of consumer and business listings-based services, including access to the Yahoo! HotJobs database and classified advertising such as Yahoo! Autos, Yahoo! Real Estate, and other services. We recognize listings revenues when the services are performed. Transaction revenues are generated from facilitating commercial transactions through Yahoo! Properties, principally from Yahoo! Travel and Yahoo! Shopping. We recognize transaction revenues when there is evidence that qualifying transactions have occurred. For example, we recognize revenues when travel arrangements are booked through Yahoo! Travel.

Fees Revenues. Fees revenues consists of revenues generated from a variety of consumer and business fee-based services, including Internet broadband services, royalties received from joint venture partners, premium mail, music and personals offerings, as well as services for small businesses. We recognize fees revenues when the services are performed.

2008 Highlights

Operating Highlights	Years Ended December 31, 2007	2008	2007-2008 Change
	(In thousands)		
Revenues	$ 6,969,274	$ 7,208,502	$ 239,228
Income from operations	$ 695,413	$ 12,963	$ (682,450)

Cash Flow Highlights	Years Ended December 31, 2007	2008	2007-2008 Change
	(In thousands)		
Net cash provided by operating activities	$ 1,918,899	$ 1,880,241	$ (38,658)
Net cash used in investing activities	$ (572,502)	$ (1,311,783)	$ (739,281)
Net cash (used in) provided by financing activities	$ (1,442,008)	$ 332,406	$ 1,774,414

Our revenues for the year ended December 31, 2008 increased 3 percent year-over-year to approximately $7.2 billion, with Page Views, which is defined as our internal estimate of the total number of Web pages viewed by users on Owned and Operated sites, up 19 percent year-over-year. The growth can be attributed to an increasing number and activity level of users across our offerings on Yahoo! Properties. Marketing services and fees revenues experienced 4 percent and 1 percent year-over-year growth, respectively. We began to feel the impact of the global economic recession in the third quarter of 2008. The current general economic conditions have caused some advertisers to spend less on online advertising which could negatively affect the growth rate of our revenues.

Cash generated from our operations is a measure of the cash productivity of our business model. Our operating activities in 2008 generated adequate cash to meet our operating needs. Cash used in investing activities in 2008 included capital expenditures of $675 million, cash consideration for acquisitions of $209 million, and net purchases of marketable debt securities of $368 million. Cash used in financing activities in 2008 reflected our

net cash used for direct stock repurchases of $79 million as well as $77 million used for tax withholdings related to net share settlements of restricted stock awards and restricted stock units, which were offset by cash proceeds from the issuance of common stock of $363 million as a result of the exercise of employee stock options.

Summary

We believe the searches, Page Views, click-throughs, and the related marketing services and fees revenues that we generate correlate to the number and activity level of users across our offerings on Yahoo! Properties and the activity level on our Affiliate sites. By providing a platform for our users that brings together our search technology, content, and community while allowing for personalization and integration across devices, we seek to become more essential to, increase our share of, and deepen the engagement of, our users with our products and services. We believe this deeper engagement of new and existing users coupled with the growth of the Internet as an advertising medium may enable us to increase our revenues in the future.

In 2008, we recorded a $350 million one-time payment from AT&T Inc. in long-term deferred revenues, a portion of which was recognized as revenues during the year, and a non-cash gain of $401 million, net of tax, within earnings in equity interests representing our share of Alibaba Group's gain on the IPO of Alibaba.com. We also recorded a goodwill impairment charge of $488 million related to our European reporting unit.

During 2008, we implemented a strategic workforce realignment in the first quarter and initiated a number of cost reduction initiatives in the fourth quarter, including a workforce reduction and consolidation of our real estate facilities. In connection with these initiatives we incurred severance, facility and other restructuring costs of $137 million, offset by $30 million in related stock-based compensation expense reversals for unvested awards which were forfeited, resulting in a net restructuring charge of $107 million in 2008.

The objective of the cost reduction initiatives implemented in the fourth quarter of 2008 was to reduce our current annualized cost run rate by more than $400 million to enhance profitability in the current economic environment. We will continue to emphasize productivity improvement initiatives that may result in additional restructurings. For further details regarding these restructuring initiatives and related costs and charges, refer to our discussion under *Costs and Expenses* and Note 16—"Restructuring Charges, Net" in the Notes to the consolidated financial statements.

In the following Management's Discussion and Analysis, we discuss the following areas of our financial results:

- Results of Operations;
- Business Segment Results;
- Transactions;
- Liquidity and Capital Resources;
- Critical Accounting Policies and Estimates; and
- Recent Accounting Pronouncements.

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Results of Operations

The following table sets forth selected information on our results of operations as a percentage of revenues for the periods indicated:

	Years Ended December 31,		
	2006	2007	2008
Revenues	100%	100%	100%
Cost of revenues	42	41	42
Gross profit	58	59	58
Operating expenses:			
Sales and marketing	20	23	22
Product development	13	15	17
General and administrative	8	9	10
Amortization of intangibles	2	2	1
Restructuring charges, net	0	0	1
Goodwill impairment charge	0	0	7
Total operating expenses	43	49	58
Income from operations	15	10	0
Other income, net	2	2	1
Income before income taxes, earnings in equity interests, and minority interests	17	12	1
Provision for income taxes	(7)	(5)	(3)
Earnings in equity interests	2	2	8
Minority interests in operations of consolidated subsidiaries	0	0	0
Net income	12%	9%	6%

Revenues. Revenues by groups of similar services were as follows (dollars in thousands):

	Years Ended December 31,						2006-2007	2007-2008
	2006	(*)	2007	(*)	2008	(*)	% Change	% Change
Marketing services:								
Owned and Operated sites	$3,074,803	48%	$3,669,816	52%	$4,045,996	56%	19%	10%
Affiliate sites	2,552,404	40%	2,418,423	35%	2,270,210	32%	(5)%	(6)%
Marketing services	5,627,207	88%	6,088,239	87%	6,316,206	88%	8%	4%
Fees	798,472	12%	881,035	13%	892,296	12%	10%	1%
Total revenues	$6,425,679	100%	$6,969,274	100%	$7,208,502	100%	8%	3%

(*) Percent of total revenues.

We currently generate marketing services revenues principally from display advertising on Owned and Operated sites and from search advertising. “Searches” is defined as online search queries that may yield Internet search results ranked and sorted based on relevance to the user’s search query. “Sponsored search results” are a subset of the overall search results, and provide links to paying advertisers’ Web pages.

We also receive revenues for Content Match links (advertising on Yahoo! Properties and Affiliate sites which includes contextually relevant advertiser links to their respective Websites) on Owned and Operated and Affiliate sites and display advertising on Affiliate sites. The net revenues and related volume metrics from these additional sources are not currently material and are excluded from the discussion and calculation of average revenue per Page View on Owned and Operated sites and average revenue per search on Affiliate sites that follows.

Marketing Services Revenues from Owned and Operated Sites. Marketing services revenues from Owned and Operated sites for the year ended December 31, 2008 increased by approximately $376 million, or 10 percent, as compared to 2007. Factors leading to growth in overall marketing services revenues included an increase in user activity levels on Yahoo! Properties, which contributed to a higher volume of search queries, Page Views, and ad impression displays. The transition of and changes in certain of our broadband access partnerships from being fee-paying user based to an advertising revenue sharing model have also contributed to the increase in marketing services revenues from Owned and Operated sites. Marketing services revenues from Owned and Operated sites for the year ended December 31, 2007 increased by approximately $595 million, or 19 percent, as compared to 2006. The year-over-year growth in marketing services revenues in 2007 can be attributed to a combination of factors that have driven increased marketing services revenues across Yahoo! Properties both domestically and internationally. These included an increase in our user base and activity levels on Yahoo! Properties, which resulted in a higher volume of search queries, ad impression displays, and click-throughs.

The primary components of growth in our marketing services revenues from Owned and Operated sites are search and display advertising. For the year ended December 31, 2008, revenues from search advertising on Owned and Operated sites grew 17 percent, compared to 2007. For the year ended December 31, 2008, revenues from display advertising on Owned and Operated sites grew 7 percent, compared to 2007.

We periodically review and refine our methodology for monitoring, gathering, and counting Page Views to more accurately reflect the total number of Web pages viewed by users on Yahoo! Properties. Based on this process, from time to time we update our methodology to exclude from the count of Page Views interactions with our servers that we determine or believe are not the result of user visits to our Owned and Operated sites.

Using our updated methodology, for the year ended December 31, 2008 as compared to 2007, Page Views increased 19 percent and revenue per Page View decreased 7 percent, and for the year ended December 31, 2007 as compared to 2006, Page Views increased 12 percent and revenue per Page View increased 6 percent. The decrease in revenue per Page View in 2008 compared to 2007 is due to a shift to lower-yielding display advertising. The increase in revenue per Page View in 2007 compared to 2006 was due to the introduction of new inventory with higher yields.

In the table below, we set forth the quarterly and year-over-year growth in Page Views and revenue per Page View for the year ended December 31, 2008 and the year-over-year growth in Page Views and revenue per Page View for the year ended December 31, 2007, both as previously reported and as revised to reflect our updated methodology.

	Q1 2008	Q2 2008		Q3 2008		FY 2008
	3 months	3 months	6 months	3 months	9 months	12 months
Previously Reported Page View Growth	19%	23%	21%	17%	20%	N/A
Page View Growth[(1)]	20%	23%	22%	17%	20%	19%
Previously Reported Revenue Per Page View Growth	(1)%	(7)%	(4)%	(7)%	(5)%	N/A
Revenue Per Page View Growth[(1)]	(1)%	(7)%	(4)%	(7)%	(5)%	(7)%

	Q1 2007	Q2 2007		Q3 2007		FY 2007
	3 months	3 months	6 months	3 months	9 months	12 months
Previously Reported Page View Growth[(2)]	13%[(3)]	8%	10%	13%	11%	11%
Page View Growth[(1)]	14%	9%	11%	14%	12%	12%
Previously Reported Revenue Per Page View Growth[(2)]	0%[(3)]	9%	5%	10%	6%	7%
Revenue Per Page View Growth[(1)]	(1)%	8%	4%	8%	5%	6%

(1) The revised Page View Growth and Revenue Per Page View Growth numbers reflect our updated methodology for counting Page Views.

(2) Previously disclosed in the 2007 Annual Report on Form 10-K.

(3) For the three month period ended March 31, 2007, the reported Page View Growth and Revenue Per Page View Growth were based on Page Views on our Owned and Operated sites, searches on Affiliate sites and associated revenues on both Owned and Operated and Affiliate sites. Beginning in the second quarter of 2007, we revised our presentation of Page Views and Revenue Per Page View to include only Page Views on Owned and Operated sites and revenues from such Page Views, and to exclude searches on Affiliate sites and revenues from such searches. If the previously reported Page View Growth and Revenue Per Page View Growth for the three month period ended March 31, 2007 were adjusted to reflect the presentation adopted in the second quarter of 2007 (but not our updated methodology for counting Page Views), the reported percentages would have been 21 percent and negative 6 percent, respectively, for the three month period ended March 31, 2007.

We currently expect marketing services revenues on our Owned and Operated sites to decrease for the first quarter of 2009 compared to the first quarter of 2008 due primarily to global economic conditions. General economic conditions have caused some advertisers to spend less on online advertising which could negatively affect the growth rate of our revenues, particularly our display revenues as advertisers spend less on brand advertising. In addition, strengthening of the U.S. Dollar against other currencies could have a further negative impact on our international revenues.

Marketing Services Revenues from Affiliate Sites. Marketing services revenues from Affiliate sites for the year ended December 31, 2008 decreased $148 million, or 6 percent, as compared to 2007. Marketing services revenues from Affiliate sites for the year ended December 31, 2007 decreased $134 million, or 5 percent, as compared to 2006.

During the third quarter of 2007, we sold Overture Japan to Yahoo! Japan. As part of this transaction, we also entered into a commercial arrangement with Yahoo! Japan in which we provide search marketing services to Yahoo! Japan for a service fee. This arrangement began on September 1, 2007 and, beginning on that date, we commenced recording marketing services revenues from Yahoo! Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo! Japan for the delivery of sponsored search results. The sale of Overture Japan to Yahoo! Japan negatively impacted Affiliate revenues during the year ended December 31, 2008 by approximately $300 million, year-over-year.

We continue to employ network quality initiatives to improve return on investment for our advertisers. We expect a continuing decline in marketing services revenues from Affiliate sites for the first quarter of 2009 compared to the first quarter of 2008 due primarily to these network quality initiatives and global economic conditions. The current general economic conditions have caused some advertisers to spend less on online advertising, which could negatively affect the growth rate of our revenues, particularly our display revenues as advertisers spend less on brand advertising. In addition, strengthening of the U.S. Dollar against other currencies could have a further negative impact on our international revenues.

The number of searches on Affiliate sites increased by approximately 23 percent for the year ended December 31, 2008, as compared to 2007. The increase in the volume of searches is primarily attributable to an increase in the number of searches per Affiliate. The number of searches on Affiliate sites increased by approximately 1 percent for the year ended December 31, 2007, as compared to 2006. The increase in the volume of searches is primarily attributable to a net increase in the number of Affiliates.

The average revenue per search on our Affiliate sites decreased by 26 percent for the year ended December 31, 2008, as compared to 2007, primarily as a result of a change in traffic mix and the impact of the sale of Overture Japan to Yahoo! Japan. The average revenue per search on our Affiliate sites decreased by 5 percent for the year ended December 31, 2007, as compared to 2006 primarily as a result of a decline in revenues from certain Affiliate sites.

Fees Revenues. Our fees revenues include premium fee-based services such as Internet broadband services, sports, music, photos, games, personals, premium e-mail offerings, and services for small businesses. Other fee-based revenues include royalties, licenses, and mobile services.

For the year ended December 31, 2008, fees revenues increased approximately $11 million, or 1 percent, as compared to 2007. This relatively flat year-over-year trend is due to the ongoing transition of and changes in certain of our broadband access partnerships, from being fee-paying user based to an advertising revenue sharing model. This has resulted in a reduction in fees revenues associated with these partnerships. The transition of and changes in certain of our broadband access partnerships from being fee-paying user based to an advertising revenue sharing model have also contributed to the increase in marketing services revenues from Owned and Operated sites. As we have renewed contracts with broadband partners and our relationships have moved from being fee-paying user based to an advertising revenue sharing model, our number of fee-paying users has decreased. In addition to the transition of the broadband partnerships, we have transitioned out of the VOIP and subscription music businesses. Due to these factors and global economic conditions, we expect fees revenues to continue to decline for the first quarter of 2009, as compared to the first quarter of 2008. In addition, strengthening of the U.S. Dollar against other currencies could have a further negative impact on our international revenues.

As used in this discussion, “fee-paying users” is based on the total number of fee-based subscriptions aggregated from each Yahoo! Property. To calculate the average revenue per fee-paying user, we divide the revenue generated from the subscriptions by the average fee-paying users during the year.

The number of paying users for our fee-based services decreased to 9.7 million as of December 31, 2008 compared to 19.0 million as of December 31, 2007. This decrease of 49 percent was a result of the business model changes described above. Adjusting the number of fee-paying users as of December 31, 2007 to remove fee-paying users related to our renewed broadband relationships, our fee-paying users would have been 10.1 million as of December 31, 2007, compared to 9.7 million as of December 31, 2008, a decrease of 4 percent.

For the year ended December 31, 2007, fees revenues increased approximately $83 million, or 10 percent, as compared to 2006. The year-over-year growth in 2007, as compared to 2006, is associated with an increase in the number of paying users for our fee-based services across most of our offerings. The number of paying users was 19.0 million as of December 31, 2007, compared to 16.3 million as of December 31, 2006, an increase of 17 percent. The impact of this increase in our number of paying users was offset by a reduction in the average monthly revenues per paying user discussed below.

Average monthly revenues per paying user was approximately $4.00 for the year ended December 31, 2008, compared to approximately $3.00 and $3.50 for the same periods in 2007 and 2006, respectively. The increase in average monthly revenues per paying user for the year ended December 31, 2008 is due to the change in mix of fee-based subscribers, primarily the reduction in broadband subscribers due to the renegotiation of broadband partnerships from fee-paying user based to an advertising revenue sharing model.

Costs and Expenses. Operating costs and expenses consist of cost of revenues, sales and marketing, product development, general and administrative, and amortization of intangible assets. In addition, in 2008, we had restructuring charges, net, and a goodwill impairment charge. Cost of revenues consists of traffic acquisition costs (“TAC”), Internet connection charges, and other expenses associated with the production and usage of Yahoo! Properties, including amortization of acquired intellectual property rights and developed technology.

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Operating costs and expenses were as follows (dollars in thousands):

	Year Ended December 31,						2006-2007		2007-2008	
	2006	(1)	2007	(1)	2008	(1)	Dollar Change	Percent Change	Dollar Change	Percent Change
Cost of revenues[2]	$2,675,723	42%	$2,838,758	41%	$3,023,362	42%	$163,035	6%	$184,604	7%
Sales and marketing	$1,322,259	20%	$1,610,357	23%	$1,563,313	22%	$288,098	22%	$ (47,044)	(3)%
Product development	$ 833,147	13%	$1,084,238	15%	$1,221,787	17%	$251,091	30%	$137,549	13%
General and administrative	$ 528,798	8%	$ 633,431	9%	$ 705,136	10%	$104,633	20%	$ 71,705	11%
Amortization of intangibles[2]	$ 124,786	2%	$ 107,077	2%	$ 87,550	1%	$ (17,709)	(14)%	$ (19,527)	(18)%
Restructuring charges, net	$ —	—	$ —	—	$ 106,854	1%	$ —	—	$106,854	N/A
Goodwill impairment charge	$ —	—	$ —	—	$ 487,537	7%	$ —	—	$487,537	N/A

(1) Percent of total revenues.

(2) For the years ended December 31, 2008, 2007, and 2006, cost of revenues included amortization expense of $194 million, $143 million, and $113 million, respectively, relating to acquired intellectual property rights and developed technology.

Stock-based compensation expense was allocated as follows (in thousands):

	Years Ended December 31,		
	2006	2007	2008
Cost of revenues	$ 6,621	$ 10,628	$ 13,813
Sales and marketing	155,084	246,472	182,826
Product development	144,807	218,207	178,091
General and administrative	118,418	97,120	63,113
Restructuring expense reversals	—	—	(30,236)
Total stock-based compensation expense	$ 424,930	$ 572,427	$ 407,607

See Note 1—"The Company and Summary of Significant Accounting Policies" and Note 12—"Employee Benefits" in the Notes to the consolidated financial statements, as well as our Critical Accounting Policies, Judgments, and Estimates, for additional information about stock-based compensation.

Traffic Acquisition Costs ("TAC"). TAC consist of payments made to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo! Properties. We enter into agreements of varying duration that involve TAC. There are generally three economic structures of the Affiliate agreements: fixed payments based on a guaranteed minimum amount of traffic delivered, which often carry reciprocal performance guarantees from the Affiliate; variable payments based on a percentage of our revenues or based on a certain metric, such as number of searches or paid clicks; or a combination of the two. We expense TAC under two different methods. Agreements with fixed payments are expensed ratably over the term the fixed payment covers, and agreements based on a percentage of revenues, number of paid introductions, number of searches, or other metrics are expensed based on the volume of the underlying activity or revenues multiplied by the agreed-upon price or rate.

Compensation, Information Technology, Depreciation and Amortization, and Facilities Expenses. Compensation expense consists primarily of salary, bonuses, commissions, and stock-based compensation expense. Information and technology expense includes telecom usage charges and data center operating costs. Depreciation and amortization expense consists primarily of depreciation of server equipment and information technology assets and amortization of developed or acquired technology and intellectual property rights. Facilities expense consists primarily of building maintenance costs, rent expense, and utilities.

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The changes in operating costs and expenses for the year ended December 31, 2008 compared to the year ended December 31, 2007 are comprised of the following (in thousands):

	Compensation	Information Technology	Depreciation and Amortization	Facilities	TAC	Other	Total
Cost of revenues	$ 25,103	$ 53,828	$ 120,115	$ 2,689	$(46,786)	$ 29,655	$184,604
Sales and marketing	(47,736)	(444)	(905)	17,010	—	(14,969)	(47,044)
Product development	90,679	10,830	16,505	25,525	—	(5,990)	137,549
General and administrative	(13,864)	1,643	14,650	(30,898)	—	100,174	71,705
Amortization of intangibles	—	—	(19,527)	—	—	—	(19,527)
Restructuring charges, net	—	—	—	—	—	106,854	106,854
Goodwill impairment charge	—	—	—	—	—	487,537	487,537
Total	$ 54,182	$ 65,857	$ 130,838	$ 14,326	$(46,786)	$703,261	$921,678

The changes in operating costs and expenses for the year ended December 31, 2007 compared to the year ended December 31, 2006 are comprised of the following (in thousands):

	Compensation	Information Technology	Depreciation and Amortization	Facilities	TAC	Other	Total
Cost of revenues	$ 20,691	$ 41,347	$ 114,524	$ 2,154	$(9,224)	$ (6,457)	$163,035
Sales and marketing	226,932	(654)	(626)	13,779	—	48,667	288,098
Product development	240,114	9,861	14,458	6,249	—	(19,591)	251,091
General and administrative	35,954	705	8,532	10,000	—	49,442	104,633
Amortization of intangibles	—	—	(17,709)	—	—	—	(17,709)
Total	$ 523,691	$ 51,259	$ 119,179	$32,182	$(9,224)	$ 72,061	$789,148

Compensation Expense. Total compensation expense increased approximately $54 million for the year ended December 31, 2008, as compared to 2007. Total compensation expense increased approximately $524 million for the year ended December 31, 2007, as compared to 2006. These increases are primarily due to increases in our average headcount, primarily in the product development function (partially offset in 2008 by decreased headcount in certain functions, primarily sales and marketing), as well as annual salary increases and higher base salaries across all functions. Product development headcount increased for the maintenance and development of and minor enhancements to existing offerings and services on Yahoo! Properties as well as the maintenance of Yahoo!'s technology platforms and infrastructure. For 2008, the increase in compensation expense was net of a decrease in stock-based compensation of $165 million, primarily due to $30 million in reversals of stock-based compensation expense related to employee departures (including the departure of executives) in 2008 as compared to 2007 and reversals of $51 million of stock-based compensation expense to reflect an increase in estimated forfeiture rate assumptions related to equity awards for which there were no similar reversals in 2007. We do not expect our headcount to continue to grow at its historic rate.

Information Technology Expenses. Information technology expenses increased $66 million for the year ended December 31, 2008, as compared to 2007. Information technology expenses increased $51 million for the year ended December 31, 2007, as compared to 2006. The increases for both years are due to increased telecom usage and data center operating costs.

Depreciation and Amortization Expenses. Depreciation and amortization expenses increased $131 million for the year ended December 31, 2008, as compared to 2007. Depreciation and amortization expenses increased $119 million for the year ended December 31, 2007, as compared to 2006. The increases were due to our continued investment in information technology assets and server equipment. These increases were slightly offset by a decrease in amortization expense for acquired intangible assets due to certain intangible assets acquired in

prior years being fully amortized as well as an increase in the weighted amortization periods of recently acquired intangible assets.

Facilities Expenses. Facilities expenses increased $14 million for the year ended December 31, 2008, as compared to 2007. Facilities expenses increased $32 million for the year ended December 31, 2007, as compared to 2006. The increases were due to our expansion into new facilities and increased rent expense on our buildings. Due to our cost reduction initiatives, we do not expect our facilities expenses to continue to grow at its historic rate.

TAC. TAC decreased $47 million for the year ended December 31, 2008, as compared to 2007. TAC decreased $9 million for the year ended December 31, 2007, as compared to 2006. The decreases were primarily due to the sale of Overture Japan to Yahoo! Japan. The decrease in TAC was slightly offset by a small increase in average TAC rates and partner mix changes.

Other Expenses. Other expenses increased $703 million for the year ended December 31, 2008, as compared to 2007 mainly due to restructuring charges, net of $107 million, the goodwill impairment charge of $488 million, and increases in third-party service provider expenses of $125 million. For the year ended December 31, 2008, the increases in outsourced service provider expenses were primarily the result of incremental costs incurred in general and administrative expense of $79 million for 2008 for outside advisors related to Microsoft's proposals to acquire all or a part of the Company, other strategic alternatives, including the Google agreement, the proxy contest, and related litigation defense costs. Other expenses increased $72 million for the year ended December 31, 2007, as compared to 2006, mainly due to increases in outsourced service provider expenses of $49 million. For the year ended December 31, 2007, the increases were primarily the result of incremental costs incurred for increased temporary headcount and consulting projects.

Restructuring Charges, Net. Restructuring charges of $137 million excluding the reversals of stock-based compensation, for the year ended December 31, 2008 consisted of $27 million for the strategic workforce realignment initiated in the first quarter of 2008 and $110 million relating to the cost reduction initiatives implemented in the fourth quarter of 2008. These restructurings were comprised of two initiatives:

Strategic Workforce Realignment Initiative.

The strategic workforce realignment involved investing resources in some areas, reducing resources in others, and eliminating some areas of our business that do not support our strategic priorities. In the first quarter of 2008, we incurred total pre-tax cash charges of approximately $27 million in severance pay expenses and related cash expenses in connection with the strategic workforce realignment, net of reversals for adjustments to original estimates totaling $2 million. The pre-tax cash charges were offset by a $12 million credit related to non-cash stock-based compensation expense reversals for forfeited unvested awards. Of the net estimated total strategic workforce realignment pre-tax expense of approximately $15 million, $12 million was related to the U.S. segment and $3 million was related to the International segment. As of December 31, 2008, there were no remaining accruals related to the strategic workforce realignment.

Cost Reduction Initiatives.

The cost reduction initiatives include reductions in our global workforce and the consolidation and exit of certain real estate facilities. In the fourth quarter of 2008, we incurred severance, facility and other restructuring costs of $110 million, offset by $18 million in related stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of $92 million.

Employee severance pay and related charges include benefits relating to notification periods, severance, outplacement services and employer related taxes on these benefits. In the fourth quarter of 2008, we incurred pre-tax charges of $82 million for employee severance pay expenses and related cash expenditures in connection with these reductions in our global workforce.

We also began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and expect to continue this process through the end of 2009. During the year ended 2008, we vacated and ceased use of a significant portion of three facilities in the U.S. and two facilities internationally. We recorded restructuring charges of $24 million in the fourth quarter of 2008 for exited facilities of which $16 million related to non-cancelable lease costs and $8 million related to the write-off of tenant improvements, furniture and fixtures. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts. In addition, we incurred $3 million in professional services relating to the restructuring and $1 million in contract termination costs.

Of the net restructuring charges for the cost reduction initiatives of approximately $92 million, $68 million was related to the U.S. segment and $24 million was related to the International segment.

As of December 31, 2008, the aggregate $90 million outstanding restructuring liability with respect to the cost reduction initiatives relates to $70 million of employee severance pay expenses, which we expect to substantially pay out by the end of the second quarter of 2009, and $20 million to non-cancelable lease costs, which we expect to pay over the lives of the related obligations which extend to the end of fiscal 2017. Of the $90 million restructuring liability as of December 31, 2008, $68 million related to the U.S. segment and $22 million related to the International segment.

In addition to the charges described above, we currently expect to incur charges in 2009 of between $35 million and $45 million for non-cancelable lease costs, relocation costs, and the write-off of tenant improvements and furniture and fixtures as we continue to exit facilities identified as part of the 2008 cost reduction initiatives. See Note 16—"Restructuring charges, net" in the Notes to the consolidated financial statements for additional information.

Goodwill Impairment Charge. We conducted our annual goodwill impairment test as of October 31, 2008 in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." As a result of this test, we concluded that the carrying value of our European reporting unit exceeded its fair value and recorded a goodwill impairment charge of approximately $488 million. The fair values of our other reporting units exceeded their carrying values by a significant margin and therefore goodwill in those reporting units was not impaired. The goodwill impairment in our European reporting unit resulted from a combination of factors, including the current global economic downturn, a persistent decline in business conditions in the region, reductions in our projected operating results and estimated future cash flows, and decreases in revenue and earnings multiples of comparable companies in the region.

Significant changes in the economic environment and our operating results may result in future impairment of our reporting units. See Note 5—"Goodwill" in the Notes to the consolidated financial statements for additional information. We had no goodwill impairment charges in the years ended December 31, 2007 or 2006.

Other Income, Net. Other income, net was as follows (in thousands):

	Years Ended December 31,			2006-2007	2007-2008
	2006	2007	2008	Dollar Change	Dollar Change
Interest and investment income	$143,310	$129,541	$ 86,056	$ (13,769)	$ (43,485)
Investment gains (losses), net	(3,527)	1,730	(351)	5,257	(2,081)
Gain on divestiture of Yahoo! China	15,158	8,066	—	(7,092)	(8,066)
Gain on sale of Overture Japan	—	6,175	—	6,175	(6,175)
Gain on sale of Kelkoo SAS	—	—	25,149	—	25,149
Other	2,093	8,499	(28,016)	6,406	(36,515)
Total other income, net	$157,034	$154,011	$ 82,838	$ (3,023)	$ (71,173)

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Other income, net was $83 million for the year ended December 31, 2008, a decrease of $71 million, as compared to 2007. Interest and investment income for the year ended December 31, 2008 decreased $43 million due to lower average interest rates, compared to 2007. In the year ended December 31, 2008, higher average invested balances for 2008, as compared to 2007, were offset by lower average interest rates of 2.8 percent in 2008, compared to 4.3 percent in 2007. Other decreased by $37 million for the year ended December 31, 2008, as compared to 2007, primarily due to foreign exchange re-measurement of assets and liabilities denominated in non-functional currencies. Other income, net for the year ended December 31, 2007 included a $6 million gain from the sale of Overture Japan and an $8 million non-cash gain arising from the reduction in our ownership in Alibaba Group, which was treated as an incremental sale of additional equity interests in Yahoo! China. Other income, net for the year ended December 31, 2008 included a $25 million gain from the sale of Kelkoo SAS.

Other income, net was $154 million for the year ended December 31, 2007, a decrease of $3 million, as compared to 2006. In the year ended December 31, 2007, there was an increase in interest offset by a decrease in investment income, as compared to 2006 as higher average interest rates were more than offset by lower average invested balances. The average interest rate was approximately 4.3 percent in 2007, compared to 3.9 percent in 2006. Our foreign currency transaction gains, net also increased $7 million for the year ended December 31, 2007. Additionally, our recorded non-cash gain arising from the reduction in our ownership in Alibaba Group, which was treated as an incremental sale of additional equity interests in Yahoo! China, was $8 million for the year ended December 31, 2007, compared to non-cash gains of $15 million for this item in 2006 as a result of a reduction in our ownership in Alibaba Group from approximately 46 percent to 44 percent in 2006 and from 44 percent to 43 percent in 2007.

Other income, net may fluctuate in future periods due to changes in our average investment balances, changes in interest and foreign exchange rates, realized gains and losses on investments, and impairments of investments.

Income Taxes. The provision for income taxes for the year ended December 31, 2008 differs from the amount computed by applying the federal statutory income tax rate primarily due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense, increase in valuation allowance, and a non-deductible goodwill impairment charge.

The following table summarizes the differences between our provision for income taxes and the amount computed by applying the federal statutory income tax rate to income before income taxes (dollars in thousands):

	Years Ended December 31,					
	2006[2]	[1]	2007[2]	[1]	2008	[1]
Income tax at the United States federal statutory rate of 35 percent	$384,300	35%	$297,297	35%	$ 33,530	35%
State income taxes, net of federal benefit	43,297	4%	32,942	4%	(8,395)	(9)%
Change in valuation allowance	15,206	1%	9,806	1%	25,674	27%
Stock-based compensation expense	18,652	2%	34,011	4%	44,938	47%
Research tax credits	(5,300)	0%	(8,618)	(1)%	(13,954)	(15)%
Effect of non-U.S. operations	5,246	0%	(37,238)	(4)%	18,403	19%
Meals and entertainment	1,911	0%	2,770	0%	2,816	3%
Settlement with tax authorities	—	—	—	—	(5,245)	(5)%
Goodwill impairment charge	—	—	—	—	170,644	178%
Other	(5,301)	0%	6,293	1%	(5,694)	(6)%
Provision for income taxes	$458,011	42%	$337,263	40%	$262,717	274%

(1) Percent of income before provision for income taxes, earnings in equity interests, and minority interests.

(2) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Our effective tax rate for the year ended December 31, 2008 was 274 percent, compared to 40 percent in the prior year. The higher effective tax rate in 2008 was mainly attributable to a decrease in 2008 pre-tax income resulting from a $488 million goodwill impairment charge, the majority of which was non-deductible for tax purposes, as well as the impact of the geographic mix of earnings. The 2008 state income tax provision reflects the cumulative tax benefit of a favorable state tax ruling granted in 2008 and retroactive to 2007. Our effective tax rate for the year ended December 31, 2007 was 40 percent, compared to 42 percent in 2006. The decreased rate was mainly attributable to the tax benefit related to the release of deferred tax liabilities in connection with changes to our worldwide entity structure in 2007.

Earnings in Equity Interests. Earnings in equity interests for the year ended December 31, 2008 was approximately $597 million, including a $401 million non-cash gain related to Alibaba Group's IPO of Alibaba.com, net of tax. In connection with the IPO, we made a direct investment of 1 percent in Alibaba.com. In 2008, we also recorded an impairment charge of $30 million, net of tax, within earnings in equity interests to reduce the carrying value of the Alibaba.com investment to fair value. Earnings in equity interests for the year ended December 31, 2007 was approximately $151 million (net of $7 million related to tax benefits on dividends received and net of $17 million related to the tax benefit of our share of Alibaba Group's loss). Earnings in equity interests for the year ended December 31, 2006 was $112 million (net of $6 million related to tax expense on dividends received and net of $7 million related to the tax benefit of our share of Alibaba Group's loss). See Note 4—"Investments in Equity Interests" in the Notes to the consolidated financial statements for additional information.

Minority Interests in Operations of Consolidated Subsidiaries. Minority interests in operations of consolidated subsidiaries represents the minority holders' percentage share of income or losses from the subsidiaries in which we hold a majority, but less than 100 percent, ownership interest and consolidate the subsidiaries' results in our financial statements. Minority interests in operations of consolidated subsidiaries was approximately $6 million in 2008, compared to $3 million and $1 million in 2007 and 2006, respectively. Minority interests recorded in 2008, 2007, and 2006 were related to our Yahoo! 7 joint venture arrangement.

Business Segment Results

We manage our business geographically. Our primary areas of measurement and decision-making are the U.S. and International. Management relies on an internal management reporting process that provides revenues and segment operating income before depreciation, amortization, and stock-based compensation expense for making financial decisions and allocating resources. Segment operating income before depreciation, amortization, and stock-based compensation expense includes income from operations before depreciation, amortization and stock-based compensation expense. Management believes that segment operating income before depreciation, amortization, and stock-based compensation expense is an appropriate measure for evaluating the operational performance of our segments. However, this measure should be considered in addition to and not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP").

Summarized information by segment was as follows (dollars in thousands):

	Years Ended December 31,						2006-2007	2007-2008
	2006	(*)	2007	(*)	2008	(*)	% Change	% Change
Revenues by segment:								
United States	$4,365,922	68%	$4,727,123	68%	$5,189,868	72%	8%	10%
International	2,059,757	32%	2,242,151	32%	2,018,634	28%	9%	(10)%
Total revenues	$6,425,679	100%	$6,969,274	100%	$7,208,502	100%	8%	3%

(*) Percent of total revenues.

	Years Ended December 31,			2006-2007	2007-2008
	2006	2007	2008	% Change	% Change
Segment operating income before depreciation, amortization, and stock-based compensation expense:					
United States	$1,451,656	$1,433,617	$1,212,821	(1)%	(15)%
International	454,261	493,418	(2,218)	9%	(100)%
Total segment operating income before depreciation, amortization, and stock-based compensation expense	1,905,917	1,927,035	1,210,603	1%	(37)%
Depreciation and amortization	(540,021)	(659,195)	(790,033)	22%	20%
Stock-based compensation expense	(424,930)	(572,427)	(407,607)	35%	(29)%
Income from operations	$ 940,966	$ 695,413	$ 12,963	(26)%	(98)%

Revenues are attributed to individual countries according to the international online property that generated the revenues. No single foreign country accounted for more than 10 percent of revenues in 2008, 2007, or 2006, respectively.

United States. U.S. revenues for the year ended December 31, 2008 increased approximately $463 million, or 10 percent, as compared to 2007. U.S. revenues for the year ended December 31, 2007 increased approximately $361 million, or 8 percent, as compared to 2006. The year-over-year increases in 2008 and 2007 were a result of growth in advertising across Yahoo! Properties. More than 95 percent of the 2008 increase, or $458 million, came from marketing services revenues. Approximately 79 percent of the 2007 increase, or $286 million, came from marketing services revenues. Over the past year, our expanding user base has contributed to the growth in our advertising revenues. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 decreased $221 million, or 15 percent, as compared to 2007. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 includes restructuring charges of $107 million. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2007 decreased $18 million, or 1 percent, as compared to 2006.

International. International revenues for the year ended December 31, 2008 decreased approximately $224 million, or 10 percent, compared to 2007. More than 95 percent of the international revenues decrease in 2008 came from marketing services revenues. The year-over-year decrease is the result of the sale of Overture Japan to Yahoo! Japan which negatively impacted revenues by approximately $300 million. Previously, we earned search marketing revenues from advertisers and paid TAC to Yahoo! Japan. In the third quarter of 2007, we initiated a new commercial arrangement with Yahoo! Japan in which we now provide search marketing services to Yahoo! Japan for a service fee. Under this new arrangement, we record marketing services revenues from Yahoo! Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo! Japan for the delivery of sponsored search results. International operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 decreased $496 million, or 100 percent, as compared to 2007. The decrease in international operating income before depreciation, amortization, and stock-based compensation year-over-year is primarily due to the $488 million goodwill impairment charge related to our European reporting unit which is part of our International segment. See Note 5 —“Goodwill” in the Notes to the consolidated financial statements for additional information. In addition, international operating loss before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 includes restructuring charges of $30 million.

International revenues for the year ended December 31, 2007 increased approximately $182 million, or 9 percent, as compared to 2006. More than 95 percent of the international revenues increase in 2007 came from marketing

services revenues. The year-over-year growth in international marketing services revenues can be attributed to our increased penetration into existing markets, coupled with growth of the global online advertising marketplace. International operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2007 increased $39 million, or 9 percent, as compared to 2006.

International revenues accounted for approximately 28 percent of total revenues during 2008 and 32 percent of total revenues during both 2007 and 2006, respectively. International revenues in 2008 decreased $224 million, or 10 percent, as compared to 2007. Our international operations expose us to foreign currency fluctuations. Revenues and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include Australian Dollars, British Pounds, Euros, Korean Won, and Taiwan Dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenues, operating expenses, and net income for our International segment. Similarly, our revenues, operating expenses, and net income will increase for our International segment if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from 2007, our international revenues for 2008 would have been higher than we reported by approximately $32 million and our International segment operating loss before depreciation, amortization, and stock-based compensation expense would have been higher than we reported by $120 million (which includes $96 million related to the goodwill impairment).

Transactions

Significant acquisitions and strategic investments completed in the last three years include the following:

- *January 2006*—Strategic partnership with Seven Network Limited, an Australian media company, to form Yahoo! 7;
- *June 2006*—Investment of approximately 10 percent interest in Gmarket Inc. ("Gmarket"), a retail e-commerce provider in South Korea, for $61 million. An additional investment was made in 2007 for $8 million;
- *October 2006*—Investment of approximately 20 percent interest in Right Media Inc. ("Right Media"), an online advertising exchange. In July 2007, we purchased the remaining equity interests in Right Media Inc. for a total purchase price of $524 million;
- *October 2007*—Acquired Zimbra, Inc. ("Zimbra"), a provider of e-mail and collaboration software for a total purchase price of $303 million;
- *October 2007*—Acquired BlueLithium, Inc. ("BlueLithium"), an online global advertising network company for a total purchase price of $255 million;
- *November 2007*—Purchased approximately 1 percent of Alibaba.com for a total purchase price of approximately $101 million in the IPO on the Hong Kong Stock Exchange of Alibaba.com; and
- *February 2008*—Acquired Maven Networks, Inc. ("Maven"), a leading online video platform provider for $143 million.

See Note 3—"Acquisitions" and Note 4—"Investments in Equity Interests" in the Notes to the consolidated financial statements for additional information relating to these and other transactions.

We expect to continue to evaluate possible acquisitions of, or strategic investments in, businesses, products, and technologies that are complementary to our business, which may require the use of cash.

Liquidity and Capital Resources

As of and for each of the three years ended December 31, 2008 (dollars in thousands):

	2006	2007	2008
Cash and cash equivalents	$ 1,569,871	$ 1,513,930	$ 2,292,296
Short-term marketable debt securities	1,031,528	487,544	1,159,691
Long-term marketable debt securities	935,886	361,998	69,986
Total cash, cash equivalents, and marketable debt securities	$ 3,537,285	$ 2,363,472	$ 3,521,973
Percentage of total assets	31%	19%	26%

Cash Flow Highlights	2006	2007	2008
Net cash provided by operating activities	$ 1,371,576	$ 1,918,899	$ 1,880,241
Net cash used in investing activities	$ (193,681)	$ (572,502)	$(1,311,783)
Net cash (used in) provided by financing activities	$(1,094,624)	$(1,442,008)	$ 332,406

Our operating activities for each year in the three years ended December 31, 2008 have generated adequate cash to meet our operating needs. As of December 31, 2008, we had cash, cash equivalents, and marketable debt securities totaling $3.5 billion, compared to $2.4 billion as of December 31, 2007. During the year ended December 31, 2008, we invested $79 million in direct stock repurchases, a net $675 million in capital expenditures, and a net $209 million in acquisitions. The cash used for these investments was offset by $1.9 billion of cash generated from operating activities (including a $350 million one-time payment from AT&T Inc.) and $363 million from the issuance of common stock as a result of the exercise of employee stock options. In 2008, $77 million was used for tax withholdings related to net share settlements of restricted stock awards and restricted stock units.

We have accrued U.S. federal income taxes on the earnings of our foreign subsidiaries except to the extent the earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2008, approximately $1.5 billion of earnings held by our foreign subsidiaries and a corporate joint venture are designated as indefinitely reinvested outside the U.S. If required for our operations in the U.S., most of the cash held abroad could be repatriated to the U.S. but, under current law, would be subject to U.S. federal income taxes (subject to an adjustment for foreign tax credits). Currently, we do not anticipate a need to repatriate these funds to our U.S. operations.

We invest excess cash predominantly in money market funds and marketable debt securities that are liquid, highly rated, and the majority of which have effective maturities of less than one year. Our marketable debt and equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income. Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The fair value for securities is determined based on quoted market prices of the historical underlying security or from readily available pricing sources for the identical underlying securities that may not be actively traded as of the valuation date. As of December 31, 2008, certain of our marketable debt securities had a fair value below cost due to the changes in market rates of interest and yields on these securities. We evaluate these investments periodically for possible other-than-temporary impairment and review factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, and our ability and intent to hold the investment for a period of time which may be sufficient for an anticipated recovery in market value. We have the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment and expect to realize the full value of all of these investments upon maturity or sale.

We expect to continue to generate positive cash flow from operations for the first quarter of 2009. We use cash generated by operations as our primary source of liquidity because we believe that internally generated cash

flows are sufficient to support our business operations and capital expenditures. We believe that existing cash, cash equivalents, and investments in marketable debt securities, together with any cash generated from operations will be sufficient to meet normal operating requirements including capital expenditures for the next twelve months. However, we may sell additional equity, or debt securities, or obtain credit facilities to further enhance our liquidity position, and the sale of additional equity securities could result in dilution to our stockholders.

See Note 8—"Investments" in the Notes to the consolidated financial statements for additional information.

Cash flow changes

Cash provided by operating activities is driven by our net income, adjusted for non-cash items, and non-operating gains and losses from sales of investments. Non-cash adjustments include depreciation, amortization of intangible assets, stock-based compensation expense net of stock-based restructuring expense reversals, non-cash restructuring charges, goodwill impairment, tax benefits from stock-based awards, and excess tax benefits from stock-based awards. Cash provided by operating activities was greater than net income in 2008 mainly due to the net impact of non-cash adjustments to income. In the year ended December 31, 2008, operating cash flows were positively impacted by changes in working capital balances, including a one-time payment from AT&T Inc. In each of the three years ended December 31, 2008, 2007, and 2006, cash flows from operations were reduced by the increase in our accounts receivable balance, mainly reflecting increases in revenues. Additionally, in the years ended December 31, 2008, 2007, and 2006, there were significant increases in accrued expenses and other liabilities that positively impacted cash flow from operations. In 2008, these increases were mainly due to higher accrual balances for restructuring. In 2007, these increases were mainly due to higher accrual balances for taxes payable. In 2006, these increases were mainly due to TAC payments to Affiliates.

Cash used in investing activities is primarily attributable to capital expenditures, purchases, sales and maturities of marketable debt securities, purchases of intangible assets, as well as acquisitions including our strategic investments. Our capital expenditures totaled $675 million, $602 million, and $689 million in 2008, 2007, and 2006, respectively. Our capital expenditures have been primarily used for purchases and internal development of software to support our offerings and our increased number of users. We invested a net $209 million in acquisitions, including strategic investments, in 2008, compared to $974 million and $142 million in 2007 and 2006, respectively. Acquisitions and investments in 2008 included the cash outlay for our acquisition of Maven. Acquisitions and investments in 2007 included cash outlays for our acquisitions of Right Media, Zimbra, and BlueLithium and an investment in Alibaba.com. Our investments in Yahoo! 7, Gmarket and Right Media were the main cash outlays in 2006. In 2008, we utilized $368 million for net purchases of marketable debt securities, compared to cash proceeds from the net sales and maturities of marketable debt securities of $1.1 billion and $623 million in 2007 and 2006, respectively.

Cash used in financing activities is driven by employee option exercises and employee stock purchases offset by our stock repurchases. Our cash proceeds from employee option exercises and employee stock purchases were $363 million in 2008, compared to $375 million and $318 million in 2007 and 2006, respectively.

During 2008, we invested $79 million in the direct repurchase of 3.4 million shares of our common stock at an average price of $23.39 per share. In addition, certain restricted stock awards that vested during 2008 were subject to statutory tax withholding obligations. We reacquired 1.1 million shares of restricted stock awards to satisfy the tax withholding obligations and $27 million was recorded as treasury stock. We paid $50 million related to the net share settlement of 2.2 million shares of restricted stock units which was recorded as a reduction of additional paid-in-capital. During 2007, we used $1.6 billion in the direct repurchase of 57.9 million shares of our common stock at an average price of $27.34 per share. In addition, certain restricted stock awards that vested during 2007 were subject to statutory tax withholding obligations. We reacquired 70,000 shares of restricted stock awards to satisfy the tax withholding obligations and $2 million was recorded as treasury stock. We paid $4 million related to the net share settlement of 156,000 shares of restricted stock units which was

recorded as a reduction of additional paid-in-capital. During 2006, we used $1.8 billion in the direct repurchase of 61.5 million shares of our common stock at an average price of $28.98 per share.

In the third quarter of 2007, a $250 million structured stock repurchase transaction, which was entered into in the first quarter of 2007, settled and matured. On the maturity date, we received 8.4 million shares of our common stock at an effective buy-back price of $29.80 per share. In 2006, we entered into structured stock repurchase transactions resulting in a total cash outlay of $0.5 billion. This $0.5 billion cash outlay was offset by cash receipts of $272 million from the settlement of a structured stock repurchase transaction entered into in 2005 for a net cash usage of $228 million for these transactions in 2006.

In 2008, 2007, and 2006, $125 million, $35 million, and $597 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods. We have accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows. See Note 12—"Employee Benefits" in the Notes to the consolidated financial statements for additional information.

Financing

In April 2003, we issued $750 million of zero coupon senior convertible notes ("the Notes") which matured on April 1, 2008. During the year ended December 31, 2008, $750 million of the Notes were converted into 36.6 million shares of Yahoo! common stock. See Note 9—"Debt" in the Notes to the consolidated financial statements for additional information.

Stock repurchases

In October 2006, our Board of Directors (the "Board") authorized a stock repurchase program for us to repurchase up to $3.0 billion of our outstanding shares of common stock from time to time over the next five years from the date of authorization, depending on market conditions, stock price, and other factors. We repurchase our common stock from time to time primarily to reduce the dilutive effects of our stock options, awards, and employee stock purchase plan. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Under this program, during the year ended December 31, 2008, we repurchased 3.4 million shares of common stock at an average price of $23.39 per share. Total cash consideration for the repurchased stock was $79 million. In addition, upon the vesting of certain restricted stock awards during the year ended December 31, 2008, we reacquired 1.1 million shares of such vested stock to satisfy tax withholding obligations. These repurchased shares were recorded as $27 million of treasury stock and reduced the number of common shares outstanding by 1.1 million, accordingly. Treasury stock is accounted for under the cost method. See Note 11—"Stockholders' Equity" in the Notes to the consolidated financial statements for additional information.

Capital expenditures

Capital expenditures are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, and real estate. Capital expenditures, net were $675 million in 2008, compared to $602 million in 2007 and $689 million in 2006, which included $112 million for a land purchase in Santa Clara, California. Our capital expenditures in the first quarter of 2009 are expected to be consistent with the first quarter of 2008.

Contractual obligations and commitments

The following table presents certain payments due under contractual obligations with minimum firm commitments as of December 31, 2008 (in millions):

	Payments Due by Period				
	Total	Due in 2009	Due in 2010-2011	Due in 2012-2013	Thereafter
Operating lease obligations[1]	861	149	235	178	299
Capital lease obligation[2]	82	7	14	15	46
Affiliate commitments[3]	360	142	218	—	—
Non-cancelable obligations[4]	178	92	67	15	4
FIN 48 obligations including interest and penalties[5]	358	6	—	—	352
Total contractual obligations	$1,839	$ 396	$ 534	$ 208	$ 701

(1) We have entered into various non-cancelable operating lease agreements for our offices throughout the U.S. and for our international subsidiaries with original lease periods up to 23 years, expiring between 2009 and 2027. See Note 13—"Commitments and Contingencies" in the Notes to the consolidated financial statements for additional information.

(2) During the year ended December 31, 2008, we entered into an 11 year lease agreement for a data center in the western U.S. Of the total expected minimum lease commitment of $105 million, $21 million is classified as an operating lease for real estate and $84 million is classified as a capital lease for equipment. We have the option to renew this lease for up to an additional 10 years.

(3) We are obligated to make minimum payments under contracts to provide sponsored search and/or display advertising services to our Affiliates, which represent TAC.

(4) We are obligated to make payments under various arrangements with vendors and other business partners, principally for marketing, bandwidth, and content arrangements.

(5) As of December 31, 2008, unrecognized tax benefits and potential interest and penalties resulted in accrued liabilities of $358 million, of which $6 million is classified as accrued expenses and other current liabilities and $352 million is classified as deferred and other long-term tax liabilities, net on our consolidated balance sheets. As of December 31, 2008, the settlement period for the $352 million long-term income tax liabilities cannot be determined; however, the liabilities are not expected to become due within the next twelve months.

Intellectual Property Rights. We are committed to make certain payments under various intellectual property arrangements of up to $52 million through 2023.

Other Commitments. In the ordinary course of business, we may provide indemnifications of varying scope and terms to customers, vendors, lessors, joint venture and business partners, purchasers of assets or subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of our breach of agreements or representations and warranties made by us, services to be provided by us, intellectual property infringement claims made by third parties or, with respect to the sale of assets or a subsidiary, matters related to our conduct of the business and tax matters prior to the sale. In addition, we have entered into indemnification agreements with our directors and certain of our officers that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. We have also agreed to indemnify certain former officers, directors, and employees of acquired companies in connection with the acquisition of such companies. We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and officers and former directors and officers of acquired companies, in certain circumstances. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, we have not incurred material costs as a result of obligations under these agreements and we have not accrued any liabilities related to such indemnification obligations in our consolidated financial statements.

As of December 31, 2008, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimate that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe that the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the consolidated financial statements.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board and the Audit Committee has reviewed the disclosure below. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

Revenue Recognition. Our revenues are generated from marketing services and fees. Marketing services revenues are generated from several offerings including: the display of textual, graphical advertisements, display of text-based links to advertisers' Websites, listing based services, and commerce-based transactions. Fees revenues include revenues from a variety of consumer and business fee-based services. While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we may enter into certain sales transactions that involve multiple elements (arrangements with more than one deliverable). We also enter into arrangements to purchase goods and/or services from certain customers. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: (1) whether an arrangement exists; (2) how the arrangement consideration should be allocated among potential multiple elements; (3) when to recognize revenue on the deliverables; (4) whether all elements of the arrangement have been delivered; (5) whether the arrangement should be reported gross as a principal versus net as an agent; (6) whether we receive a separately identifiable benefit from the purchase arrangements with our customer for which we can reasonably estimate fair value; and (7) whether the arrangement should be characterized as revenue or a reimbursement of costs incurred. In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

Income Taxes. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. Effective January 1, 2007, we adopted the provisions of FIN 48. See Note 10—"Income Taxes" in the Notes to the consolidated financial statements for additional information. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will

be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are in accordance with applicable tax laws. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

We record a valuation allowance against certain of our deferred income tax assets if it is more likely than not that those assets will not be realized. In evaluating our ability to realize our deferred income tax assets we consider all available positive and negative evidence, including our operating results, ongoing tax planning and forecasts of future taxable income on a jurisdiction by jurisdiction basis. In the event we were to determine that we would be able to realize these deferred income tax assets in the future, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes. We increased our valuation allowance by $17 million during the year ended December 31, 2008. This increase is mainly attributable to international net operating loss carryforwards.

Goodwill. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. The performance of the goodwill impairment test involves a two-step process. The first step involves comparing the fair value of our reporting units to their carrying values, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step of the test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.

Our reporting units are based on geography, either at the operating segment level or one level below operating segments. The fair values of our reporting units are estimated using an average of a market approach and an income approach as this combination is deemed to be the most indicative of our fair value in an orderly transaction between market participants and is consistent with the methodology used for the goodwill impairment test in the prior year. In addition, we ensure that the fair values estimated under these two approaches are consistent with each other. Under the market approach, we utilize publicly-traded comparable company information to determine revenue and earnings multiples that are used to value our reporting units adjusted for an estimated control premium. Under the income approach, we determine fair value based on estimated future cash flows of each reporting unit discounted by an estimated weighted-average cost of capital, reflecting the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. Determining the fair value of a reporting unit is judgmental in nature and requires the use of significant estimates and assumptions, including selection of market comparables, estimated future cash flows, and discount rates. These components are discussed below:

- ***Market comparables***

  We select comparable companies in the specific regions in which our reporting units operate based on similarity of type of business, primarily those involved in online advertising, and relative size of those companies compared to our reporting units. Trailing and forward revenue and earnings multiples derived from these comparable companies are applied to financial metrics of each reporting unit to determine their estimated fair values.

- ***Estimated future cash flows***

  We base cash flow projections for each reporting unit using a five-year forecast of free cash flows and a terminal value based on the Perpetuity Growth Model. The five-year forecast and related assumptions were derived from the most recent annual financial forecast for which the planning process commenced in our fourth quarter. Key assumptions in estimating future cash flows include, among other items, revenue and operating expense growth rates, terminal value growth rate, and capital expenditure and working capital levels. Significant management judgment is involved in determining these assumptions.

- ***Discount rates***

  We employ a Weighted Average Cost of Capital ("WACC") approach to determine the discount rates used in our cash flow projections. The determination of the discount rates for each reporting unit includes factors such as the risk-free rate of return and the return an outside investor would expect to earn based on the overall level of inherent risk. The determination of expected returns includes consideration of the beta (a measure of risk) of traded securities of comparable companies. The discount rates used in this year's goodwill impairment test were higher than the prior year to take into account the increased risk of achieving forecasts given the prevailing macroeconomic and capital market conditions. A two percent increase or decrease in the discount rates in each of the reporting units would not affect the outcomes of the first step of the goodwill impairment test.

The sum of the fair values of our reporting units is reconciled to our market capitalization adjusted for an estimated control premium.

We conducted our annual goodwill impairment test as of October 31, 2008 and determined that the fair values of our reporting units, with the exception of our European reporting unit, exceeded their carrying values by a significant margin and therefore goodwill in those reporting units was not impaired. We concluded that the carrying value of our European reporting unit exceeded its fair value and recorded a goodwill impairment charge of approximately $488 million. See Note 5—"Goodwill" in the Notes to the consolidated financial statements for additional information.

Significant changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could trigger future impairment.

Intangible Assets. We amortize intangible assets over their estimated useful lives. Identifiable amortizable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted future cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value. Fair value is determined based on the lowest level of identifiable estimated future cash flows using discount rates determined by our management to be commensurate with the risk inherent in our business model. Our estimates of future cash flows attributable to our intangible assets require significant judgment based on our historical and anticipated results and are subject to many factors. Different assumptions and judgments could materially affect estimated future cash flows relating to our intangible assets which could trigger impairment. No impairments of intangible assets were identified during any of the periods presented.

Investments in Equity Interests. We account for investments in the common stock of entities in which we have the ability to exercise significant influence but do not own a majority equity interest or otherwise control using the equity method. In accounting for these investments we record our proportionate share of the entities' net income or loss, one quarter in arrears.

We review our investments in equity interests for impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as the stock prices of public companies in which we have an equity investment, current economic and market conditions, the operating performance of the companies, including current earnings trends and forecasted cash flows, and other company and industry specific information. The fair value determination, particularly for investments in privately-held companies, requires significant judgment to determine appropriate estimates and assumptions. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary.

Stock-Based Compensation Expense. Effective January 1, 2006, we adopted SFAS 123R using the modified prospective method and therefore have not restated prior periods' results. Under the fair value recognition provisions of

SFAS 123R, we recognize stock-based compensation expense net of an estimated forfeiture rate and therefore only recognize compensation expense for those shares expected to vest over the service period of the award.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based options, stock price volatility, and the pre-vesting award forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns, which we believe are representative of future behavior. We estimate the volatility of our common stock on the date of grant based on the implied volatility of publicly traded options on our common stock, with a term of one year or greater. We believe that implied volatility calculated based on actively traded options on our common stock is a better indicator of expected volatility and future stock price trends than historical volatility. Therefore, expected volatility for the year ended December 31, 2008 was based on a market-based implied volatility. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected pre-vesting award forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain awards will be achieved, and only recognize expense for those shares expected to vest. We estimate this forfeiture rate based on historical experience of our stock-based awards that are granted and cancelled. If our actual forfeiture rate is materially different from our original estimates, the stock-based compensation expense could be significantly different from what we have recorded in the current period. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the forfeiture rate for all current and previously recognized expense for unvested awards is recognized in the period the forfeiture estimate is changed. In addition, because many of our stock-based awards have vesting schedules of two or three years cliff vests, a significant change in our actual or expected forfeiture experience will result in the reversal of stock-based compensation which was recorded in prior years for all unvested awards. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the consolidated financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the consolidated financial statements. See Note 12—"Employee Benefits" in the Notes to the consolidated financial statements for additional information.

Recent Accounting Pronouncements. See Note 1—"The Company and Summary of Significant Accounting Policies" in the Notes to the consolidated financial statements.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are exposed to the impact of interest rate changes, foreign currency exchange rate fluctuations, and changes in the market values of our investments.

Interest Rate Risk. Our exposure to market rate risk for changes in interest rates relates primarily to our investment portfolio. We invest excess cash in money market funds and liquid marketable debt instruments of the U.S. Government and its agencies, state municipalities, and in high-quality corporate issuers.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities which have declined in market value due to changes in interest rates. As of December 31, 2008 and 2007, we had investments in short-term marketable debt securities of approximately $1.2 billion and $488 million, respectively. Such investments had a weighted-average yield of approximately 1.2 percent and 4.5 percent, respectively. As of December 31, 2008 and 2007, we had investments in long-term marketable debt securities of approximately $70 million and $362 million, respectively. Such investments had a weighted average yield of approximately 4.0 percent and 5.0 percent, respectively.

A hypothetical 100 basis point increase in interest rates would result in an approximate $2 million and $4 million decrease (approximately 1 percent), respectively, in the fair value of our available-for-sale debt securities as of December 31, 2008 and 2007.

Foreign Currency Risk. International revenues accounted for approximately 28 percent of total revenues during 2008 and 32 percent of total revenues during both 2007 and 2006, respectively. International revenues in 2008 decreased $224 million, or 10 percent, as compared to 2007. Revenues and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include Australian Dollars, British Pounds, Euros, Korean Won, and Taiwan Dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenues, operating expenses, and net income for our International segment. Similarly, our revenues, operating expenses, and net income will increase for our International segment if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from 2007, our international revenues for 2008 would have been higher than we reported by approximately $32 million and our International segment operating loss before depreciation, amortization, and stock-based compensation expense would have been higher than we reported by $120 million (which includes $96 million related to the goodwill impairment).

We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries and our investments in equity interests into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars results in a gain or loss which is recorded as a component of accumulated other comprehensive income which is part of stockholders' equity. In addition, we have certain assets and liabilities that are denominated in currencies other than the respective entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a gain or loss. We recorded foreign currency transaction gains and losses, realized and unrealized, in other income, net on the consolidated statements of income, of approximately $25 million of net losses in 2008 and net gains of $7 million and $5 million in 2007 and 2006, respectively.

Investment Risk. We are exposed to investment risk as it relates to changes in the market value of our investments. We invest excess cash in marketable debt securities and strategic public equity investments.

Our cash and debt investment policy and strategy attempts primarily to preserve capital and meet liquidity requirements. A portion of our cash is managed by external managers within the guidelines of our investment policy. Our investment policy limits the amount of credit exposure to any one corporate issuer. We protect and preserve invested funds by limiting default, market, and reinvestment risk. To achieve this objective, we maintain our portfolio of cash and cash equivalents and short-term and long-term investments in a variety of liquid fixed income securities, including both government and corporate obligations and money market funds. As of December 31, 2008 and 2007, net unrealized gains and losses on these investments were not material.

We invest in equity instruments of public companies for business and strategic purposes and have classified these securities as available-for-sale or investment in equity interests. These investments may be subject to significant fluctuations in fair value due to the volatility of the stock market and the industries in which these companies participate. We have realized gains and losses from the sale of available-for-sale investments, which were not material as of December 31, 2008 and 2007. Our investments in available-for-sale equity securities amounted to $87 million and $126 million, respectively, as of December 31, 2008 and 2007. Our objective in managing exposure to stock market fluctuations is to minimize the impact of stock market declines to earnings and cash flows. Using a hypothetical reduction of 10 percent in the stock price of these available-for-sale investments, the fair value of our equity investments would decrease by approximately $9 million as of December 31, 2008 and $13 million as of December 31, 2007. During the year ended December 31, 2008, we recorded an other-than-temporary impairment charge of $30 million, net of tax, within earnings in equity interests to reduce the carrying value of our direct investment in Alibaba.com to fair value.

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Item 8. ***Financial Statements and Supplementary Data***

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Yahoo! Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Yahoo! Inc. and its subsidiaries at December 31, 2007 and December 31, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 10 to the consolidated financial statements, effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty of Income Taxes".

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 27, 2009

Yahoo! Inc.

Consolidated Statements of Income

	Years Ended December 31,		
	2006	2007	2008
	(In thousands, except per share amounts)		
Revenues	$ 6,425,679	$ 6,969,274	$ 7,208,502
Cost of revenues	2,675,723	2,838,758	3,023,362
Gross profit	3,749,956	4,130,516	4,185,140
Operating expenses:			
Sales and marketing	1,322,259	1,610,357	1,563,313
Product development	833,147	1,084,238	1,221,787
General and administrative	528,798	633,431	705,136
Amortization of intangibles	124,786	107,077	87,550
Restructuring charges, net	—	—	106,854
Goodwill impairment charge	—	—	487,537
Total operating expenses	2,808,990	3,435,103	4,172,177
Income from operations	940,966	695,413	12,963
Other income, net	157,034	154,011	82,838
Income before provision for income taxes, earnings in equity interests, and minority interests	1,098,000	849,424	95,801
Provision for income taxes	(458,011)	(337,263)	(262,717)
Earnings in equity interests	112,114	150,689	596,979
Minority interests in operations of consolidated subsidiaries	(712)	(2,850)	(5,765)
Net income	$ 751,391	$ 660,000	$ 424,298
Net income per share—basic	$ 0.54	$ 0.49	$ 0.31
Net income per share—diluted	$ 0.52	$ 0.47	$ 0.29
Shares used in per share calculation—basic	1,388,741	1,338,987	1,369,476
Shares used in per share calculation—diluted	1,457,686	1,405,486	1,400,101
Stock-based compensation expense by function:			
Cost of revenues	$ 6,621	$ 10,628	$ 13,813
Sales and marketing	155,084	246,472	182,826
Product development	144,807	218,207	178,091
General and administrative	118,418	97,120	63,113
Restructuring expense reversals	—	—	(30,236)
Total stock-based compensation expense	$ 424,930	$ 572,427	$ 407,607

The accompanying notes are an integral part of these consolidated financial statements.

Yahoo! Inc.

Consolidated Balance Sheets

	December 31, 2007	December 31, 2008
	(In thousands, except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,513,930	$ 2,292,296
Short-term marketable debt securities	487,544	1,159,691
Accounts receivable, net of allowance of $46,521 and $51,600, respectively	1,055,532	1,060,450
Prepaid expenses and other current assets	180,716	233,061
Total current assets	3,237,722	4,745,498
Long-term marketable debt securities	361,998	69,986
Property and equipment, net	1,331,632	1,536,181
Goodwill	4,002,030	3,440,889
Intangible assets, net	611,497	485,860
Other long-term assets	503,945	233,989
Investments in equity interests	2,180,917	3,177,445
Total assets	$ 12,229,741	$ 13,689,848
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 176,162	$ 151,897
Accrued expenses and other current liabilities	1,006,188	1,139,894
Deferred revenue	368,470	413,224
Short-term debt	749,628	—
Total current liabilities	2,300,448	1,705,015
Long-term deferred revenue	95,129	218,438
Capital lease and other long-term liabilities	28,086	77,062
Deferred and other long-term tax liabilities, net	260,993	420,372
Commitments and contingencies	—	—
Minority interests in consolidated subsidiaries	12,254	18,019
Stockholders' equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.001 par value; 5,000,000 shares authorized; 1,534,893 and 1,600,220 shares issued, respectively, and 1,330,828 and 1,391,560 shares outstanding, respectively	1,527	1,595
Additional paid-in capital	9,937,010	11,548,393
Treasury stock at cost, 204,065 and 208,660 shares, respectively	(5,160,772)	(5,267,484)
Retained earnings	4,423,864	4,848,162
Accumulated other comprehensive income	331,202	120,276
Total stockholders' equity	9,532,831	11,250,942
Total liabilities and stockholders' equity	$ 12,229,741	$ 13,689,848

The accompanying notes are an integral part of these consolidated financial statements.

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Yahoo! Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2006	2007	2008
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 751,391	$ 660,000	$ 424,298
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	302,161	409,366	508,812
Amortization of intangible assets	237,860	249,829	281,221
Stock-based compensation expense	424,930	572,427	437,843
Stock-based restructuring expense reversals	—	—	(30,236)
Non-cash restructuring charges	—	—	7,925
Goodwill impairment charge	—	—	487,537
Tax benefits from stock-based awards	626,009	76,138	117,716
Excess tax benefits from stock-based awards	(597,118)	(35,427)	(125,114)
Deferred income taxes	(274,433)	(212,742)	(35,324)
Earnings in equity interests	(112,114)	(150,689)	(596,979)
Dividends received from equity investee	12,908	15,156	18,942
Minority interests in operations of consolidated subsidiaries	712	2,850	5,765
Gains from sales of investments, assets, and other, net	(15,125)	(27,928)	(19,622)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(185,196)	(88,738)	(62,082)
Prepaid expenses and other	(9,567)	133,185	(15,590)
Accounts payable	30,413	45,101	(23,840)
Accrued expenses and other liabilities	174,566	184,805	325,030
Deferred revenue	4,179	85,566	173,939
Net cash provided by operating activities	1,371,576	1,918,899	1,880,241
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment, net	(689,136)	(602,276)	(674,829)
Purchases of marketable debt securities	(1,328,515)	(1,105,043)	(2,317,004)
Proceeds from sales of marketable debt securities	344,626	571,199	285,753
Proceeds from maturities of marketable debt securities	1,606,697	1,672,521	1,663,569
Acquisitions, net of cash acquired	(142,272)	(973,577)	(209,196)
Purchases of intangible assets	(5,810)	(110,378)	(71,310)
Other investing activities, net	20,729	(24,948)	11,234
Net cash used in investing activities	(193,681)	(572,502)	(1,311,783)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	318,103	375,066	363,354
Repurchases of common stock	(1,782,140)	(1,583,919)	(79,236)
Structured stock repurchases, net	(227,705)	(250,000)	—
Excess tax benefits from stock-based awards	597,118	35,427	125,114
Tax withholdings related to net share settlements of restricted stock awards and restricted stock units	—	(6,456)	(76,752)
Other financing activities, net	—	(12,126)	(74)
Net cash (used in) provided by financing activities	(1,094,624)	(1,442,008)	332,406
Effect of exchange rate changes on cash and cash equivalents	56,907	39,670	(122,498)
Net change in cash and cash equivalents	140,178	(55,941)	778,366
Cash and cash equivalents at beginning of year	1,429,693	1,569,871	1,513,930
Cash and cash equivalents at end of year	$ 1,569,871	$ 1,513,930	$ 2,292,296

The accompanying notes are an integral part of these consolidated financial statements.

Supplemental cash flow disclosures:

Income taxes paid were $66 million, $141 million, and $70 million in the years ended December 31, 2006, 2007, and 2008, respectively. Interest paid was not material in any of the years presented.

During the year ended December 31, 2008, the holders of the Company's zero coupon senior convertible notes (the "Notes") converted $750 million of the Notes into 36.6 million shares of Yahoo! common stock. See Note 9—"Debt" for additional information.

During the year ended December 31, 2008, the Company entered into an 11 year lease agreement for a data center in the western United States ("U.S."). Of the total expected minimum lease commitment of $105 million, $21 million is classified as an operating lease for real estate and $84 million is classified as a capital lease for equipment. See Note 13—"Commitments and Contingencies" for additional information.

Acquisition-related activities:

	Years Ended December 31,		
	2006	2007	2008
		(In thousands)	
Cash paid for acquisitions	$150,859	$1,019,755	$234,626
Cash acquired in acquisitions	(8,587)	(46,178)	(25,430)
	$142,272	$ 973,577	$209,196
Fair value of common stock and vested stock-based awards issued in connection with acquisitions	$ —	$ 290,671	$ —

During the year ended December 31, 2006, the Company contributed its Australian Internet business, Yahoo! Australia and New Zealand as consideration for its strategic partnership with Seven Network Limited. See Note 3—"Acquisitions" for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

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Yahoo! Inc.

Consolidated Statements of Stockholders' Equity

	Years Ended December 31,		
	2006	2007	2008
		(In thousands)	
Common stock			
Balance, beginning of year	$ 1,470	$ 1,493	$ 1,527
Common stock issued	23	34	68
Balance, end of year	1,493	1,527	1,595
Additional paid-in capital			
Balance, beginning of year	6,417,858	8,615,915	9,937,010
Common stock and stock-based awards issued and assumed	318,080	665,695	363,322
Stock-based compensation expense	451,467	593,451	434,639
Adoption of SFAS 123R	(235,394)	—	—
Change in deferred income tax asset valuation allowance	236,044	—	—
Gain in connection with business contribution	29,944	—	—
Tax benefits from stock-based awards	626,009	76,138	117,716
Tax withholdings related to net share settlements of restricted stock units	—	(4,466)	(49,276)
Structured stock repurchases, net	767,295	—	—
Debt conversions	80	287	749,516
Other	4,532	(10,010)	(4,534)
Balance, end of year	8,615,915	9,937,010	11,548,393
Treasury stock			
Balance, beginning of year	(547,723)	(3,324,863)	(5,160,772)
Repurchases of common stock	(2,777,140)	(1,833,920)	(79,236)
Tax withholdings related to net share settlements of restricted stock awards	—	(1,989)	(27,476)
Balance, end of year	(3,324,863)	(5,160,772)	(5,267,484)
Retained earnings			
Balance, beginning of year	2,966,169	3,717,560	4,423,864
Net income	751,391	660,000	424,298
Adoption of FIN 48	—	46,304	—
Balance, end of year	3,717,560	4,423,864	4,848,162
Accumulated other comprehensive income			
Balance, beginning of year	(35,965)	150,505	331,202
Net change in unrealized gains/losses on available-for-sale securities, net of tax	38,018	5,074	(20,017)
Foreign currency translation adjustment, net of tax	148,452	175,623	(190,909)
Balance, end of year	150,505	331,202	120,276
Total stockholders' equity	$ 9,160,610	$ 9,532,831	$ 11,250,942
Comprehensive income			
Net income	$ 751,391	$ 660,000	$ 424,298
Other comprehensive income (loss):			
Unrealized gains/(losses) on available-for-sale securities, net of taxes of $(29,914), $(8,131), and $18,736 for 2006, 2007, and 2008, respectively	32,961	2,999	(21,195)
Reclassification adjustment for realized losses included in net income, net of taxes of $(3,371), $(1,384), and $(785) for 2006, 2007, and 2008, respectively	5,057	2,075	1,178
Net change in unrealized gains/(losses) on available-for-sale securities, net of tax	38,018	5,074	(20,017)
Foreign currency translation adjustment, net of tax	148,452	175,623	(190,909)
Other comprehensive income (loss)	186,470	180,697	(210,926)
Comprehensive income	$ 937,861	$ 840,697	$ 213,372

The accompanying notes are an integral part of these consolidated financial statements.

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	Years Ended December 31,		
	2006	2007	2008
	Number of Outstanding Shares (In thousands)		
Common stock			
Balance, beginning of year	1,430,162	1,360,247	1,330,828
Common stock and restricted stock issued	23,150	36,968	28,609
Repurchases of common stock	(93,068)	(66,332)	(3,388)
Debt conversions	3	13	36,563
Tax withholdings related to net share settlements of restricted stock awards	—	(68)	(1,052)
Balance, end of year	1,360,247	1,330,828	1,391,560

The accompanying notes are an integral part of these consolidated financial statements.

Yahoo! Inc.

Notes to Consolidated Financial Statements

Note 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo!" or the "Company"), is a leading global Internet brand and one of the most trafficked Internet destinations worldwide. Yahoo! is focused on powering its communities of users, advertisers, publishers, and developers by creating indispensable experiences built on trust. Together with the Company's owned and operated online properties and services ("Yahoo! Properties" or "Owned and Operated sites"), Yahoo! also provides its advertising offerings and access to Internet users beyond Yahoo! through its distribution network of third-party entities ("Affiliates"), who have integrated the Company's advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. The Company generates revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services the Company provides to users are free, Yahoo! does charge fees for a range of premium services.

Basis of Presentation. The consolidated financial statements include the accounts of Yahoo! Inc. and its majority-owned or otherwise controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the consolidated balance sheets. The Company has included the results of operations of acquired companies from the date of acquisition. Certain prior year amounts have been reclassified to conform to the current year presentation.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S.") requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to uncollectible receivables, the useful lives of long-lived assets including property and equipment, investment fair values, stock-based compensation, goodwill and other intangible assets, income taxes, contingencies, and restructuring charges. The Company bases its estimates of the carrying value of certain assets and liabilities on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, when these carrying values are not readily available from other sources. Actual results may differ from these estimates.

Revenue Recognition. The Company's revenues are derived principally from services, which comprise marketing services for advertisers and publishers and offerings to users. The Company classifies these revenues as marketing services and fees.

The Company recognizes revenue on arrangements in accordance with Financial Accounting Standard Board's ("FASB") Emerging Issues Task Force ("EITF") Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" and Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition," ("SAB 104"). In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the related fee is reasonably assured. In accordance with EITF No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Product," the Company accounts for cash consideration given to customers, for which it does not receive a separately identifiable benefit or cannot reasonably estimate fair value, as a reduction of revenue rather than as an expense. In accordance with EITF No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor," the Company also evaluates whether an arrangement should be characterized as revenue or a reimbursement of costs incurred. In accordance with EITF Issue No. 99-19, "Reporting Revenue Gross as a Principal Versus Net as an Agent," the

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Company reports revenue, for which it is the primary obligor in the arrangement and for which it provided a product or service, at the gross amount.

Marketing services revenues are generated from several offerings including the display of graphical advertisements (“display advertising”), the display of text based links to an advertiser’s Website (“search advertising”), listing based services, and commerce based transactions.

The Company recognizes revenues from display advertising on Yahoo! Properties as “impressions” are delivered. An “impression” is delivered when an advertisement appears in pages viewed by users. Arrangements for these services generally have terms of up to three years and in the majority of cases, the terms are less than one year or may be terminated at any time by the advertiser. Certain advertising agreements often involve multiple elements (arrangements with more than one deliverable).

The Company also recognizes revenues from search advertising, which are placed on Yahoo! Properties. Search advertising revenue is recognized as “click-throughs” occur. A “click-through” occurs when a user clicks on an advertiser’s listing.

Marketing services revenues also includes listings and transaction revenues. Listings revenues are generated from a variety of consumer and business listings-based services, including access to the Yahoo! HotJobs database and classified advertising such as Yahoo! Autos, Yahoo! Real Estate, and other services. The Company recognizes listings revenues when the services are performed. Transaction revenues are generated from facilitating commercial transactions through Yahoo! Properties, principally from Yahoo! Travel and Yahoo! Shopping. The Company recognizes transaction revenues when there is evidence that qualifying transactions have occurred, for example, when travel arrangements are booked through Yahoo! Travel.

In addition to delivering search and display advertising on Yahoo! Properties, the Company also generates revenues from search and/or display advertising offerings on Affiliate sites. The Company pays Affiliates for the revenues generated from the display of these advertisements on the Affiliates’ Websites. These payments are called traffic acquisition costs (“TAC”). The revenues derived from these arrangements that involve traffic supplied by Affiliates are reported gross of the payment to Affiliates. These revenues are reported gross due to the fact that the Company is the primary obligor to the advertisers who are the customers of the advertising service.

Fees revenues consist of revenues generated from a variety of consumer and business fee-based services, including Internet broadband services, royalties received from joint venture partners, premium mail, music and personals offerings as well as services for small businesses. The Company recognizes fees revenues when the services are performed.

Current deferred revenue primarily comprises contractual billings in excess of recognized revenues and payments received in advance of revenue recognition. Long-term deferred revenue includes amounts received from customers for which services will not be delivered within the next 12 months.

Restructuring Charges. The Company has developed and implemented restructuring initiatives to improve efficiencies across the organization, reduce operating expenses, and better align its resources to market conditions. As a result of these plans, the Company has recorded restructuring charges comprised principally of employee severance and associated termination costs related to the reduction of its workforce, office closures, losses on subleases and contract termination costs. These activities have been accounted for primarily in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 146, “Accounting for Costs Associated with Exit or Disposal Activities” (“SFAS 146”). SFAS 146 requires that a liability for costs

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to when management commits to an exit plan. SFAS 146 also requires that: (i) liabilities associated with exit and disposal activities be measured at fair value; (ii) one-time termination benefits be expensed at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period; and (iii) costs to terminate a contract before the end of its term be recognized when the entity terminated the contract in accordance with the contract terms. In addition, a portion of the Company's restructuring costs related to international employees and have been accounted for in accordance with SFAS No. 112, "Employers' Accounting for Postemployment Benefits, an Amendment of FASB Statements No. 5 and 43 ("SFAS 112") primarily as a result of statutory requirements.

These restructuring initiatives require management to make estimates in several areas including: (i) realizable values of assets made redundant, obsolete or excess; (ii) expenses for severance and other employee separation costs; and (iii) the ability to generate sublease income, and to terminate lease obligations at the estimated amounts.

Allowance for Doubtful Accounts. The Company records its allowance for doubtful accounts based upon its assessment of various factors. The Company considers historical experience, the age of the accounts receivable balances, the credit quality of its customers, current economic conditions, and other factors that may affect customers' ability to pay to determine the level of allowance required.

Traffic Acquisition Costs ("TAC"). TAC consist of payments made to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo! Properties. The Company enters into agreements of varying duration that involve TAC. There are generally three economic structures of the Affiliate agreements: fixed payments based on a guaranteed minimum amount of traffic delivered, which often carry reciprocal performance guarantees from the Affiliate; variable payments based on a percentage of the Company's revenue or based on a certain metric, such as the number of searches or paid clicks or a combination of the two. The Company expenses, as cost of revenues, TAC under two different methods. Agreements with fixed payments are expensed ratably over the term the fixed payment covers. Agreements based on a percentage of revenue, number of paid introductions, number of searches, or other metrics are expensed based on the volume of the underlying activity or revenue multiplied by the agreed-upon price or rate.

Product Development. Product development expenses consist primarily of compensation related expenses (including stock-based compensation expense) incurred for the development of, minor enhancements to, and maintenance of Yahoo! Properties, classification and organization of listings within Yahoo! Properties, research and development, and Yahoo!'s technology platforms and infrastructure. Depreciation expense and other operating costs are also included in product development.

Advertising Costs. Advertising production costs are recorded as expense the first time an advertisement appears. Costs of communicating advertising are recorded as expense as advertising space or airtime is used. All other advertising costs are expensed as incurred. Advertising expense totaled approximately $222 million, $220 million, and $190 million for 2006, 2007, and 2008, respectively.

Stock-Based Compensation Expense. Effective January 1, 2006, the Company adopted SFAS No. 123R (revised 2004), *"Share-Based Payment"* ("SFAS 123R") using the modified prospective method and therefore have not restated prior periods' results. Under the fair value recognition provisions of SFAS 123R, the Company recognizes stock-based compensation expense net of an estimated forfeiture rate and therefore only recognizes compensation costs for those shares expected to vest over the service period of the award. Stock-based awards granted prior to the adoption of SFAS 123R are expensed over the remaining portion of their service period.

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These awards are expensed under an accelerated amortization approach using the same fair value measurements which were used in calculating pro forma stock-based compensation expense under SFAS No. 123, "Accounting for Stock-Based Compensation." For stock-based awards granted on or after January 1, 2006, the Company records stock-based compensation expense on a straight-line basis over the requisite service period, generally one to four years.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock options, stock price volatility, and the pre-vesting forfeiture rate of stock awards. The Company estimates the expected life of options granted based on historical exercise patterns, which the Company believes are representative of future behavior. The Company estimates the volatility of its common stock on the date of grant based on the implied volatility of publicly traded options on its common stock, with a term of one year or greater. The Company believes that implied volatility calculated based on actively traded options on its common stock is a better indicator of expected volatility and future stock price trends than historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, the Company's stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected pre-vesting award forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain awards will be achieved, and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of the Company's stock-based awards that are granted and cancelled before vesting. If the Company's actual forfeiture rate is materially different from the Company's original estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the forfeiture rate for all current and previously recognized expense for unvested awards is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. See Note 12—"Employee Benefits" for additional information.

The Company uses the "with and without" approach as described in EITF Topic No. D-32 in determining the order in which tax attributes are utilized. As a result, the Company only recognizes a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized. In addition, the Company accounts for the indirect effects of stock-based awards on other tax attributes, such as the research tax credit, through the income statement.

Operating and Capital Leases. The Company leases office space and data centers under operating leases and certain data center equipment under capital lease agreements with original lease periods up to 23 years. Assets acquired under capital leases are amortized over the shorter of the remaining lease term or its estimated useful life which is generally ten to fifteen years. Certain of the lease agreements contain tenant improvements, rent holidays, and rent escalation provisions. For purposes of recognizing these lease incentives on a straight-line basis over the term of the lease, the Company uses the date of initial possession to begin amortization. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the period of straight- line recognition. For the year ended December 31, 2008, the Company expensed approximately $3 million of interest and recorded less than $1 million of accumulated amortization in connection with the capital lease.

Income Taxes. Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. The

Company records a valuation allowance against particular deferred income tax assets if it is more likely than not that those assets will not be realized. The provision for income taxes comprises the Company's current tax liability and change in deferred income tax assets and liabilities.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are in accordance with applicable tax laws. The Company adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties. See Note 10—"Income Taxes" for additional information.

Comprehensive Income. Comprehensive income consists of two components, net income and other comprehensive income (loss). Other comprehensive income (loss) refers to gains and losses that under GAAP are recorded as an element of stockholders' equity but are excluded from net income. The Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments and unrealized gains and losses on marketable debt and equity securities categorized as available-for-sale, as well as the Company's share of its equity investees' foreign currency translation adjustments.

Cash and Cash Equivalents, Short and Long-Term Marketable Debt Securities. The Company invests its excess cash in money market funds and liquid debt instruments of the U.S. Government and its agencies, state municipalities, and in high-quality corporate issuers which are classified as marketable debt securities. All investments with an original maturity of three months or less are considered cash equivalents. Investments with effective maturities of less than 12 months from the balance sheet date are classified as current assets. Investments with effective maturities greater than 12 months from the balance sheet date are classified as long-term assets.

The Company's marketable debt securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss). Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The Company evaluates the investments periodically for possible other-than-temporary impairment and reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer and the Company's ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value. If appropriate, the Company records impairment charges equal to the amount that the carrying value of its available-for-sale securities exceeds the estimated fair market value of the securities as of the evaluation date. In computing realized gains and losses on available-for-sale securities, the Company determines cost based on amounts paid, including direct costs such as commissions to acquire the security, using the specific identification method. During the years ended December 31, 2006, 2007, and 2008, gross realized gains and losses on available-for-sale debt securities were not material.

Concentration of Risk. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, marketable debt securities, and accounts receivable. The Company's cash and debt investment policy and strategy attempt primarily to preserve capital and meet liquidity

requirements. A portion of the Company's cash is managed by external managers within the guidelines of the Company's investment policy. The Company's investment policy limits the amount of credit exposure to any one corporate issuer. Yahoo! protects and preserves invested funds by limiting default, market, and reinvestment risk. To achieve this objective, the Company maintains its portfolio of cash and cash equivalents and short-term and long-term investments in a variety of fixed income securities, including both government and highly rated corporate obligations and money market funds. Accounts receivable are typically unsecured and are derived from revenues earned from customers. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Historically, such losses have been within management's expectations. As of December 31, 2007 and 2008, no one customer accounted for 10 percent or more of the accounts receivable balance and no one customer accounted for 10 percent or more of the Company's revenues for 2006, 2007, or 2008.

Property and Equipment. Buildings are stated at cost and depreciated using the straight-line method over the estimated useful lives of 25 years. Leasehold improvements are amortized over the lesser of their expected useful lives and the remaining lease term. Computers and equipment and furniture and fixtures are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally two to five years. The Company recognized depreciation expense on property and equipment of approximately $302 million, $409 million, and $509 million for 2006, 2007, and 2008, respectively.

Property and equipment to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss for long-lived assets that management expects to hold and use is based on the excess of the carrying value of the asset over its fair value. No impairments of such assets were identified during any of the periods presented.

Internal Use Software and Website Development Costs. The Company capitalized certain internal use software and Website development costs totaling approximately $84 million, $111 million, and $149 million during 2006, 2007, and 2008, respectively. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from one and a half to three years. During 2006, 2007, and 2008, the amortization of capitalized costs totaled approximately $14 million, $48 million, and $81 million, respectively. Capitalized internal use software and Website development costs are included in property and equipment, net. Included in the capitalized amounts above are $14 million, $16 million, and $22 million, respectively, of stock-based compensation expense in the years ended December 31, 2006, 2007, and 2008.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. The performance of the goodwill impairment test involves a two-step process. The first step involves comparing the fair value of the Company's reporting units to their carrying values, including goodwill. The Company's reporting units are based on geography, either at the operating segment level or one level below operating segments. The fair values of the reporting units are estimated using an average of a market approach and an income approach as this combination is deemed to be the most indicative of the Company's fair value in an orderly transaction between market participants. In addition, the fair values estimated under these two approaches are validated against each other to ensure consistency. Under the market approach, the Company utilizes publicly-traded comparable company information, specific to the regions in which the reporting units operate, to determine revenue and earnings multiples that are used to value the reporting units adjusted for an estimated control premium. Under the income approach, the Company determines fair value based on estimated future cash flows of each reporting unit discounted by an estimated

weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The cash flow projections for each reporting unit are based on a five-year forecast of free cash flows, derived from the most recent annual financial forecast, and a terminal value based on the Perpetuity Growth Model. The sum of the fair values of the reporting units is reconciled to the Company's market capitalization adjusted for an estimated control premium. If the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value.

The Company conducted its annual goodwill impairment test as of October 31, 2008 and determined that the fair values of its reporting units, with the exception of the European reporting unit, exceeded their carrying values therefore goodwill in those reporting units was not impaired. The Company concluded that the carrying value of the European reporting unit exceeded its fair value and recorded a goodwill impairment charge of approximately $488 million. See Note 5 —"Goodwill" for additional information.

Intangible Assets. Intangible assets are amortized over their estimated useful lives, generally on a straight-line basis over less than one year to eight years. The Company reviews identifiable amortizable intangible assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated undiscounted cash flows resulting from use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset over its fair value.

Investments in Equity Interests. Investments in the common stock of entities in which the Company can exercise significant influence but does not own a majority equity interest or otherwise control are accounted for using the equity method and are included as investments in equity interests on the consolidated balance sheets. The Company records its share of the results of these companies one quarter in arrears within earnings in equity interests on the consolidated statements of income. The Company reviews its investments for other-than-temporary impairment whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. Investments identified as having an indication of impairment are subject to further analysis to determine if the impairment is other-than-temporary and this analysis requires estimating the fair value of the investment. The determination of fair value of the investment involves considering factors such as the stock prices of public companies in which the Company has an equity investment, current economic and market conditions, the operating performance of the companies including current earnings trends and forecasted cash flows, and other company and industry specific information.

Foreign Currency. The functional currency of the Company's international subsidiaries is evaluated on a case-by-case basis and is often the local currency. The financial statements of these subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. In addition, the Company records translation gains (losses) related to its foreign equity method investments in accumulated other comprehensive income (loss). The Company records foreign currency transaction gains and losses, realized and unrealized in

other income, net on the consolidated statements of income. The Company recorded approximately $5 million and $7 million of net gains in 2006 and 2007, respectively, and $25 million of net losses in 2008.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), and SFAS No. 160, "Accounting and Reporting of Non-controlling Interest in Consolidated Financial Statements, an amendment of ARB 51" ("SFAS 160"), which will change the accounting for and reporting of business combination transactions and noncontrolling interests in consolidated financial statements. The provisions of SFAS 141R and SFAS 160 were effective for the Company on January 1, 2009. SFAS 141R had no impact on previously recorded acquisitions. SFAS 160 requires changes in classification and presentation of minority interests in the consolidated balance sheets, statements of income, and statements of stockholders' equity.

In February 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"), which delays the effective date of SFAS No. 157, "Fair Value Measurements" ("SFAS 157") for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The adoption of FSP FAS 157-2 is not expected to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

In April 2008, the FASB issued FSP No. FAS 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP FAS 142-3"), to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141R. The provisions of FSP FAS 142-3 were effective for the Company on January 1, 2009 and are not expected to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

In May 2008, the FASB issued FSP Accounting Principles Board Opinion ("APB") No. 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"), which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's nonconvertible debt borrowing rate. FSP APB 14-1 became effective for the Company on January 1, 2009 and requires retroactive application. The effect of applying FSP APB 14-1 on the Company's debt is expected to reduce net income for the years ended December 31, 2006, 2007, and 2008 by $20 million, $21 million, and $5 million, respectively.

In June 2008, the FASB issued FSP No. EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP EITF 03-6-1"), which requires entities to apply the two-class method of computing basic and diluted earnings per share for participating securities that include awards that accrue cash dividends (whether paid or unpaid) any time common shareholders receive dividends and those dividends do not need to be returned to the entity if the employee forfeits the award. FSP EITF 03-6-1 became effective for the Company on January 1, 2009 and requires retroactive application. The Company determined that restricted stock units issued from the Amended and Restated 1996 Directors' Stock Plan (the "Directors' Plan") and restricted stock awards issued from the Company's Amended and Restated 1995 Stock Plan (the "1995 Plan") carry unforfeitable dividend rights. The Company has further evaluated the impact of this standard and anticipates that its retroactive application (which contemplates the impact of FSP APB 14-1 as

discussed above) will result in an expected adjustment of $0.02 on basic net income per share for the year ended December 31, 2006, an expected adjustment of $0.01 on basic net income per share for the year ended December 31, 2007, and an expected impact of $0.01 on diluted net income per share for the year ended December 31, 2006. No impact is expected on basic net income per share for the year ended December 31, 2008. No impact is expected on diluted net income per share for the years ended December 31, 2007 and 2008.

In November 2008, the FASB ratified the consensus reached by the EITF on Issue EITF No. 08-6, "Equity Method Investment Accounting Considerations" ("EITF 08-6"), which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The prospective provisions of EITF 08-6 were effective for the Company on January 1, 2009. The adoption of EITF 08-6 is not expected to have a material impact on the Company's consolidated financial position, cash flows, or results of operations.

Note 2 BASIC AND DILUTED NET INCOME PER SHARE

Basic net income per share is computed using the weighted average number of common shares outstanding during the period, excluding any unvested restricted stock awards that are subject to repurchase. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of unvested restricted stock and restricted stock units, collectively referred to as "restricted stock awards" (using the treasury stock method), the incremental common shares issuable upon the exercise of stock options (using the treasury stock method), and, prior to April 1, 2008, the conversion of the Company's Notes (using the if-converted method). In applying the treasury stock method, the Company calculates potential tax windfalls and shortfalls by including the impact of pro forma deferred tax assets.

The Company takes into account the effect on consolidated net income per share of dilutive securities of entities in which the Company holds equity interests that are accounted for using the equity method.

For 2006, 2007, and 2008, potentially dilutive securities representing approximately 108 million, 128 million, and 140 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been anti-dilutive.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Years Ended December 31,		
	2006	2007	2008
Basic:			
Numerator:			
Net income for basic calculation	$ 751,391	$ 660,000	$ 424,298
Denominator:			
Weighted average common shares	1,393,424	1,342,754	1,370,898
Weighted average unvested restricted stock subject to repurchase	(4,683)	(3,767)	(1,422)
Denominator for basic calculation	1,388,741	1,338,987	1,369,476
Net income per share—basic	$ 0.54	$ 0.49	$ 0.31

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	Years Ended December 31,		
	2006	2007	2008
Diluted:			
Numerator:			
Net income for basic calculation	$ 751,391	$ 660,000	$ 424,298
Effect of dilutive securities issued by equity investees	—	—	(11,501)
Net income for diluted calculation	$ 751,391	$ 660,000	$ 412,797
Denominator:			
Denominator for basic calculation	1,388,741	1,338,987	1,369,476
Weighted average effect of Yahoo! dilutive securities:			
Restricted stock awards	2,164	7,437	6,143
Stock options	30,196	22,492	16,514
Notes	36,585	36,570	7,968
Denominator for diluted calculation	1,457,686	1,405,486	1,400,101
Net income per share—diluted	$ 0.52	$ 0.47	$ 0.29

Note 3 ACQUISITIONS

The following table summarizes significant acquisitions (including business combinations, asset acquisitions, and strategic investments) completed during the three years ended December 31, 2008 (in millions):

	Purchase Price	Goodwill	Amortizable Intangibles
2006			
Yahoo! 7	$ 35	$ 16	$ 19
Gmarket Inc.(*)	$ 69	$ —	$ —
Other acquisitions	$ 42	$ 27	$ 21
2007			
Right Media	$ 524	$ 440	$ 104
Zimbra	$ 303	$ 245	$ 79
BlueLithium	$ 255	$ 224	$ 42
Other acquisitions	$ 169	$ 74	$ 118
2008			
Maven	$ 143	$ 87	$ 65
Other acquisitions	$ 97	$ 51	$ 51

(*) During 2006, the Company acquired shares in Gmarket Inc. ("Gmarket") for $61 million. During 2007, the Company acquired additional shares in Gmarket for $8 million.

Transactions completed in 2006

Seven. On January 29, 2006, the Company and Seven Network Limited ("Seven"), a leading Australian media company, completed a strategic partnership in which the Company contributed its Australian Internet business, Yahoo! Australia and New Zealand ("Yahoo! Australia"), and Seven contributed its online assets, television and magazine content, an option to purchase its 33 percent ownership interest in mobile solutions provider m.Net Corporation Ltd, and cash of $7 million. The Company believed this strategic partnership and the contribution of the respective businesses with their rich media and entertainment content would create a comprehensive and engaging online experience for local users and advertisers. The Company obtained a 50 percent equity ownership

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interest in the newly formed entity, which operates as "Yahoo! 7." Pursuant to a shareholders agreement and a power of attorney granted by Seven to vote certain of its shares, the Company has the right to vote 50.1 percent of the outstanding voting interests in Yahoo! 7 and control over the day-to-day operations and therefore consolidates Yahoo! 7, which includes the operations of Yahoo! Australia. For accounting purposes, the Company is considered to have acquired the assets contributed by Seven in exchange for 50 percent of the ownership of Yahoo! Australia. Accordingly, the Company accounted for this transaction in accordance with SFAS No. 141 "Business Combinations." The total purchase price was $35 million including direct transaction costs of $2 million.

The allocation of the purchase price of the Company's share of the assets acquired and liabilities assumed based on their fair values was as follows (in thousands):

Cash acquired	$ 3,763
Other tangible assets acquired	2,400
Amortizable intangible assets:	
Customer contracts, related relationships, and developed technology and intellectual property rights	18,600
Goodwill	16,030
Total assets acquired	40,793
Deferred income taxes	(6,075)
Total	$34,718

The amortizable intangible assets have useful lives not exceeding seven years and a weighted average useful life of seven years. No amounts have been allocated to in-process research and development and approximately $16 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

As a result of this transaction, the Company's ownership in Yahoo! Australia, which is now part of Yahoo! 7, decreased to 50 percent. The Company effectively recognized a non-cash gain of approximately $30 million representing the difference between the fair value of Yahoo! Australia and its carrying value adjusted for the Company's continued ownership in Yahoo! 7. This non-cash gain was accounted for as a capital transaction and recorded as additional paid-in capital because of certain future events that could affect actual realization of the gain. The Company also recorded a minority interest of $7 million related to its reduced ownership of Yahoo! Australia and Seven's retained interest in their contributed net assets.

Investment in Gmarket Inc. During the year ended December 31, 2006, the Company acquired shares in Gmarket, a leading retail e-commerce provider in South Korea, for $61 million, including direct transaction costs of approximately $1 million. During the year ended December 31, 2007, the Company acquired additional shares in Gmarket for $8 million. As of December 31, 2008, the Company held an approximate 10 percent ownership interest in Gmarket, with an investment cost base totaling $69 million.

Other Acquisitions—Business Combinations. During the year ended December 31, 2006, the Company acquired three other companies which were accounted for as business combinations. The total purchase price for these three acquisitions was $42 million and consisted of $41 million in cash consideration and $1 million of direct transaction costs. The total cash consideration of $41 million less cash acquired of $1 million resulted in a net cash outlay of $40 million. Of the purchase price, $27 million was allocated to goodwill, $21 million to amortizable intangible assets, and $6 million to net assumed liabilities. In connection with these business

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combinations, the Company also issued stock-based awards valued at $24 million which is being recognized as compensation expense over a period of three years. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

During the year ended December 31, 2006, the Company also completed immaterial asset acquisitions that did not qualify as business combinations.

Transactions completed in 2007

Right Media. On July 11, 2007, the Company acquired Right Media Inc. ("Right Media"), an online advertising exchange. The Company believes the acquisition of Right Media is an integral piece of the Company's strategy to build the industry's leading advertising and publishing network and is a key step in executing the Company's long-term strategy to change how online advertisers and publishers connect to their audiences in one open advertising community. The purchase price exceeded the fair value of net tangible and intangible assets acquired from Right Media and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the remaining equity interests (including all outstanding options and restricted stock units) in Right Media. Right Media stockholders were paid in approximately equal parts cash and shares of Yahoo! common stock (approximately 8 million shares) and outstanding Right Media options and restricted stock units were assumed. Assumed Right Media options and restricted stock units are exercisable for, or will settle in, shares of Yahoo! common stock. The acquisition followed the Company's 20 percent investment in Right Media in October 2006.

The total purchase price of $524 million consisted of $245 million in cash consideration, $236 million in equity consideration, $40 million for the initial 20 percent investment, and $3 million of direct transaction costs. The $245 million of total cash consideration less cash acquired of $16 million resulted in a net cash outlay of $229 million. In connection with the acquisition, the Company issued stock-based awards valued at $177 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to four years.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows (in thousands):

Cash acquired	$ 15,508
Other tangible assets acquired	25,542
Deferred tax assets	8,422
Amortizable intangible assets:	
Customer contracts and related relationships	42,300
Developed technology and patents	42,400
Trade name, trademark, and domain name	19,200
Goodwill	440,095
Total assets acquired	593,467
Liabilities assumed	(27,700)
Deferred income taxes	(41,560)
Total	$524,207

The amortizable intangible assets have useful lives not exceeding seven years and a weighted average useful life of six years. No amounts have been allocated to in-process research and development and $440 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible

and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the U.S. segment.

Zimbra. On October 4, 2007, the Company acquired Zimbra, Inc. ("Zimbra"), a provider of e-mail and collaboration software. The Company believes the acquisition of Zimbra will further strengthen its position in Web mail and expand the Company's presence in universities, small and medium businesses, and service provider partners. The purchase price exceeded the fair value of net tangible and intangible assets acquired from Zimbra and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the equity interests (including all outstanding options and restricted stock units) in Zimbra. Zimbra stockholders were paid in cash and outstanding Zimbra options and restricted stock units were assumed. Assumed Zimbra options and restricted stock units are exercisable for, or will settle in, shares of Yahoo! common stock.

The total purchase price of $303 million consisted of $290 million in cash consideration, $11 million in equity assumed/exchanged, and $2 million of direct transaction costs. The $290 million of total cash consideration less cash acquired of $11 million resulted in a net cash outlay of $279 million. In connection with the acquisition, the Company issued stock-based awards valued at $38 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to four years.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows (in thousands):

Cash acquired	$ 10,663
Other tangible assets acquired	18,519
Amortizable intangible assets:	
Customer contracts and related relationships	13,200
Developed technology and patents	65,400
Trade name, trademark, and domain name	700
Goodwill	244,655
Total assets acquired	353,137
Liabilities assumed	(18,910)
Deferred income taxes	(31,720)
Total	$302,507

The amortizable intangible assets have useful lives not exceeding seven years and a weighted average useful life of four years. No amounts have been allocated to in-process research and development and $245 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the U.S. segment.

BlueLithium. On October 15, 2007, the Company acquired BlueLithium, Inc. ("BlueLithium"), an online global advertising network. The Company believes that BlueLithium complements the Company's leading advertising tools and capabilities. The purchase price exceeded the fair value of the net tangible and intangible assets acquired from BlueLithium and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the equity interests (including all outstanding options and restricted stock units) in BlueLithium. BlueLithium stockholders were paid in cash and outstanding BlueLithium options and restricted stock units were assumed. Assumed BlueLithium options and restricted stock units will be exercisable for, or will settle in, shares of Yahoo! common stock.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The total purchase price of $255 million consisted of $245 million in cash consideration, $8 million in equity assumed/exchanged, and $2 million of direct transaction costs. The $245 million of total cash consideration less cash acquired of $10 million resulted in a net cash outlay of $235 million. In connection with the acquisition, the Company issued stock-based awards valued at $47 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to four years.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows (in thousands):

Cash acquired	$ 10,235
Other tangible assets acquired	13,416
Amortizable intangible assets:	
Customer contracts and related relationships	30,300
Developed technology and patents	11,000
Trade name, trademark, and domain name	100
In-process research and development	200
Goodwill	224,385
Total assets acquired	289,636
Liabilities assumed	(17,947)
Deferred income taxes	(16,640)
Total	$255,049

The amortizable intangible assets have useful lives not exceeding six years and a weighted average useful life of five years. The Company allocated $224 million to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the U.S. ($142 million) and International ($82 million) segments.

Other Acquisitions—Business Combinations. During the year ended December 31, 2007, the Company acquired two other companies which were accounted for as business combinations. The total purchase price for these acquisitions was $108 million and consisted of $106 million in cash consideration and $2 million of direct transaction costs. The total cash consideration of $106 million less cash acquired of $5 million resulted in a net cash outlay of $101 million. Of the purchase price, $74 million was allocated to goodwill, $33 million to amortizable intangible assets, $5 million to tangible assets, $5 million to cash acquired, and $9 million to net assumed liabilities. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

Other Acquisitions—Asset Acquisitions. During the year ended December 31, 2007, the Company acquired five companies which were accounted for as asset acquisitions. The total purchase price for these acquisitions was $61 million and consisted of $23 million in cash consideration, $35 million in equity consideration, $2 million of assumed liabilities, and $1 million of direct transaction costs. The total cash consideration of $23 million less cash acquired of $3 million resulted in a net cash outlay of $20 million. For accounting purposes, approximately $85 million was allocated to amortizable intangible assets, $29 million to net assumed liabilities, primarily deferred income tax liabilities, $2 million to tangible assets, and $3 million to cash acquired. In connection with these acquisitions, the Company also issued stock-based awards valued at $19 million that will be recognized as stock-based compensation expense over the next three years.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The results of operations for Right Media, Zimbra, BlueLithium, and certain other business combinations have been included in the Company's consolidated statements of operations since the completion of the acquisitions during the year ended December 31, 2007. The following unaudited pro forma financial information presents the combined results of the Company and the 2007 acquisitions as if the acquisitions had occurred at the beginning of 2006 (in thousands, except per share amounts):

	Year Ended December 31, 2006	Year Ended December 31, 2007
Net revenues	$ 6,522,959	$ 7,054,888
Net income	$ 607,208	$ 511,858
Net income per share—basic	$ 0.44	$ 0.38
Net income per share—diluted	$ 0.41	$ 0.36

The above unaudited pro forma financial information includes adjustments for interest income on cash disbursed for the acquisitions, amortization of identifiable intangible assets, stock-based compensation expense, and related tax effects.

Transactions completed in 2008

Maven. On February 11, 2008, the Company acquired Maven Networks, Inc. ("Maven"), a leading online video platform provider. The Company believes that Maven will assist the Company in expanding state-of-the-art consumer video and advertising experiences on Yahoo! and the Company's network of video publishers across the Web. The purchase price exceeded the fair value of the net tangible and identifiable intangible assets acquired from Maven and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the equity interests (including all outstanding options and restricted stock units) in Maven. Maven stockholders were paid in cash and outstanding Maven options and restricted stock units were assumed. Assumed Maven options and restricted stock units are exercisable for, or will settle in, shares of Yahoo! common stock.

The total purchase price of $143 million consisted of $141 million in cash consideration and $2 million of direct transaction costs. In connection with the acquisition, the Company issued stock-based awards valued at $21 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to four years.

The allocation of the purchase price of the assets acquired and liabilities assumed based on their fair values was as follows (in thousands):

Cash acquired	$ 257
Other tangible assets acquired	16,869
Amortizable intangible assets:	
Customer contracts and related relationships	7,100
Developed technology and patents	57,100
Trade name, trademark, and domain name	1,200
Goodwill	87,404
Total assets acquired	169,930
Liabilities assumed	(3,628)
Deferred income taxes	(23,485)
Total	$142,817

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The amortizable intangible assets have useful lives not exceeding six years and a weighted average useful life of five years. No amounts have been allocated to in-process research and development and $87 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is primarily included in the U.S. segment.

Other Acquisitions—Business Combinations. During the year ended December 31, 2008, the Company acquired two other companies, which were accounted for as business combinations. The total purchase price for these acquisitions was $71 million and consisted of $68 million in cash consideration and $3 million of direct transaction costs. The total cash consideration of $68 million less cash acquired of $25 million resulted in a net cash outlay of $43 million. Of the purchase price, $51 million was allocated to goodwill, $15 million to amortizable intangible assets, $9 million to tangible assets, $25 million to cash acquired, and $30 million to net assumed liabilities. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

Other Acquisitions—Asset Acquisitions. During the year ended December 31, 2008, the Company acquired one company, which was accounted for as an asset acquisition. The total purchase price was $26 million and consisted of $25 million in cash consideration, and $1 million of direct transaction costs. For accounting purposes, approximately $36 million was allocated to amortizable intangible assets and $10 million to net assumed liabilities, primarily deferred income tax liabilities. In connection with the acquisition, the Company also issued stock-based awards valued at approximately $4 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to three years.

The Company's business combinations completed in 2008 do not have a material impact on the Company's results of operations, and therefore pro forma disclosures have not been presented.

Note 4 INVESTMENTS IN EQUITY INTERESTS

As of December 31, *investments in equity interests* consisted of the following (dollars in thousands):

	2007	2008	Percent Ownership of Common Stock
Alibaba Group	$1,440,278	$2,216,659	44%
Alibaba.com	100,804	51,999	1%
Yahoo! Japan	636,164	905,672	34%
Other	3,671	3,115	
Total	$2,180,917	$3,177,445	

Equity Investment in Alibaba Group. On October 23, 2005, the Company acquired approximately 46 percent of the outstanding common stock of Alibaba Group Holding Limited ("Alibaba Group"), which represented approximately 40 percent on a fully diluted basis, in exchange for $1.0 billion in cash, the contribution of the Company's China-based businesses, including 3721 Network Software Company Limited ("Yahoo! China"), and direct transaction costs of $8 million. Pursuant to the terms of a shareholder agreement, the Company has an approximate 35 percent voting interest in Alibaba Group, with the remainder of its voting rights subject to a voting agreement with Alibaba Group management. Other investors in Alibaba Group include SOFTBANK. Alibaba Group is a privately-held company. Through its investment in Alibaba Group, the Company has

combined its search capabilities with Alibaba Group's leading online marketplace and online payment system and Alibaba Group's strong local presence, expertise, and vision in the China market. These factors contributed to a purchase price in excess of the Company's share of the fair value of Alibaba Group's net tangible and intangible assets acquired resulting in goodwill.

The investment in Alibaba Group is being accounted for using the equity method, and the total investment, including net tangible assets, identifiable intangible assets and goodwill, is classified as part of investments in equity interests on the Company's consolidated balance sheets. The Company records its share of the results of Alibaba Group and any related amortization expense, one quarter in arrears, within earnings in equity interests in the consolidated statements of income.

The Company's initial purchase price was based on acquiring a 40 percent equity interest in Alibaba Group on a fully diluted basis; however, the Company acquired a 46 percent interest based on outstanding shares. In allocating the initial excess of the carrying value of the investment in Alibaba Group over its proportionate share of the net assets of Alibaba Group, the Company allocated a portion of the excess to goodwill to account for the estimated reductions in the carrying value of the investment in Alibaba that may occur as the Company's equity interest is diluted to 40 percent.

As of December 31, 2008, the Company's ownership interest in Alibaba Group was approximately 44 percent compared to 43 percent as of December 31, 2007. The 1 percent increase is due to an increase in ownership interest resulting from the exchange of certain Alibaba Group shares previously held by employees for shares in Alibaba.com Limited, the business-to-business e-commerce subsidiary of Alibaba Group, ("Alibaba.com"), partly offset by a decrease in ownership interest resulting from the exercise of Alibaba Group's employee stock options.

In the initial public offering ("IPO") of Alibaba.com on November 6, 2007, Alibaba Group sold an approximate 27 percent interest in Alibaba.com through the issuance of new Alibaba.com shares, the sale of previously held shares in Alibaba.com, and the exchange of certain Alibaba Group shares previously held by Alibaba Group employees for shares in Alibaba.com, resulting in a gain on disposal of interests in Alibaba.com. Accordingly, in the first quarter of 2008, the Company recorded a non-cash gain of $401 million, net of tax, within earnings in equity interests representing the Company's share of Alibaba Group's gain.

The Company also recognizes non-cash gains when dilution to its ownership interest in Alibaba Group occurs as these reductions in ownership interest are treated as incremental sales of additional equity interests in Yahoo! China. The Company recorded non-cash gains of approximately $15 million and $8 million, respectively, during the years ended December 31, 2006 and 2007 as a result of the conversion of Alibaba Group's outstanding convertible debt in April 2006 and the exercise of Alibaba Group's employee stock options described above. These gains were recorded in other income, net, to account for an approximate 3 percent reduction in the Company's ownership interest in Alibaba Group from 46 percent to 44 percent in 2006, and from 44 percent to 43 percent in 2007. Non-cash gains were not recognized in 2008 as the Company's ownership interest in Alibaba Group increased by 1 percent as described above.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

As of December 31, 2008, the difference between the Company's carrying value of its investment in Alibaba Group and its proportionate share of the net assets of Alibaba Group is summarized as follows (in thousands):

Carrying value of investment in Alibaba Group	$ 2,216,659
Proportionate share of net assets of Alibaba Group(*)	1,658,250
Excess of carrying value of investment over proportionate share of net assets	$ 558,409
The excess carrying value has been primarily assigned to:	
Goodwill	$ 525,155
Amortizable intangible assets	33,800
Deferred income taxes	(546)
Total	$ 558,409

(*) The majority of assets are comprised primarily of goodwill and intangible assets.

The amortizable intangible assets have useful lives not exceeding seven years and a weighted average useful life of approximately five years. No amount has been allocated to in-process research and development. Goodwill is not deductible for tax purposes.

The following table presents Alibaba Group's U.S. GAAP financial information, as derived from the Alibaba Group financial statements, which includes summary operating information for the twelve months ended September 30, 2006, 2007, and 2008 and summary balance sheet information as of September 30, 2007 and 2008 (in thousands):

	Twelve Months Ended September 30,		
	2006	2007	2008
Operating data:[1]			
Revenues	$182,238	$290,193	$ 456,808
Gross profit	$131,971	$208,476	$ 317,139
Loss from operations[2]	$ (67,565)	$ (59,582)	$ (236,017)
Net (loss)/income[3]	$ (58,750)	$ (58,860)	$1,870,093

	September 30, 2007	September 30, 2008
Balance sheet data:		
Current assets	$ 723,609	$ 2,585,369
Long-term assets	$ 1,943,425	$ 2,193,374
Current liabilities	$ 452,413	$ 821,174
Long-term liabilities	$ 15,369	$ 20,131
Minority interests	$ —	$ 187,570

(1) The Company records its share of the results of Alibaba Group one quarter in arrears within earnings in equity interests in the consolidated statements of income.

(2) The loss from operations of $236 million for the twelve months ended September 30, 2008 is primarily due to Alibaba Group's impairment loss on goodwill and intangible assets for which the Company has no basis in its investment balance.

(3) The net income of $1.9 billion for the twelve months ended September 30, 2008 is primarily due to Alibaba Group's sale of an approximate 27 percent ownership in Alibaba.com from Alibaba.com's IPO.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Since acquiring its interest in Alibaba Group, the Company has recorded, in retained earnings, cumulative losses in equity interests of $60 million as of December 31, 2007, and cumulative earnings in equity interests of $333 million as of December 31, 2008.

The Company also has commercial arrangements with Alibaba Group to provide technical, development, and advertising services. For the years ended December 31, 2007 and 2008, respectively, these transactions were not material.

Equity Investment in Alibaba.com Limited. As part of the IPO of Alibaba.com, the Company purchased an approximate 1 percent interest in the common stock of Alibaba.com. This investment is accounted for using the equity method, consistent with the Company's investment in Alibaba Group, which holds the controlling interest in Alibaba.com. In 2008, the Company recorded an impairment charge of $30 million, net of tax, within earnings in equity interests to reduce the carrying value of the investment to fair value. As of December 31, 2008, the fair value of the Company's investment based on the quoted stock price of Alibaba.com was approximately $41 million. The deficiency between the fair value of the investment and the carrying value of $52 million as of December 31, 2008 is not indicative of a loss in value that is considered other-than-temporary.

Equity Investment in Yahoo! Japan. During April 1996, the Company signed a joint venture agreement with SOFTBANK, which was amended in September 1997, whereby Yahoo! Japan Corporation ("Yahoo! Japan") was formed. Yahoo! Japan was formed to establish and manage a local version of Yahoo! in Japan. The fair value of the Company's approximate 34 percent ownership in the common stock of Yahoo! Japan, based on the quoted stock price, was approximately $8 billion as of December 31, 2008.

The investment in Yahoo! Japan is being accounted for using the equity method and the total investment, including net tangible assets, identifiable intangible assets and goodwill, is classified as part of the investments in equity interests balance on the Company's consolidated balance sheets. The Company records its share of the results of Yahoo! Japan and any related amortization expense, one quarter in arrears, within earnings in equity interests in the consolidated statements of income.

The Company's ownership interest in Yahoo! Japan fluctuated in 2008 primarily due to share repurchases that were undertaken by Yahoo! Japan on the open market. The Company's proportionate share of Yahoo! Japan's share repurchase amount in excess of its book value was approximately $151 million and has been primarily allocated to goodwill. Prior to and during 2001, Yahoo! Japan acquired the Company's equity interests in certain entities in Japan for total consideration of approximately $65 million, paid partially in shares of Yahoo! Japan common stock and partially in cash. As a result of the acquisition, the Company increased its investment in Yahoo! Japan, which resulted in approximately $41 million of goodwill to be amortized over seven years. The amortization ceased upon the adoption of SFAS 142 on January 1, 2002. The carrying value of the Company's investment in Yahoo! Japan differs from the amount of the underlying equity in net assets of Yahoo! Japan primarily as a result of this goodwill. Goodwill is not deductible for tax purposes.

During the years ended December 31, 2006, 2007 and 2008, the Company received cash dividends from Yahoo! Japan in the amounts of $13 million, $15 million, and $19 million, net of tax, respectively, which were recorded as reductions in the Company's investment in Yahoo! Japan.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The following table presents Yahoo! Japan's financial information, as derived from the Yahoo! Japan financial statements for the twelve months ended September 30, 2006, 2007, and 2008 and as of September 30, 2007 and 2008 (in thousands):

	Twelve Months Ended September 30,		
	2006	2007	2008
Operating data(*):			
Revenues	$ 1,671,154	$ 1,933,114	$ 2,697,518
Gross profit	$ 1,584,433	$ 1,836,169	$ 2,298,364
Income from operations	$ 806,718	$ 983,844	$ 1,217,895
Net income	$ 451,377	$ 507,850	$ 653,132

	September 30,	
	2007	2008
Balance sheet data:		
Current assets	$ 1,131,234	$ 1,202,164
Long-term assets	$ 1,783,430	$ 1,923,195
Current liabilities	$ 692,337	$ 778,110
Long-term liabilities	$ 347,995	$ 189,719
Minority interests	$ 17,927	$ 25,665

(*) The Company records its share of the results of Yahoo! Japan one quarter in arrears within earnings in equity interests in the consolidated statements of income.

The differences between U.S. GAAP and accounting principles generally accepted in Japan, the standards by which Yahoo! Japan's financial statements are prepared, did not materially impact the amounts reflected in the Company's consolidated financial statements.

Since acquiring its equity interest in Yahoo! Japan, the Company has recorded cumulative earnings in equity interests, net of dividends received and related taxes, of $589 million and $801 million as of December 31, 2007 and 2008, respectively.

During the year ended December 31, 2007, the Company completed the sale of Overture Japan to Yahoo! Japan for cash consideration of approximately $19 million. The transaction was accounted for as a sale of assets. In connection with the transaction, the Company recorded a pre-tax gain of $6 million in other income, net.

On September 1, 2007, the Company commenced a new commercial arrangement with Yahoo! Japan in which the Company provides search marketing services to Yahoo! Japan for a service fee and exited the pre-existing commercial arrangement. Previously, the Company earned marketing services revenues from advertisers and paid TAC to Yahoo! Japan. The Company no longer recognizes marketing services revenues and TAC for the delivery of sponsored search results and payments to Affiliates in Japan as Yahoo! Japan is responsible for the fulfillment of all advertiser and Affiliate services. Under this new arrangement, the Company records marketing services revenues from Yahoo! Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo! Japan for the delivery of sponsored search results. In addition to marketing services revenues, the Company continues to record revenues from license fees from Yahoo! Japan. The prior commercial arrangement resulted in net costs of approximately $246 million and $135 million for the years ended December 31, 2006 and 2007, respectively. The new arrangement resulted in revenues of approximately $296 million for the year ended December 31, 2008. As of December 31, 2007 and 2008, the Company had net receivable balances from Yahoo! Japan of approximately $62 million and $39 million, respectively.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Note 5 GOODWILL

The changes in the carrying amount of *goodwill* for the years ended December 31, 2007 and 2008 were as follows (in thousands):

	United States	International	Total
Balance as of January 1, 2007	$ 1,658,879	$ 1,309,678	$ 2,968,557
Acquisitions and other	859,969	86,232	946,201
Foreign currency translation adjustments	—	87,272	87,272
Balance as of December 31, 2007	$ 2,518,848	$ 1,483,182	$ 4,002,030
Goodwill impairment charge	—	(487,537)	(487,537)
Acquisitions and other(*)	68,043	37,342	105,385
Foreign currency translation adjustments	—	(178,989)	(178,989)
Balance as of December 31, 2008	$ 2,586,891	$ 853,998	$ 3,440,889

(*) Other includes a reduction of $19 million of goodwill related to the sale of Kelkoo SAS.

As a result of the goodwill impairment test, the Company concluded that the carrying value of the European reporting unit, included in the International segment, exceeded its fair value. As required by the second step of the impairment test, the Company performed an allocation of the fair value to all the assets and liabilities of the reporting unit, including identifiable intangible assets, based on their fair values, to determine the implied fair value of goodwill. Accordingly, the Company recorded a goodwill impairment charge of approximately $488 million during 2008 for the difference between the carrying value of the goodwill in the reporting unit and its implied fair value. The impairment resulted from a combination of factors, including the current global economic downturn, a persistent decline in business conditions in the European region, reductions in the Company's projected operating results and estimated future cash flows, and decreases in revenues and earnings multiples of comparable companies in that region.

The fair values of the Company's other reporting units exceeded their estimated carrying values and therefore goodwill in those reporting units was not impaired.

Note 6 INTANGIBLE ASSETS, NET

The following table summarizes the Company's carrying amount of *intangible assets, net* (in thousands):

	December 31, 2007		
	Gross Carrying Amount	Accumulated Amortization(1)	Net(2)
Customer, affiliate, and advertiser related relationships	$ 252,792	$ (109,597)	$143,195
Developed technology and patents	689,873	(305,832)	384,041
Trademark, trade name, and domain name	208,069	(123,808)	84,261
Total intangible assets, net	$ 1,150,734	$ (539,237)	$611,497

	December 31, 2008		
	Gross Carrying Amount	Accumulated Amortization(1)	Net(2)
Customer, affiliate, and advertiser related relationships	$ 178,868	$ (79,040)	$ 99,828
Developed technology and patents	555,669	(205,501)	350,168
Trademark, trade name, and domain name	128,190	(92,326)	35,864
Total intangible assets, net	$ 862,727	$ (376,867)	$485,860

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Notes to Consolidated Financial Statements—(Continued)

(1) Foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, totaled approximately $26 million as of December 31, 2007 and $11 million as of December 31, 2008.

(2) As of December 31, 2007 and 2008, $506 million and $413 million, respectively, of the net intangibles balance were related to the U.S. segment. As of December 31, 2007 and 2008, $105 million and $73 million, respectively, of the net intangibles balance were related to the International segment.

The intangible assets have original estimated useful lives as follows:

- Customer, affiliate, and advertiser related relationships—three to eight years;
- Developed technology and patents—less than one year to eight years; and
- Trademark, trade name, and domain name—one year to indefinite lived.

The Company recognized amortization expense of intangible assets of approximately $238 million, $250 million, and $281 million for 2006, 2007, and 2008, respectively, including $113 million, $143 million, and $194 million, respectively, included in cost of revenues. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding years is as follows: 2009: $166 million; 2010: $138 million; 2011: $89 million; 2012: $57 million; 2013: $21 million; 2014: $10 million; and cumulatively thereafter: $5 million.

Note 7 CONSOLIDATED FINANCIAL STATEMENT DETAILS

Other income, net

Other income, net for 2006, 2007, and 2008 were as follows (in thousands):

	Years Ended December 31,		
	2006	2007	2008
Interest and investment income	$ 143,310	$ 129,541	$ 86,056
Investment gains, net	(3,527)	1,730	(351)
Gain on divestiture of Yahoo! China(*)	15,158	8,066	—
Gain on sale of Overture Japan(*)	—	6,175	—
Gain on sale of Kelkoo SAS	—	—	25,149
Other	2,093	8,499	(28,016)
Total other income, net	$ 157,034	$ 154,011	$ 82,838

(*) See Note 4—"Investments in Equity Interests" for additional information related to the gains on the divestiture of Yahoo! China and sale of Overture Japan.

Interest and investment income consist of income earned from cash in bank accounts and investments made in marketable debt securities and money market funds.

Investment gains (losses), net includes realized gains and losses related to sales of marketable debt securities and/or investments in publicly traded or privately held companies as well as any declines in the values of such investments judged to be other-than-temporary.

During the year ended December 31, 2008, the Company completed the sale of Kelkoo SAS and recorded a pre-tax gain of approximately $25 million in other income, net. The transaction was accounted for as a sale of a business.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Other consists mainly of foreign exchange gains and losses due to re-measurement of assets and liabilities denominated in non-functional currencies.

Prepaid expenses and other current assets

As of December 31, *Prepaid expenses and other current assets* consisted of the following (in thousands):

	2007	2008
Prepaid expenses	$ 69,498	$ 70,084
Deferred income taxes (Note 10)	83,691	143,131
Other	27,527	19,846
Total prepaid expenses and other current assets	$ 180,716	$ 233,061

Property and equipment, net

As of December 31, *Property and equipment, net* consisted of the following (in thousands):

	2007	2008
Land	$ 163,068	$ 170,949
Buildings	238,035	256,131
Leasehold improvements	173,847	220,305
Computers and equipment(*)	1,173,737	1,384,000
Furniture and fixtures	70,205	67,886
Assets not yet in use	119,690	206,216
	1,938,582	2,305,487
Less: accumulated depreciation and amortization	(606,950)	(769,306)
Total property and equipment, net	$ 1,331,632	$ 1,536,181

(*) Includes data center equipment acquired in 2008 under a capital lease of approximately $43 million.

Other long-term assets

As of December 31, *Other long-term assets* consisted of the following (in thousands):

	2007	2008
Deferred income taxes (Note 10)	$ 299,923	$ 36,821
Investments in privately-held companies	17,835	38,428
Investments in publicly-held companies	125,913	86,629
Other	60,274	72,111
Total other long-term assets	$ 503,945	$ 233,989

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Notes to Consolidated Financial Statements—(Continued)

Accrued expenses and other current liabilities

As of December 31, *Accrued expenses and other current liabilities* consisted of the following (in thousands):

	2007	2008
Accrued content, connection, traffic acquisition, and other costs	$ 331,378	$ 374,920
Deferred income taxes (Note 10)	13,105	865
Accrued compensation and related expenses	338,490	318,958
Accrued taxes payable	39,120	23,194
Accrued professional service expenses	73,115	77,032
Accrued sales and marketing related expenses	54,347	44,335
Accrued restructuring and acquisition-related costs	16,466	82,268
Other	140,167	218,322
Total accrued expenses and other current liabilities	$ 1,006,188	$ 1,139,894

Deferred and other long-term tax liabilities, net

As of December 31, *Deferred and other long-term tax liabilities, net* consisted of the following (in thousands):

	2007	2008
Deferred income taxes	$ 15,684	$ 68,097
Tax contingency accruals(*)	245,309	352,275
Total deferred and other long-term tax liabilities, net (Note 10)	$ 260,993	$ 420,372

(*) Includes interest and penalties.

Accumulated other comprehensive income

As of December 31, the components of *Accumulated other comprehensive income* were as follows (in thousands):

	2007	2008
Unrealized gains and losses on available-for-sale securities, net of tax	$ 26,874	$ 6,857
Foreign currency translation, net of tax	304,328	113,419
Accumulated other comprehensive income	$ 331,202	$ 120,276

Note 8 INVESTMENTS

The following tables summarize the investments in available-for-sale securities (in thousands):

	December 31, 2007			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	$ 219,681	$ 1,648	$ (239)	$ 221,090
Municipal bonds	4,634	44	—	4,678
Corporate debt securities	623,212	2,133	(1,571)	623,774
Corporate equity securities(*)	71,178	55,860	(1,125)	125,913
Total investments in available-for-sale securities	$ 918,705	$ 59,685	$ (2,935)	$ 975,455

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Notes to Consolidated Financial Statements—(Continued)

	December 31, 2008			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	$ 935,025	$ 1,602	$ —	$ 936,627
Municipal bonds	47,687	55	—	47,742
Corporate debt securities	247,554	739	(2,985)	245,308
Corporate equity securities(*)	68,745	17,884	—	86,629
Total investments in available-for-sale securities	$ 1,299,011	$ 20,280	$ (2,985)	$ 1,316,306

	December 31,	
	2007	2008
Reported as:		
Short-term marketable debt securities	$ 487,544	$ 1,159,691
Long-term marketable debt securities	361,998	69,986
Other assets(*)	125,913	86,629
Total	$ 975,455	$ 1,316,306

Available-for-sale securities included in cash and cash equivalents on the consolidated balance sheets are not included in the table above as the gross unrealized gains and losses were immaterial for 2007 and 2008 with respect to these securities.

(*) These balances include the Company's cost method investment in Gmarket, which is included in other long-term assets in the consolidated balance sheets.

The contractual maturities of available-for-sale marketable debt securities were as follows (in thousands):

	December 31,	
	2007	2008
Due within one year	$ 487,544	$ 1,159,691
Due after one year through five years	361,998	69,986
Total available-for-sale marketable debt securities	$ 849,542	$ 1,229,677

The following tables show all investments in an unrealized loss position for which an other-than-temporary impairment has not been recognized and the related gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	December 31, 2007					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and agency securities	$ 1,993	$ (19)	$ 66,655	$ (220)	$ 68,648	$ (239)
Corporate debt securities	113,328	(646)	237,581	(925)	350,909	(1,571)
Corporate equity securities	867	(1,125)	—	—	867	(1,125)
Total investments in available-for-sale securities	$ 116,188	$ (1,790)	$ 304,236	$ (1,145)	$ 420,424	$ (2,935)

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Notes to Consolidated Financial Statements—(Continued)

	December 31, 2008					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and agency securities	$ —	$ —	$ —	$ —	$ —	$ —
Corporate debt securities	72,585	(2,521)	18,640	(464)	91,225	(2,985)
Corporate equity securities	—	—	—	—	—	—
Total investments in available-for-sale securities	$72,585	$ (2,521)	$18,640	$ (464)	$91,225	$ (2,985)

The Company's investment portfolio consists of liquid government, agency, municipal, and high-quality fixed-income corporate securities. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Fixed income securities may have their fair market value adversely impacted due to a deterioration of the credit quality of the issuer. The longer the term of the securities, the more susceptible they are to changes in market rates. Investments are reviewed periodically to identify possible other-than-temporary impairment. The Company has the intent and ability to hold these securities for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the initial cost of the investment. The Company expects to realize the full value of all of these investments upon maturity or sale.

Effective January 1, 2008, the Company adopted SFAS 157 for financial assets and liabilities. SFAS 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements by establishing a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Basis of Fair Value Measurement

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

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Notes to Consolidated Financial Statements—(Continued)

The following table sets forth the financial assets, measured at fair value, by level within the fair value hierarchy as of December 31, 2008 (in thousands):

	Fair Value Measurements at Reporting Date Using		
Assets	Level 1	Level 2	Total
Money market funds[1]	$ 1,024,633	$ —	$ 1,024,633
Available-for-sale securities:			
U.S. Government and agency securities[1]	—	1,274,388	1,274,388
Municipal bonds[1]	—	52,816	52,816
Asset-backed securities[1]	—	8,933	8,933
Commercial paper[1]	—	460,933	460,933
Corporate debt securities[1]	—	116,811	116,811
Corporate equity securities[2]	86,629	—	86,629
Total assets at fair value	$ 1,111,262	$ 1,913,881	$ 3,025,143

(1) The money market funds, U.S. Government and agency securities, municipal bonds, asset-backed securities, commercial paper, and corporate debt securities are classified as part of either cash and cash equivalents or investments in marketable debt securities in the consolidated balance sheet.

(2) The corporate equity securities are classified as part of the other long-term assets in the consolidated balance sheet.

The amount of cash and cash equivalents as of December 31, 2008 includes $583 million in cash deposited with commercial banks.

The fair value of the Company's Level 1 financial assets are based on quoted market prices of the identical underlying security. The fair value of the Company's Level 2 financial assets are obtained from readily-available pricing sources for the identical underlying security that may not be actively traded. As of December 31, 2008, the Company did not have any material Level 3 financial assets or liabilities.

Note 9 DEBT

In April 2003, the Company issued $750 million of zero coupon senior convertible notes (the "Notes") due April 1, 2008, resulting in net proceeds to the Company of approximately $733 million after transaction fees of $17 million, which were deferred and were included on the consolidated balance sheets in prepaid expenses and other current assets. The Notes were issued at par and did not bear interest. The Notes were convertible into Yahoo! common stock at a conversion price of $20.50 per share. Each $1,000 principal amount of the Notes were convertible into 48.78 shares of Yahoo! common stock.

The Notes were convertible prior to the final maturity date (1) during any fiscal quarter if the closing sale price of the Company's common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the immediately preceding fiscal quarter exceeded 110 percent of the conversion price on that 30th trading day, (2) during the period beginning January 1, 2008 through the maturity date, if the closing sale price of the Company's common stock on the previous trading day was 110 percent or more of the then current conversion price and (3) upon specified corporate transactions. Upon conversion, the Company had the right to deliver cash in lieu of common stock.

During the year ended December 31, 2008, $750 million of the Notes were converted into 36.6 million shares of Yahoo! common stock. As of December 31, 2007, the Notes were classified as short-term debt, because if

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Notes to Consolidated Financial Statements—(Continued)

conversion had not been requested by the holders of the Notes, the Company would have had to settle the Notes in cash at maturity.

Note 10 INCOME TAXES

The components of income before income taxes, earnings in equity interests, and minority interests are as follows (in thousands):

	Years Ended December 31,		
	2006	2007	2008
United States	$ 1,002,673	$ 666,533	$ 457,263
Foreign(*)	95,327	182,891	(361,462)
Income before provision for income taxes, earnings in equity interests, and minority interests	$ 1,098,000	$ 849,424	$ 95,801

(*) Includes a $488 million goodwill impairment charge in 2008.

The provision (benefit) for income taxes is composed of the following (in thousands):

	Years Ended December 31,		
	2006	2007	2008
Current:			
United States federal	$ 595,967	$ 380,923	$228,209
State	68,348	87,725	16,603
Foreign	68,129	81,357	53,229
Total current provision for income taxes	732,444	550,005	298,041
Deferred:			
United States federal	(221,204)	(137,095)	11,882
State	(23,403)	(37,046)	(34,248)
Foreign	(29,826)	(38,601)	(12,958)
Total deferred provision (benefit) for income taxes	(274,433)	(212,742)	(35,324)
Provision for income taxes	$ 458,011	$ 337,263	$262,717

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Notes to Consolidated Financial Statements—(Continued)

The provision for income taxes differs from the amount computed by applying the federal statutory income tax rate to income before provision for income taxes as follows (in thousands):

	Years Ended December 31,		
	2006(*)	2007(*)	2008
Income tax at the United States federal statutory rate of 35 percent	$384,300	$297,297	$ 33,530
State income taxes, net of federal benefit	43,297	32,942	(8,395)
Change in valuation allowance	15,206	9,806	25,674
Stock-based compensation expense	18,652	34,011	44,938
Research tax credits	(5,300)	(8,618)	(13,954)
Effect of non-U.S. operations	5,246	(37,238)	18,403
Meals and entertainment	1,911	2,770	2,816
Settlement with tax authorities	—	—	(5,245)
Goodwill impairment charge	—	—	170,644
Other	(5,301)	6,293	(5,694)
Provision for income taxes	$458,011	$337,263	$262,717

(*) Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

The significantly higher effective tax rate in 2008 was primarily caused by the $488 million goodwill impairment charge, the majority of which was non-deductible for tax purposes, as well as the impact of the geographic mix of earnings. The 2008 state income tax provision reflects the cumulative tax benefit of a favorable state tax ruling granted in 2008 and retroactive to 2007. The 2007 provision for income taxes reflects the tax benefit related to the release of deferred tax liabilities in connection with changes to the Company's worldwide entity structure in 2007.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of deferred income tax assets and liabilities are as follows (in thousands):

	December 31,	
	2007	2008
Deferred income tax assets:		
Net operating loss and tax credit carryforwards	$ 185,646	$ 195,306
Stock-based compensation expense	311,955	287,417
Non-deductible reserves and expenses	110,894	159,735
Intangible assets	54,103	36,664
Gross deferred income tax assets	662,598	679,122
Valuation allowance	(66,488)	(83,550)
Deferred income tax assets	$ 596,110	$ 595,572
Deferred income tax liabilities:		
Unrealized investment gains	$ (14,136)	$ (4,838)
Purchased intangible assets	(79,806)	(25,942)
Investments in equity interests	(147,343)	(453,802)
Deferred income tax liabilities	$(241,285)	$(484,582)
Net deferred income tax assets	$ 354,825	$ 110,990

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Notes to Consolidated Financial Statements—(Continued)

During 2008, the Company recorded a deferred tax liability of $276 million in connection with the non-cash gain recorded related to the IPO of Alibaba.com.

As of December 31, 2008, the Company's federal and state net operating loss carryforwards for income tax purposes were approximately $464 million and $115 million, respectively. Approximately $245 million of the $464 million federal net operating loss carryforwards resulted from exercises of employee stock options and were not recorded on the Company's consolidated balance sheets. In accordance with SFAS 123R, such unrecognized deferred tax benefits will be accounted for as a credit to additional paid-in-capital if and when realized through a reduction in income tax payable. If not utilized, the federal net operating loss carryforwards will begin to expire in 2019 and the state net operating loss carryforwards will begin to expire in 2010. The Company's federal and state research tax credit carryforwards for income tax purposes are approximately $149 million and $167 million, respectively. If not utilized, the federal research tax credit carryforwards will begin to expire in 2010. The state research tax credit carryforwards will not expire.

The Company has a valuation allowance of approximately $84 million as of December 31, 2008 against certain deferred income tax assets that are not more likely than not to be realized in future periods. In evaluating the Company's ability to realize its deferred income tax assets the Company considers all available positive and negative evidence, including operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction by jurisdiction basis. The valuation allowance as of December 31, 2008 relates to foreign net operating loss and credit carryforwards that will reduce the provision for income taxes if and when recognized.

The Company provides U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2008, U.S. income taxes were not provided for on a cumulative total of $1.5 billion of undistributed earnings for certain foreign subsidiaries and a corporate joint venture. If these earnings were to be repatriated, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

The Company adopted the provisions of FIN 48 on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized a $46 million increase to the January 1, 2007 balance of retained earnings related to adjustments to certain unrecognized tax benefits. A reconciliation of the beginning and ending amount of unrecognized tax benefits in 2007 and 2008 is as follows (in thousands):

	2007	2008
Unrecognized tax benefits balance at January 1	$619,578	$685,672
Gross increase for tax positions of prior years	39,554	70,474
Gross decrease for tax positions of prior years	(24,433)	(15,065)
Gross increase for tax positions of current year	50,973	58,667
Gross decrease for tax positions of current year	—	—
Settlements	—	(1,691)
Lapse of statute of limitations	—	—
Unrecognized tax benefits balance at December 31	$685,672	$798,057

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Notes to Consolidated Financial Statements—(Continued)

The total unrecognized tax benefits as of December 31, 2007 and 2008 include approximately $442 million and $452 million, respectively, of unrecognized tax benefits that have been netted against the related deferred tax assets. The remaining balances are recorded on the Company's consolidated balance sheets as follows (in thousands):

	December 31,	
	2007	2008
Total unrecognized tax benefits balance	$ 685,672	$ 798,057
Amounts netted against related deferred tax assets	(442,205)	(451,790)
Unrecognized tax benefits recorded on consolidated balance sheets	$ 243,467	$ 346,267
Amounts classified as accrued expenses and other current liabilities	$ 1,351	$ 5,519
Amounts classified as deferred and other long-term tax liabilities, net	242,116	340,748
Unrecognized tax benefits recorded on consolidated balance sheets	$ 243,467	$ 346,267

The total unrecognized tax benefits of $798 million at December 31, 2008 included $613 million that, if recognized, would reduce the effective income tax rate in future periods.

The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. During 2007 and 2008, interest and penalties recorded in the consolidated statements of income were $1 million and $6 million, respectively. The amounts of accrued interest and penalties recorded on the consolidated balance sheets as of December 31, 2007 and 2008 were approximately $3 million and $12 million, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and in many U.S. states and foreign jurisdictions. The tax years 1995 to 2008 remain open to examination by the major taxing jurisdictions in which the Company is subject to tax. The examination of the Company's federal income tax returns for the years ended December 31, 2003 and December 31, 2004 was completed in 2008 and resulted in no material adjustments.

The Company's federal and California income tax returns for the years ended December 31, 2005 and 2006 are under examination by the Internal Revenue Service and the California Franchise Tax Board.

Note 11 STOCKHOLDERS' EQUITY

Stockholder Rights Plan. The Company adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of the Company's two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of the Company's outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of its common stock or of any company into which the Company is merged having a value of $500. The rights expire on March 1, 2011, unless extended by the Company's Board of Directors (the "Board"). Because the rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Board, the Company's rights plan could make it more difficult for a third-party to acquire the Company (or a significant percentage of its outstanding capital stock) without first negotiating with the Board regarding that acquisition.

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Notes to Consolidated Financial Statements—(Continued)

In addition, the Board has the authority to issue up to 10 million shares of Preferred Stock (of which 2 million shares have been designated as Series A Junior Participating Preferred Stock) and to determine the price, rights, preferences, privileges, and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The stockholder rights plan was not adopted in response to any effort to acquire control of the Company. The Company repurchases its common stock from time to time primarily to reduce the dilutive effects of the Company's stock options, awards, and employee stock purchase plan.

Stock Repurchases. In March 2005, the Board authorized the repurchase of up to $3.0 billion of its outstanding shares of common stock over the next five years, dependent on market conditions, stock price, and other factors. Under this program, during the year ended December 31, 2005, the Company repurchased 11.7 million shares of common stock at an average price of $33.20 per share, for total consideration of $388 million. During the year ended December 31, 2006, the Company repurchased 93.1 million shares of common stock at an average price of $29.84 per share, including 31.6 million shares received upon the maturity of structured stock repurchase transactions. Total cash consideration for the stock repurchases in 2006 was $2.8 billion which consisted of $1.8 billion direct stock repurchases, $0.5 billion as a result of settlements of structured stock repurchase transactions entered into in 2005, and $0.5 billion as a result of settlements of structured stock repurchase transactions entered into in 2006. Including the $250 million structured stock transaction settled in October 2006, the Company had substantially completed the $3.0 billion authorized stock repurchase program as of September 30, 2006.

In October 2006, the Board authorized a new stock repurchase program allowing it to repurchase up to $3.0 billion of its outstanding shares of common stock from time to time over the next five years from the date of authorization, dependent on market conditions, stock price, and other factors. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Under this program, in the year ended December 31, 2007, the Company repurchased 57.9 million shares of common stock directly at an average price of $27.34 per share. Total cash consideration for the repurchased stock was $1.6 billion. Under this program, in the year ended December 31, 2008, the Company repurchased 3.4 million shares of common stock directly at an average price of $23.39 per share, for total consideration of $79 million. The remaining authorization under the Company's share repurchase program is approximately $1.1 billion.

In addition, upon the vesting of certain restricted stock awards during the year ended December 31, 2008, 1.1 million shares of such vested stock were reacquired by the Company to satisfy tax withholding obligations. These repurchased shares were recorded as $27 million of treasury stock and accordingly reduced the number of common shares outstanding by 1.1 million.

Structured Stock Repurchases. During the year ended December 31, 2006, the Company had settlements of structured stock repurchase transactions for a total amount of $0.5 billion which the Company entered into in 2005 resulting in repurchases of 15.1 million shares at an average price of $32.88 per share. A structured stock repurchase transaction for the amount of $250 million that the Company entered into in 2005 was settled in cash resulting in cash proceeds of $272 million in 2006. The Company also entered into structured stock repurchase transactions for a total amount of $0.5 billion in 2006. All of these transactions were settled in stock during the year ended December 31, 2006 resulting in the repurchase of 16.5 million shares at an average price of $30.25 per share. During the year ended December 31, 2007, the Company entered into a $250 million structured stock repurchase transaction. This transaction matured and settled in 2007. The Company received 8.4 million shares of its common stock at an effective buy-back price of $29.80 per share. The structured stock repurchase transactions were recorded in stockholders' equity on the consolidated balance sheets. During the year ended December 31, 2008, the Company had no structured stock repurchase transactions.

To date, the Company has repurchased 208.7 million shares, which are recorded as part of treasury stock. Treasury stock is accounted for under the cost method.

Note 12 EMPLOYEE BENEFITS

Benefit Plans. The Company maintains a Yahoo! Inc. 401(k) Plan (the "401(k) Plan") for its full-time employees in the U.S. The 401(k) Plan allows employees of the Company to contribute up to the Internal Revenue Code prescribed maximum amount. Employees may elect to contribute from 1 to 50 percent of their annual compensation to the 401(k) Plan. The Company matches employee contributions at a rate of 25 percent. Employee contributions are fully vested, whereas vesting in matching Company contributions occurs at a rate of 33 percent per year of employment. During 2006, 2007, and 2008, the Company's contributions to the 401(k) Plan amounted to approximately $16 million, $19 million, and $21 million, respectively. The Company also contributed approximately $13 million, $18 million, and $26 million to its other benefit plans outside of the U.S. for 2006, 2007, and 2008, respectively.

Stock Plans. The 1995 Plan and stock-based award plans assumed through acquisitions are collectively referred to as the "Plans." The 1995 Plan provides for the issuance of stock-based awards to employees, including executive officers, and consultants. The 1995 Plan permits the granting of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, indexed options, and dividend equivalents.

Options granted under the 1995 Plan before May 19, 2005 generally expire 10 years after the grant date, and options granted after May 19, 2005 generally expire seven years after the grant date. Options generally become exercisable over a four-year period based on continued employment and vest either monthly, quarterly, semi-annually, or annually.

The 1995 Plan permits the granting of restricted stock and restricted stock units (collectively referred to as "restricted stock awards"). The vesting of restricted stock awards is generally the passage of time, to meeting certain performance-based objectives, or a combination of both, and continued employment through the vesting period. Restricted stock award grants are generally measured at fair value on the date of grant based on the number of shares granted and the quoted price of the Company's common stock. Such value is recognized as an expense over the corresponding service period. Each share of the Company's common stock issued in settlement of restricted stock awards is counted as 1.75 until June 11, 2007 and 2.00 shares beginning on June 12, 2007 against the 1995 Plan's share limit.

The 1995 Plan provides for the issuance of a maximum of 704 million shares of which 78 million were still available for issuance as of December 31, 2008.

The Directors' Plan provides for the grant of nonqualified stock options and restricted stock units to non-employee directors of the Company. The Directors' Plan provides for the issuance of up to 9 million shares of the Company's common stock, of which approximately 4.9 million were still available for issuance as of December 31, 2008. Each share of the Company's common stock issued in settlement of restricted stock units granted under the Directors' Plan is counted as 1.75 shares against the Directors' Plans' share limit.

Options granted under the Directors' Plan before May 25, 2006 generally become exercisable, based on continued service as a director, for initial grants to new directors, in equal monthly installments over four years, and for annual grants, with 25 percent of such options vesting on the one year anniversary of the date of grant and the remaining options vesting in equal monthly installments over the remaining 36-month period thereafter. Such options generally expire 10 years after the grant date. Options granted on or after May 25, 2006 become

exercisable, based on continued service as a director, in equal quarterly installments over one year. Such options generally expire seven years after the grant date.

Restricted stock units granted under the Directors' Plan vest in equal quarterly installments over a one year period following the date of grant and, once vested, are payable in an equal number of shares of the Company's common stock on the earlier of the third anniversary of the grant date or the date the director ceases to be a member of the Board.

Non-employee directors are also permitted to elect an award of restricted stock units or a stock option under the Directors' Plan in lieu of a cash payment of fees for serving as chairperson of a committee of the Board. Such stock options or restricted stock unit awards granted in lieu of cash for chairperson fees are fully vested on the grant date.

Employee Stock Purchase Plan. The Company's 1996 Employee Stock Purchase Plan (the "Purchase Plan") allows employees to purchase shares of the Company's common stock through payroll deductions of up to 15 percent of their annual compensation subject to certain Internal Revenue Code limitations. The price of common stock purchased under the Purchase Plan is equal to 85 percent of the lower of the fair market value of the common stock on the commencement date of each 24-month offering period or the specified purchase date. The Purchase Plan provides for the issuance of a maximum of 45 million shares of common stock of which 18 million shares were available as of December 31, 2008. For the years ended December 31, 2006, 2007, and 2008, the stock-based compensation expense related to the activity under the Purchase Plan was $55 million, $48 million, and $52 million, respectively. As of December 31, 2008, there was $97 million of unamortized stock-based compensation cost related to the Purchase Plan which will be recognized over a weighted average period of 1.1 years.

Executive Retention Compensation Agreement. During 2006, the Compensation Committee of the Board (the "Compensation Committee") approved a three year performance and retention compensation arrangement with Terry Semel, the Company's then Chief Executive Officer ("CEO"). For each of the years 2006 to 2008, as the CEO, Mr. Semel was eligible to receive a discretionary annual bonus payable in the form of a fully vested non-qualified stock option for up to 1 million shares with an exercise price equal to the closing trading price of the Company's common stock on the date of the grant. On June 18, 2007, the executive retention arrangement was terminated due to Mr. Semel's resignation as the CEO of the Company. During 2007, $16 million of stock-based compensation expense recorded in 2007 under this arrangement was reversed due to the forfeitures of equity awards. No similar arrangement existed for the Company's former CEO, Jerry Yang. See Note 17—"Subsequent Events" for additional information about the Compensatory Arrangements of the Company's current CEO, Ms. Carol Bartz.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Stock option activity under the Company's Plans and Directors' Plan is summarized as follows (in thousands, except years and per share amounts):

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	180,397	$ 29.36	5.08	$ 467,655
Options assumed	216	$ 2.45		
Options granted	8,762	$ 21.73		
Options exercised[1]	(19,660)	$ 14.25		
Options cancelled/forfeited	(17,501)	$ 29.11		
Options expired	(16,772)	$ 36.99		
Outstanding at December 31, 2008	135,442	$ 30.10	3.88	$ 89,688
Vested and expected to vest at December 31, 2008[2]	129,911	$ 30.16	3.82	$ 87,968
Exercisable at December 31, 2008	92,143	$ 31.72	3.20	$ 70,564

(1) The Company's current practice is to issue new shares to satisfy stock option exercises.

(2) The expected to vest options are the result of applying the pre-vesting forfeiture rate assumptions to total outstanding options.

The weighted average grant date fair value of options granted in the years ended December 31, 2006, 2007, and 2008 was $10.03, $8.50, and $7.66 per share, respectively. The weighted average grant date fair value of options assumed in connection with acquisitions in the year ended December 31, 2008 was $26.44 per share.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate difference between the closing stock price of the Company's common stock on December 31, 2008 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2008.

The total intrinsic value of options exercised in the years ended December 31, 2006, 2007, and 2008 was $393 million, $393 million, and $233 million, respectively.

As of December 31, 2008, there was $311 million of unamortized stock-based compensation expense related to unvested stock options which is expected to be recognized over a weighted average period of 2.4 years.

Cash received from option exercises and purchases of shares under the Purchase Plan for the year ended December 31, 2008 was $363 million.

The total tax benefit attributable to stock options exercised in the year ended December 31, 2008 was $156 million.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The fair value of option grants is determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Stock Options			Purchase Plans[5]		
	Years Ended December 31,			Years Ended December 31,		
	2006	2007	2008	2006	2007	2008
Expected dividend yield[1]	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate[2]	4.8%	4.4%	2.6%	4.8%	4.4%	2.4%
Expected volatility[3]	34.1%	33.5%	47.4%	32.8%	32.4%	71.8%
Expected life (in years)[4]	3.75	3.64	3.97	1.25	1.11	1.15

(1) The Company currently has no history or expectation of paying cash dividends on its common stock.

(2) The risk-free interest rate is based on the U.S. Treasury yield for a term consistent with the expected term of the awards in effect at the time of grant.

(3) The Company estimates the volatility of its common stock at the date of grant based on the implied volatility of publicly traded options on its common stock, with a term of one year or greater.

(4) The expected life of stock options granted under the Plans is based on historical exercise patterns, which the Company believes are representative of future behavior. New grants issued by the Company had an expected life of 3.75 years in 2006 and 2007 and 4 years in 2008. Options assumed in acquisitions had expected lives of less than 4 years. The expected life of options granted under the Purchase Plan represents the amount of time remaining in the 24-month offering period.

(5) Assumptions for the Purchase Plan relate to the annual average of the enrollment periods. Enrollment is currently permitted in May and November of each year.

Restricted stock awards activity for the year ended December 31, 2008 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value
Awarded and unvested at December 31, 2007	30,227	$ 29.34
Granted	16,644	$ 25.74
Assumed	686	$ 28.63
Vested	(9,586)	$ 29.61
Forfeited/cancelled/expired	(6,838)	$ 26.38
Awarded and unvested at December 31, 2008	31,133	$ 27.97

During the year ended December 31, 2008, 9.6 million previously granted restricted stock awards and restricted stock units vested. A majority of these vested restricted stock awards and restricted stock units were net share settled. The Company withheld 3.3 million equivalent shares based upon the Company's closing stock price on the vesting date to settle the employees' minimum statutory obligation for the applicable income and other employment taxes. The Company then remitted the cash to the appropriate taxing authorities.

Total payments for the employees' tax obligations to the relevant taxing authorities were $77 million for the year ended December 31, 2008 and are reflected as a financing activity within the consolidated statements of cash flows. Upon the vesting of shares of certain restricted stock awards, 1.1 million shares were reacquired by the Company to satisfy the tax withholding obligations and $27 million was recorded as treasury stock. Payments of $50 million related to the net share settlement of 2.2 million shares of restricted stock units had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued on the vest date and were recorded as a reduction of additional paid-in-capital.

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Notes to Consolidated Financial Statements—(Continued)

As of December 31, 2008, there was $352 million of unamortized stock-based compensation cost related to unvested restricted stock awards which is expected to be recognized over a weighted average period of 2.4 years. The total fair value of restricted stock awards vested during the years ended December 31, 2006, 2007, and 2008 was $10 million, $27 million, and $301 million, respectively.

In the year ended December 31, 2008, the Company reversed an amount of $51 million of stock-based compensation expense related to unvested stock awards as a result of an increase in its estimated forfeiture rate assumption based on updated information on actual forfeitures.

In 2006, 2007, and 2008, $597 million, $35 million, and $125 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods. The Company has accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows.

During 2007, the Company determined that income tax benefits of $127 million ($92 million related to 2006 and the remainder related to earlier years) should not have been recorded to additional paid-in capital as tax benefits from stock-based awards because for financial statement ordering purposes, the tax benefits should have been attributed to the utilization of acquired net operating losses first or should not have been recognized at all because the underlying tax amounts should not have been offset by tax benefits from stock-based awards. As a result, in the 2007 statement of cash flows, the Company reduced by $92 million, excess tax benefits from stock-based awards recorded in cash flows from operating activities with an equivalent reduction to the amount of excess tax benefits recorded in cash flows from financing activities. This reclassification had no impact on overall cash flows. The amounts that impacted income tax expense and earnings in equity interests also increased diluted earnings per share by $0.01 for the year ended December 31, 2007. The Company believes that the aforementioned amounts are not material to reported amounts for 2007, 2006, or earlier years and therefore the Company has corrected them in the 2007 consolidated financial statements.

Change in Control Severance Plans. On February 12, 2008, the Compensation Committee approved two change in control severance plans (the "Severance Plans") that, together, cover all full-time employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer, and the executive officers currently employed by the Company. The Severance Plans are designed to help retain the employees, help maintain a stable work environment, and provide certain economic benefits to the employees in the event their employment is terminated following a change in control of the Company. Benefits under the Severance Plans generally include (1) continuation of the employee's annual base salary, as severance pay for a designated number of months following the employee's severance date; (2) reimbursement for outplacement services; (3) continued medical group health and dental plan coverage for the period the employee receives severance pay; and (4) accelerated vesting of all stock options, restricted stock units, and any other equity-based awards previously granted or assumed by the Company and outstanding as of the severance date.

On December 10, 2008, as part of a stipulation and agreement of settlement (the "Settlement Agreement") entered into with the plaintiffs in the *In re Yahoo! Shareholders Litigation* pending before the Delaware Court of Chancery (the "Delaware Court"), the Company amended its change in control severance plans originally approved on February 12, 2008 (the "Original Severance Plans" and the Original Severance Plans, as amended, the "Amended Severance Plans").

The Amended Severance Plans made the following changes, among others, to the terms of the Original Severance Plans:

1) The period during which the termination of an eligible employee would trigger eligibility for severance benefits was decreased from two years following a "Change in Control" (as defined in the applicable Amended Severance Plan) to one year.
2) The circumstances permitting an eligible employee to terminate employment for "Good Reason" (as defined in the applicable Amended Severance Plan) following a Change in Control were amended.
3) The Board in place prior to a Change in Control is given the ability, subject to certain limitations, to terminate or amend the Amended Severance Plans during a Potential Change in Control Period (as defined in the applicable Amended Severance Plan) as part of any Board approved transaction that would constitute a Change in Control.
4) Any dispute between an employee and the Company concerning an application for benefits based upon a claimed material diminution in the employee's duties and responsibilities will be subject to binding arbitration.
5) Neither the election of a new Board that is made up of a majority of members who were not members of the Board prior to the election nor a sale of the Company's search business would constitute a Change in Control.

Certain changes are not applicable to employees in certain jurisdictions outside the U.S. where country-specific sub-plans were adopted in accordance with applicable law.

The Amended Severance Plans became effective upon execution of the Settlement Agreement, but expire in 90 days if the Delaware Court does not finally approve the Settlement Agreement unless the Board directs otherwise. If the final approval is overturned on appeal and the Settlement Agreement is terminated, the amendments are void unless the Board directs otherwise.

Note 13 Commitments and Contingencies

Lease Commitments. The Company leases office space and data centers under operating and capital lease agreements with original lease periods up to 23 years which expire between 2009 and 2027.

The Company has entered into the following material lease agreements with minimum lease commitments in the three year period ended December 31, 2008.

- In 2006, the Company entered into an 11 year operating lease agreement for a data center in the eastern U.S. with a total expected minimum lease commitment of $191 million. As of December 31, 2008, the Company had total expected and remaining minimum lease commitments of approximately $180 million over the lease term. The Company has the option to renew this lease for an additional five years and also has a right of expansion for any additional lease space that becomes available.
- In 2008, the Company entered into an 11 year lease agreement for a data center in the western U.S. With a total expected minimum lease commitment of $105 million, $21 million is classified as an operating lease for real estate and $84 million is classified as a capital lease for equipment. As of December 31, 2008, the Company had total expected and remaining minimum lease commitments of approximately $102 million over the lease term. The Company has the option to renew this lease for up to an additional ten years.

Rent expense for all operating leases was approximately $73 million, $88 million, and $103 million for 2006, 2007, and 2008, respectively.

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Notes to Consolidated Financial Statements—(Continued)

Many of the Company's leases contain one or more of the following options which the Company can exercise at the end of the initial lease term: (a) renewal of the lease for a defined number of years at the then fair market rental rate or at a slight discount to the fair market rental rate; (b) purchase of the property at the then fair market value; or (c) right of first offer to lease additional space that becomes available.

Gross and net lease commitments as of December 31, 2008 can be summarized as follows (in millions):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Years ending December 31,			
2009	$ 149	$ (3)	$ 146
2010	128	(2)	126
2011	107	(2)	105
2012	94	(1)	93
2013	84	—	84
Due after 5 years	299	—	299
Total gross and net lease commitments	$ 861	$ (8)	$ 853

	Capital Lease Commitment
Years ending December 31,	
2009	$ 7
2010	7
2011	7
2012	7
2013	8
Due after 5 years	46
Gross lease commitment	$ 82
Less: interest	(39)
Net lease commitment included in capital lease and other long-term liabilities	$ 43

Affiliate Commitments. In connection with contracts to provide advertising services to Affiliates, the Company is obligated to make payments, which represent TAC, to its Affiliates. As of December 31, 2008, these commitments totaled $360 million, of which $142 million will be payable in 2009, $157 million will be payable in 2010, and $61 million will be payable in 2011.

Non-cancelable Obligations. The Company is obligated to make payments under various non-cancelable arrangements with vendors and other business partners, principally for marketing, bandwidth, co-location, and content arrangements. As of December 31, 2008, these commitments totaled $178 million, of which $92 million will be payable in 2009, $43 million will be payable in 2010, $24 million will be payable in 2011, $9 million will be payable in 2012, $6 million will be payable in 2013, and $4 million thereafter.

Intellectual Property Rights. The Company is committed to make certain payments under various intellectual property arrangements of up to $52 million through 2023.

Other Commitments. In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, joint ventures and business partners, purchasers of assets or

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Notes to Consolidated Financial Statements—(Continued)

subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of agreements or representations and warranties made by the Company, services to be provided by the Company, intellectual property infringement claims made by third parties or, with respect to the sale of assets or a subsidiary, matters related to the Company's conduct of the business and tax matters prior to the sale. In addition, the Company has entered into indemnification agreements with its directors and certain of its officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The Company has also agreed to indemnify certain former officers, directors, and employees of acquired companies in connection with the acquisition of such companies. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its directors and officers, and former directors and officers of acquired companies, in certain circumstances. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements may not be subject to maximum loss clauses. Historically, the Company has not incurred material costs as a result of obligations under these agreements and it has not accrued any liabilities related to such indemnification obligations in its consolidated financial statements.

As of December 31, 2008, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market, or credit risk that could arise if the Company had engaged in such relationships. In addition, the Company identified no variable interests currently held in entities for which it is the primary beneficiary.

Contingencies. Currently, the Company is engaged in lawsuits regarding patent issues and has been notified of other potential patent disputes. In addition, from time to time, the Company is subject to other legal proceedings and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights, trade secrets, and other intellectual property rights, claims related to employment matters, and a variety of other claims, including claims alleging defamation, invasion of privacy, or similar claims arising in connection with the Company's e-mail, message boards, photo and video sites, auction sites, shopping services, and other communications and community features.

On May 24, 2001, Arista Records, Inc., Bad Boy Records, BMG Music d/b/a The RCA Records Label ("BMG"), Capitol Records, Inc., Virgin Records America, Inc., Sony Music Entertainment, Inc., UMG Recordings, Inc., Interscope Records, Motown Record Company, L.P., and Zomba Recording Corporation filed a lawsuit alleging copyright infringement against LAUNCH Media, Inc. ("LAUNCH") in the U.S. District Court for the Southern District of New York seeking declaratory and injunctive relief and damages. The plaintiffs alleged, among other things, that the consumer-influenced portion of LAUNCH's LAUNCHcast service is "interactive" within the meaning of Section 114 of the Copyright Act and therefore does not qualify for the compulsory license provided for by the Copyright Act. Yahoo! acquired LAUNCH in August 2001. This lawsuit was settled with all plaintiffs, other than BMG. On April 27, 2007, after a two week jury trial, the jury returned a unanimous verdict in favor of LAUNCH finding no liability. BMG has filed a notice of appeal to the U.S. Court of Appeals for the Second Circuit and the oral argument is scheduled to be heard on March 17, 2009.

On July 12, 2001, the first of several purported securities class action lawsuits was filed in the U.S. District Court for the Southern District of New York against certain underwriters involved in Overture Services Inc.'s ("Overture") IPO, Overture, and certain of Overture's former officers and directors. The Court consolidated the cases against Overture. Plaintiffs allege, among other things, violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act") involving undisclosed compensation to the underwriters,

and improper practices by the underwriters, and seek unspecified damages. Similar complaints were filed in the same court against numerous public companies that conducted IPOs of their common stock since the mid-1990s. All of these lawsuits were consolidated for pretrial purposes before Judge Shira Scheindlin. On July 15, 2002, the issuers filed an omnibus motion to dismiss for failure to comply with applicable pleading standards. On October 8, 2002, the Court entered an Order of Dismissal as to all of the individual defendants in the Overture IPO litigation, without prejudice. On February 19, 2003, the Court denied the motion to dismiss the claims against certain defendants, including Overture. Between June 2004 and June 2007, plaintiffs and issuer defendants, including Overture, reached a settlement, but due to certain conditions not being met the settlement did not receive court approval. On March 26, 2008, the district court denied defendants' motions to dismiss except as to Section 11 claims raised by some plaintiffs who sold their securities for a price in excess of the initial offering price and those who purchased outside the previously certified class period. Initial briefing on the class certification motion was completed in April 2008. The plaintiffs' class certification motion then was withdrawn without prejudice on October 10, 2008. The Company intends to defend the case vigorously.

In May 2007, two purported class actions were commenced by plaintiffs Ellen Brodsky and Manfred Hacker, asserting claims arising under the federal securities laws against the Company and certain individual defendants. These actions were ordered consolidated in the U.S. District Court for the Central District of California and, on December 21, 2007, a Consolidated Amended Complaint was filed against Yahoo! and certain individual defendants, including current and former officers and a former director and officer. Plaintiffs purport to represent a class of persons who purchased the Company's common stock between April 8, 2004 and July 18, 2006. Plaintiffs allege that defendants engaged in a scheme to inflate the Company's stock price by making false and misleading statements regarding the Company's operations, financial results, and future business prospects in violation of Section 10(b) of the Exchange Act and SEC Rule 10b-5. Plaintiffs also allege that the individual defendants engaged in insider trading in violation of Section 20(A) of the Exchange Act, and as control persons are subject to liability under Section 20(A) of the Exchange Act. Plaintiffs seek compensatory damages, injunctive relief, disgorgement of alleged insider trading proceeds, and other equitable relief. On March 10, 2008, the Court granted defendants' motion to transfer the action to the U.S. District Court for the Northern District of California. On October 7, 2008, the Court granted defendants' motion to dismiss the Consolidated Amended Complaint with leave to amend. Plaintiffs filed their Second Amended Consolidated Complaint on December 19, 2008. On February 2, 2009, defendants filed a motion to dismiss, which is scheduled for hearing on April 23, 2009.

On May 15, 2007, a stockholder derivative complaint was filed in the California Superior Court, Santa Clara County, by Greg Brockwell against members of the Board and selected officers alleging breaches of fiduciary duties and corporate waste similar to the allegations in the Brodsky/Hacker class action litigation. The Brockwell action was voluntarily dismissed with prejudice as to plaintiff and without prejudice as to Yahoo! stockholders and the Company, derivatively, on February 3, 2009.

On June 14, 2007, a second stockholder derivative action was filed in the U.S. District Court for the Central District of California by Jill Watkins against members of the Board and selected officers. The complaint filed by Plaintiff Watkins is substantially similar to the complaint filed by Plaintiff Brockwell, with the addition of a claim for relief for alleged violation of Section 10(b) of the Exchange Act, and Watkins agreed to coordinate her action with the federal class action litigation. On April 29, 2008, the federal court in Los Angeles granted defendants' motion to transfer the Watkins action to the U.S. District Court for the Northern District of California, and declined to decide the Plaintiff's motion to amend the complaint. On January 12, 2009, Watkins filed a new motion for leave to file an amended complaint seeking to substitute a new plaintiff, seeking to add a derivative claim alleging violations of Section 20A of the Exchange Act, seeking to add a class claim for alleged violations of Section 14(a) of the Exchange Act, seeking to add a class claim for alleged breach of fiduciary duty, and seeking to allege claims relating to Microsoft's unsolicited proposal to acquire Yahoo! Inc. on February 1, 2008.

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Notes to Consolidated Financial Statements—(Continued)

Since February 1, 2008, five separate stockholder lawsuits were filed in the California Superior Court, Santa Clara County, against Yahoo! Inc., members of the Board and selected former officers by plaintiffs Edward Fritsche, the Thomas Stone Trust, Tom Turberg, Congregation Beth Aaron, and the Louisiana Municipal Police Employees' Retirement System (collectively, the "California Lawsuits"). The California Lawsuits were consolidated, and on March 12, 2008, a Consolidated Amended Class Action and Derivative Complaint was filed, captioned *In re Yahoo! Inc. Shareholder Litigation,* in Santa Clara County Superior Court. The Consolidated Amended Class and Derivative Complaint alleges that the Board breached fiduciary duties in connection with Microsoft's unsolicited proposal to acquire Yahoo!. The Consolidated Amended Class and Derivative Complaint seeks declaratory and injunctive relief, as well as an award of plaintiffs' attorneys' fees and costs. On March 28, 2008, the Santa Clara County Superior Court granted defendants' motion to stay the Consolidated Amended Class Action and Derivative Complaint pending resolution of similar proceedings pending in the Delaware Court of Chancery described below.

One of the California Lawsuits (by plaintiff Congregation Beth Aaron) was voluntarily dismissed by the plaintiff without prejudice, and re-filed in the U.S. District Court for the Northern District of California on December 3, 2008. The complaint in this federal suit alleges claims for breach of fiduciary duty and corporate waste in connection with Yahoo!'s consideration of proposals by Microsoft to purchase all or a part of Yahoo!, adoption of severance plans, and the June 12, 2008 agreement between Google Inc. and Yahoo!. The complaint also alleges claims under Section 14(a) of the Exchange Act for alleged false statements or omissions in Yahoo!'s June 9, 2008 proxy statement regarding the severance plans and for control person liability under Section 20(a) of the Exchange Act. The complaint seeks unspecified compensatory damages, injunctive relief, and an award of plaintiffs' attorneys' fees and costs. Defendants have not responded to the complaint as of this date.

Since February 11, 2008, five separate stockholder lawsuits were filed in the Delaware Court of Chancery against Yahoo! Inc. and members of the Board by plaintiffs The Wayne County Employees' Retirement System, Ronald Dicke, and The Police and Fire Retirement System of the City of Detroit along with The General Retirement System of the City of Detroit, Plumbers and Pipefitters Local Union No. 630 Pension-Annuity Trust Fund, and Vernon A. Mercier (the "Delaware Lawsuits"). Two of the Delaware Lawsuits (by plaintiff Wayne County and by plaintiff Plumbers and Pipefitters Local Union) were voluntarily dismissed with prejudice. The remaining Delaware Lawsuits were consolidated (lead plaintiff is the Police and Fire Retirement System of the City of Detroit) and lead counsel was appointed. On November 18, 2008, plaintiffs filed an amended motion for leave to amend and supplement its complaint. In connection with the amended motion for leave to amend, plaintiff submitted a proposed Second Amended and Supplemental Consolidated Complaint (the "Second Amended Complaint").

The Second Amended Complaint generally alleges that defendants breached fiduciary duties in connection with the consideration of proposals by Microsoft to purchase all or part of Yahoo!, adoption of severance plans, the June 12, 2008 agreement between Google Inc. and Yahoo! and purports to state claims relating to alleged false and misleading statements and omissions in Yahoo!'s proxy statement. Plaintiffs allege that the proxy statement contained false and misleading statements and omissions related to the severance plans, including statements and omissions with respect to the purpose of the plans, the reasons for adopting the plans, the benefits provided to employees under the plans, the role played by outside compensation consultants and the information provided by them and the total cost of the plans. The Second Amended Complaint seeks unspecified compensatory damages, declaratory and injunctive relief, as well as an award of plaintiffs' attorneys' fees and costs.

On December 10, 2008, plaintiffs in the Delaware Lawsuits, Yahoo! and the Individual Defendants entered into a Stipulation and Agreement of Settlement (the "Settlement Agreement") that, if approved by the Delaware Court of Chancery, will settle and resolve all claims that were or could have been asserted by the plaintiffs or members of the settlement class, consisting of all persons who held Yahoo! common stock at any time between January 31

and December 7, 2008, or on behalf of Yahoo! Inc. in the Delaware Lawsuits or in any forum. As provided in the Settlement Agreement, in consideration for the settlement, Yahoo! agreed to amend in various ways the severance plans that Yahoo! adopted in February 2008.

On December 19, 2008, Chancellor Chandler and the Delaware Court of Chancery approved an order scheduling a hearing to determine whether to grant final approval to the settlement. Pursuant to this order, on December 30, 2008, Yahoo! mailed notice of the proposed settlement and published a summary notice of the proposed settlement. Class members and Yahoo! stockholders had until February 4, 2009 to serve and file any written objections to the proposed settlement. Plaintiffs' counsel submitted a fee petition seeking legal fees and expenses. By stipulation and order, the Court set the hearing on final approval of the proposed settlement and the plaintiffs' counsel's request for legal fees and expenses for March 6, 2009.

While the outcome of these matters is currently not determinable, the Company does not believe, based on current knowledge, that any of the foregoing legal proceedings or claims is likely to have a material adverse effect on its financial position, results of operations, or cash flows. In the event of a determination adverse to Yahoo!, its subsidiaries, directors, or officers, in these matters, however, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these could have a material adverse effect on the Company's financial position, results of operations, or cash flows. The Company may also incur substantial expenses in defending against these claims.

Note 14 Segments

The Company manages its business geographically. The primary areas of measurement and decision-making are the U.S. and International. Management relies on an internal management reporting process that provides revenues and segment operating income before depreciation, amortization, and stock-based compensation expense for making financial decisions and allocating resources. Segment operating income before depreciation, amortization, and stock-based compensation expense includes income from operations before depreciation, amortization, and stock-based compensation expense. Management believes that segment operating income before depreciation, amortization, and stock-based compensation expense is an appropriate measure of evaluating the operational performance of the Company's segments. However, this measure should be considered in addition to, not as a substitute for, or superior to, income from operations or other measures of financial performance prepared in accordance with U.S. GAAP.

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Notes to Consolidated Financial Statements—(Continued)

The following tables present summarized information by segment (in thousands):

	Years Ended December 31,		
	2006	2007	2008
Revenues by segment:			
United States	$ 4,365,922	$ 4,727,123	$ 5,189,868
International	2,059,757	2,242,151	2,018,634
Total revenues	$ 6,425,679	$ 6,969,274	$ 7,208,502
Segment operating income before depreciation, amortization, and stock-based compensation expense:			
United States	$ 1,451,656	$ 1,433,617	$ 1,212,821
International	454,261	493,418	(2,218)
Total segment operating income before depreciation, amortization, and stock-based compensation expense:	1,905,917	1,927,035	1,210,603
Depreciation and amortization	(540,021)	(659,195)	(790,033)
Stock-based compensation expense	(424,930)	(572,427)	(407,607)
Income from operations	$ 940,966	$ 695,413	$ 12,693
Capital expenditures, net:			
United States	$ 601,472	$ 515,709	$ 581,906
International	87,664	86,567	92,923
Total capital expenditures, net	$ 689,136	$ 602,276	$ 674,829

	December 31,	
	2007	2008
Property and equipment, net:		
United States	$ 1,182,212	$ 1,396,031
International	149,420	140,150
Total property and equipment, net	$ 1,331,632	$ 1,536,181

Revenues are attributed to individual countries according to the international online property that generated the revenues. No single foreign country accounted for more than 10 percent of revenues in 2006, 2007, and 2008, respectively. See also Note 5—"Goodwill" and Note 16—"Restructuring Charges, Net" for additional information regarding segments.

The following table presents revenues for groups of similar services (in thousands):

	Years Ended December 31,		
	2006	2007	2008
Marketing services:			
Owned and Operated sites	$ 3,074,803	$ 3,669,816	$ 4,045,996
Affiliate sites	2,552,404	2,418,423	2,270,210
Marketing services	5,627,207	6,088,239	6,316,206
Fees	798,472	881,035	892,296
Total revenues	$ 6,425,679	$ 6,969,274	$ 7,208,502

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Notes to Consolidated Financial Statements—(Continued)

Note 15 Related Party Transactions

The Company and other third parties are limited partners in Softbank Capital Partners LP ("Softbank Capital"), a venture capital fund which is an affiliate of SOFTBANK. A Managing Partner of Softbank Capital is also a member of the Company's Board. In July 1999 and March 2000, the Company made investments in Softbank Capital of approximately $30 million and $6 million, respectively, which together represents less than a 5 percent holding in Softbank Capital. Since the Company's initial investment, the Company has recorded substantial impairments to its investment. As of December 31, 2008, the investment is valued at less than $1 million and is included on the consolidated balance sheets in other assets. Pursuant to the Partnership Agreement, the Company invested on the same terms and on the same basis as all other limited partners.

Revenues from related parties, excluding Yahoo! Japan and Alibaba, represented approximately 1 percent of total revenues for the years ended December 31, 2006, 2007, and 2008. Management believes that the terms of the agreements with these related parties are comparable to the terms obtained in arm's-length transactions with unrelated similarly situated customers of the Company.

See Note 4—"Investments in Equity Interests" for additional information related to transactions involving Yahoo! Japan and Alibaba.

Note 16 Restructuring Charges, Net

Restructuring charges, net consists of costs associated with the two restructuring programs initiated in 2008 and includes employee severance pay and related costs, reversals of stock-based compensation expense, facility restructuring costs, and write-offs of tenant improvements, furniture and fixed assets associated with the exit of facilities, as well as reversals of restructuring charges arising from changes in estimates. The Company had no restructuring charges or reserves in 2006 and 2007.

For the year ended December, 31, 2008, *Restructuring charges, net* was comprised of the following (in thousands):

	Year Ended December 31, 2008
Employee severance pay and related costs	$ 109,548
Non-cancelable lease, contract termination, and other charges	19,617
Write-offs of tenant improvements, furniture, and fixed assets	7,925
Sub-total before reversal of stock-based compensation expense	137,090
Reversal of stock-based compensation expense	(30,236)
Restructuring charges, net	$ 106,854

Restructuring charges, net by segment consists of the following for the year ended December 31, 2008 (in thousands):

	Strategic Workforce Realignment	Cost Reduction Initiatives	Total
United States	$ 12,130	$ 67,861	$ 79,991
International	3,181	23,682	26,863
Restructuring charges, net	$ 15,311	$ 91,543	$ 106,854

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

Strategic Workforce Realignment. During the first quarter of 2008, the Company implemented a strategic workforce realignment to more appropriately allocate resources to its key strategic initiatives. The strategic workforce realignment involved investing resources in some areas, reducing resources in others, and eliminating some areas of the Company's business that did not support its strategic priorities. During the year ended December 31, 2008, the Company incurred total pre-tax cash charges of approximately $27 million in severance pay expenses and related cash expenses in connection with this workforce realignment, net of reversals for adjustments to original estimates totaling $2 million. The pre-tax cash charges were offset by a $12 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards. As of December 31, 2008, there were no remaining restructuring accruals related to the strategic workforce realignment.

Cost Reduction Initiatives. During the fourth quarter of 2008, the Company implemented cost reduction initiatives and incurred severance, facility, and other restructuring costs of $110 million in the fourth quarter of 2008, offset by $18 million in related stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of $92 million.

The Company incurred pre-tax charges of $82 million for employee severance pay expenses and related cash expenditures in connection with reductions in the Company's global workforce that were made as part of the cost reduction initiatives, which were offset by a credit of $18 million for non-cash stock-based compensation expense reversals for unvested stock awards.

The Company also began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and expects to continue this process through the end of 2009. The Company vacated and ceased use of a significant portion of three facilities in the U.S. and two international facilities. The Company recorded charges of $24 million in the fourth quarter of 2008 for exited facilities of which $16 million related to non-cancelable lease costs and $8 million related to the write-off of tenant improvements and furniture and fixtures. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. The cost of exiting and terminating the Company's facility leases was determined by referring to the contractual terms of the agreements, by evaluating the current real estate market conditions, and, where applicable, by referring to amounts in negotiation. The Company's ability to generate the estimated amounts of sublease income, as well as to terminate lease obligations at the estimated amounts, is dependent upon the commercial real estate market conditions in certain geographies at the time the Company negotiates the lease termination and sublease arrangements with third parties. These amounts represent the Company's best estimate of the obligations the Company expects to incur and could be subject to adjustment as market conditions change. The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts. In addition, the Company incurred $3 million in professional services relating to the restructuring and $1 million in contract termination costs.

Restructuring Accruals. As of December 31, 2008, the aggregate $90 million outstanding restructuring liability with respect to the cost reduction initiatives relates to $70 million of employee severance pay expenses which the Company expects to substantially pay out by the end of the second quarter of 2009, and $20 million of non-cancelable lease costs which the Company expects to pay over the lives of the related obligations which extend to the end of fiscal 2017.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The activity in the Company's *restructuring accruals* for the year ended December 31, 2008 is summarized as follows (in thousands):

	Strategic Workforce Realignment	Cost Reduction Initiatives	Total
Balance as of January 1, 2008	$ —	$ —	$ —
Employee severance pay and related costs	29,169	81,953	111,122
Reversal of stock-based compensation expense	(12,284)	(17,952)	(30,236)
Non-cancelable lease, contract termination, and other charges(*)	—	19,617	19,617
Write-off of tenant improvement, furniture, and fixed assets	—	7,925	7,925
Reversal of previous charges	(1,574)	—	(1,574)
Restructuring charges, net	$ 15,311	$ 91,543	$106,854
Cash paid	(27,595)	(16,111)	(43,706)
Non-cash reversal of stock-based compensation expense	12,284	17,952	30,236
Non-cash adjustments	—	(3,497)	(3,497)
Balance as of December 31, 2008	$ —	$ 89,887	$ 89,887

(*) Includes $3 million in professional services relating to the restructuring and $1 million in contract termination costs.

As of December 31, *restructuring accruals* were included in the Company's consolidated balance sheet as follows (in thousands):

	December 31, 2008
Accrued expenses and other current liabilities	$ 77,445
Other long-term liabilities	12,442
Total restructuring accruals	$ 89,887

As of December 31, *restructuring accruals* by segment consisted of the following (in thousands):

	December 31, 2008
United States	$ 68,410
International	21,477
Total restructuring accruals	$ 89,887

Note 17 SUBSEQUENT EVENTS

Management Changes. On January 13, 2009, the Board appointed Ms. Carol Bartz, 60, to serve as CEO of the Company, replacing Jerry Yang who returned to his former role as Chief Yahoo and remains on the Board. At the same time, the size of the Board was increased from 11 to 12 members and Ms. Bartz was also appointed as a director.

On January 13, 2009, the Company entered into an employment agreement (the "Agreement") with Ms. Bartz. The Agreement provides for an initial term of four years which may be extended by mutual agreement thereafter.

Yahoo! Inc.

Notes to Consolidated Financial Statements—(Continued)

The Agreement also provides that Ms. Bartz will receive an annual base salary of $1 million, subject to annual review for increases, and will be eligible to receive an annual bonus with a target amount of 200 percent of base salary and a maximum amount of two times the target amount. The actual amount of the annual bonus will be determined by the Compensation Committee based upon both the Company's and Ms. Bartz's performance for the relevant year.

Also, pursuant to the Agreement, on January 30, 2009 the Compensation Committee granted Ms. Bartz a stock option covering 5.0 million shares of the Company's common stock, with a per share exercise price of $11.73 (the closing price of the common stock on the grant date) and a maximum term of seven years. The option becomes exercisable, if at all, based on the attainment of average closing prices for the Company's common stock as reported on the NASDAQ Global Select Market for 20 consecutive trading days (except in certain circumstances) prior to January 1, 2013 as follows: (i) one-third will vest at 150 percent of the exercise price; (ii) one-sixth will vest at 175 percent of the exercise price; (iii) one-sixth will vest at 200 percent of the exercise price; (iv) one-twelfth will vest at 225 percent of the exercise price; (v) one-twelfth will vest at 250 percent of the exercise price; and (vi) one-sixth will vest at 300 percent of the exercise price. Any shares acquired upon exercise of the option must be held until January 1, 2013, except in the event of death or a change in control.

Pursuant to the Agreement, on January 30, 2009, the Compensation Committee granted Ms. Bartz an award of $2.5 million in cash and an award of restricted stock with a value of approximately $7.5 million on the date of grant under the 1995 Plan to compensate Ms. Bartz for the forfeiture of the value of equity grants and post-employment medical coverage from her previous employer. Each such award is scheduled to vest in four equal installments on March 31, June 30, September 30, and December 26, 2009, as long as Ms. Bartz remains in the service of the Company as of the vesting date. These awards (or after one year the net after-tax values of these awards) are subject to certain clawback provisions in the event of a termination of Ms. Bartz' employment for cause or without good reason during the term of the Agreement.

Pursuant to the Agreement, on February 25, 2009, Ms. Bartz was granted stock options and restricted stock units for 2009 with a value of approximately $8 million.

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Schedule II—Valuation and Qualifying Accounts
Years Ended December 31, 2006, 2007, and 2008

	Balance at Beginning of Year	Charged to Expenses	Write-Offs Net of, Recoveries	Balance at End of Year
	(In thousands)			
Accounts receivable				
Allowance for doubtful accounts				
2006	$ 41,857	$ 5,070	$ (8,731)	$ 38,196
2007	38,196	23,018	(14,693)	46,521
2008	46,521	24,937	(19,858)	51,600

	Balance at Beginning of Year	Charged to Expenses	Charged (Credited) to Other Accounts(*)	Balance at End of Year
	(In thousands)			
Deferred tax asset valuation allowance				
2006	$ 1,507,848	$ 15,206	$ (1,427,275)	$ 95,779
2007	95,779	9,806	(39,097)	66,488
2008	66,488	25,674	(8,612)	83,550

(*) Amounts not charged (credited) to expenses were charged (credited) to stockholders' equity, deferred tax assets/(liabilities), or goodwill. In addition, in 2006, a decrease in the valuation allowance of $1.1 billion was due to the removal of deferred income tax assets arising from unrealized excess tax benefits from stock-based awards and their related valuation allowance, in connection with the adoption of SFAS 123R.

Selected Quarterly Financial Data
(Unaudited)

	Quarters Ended							
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008[1]	June 30, 2008	September 30, 2008	December 31, 2008[2]
	(In thousands, except per share amounts)							
Revenues	$1,671,850	$1,697,920	$ 1,767,506	$1,831,998	$1,817,602	$1,798,085	$ 1,786,426	$1,806,389
Gross profit	$ 958,213	$1,014,908	$ 1,027,306	$1,130,089	$1,062,519	$1,032,174	$ 1,014,149	$1,076,298
Net income/(loss)	$ 142,424	$ 160,567	$ 151,286	$ 205,723	$ 542,163	$ 131,215	$ 54,348	$ (303,428)
Net income/(loss) per share—basic	$ 0.11	$ 0.12	$ 0.11	$ 0.15	$ 0.41	$ 0.10	$ 0.04	$ (0.22)
Net income/(loss) per share—diluted	$ 0.10	$ 0.11	$ 0.11	$ 0.15	$ 0.37	$ 0.09	$ 0.04	$ (0.22)
Shares used in per share calculation—basic	1,352,476	1,339,594	1,335,092	1,328,784	1,333,730	1,372,629	1,383,786	1,387,758
Shares used in per share calculation—diluted	1,418,225	1,403,819	1,395,056	1,396,306	1,395,416	1,399,277	1,397,573	1,387,758

(1) Net income for the quarter ended March 31, 2008 includes a non-cash gain of $401 million related to Alibaba Group’s IPO of Alibaba.com, net of tax.

(2) Net income for the quarter ended December 31, 2008 includes a goodwill impairment charge of $488 million and net restructuring charges of $90 million.

Item 9. *Changes in and Disagreements With Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2008.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's independent registered public accounting firm has issued an attestation report regarding its assessment of the Company's internal control over financial reporting as of December 31, 2008, which appears on page 55.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. *Other Information*

Adoption of Executive Incentive Plan

On February 25, 2009, the Compensation Committee approved a new annual cash bonus plan for senior executives of the Company, the Yahoo! Executive Incentive Plan (the "EIP"). Each participant in the EIP is assigned a target bonus percentage each year that is expressed as a percentage of the participant's annual base salary. The aggregate bonus pool available under the EIP for a particular year will equal the aggregate amount of the participants' target bonus opportunities, multiplied by a factor (the "Funding Percentage") that may range from 50 percent to 200 percent based on Yahoo!'s operating cash flow (as defined in the EIP) results for that year as a percentage of an operating cash flow target set by the Compensation Committee for the year. An individual participant's bonus will be based 70 percent on Company performance and 30 percent based on individual

performance. The individual performance component of a participant's bonus will be determined by the Compensation Committee with respect to executive officers of the Company and by management with respect to the other participants in the EIP, except that in no event will the total amount of bonuses paid under the EIP for a particular year exceed the aggregate bonus pool for that year. A participant generally must remain employed by the Company until EIP bonuses are actually paid in order to be eligible for a bonus.

The following table sets forth the 2009 target bonus percentage, expressed as a percentage of the participant's annual base salary, for the Company's principal executive officer, principal financial officer, and the other executive officers who were named in the Summary Compensation Table of the Company's Proxy Statement filed with the SEC on June 9, 2008 and are currently employed by the Company:

Name and Principal Position	2009 Target Bonus (% of Base Salary)
Carol Bartz Chief Executive Officer	200%
Jerry Yang Chief Yahoo	*
Susan Decker President	*
Blake Jorgensen Chief Financial Officer	*
Michael J. Callahan Executive Vice President, General Counsel and Secretary	75%
Michael A. Murray Senior Vice President, Finance and Chief Accounting Officer	50%

* Mr. Yang, Ms. Decker and Mr. Jorgensen will not participate in the EIP.

Management Change

On January 13, 2009, we announced that Sue Decker indicated she would resign after a transition period. Ms. Decker's date of resignation will be April 1, 2009.

Part III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2008.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2008.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2008.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2008.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2009 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2008.

Part IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) The following documents are filed as part of this report:

1. *Consolidated Financial Statements:*

	Page
Index To Consolidated Financial Statements	
Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	55
Consolidated Statements of Income for each of the three years in the period ended December 31, 2008	56
Consolidated Balance Sheets as of December 31, 2007 and 2008	57
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2008	58
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2008	60
Notes to Consolidated Financial Statements	62

2. *Financial Statement Schedules:*

Financial Statement Schedules:	
II—Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2008	110
All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto	
Supplementary Financial Data:	
Selected Quarterly Financial Data (unaudited) for the two years ended December 31, 2008	111

3. *Exhibits:*

The exhibits listed in the Exhibit Index (following the signatures page of this report) are filed with, or incorporated by reference in, this report.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 27th day of February 2009.

YAHOO! INC.

By: /s/ BLAKE JORGENSEN

Blake Jorgensen
Chief Financial Officer
(Principal Financial Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Carol Bartz and Blake Jorgensen, his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with Exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or substitute or substitutes may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/S/ CAROL BARTZ **Carol Bartz**	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2009
/S/ BLAKE JORGENSEN **Blake Jorgensen**	Chief Financial Officer (Principal Financial Officer)	February 27, 2009
/S/ MICHAEL MURRAY **Michael Murray**	Senior Vice President, Finance and Chief Accounting Officer (Principal Accounting Officer)	February 27, 2009
/S/ ROY BOSTOCK **Roy Bostock**	Chairman of the Board	February 27, 2009
/S/ FRANK BIONDI **Frank Biondi**	Director	February 27, 2009
/S/ RONALD BURKLE **Ronald Burkle**	Director	February 27, 2009
/S/ JOHN CHAPPLE **John Chapple**	Director	February 27, 2009
/S/ ERIC HIPPEAU **Eric Hippeau**	Director	February 27, 2009

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Signature	Title	Date
Carl Icahn	Director	February 27, 2009
/S/ VYOMESH JOSHI Vyomesh Joshi	Director	February 27, 2009
/S/ ARTHUR KERN Arthur Kern	Director	February 27, 2009
/S/ MARY AGNES WILDEROTTER Mary Agnes Wilderotter	Director	February 27, 2009
/S/ GARY WILSON Gary Wilson	Director	February 27, 2009
/S/ JERRY YANG Jerry Yang	Director	February 27, 2009

EXHIBIT INDEX

The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K (and are numbered in accordance with Item 601 of Regulation S-K). Pursuant to Item 601(a)(2) of Regulation S-K, this exhibit index immediately precedes the exhibits.

Exhibit Number	Description
2.1	Stock Purchase and Contribution Agreement, dated as of August 10, 2005, by and between Yahoo! Inc. and Alibaba.com Corporation (Filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed August 16, 2005 and incorporated herein by reference.)
2.2	Amendment to the Stock Purchase and Contribution Agreement, dated as of October 24, 2005, by and between Yahoo! Inc. and Alibaba.com Corporation (Filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K, filed October 27, 2005 [the October 27, 2005 Form 8-K] and incorporated herein by reference.)
2.3	Tao Bao Share Purchase Agreement, dated as of October 24, 2005, by and among Yahoo! Inc., SOFTBANK CORP. and SB TB Holding Limited (Filed as Exhibit 2.3 to the October 27, 2005 Form 8-K and incorporated herein by reference.)
2.4	Secondary Share Purchase Agreement, dated as of October 24, 2005, by and among Yahoo! Inc. and certain shareholders of Alibaba.com Corporation (Filed as Exhibit 2.4 to the October 27, 2005 Form 8-K and incorporated herein by reference.)
2.5	Shareholders Agreement, dated as of October 24, 2005, by and among Alibaba.com Corporation, Yahoo! Inc., SOFTBANK CORP., the Management Members, and the other shareholders named therein (Filed as Exhibit 2.5 to the October 27, 2005 Form 8-K and incorporated herein by reference.)
3.1	Amended and Restated Certificate of Incorporation of Registrant (Filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 and incorporated herein by reference.)
3.2	Amended Bylaws of Registrant (Filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K, filed February 6, 2009 and incorporated herein by reference.)
4.1	Amended and Restated Rights Agreement, dated as of April 1, 2005, by and between Yahoo! Inc. and Equiserve Trust Company, N.A., as rights agent (Filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed April 4, 2005 and incorporated herein by reference.)
10.1+	Form of Indemnification Agreement with certain of the Registrant's officers and directors (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 22, 2006 and incorporated herein by reference.)
10.2(A)+	Yahoo! Inc. Amended and Restated 1995 Stock Plan (Filed as Annex A to the Registrant's definitive proxy statement filed on April 30, 2007) and incorporated herein by reference.)
10.2(B)+	Form of Stock Option Agreement under Yahoo! Inc. Amended and Restated 1995 Stock Plan (Filed as Exhibit 10.23(A) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 [the June 30, 2007 10-Q] and incorporated herein by reference.)
10.2(C)+	Form of Restricted Stock Award Agreement under Yahoo! Inc. Amended and Restated 1995 Stock Plan (Filed as Exhibit 10.23(B) to the June 30, 2007 10-Q and incorporated herein by reference.)
10.2(D)+	Form of Restricted Stock Unit Award Agreement under the Yahoo! Inc. Amended and Restated 1995 Stock Plan (Filed as Exhibit 10.23(C) to the June 30, 2007 10-Q and incorporated herein by reference.)

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Exhibit Number	Description
10.2(E)+	Form of Stock Appreciation Rights Award Agreement under Yahoo! Inc. Amended and Restated 1995 Stock Plan (Filed as Exhibit 10.23(D) to the June 30, 2007 10-Q and incorporated herein by reference.)
10.2(F)+*	Form of Executive Incentive Notice of Stock Option Grant and Stock Option Award Agreement under Yahoo! Inc. Amended and Restated 1995 Stock Plan.
10.2(G)+*	Form of Executive Incentive Restricted Stock Unit Award Agreement (time-based vesting) under Yahoo! Inc. Amended and Restated 1995 Stock Plan.
10.2(H)+*	Form of Executive Incentive Performance Restricted Stock Unit Award Agreement (TSR version) under Yahoo! Inc. Amended and Restated 1995 Stock Plan.
10.2(I)+*	Form of Executive Incentive Performance Restricted Stock Unit Award Agreement (OCF version) under Yahoo! Inc. Amended and Restated 1995 Stock Plan.
10.3(A)+	Yahoo! Inc. Amended and Restated 1996 Employee Stock Purchase Plan (Filed as Exhibit 10.3(A) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2007 [the December 31, 2007 10-K] and incorporated herein by reference.)
10.3(B)+	Form of Enrollment Agreement under Yahoo! Inc. Amended and Restated 1996 Employee Stock Purchase Plan (Filed as Exhibit 10.3(B) to the December 31, 2007 10-K and incorporated herein by reference.)
10.4(A)+	Yahoo! Inc. Amended and Restated 1996 Directors' Stock Plan (Filed as Exhibit 10.4(A) to the December 31, 2007 10-K and incorporated herein by reference.)
10.4(B)+	Form of Notice of Stock Option Grant and Director Nonstatutory Stock Option Agreement (Filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on June 1, 2006 [the June 1, 2006 Form 8-K] and incorporated herein by reference.)
10.4(C)+	Form of Notice of Restricted Stock Unit Grant and Director Restricted Stock Unit Award Agreement (Filed as Exhibit 10.3 to the June 1, 2006 Form 8-K and incorporated herein by reference.)
10.5	Joint Venture Agreement dated April 1, 1996 by and between the Registrant and SOFTBANK Corporation (Filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2002 [the December 31, 2002 10-K] and incorporated herein by reference.)
10.6	Yahoo! Japan License Agreement dated April 1, 1996 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit 10.43 to Amendment No. 2 to the Registrant's Registration Statement on Form S-3, Registration No. 333-100298, filed on December 23, 2002 and incorporated herein by reference.)
10.7	Amendment Agreement dated September 17, 1997 by and between Registrant and SOFTBANK Corporation (Filed as Exhibit 10.11 to the December 31, 2002 10-K and incorporated herein by reference.)
10.8	Amendment to Yahoo! Japan License Agreement dated September 17, 1997 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit 10.40 to Amendment No. 1 of the Registrant's Registration Statement on Form S-3, Registration No. 333-100298, filed on November 27, 2002 and incorporated herein by reference.)
10.9	Consent and Resale Agreement dated as of March 25, 2002, between the Registrant and SOFTBANK Corp. (Filed as Exhibit 10.40 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 and incorporated herein by reference.)
10.10	Waiver and Voting Agreement between the Registrant and SOFTBANK Corp. dated February 26, 2004 (Filed as Exhibit 10.38 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference.)
10.11+	Employment Letter, dated October 29, 2004, between the Registrant and Michael Murray (Filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2004 [the December 31, 2004 10-K] and incorporated herein by reference.)

Exhibit Number	Description
10.12	Amendment No. 2 to Yahoo! Japan License Agreement dated January 31, 2005 by and between the Registrant and Yahoo! Japan Corporation (Filed as Exhibit 10.30 to the December 31, 2004 10-K and incorporated herein by reference.)
10.13+*	Summary of Compensation Payable to Named Executive Officers.
10.14+	Offer Letter, dated as of May 14, 2007, between the Registrant and Blake Jorgensen (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 15, 2007 and incorporated herein by reference.)
10.15+*	Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees, as amended on December 10, 2008.
10.16	Agreement, dated July 21, 2008, by and among Yahoo! Inc., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II L.P., Icahn Partners Master Fund III L.P., High River Limited Partnership and Carl C. Icahn. (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed July 21, 2008 and incorporated herein by reference.)
10.17(A)+	Employment Agreement Letter, dated January 13, 2009, between the Registrant and Carol Bartz (Filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 15, 2009 and incorporated herein by reference.)
10.17(B)+*	Notice of Stock Option Grant, dated January 30, 2009, between the Registrant and Carol Bartz.
10.17(C)+*	Stock Option Agreement, dated January 30, 2009, between the Registrant and Carol Bartz.
10.17(D)+*	Restricted Stock Award Agreement, dated January 30, 2009, between the Registrant and Carol Bartz.
10.17(E)+*	Notice of Incentive Stock Option Grant and Stock Option Award Agreement, dated February 25, 2009, between the Registrant and Carol Bartz.
10.17(F)+*	Incentive Restricted Stock Unit Award Agreement (time-based vesting), dated February 25, 2009, between the Registrant and Carol Bartz.
10.17(G)+*	Incentive Performance Restricted Stock Unit Award Agreement (TSR version), dated February 25, 2009, between the Registrant and Carol Bartz.
10.17(H)+*	Incentive Performance Restricted Stock Unit Award Agreement (OCF version), dated February 25, 2009, between the Registrant and Carol Bartz.
10.18+*	Yahoo! Inc. Executive Incentive Plan.
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see the signature page of this Annual Report on Form 10-K.)
31.1*	Certificate of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 27, 2009.
31.2*	Certificate of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 27, 2009.
32*	Certificate of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated February 27, 2009.

* Filed herewith.

\+ Indicates a management contract or compensatory plan or arrangement.

Exhibit 10.2(F)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED JUNE 12, 2007)
NOTICE OF STOCK OPTION GRANT

[Insert Name]
[Insert Address]

You have been granted an option to purchase Common Stock of Yahoo! Inc., a Delaware corporation (the "Company"), as follows:

Date of Grant:	
Vesting Commencement Date:	
Exercise Price Per Share:	
Total Number of Shares Granted:	
Total Price of Shares Granted:	
Type of Option:	Nonstatutory Stock Option
Term/Expiration Date:	
Vesting Schedule:	This Option may be exercised, in whole or in part, in accordance with the following schedule: One-fourth of the Shares subject to this Option shall vest and become exercisable on each of the first, second, third and fourth anniversaries of the Vesting Commencement Date.
Termination Period:	This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7 and 8 of the Stock Option Agreement (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement).

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the 1995 Stock Plan and the Stock Option Agreement, which are attached and made a part of this document.

OPTIONEE:	**YAHOO! INC.**
______________________________	By: ______________________________
[EMPLOYEE NAME]	Chief Executive Officer

YAHOO! INC.

STOCK OPTION AGREEMENT

1. *Grant of Option*. Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1995 Stock Plan, as amended (the "Plan"), adopted by the Company, which is incorporated in this Agreement by reference. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Plan.

   If designated as an Incentive Stock Option in the Notice of Grant, this Option is intended to qualify as an "incentive stock option" as such term is defined in Section 422 of the Code.

2. *Exercise of Option*. This Option shall be exercisable during its term in accordance with the Exercise Schedule set forth in the Notice of Grant (the "Exercise Schedule") and with the provisions of Sections 9 and 10 of the Plan as follows:

   (i) *Right to Exercise*.

      (a) This Option may not be exercised for a fraction of a share.

      (b) In the event of the Optionee's death, disability or other termination of employment, the exercisability of this Option is governed by Sections 6 through 9 below, subject to the limitations contained in Sections 2(i)(c) and (d).

      (c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

      (d) If designated as an Incentive Stock Option in the Notice of Grant, in the event that this Option becomes exercisable at a time or times which, when this Option is aggregated with all other incentive stock options granted to the Optionee by the Company or any Parent or Subsidiary, would result in Shares having an aggregate fair market value (determined for each Share as of the Date of Grant of the option covering such Share) in excess of $100,000 becoming first available for purchase upon exercise of one or more incentive stock options during any calendar year, the amount in excess of $100,000 shall be treated as a Nonstatutory Stock Option, pursuant to Section 5(b) of the Plan.

(ii) *Method of Exercise*.

(a) This Option shall be exercisable by delivering notice to the Company or a broker designated by the Company in such form and through such delivery method as shall be acceptable to the Company or the designated broker, as appropriate (the "Exercise Notice"). The Exercise Notice shall specify the election to exercise this Option and the number of Shares in respect of which this Option is being exercised, shall include such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan and applicable law, and shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company or the designated broker of such notice accompanied by the Exercise Price.

(b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of this Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any Stock Exchange. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which this Option is exercised with respect to such Shares.

3. *Continuance of Employment/Service Required*. The Exercise Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6, 7 and 8 below or under the Plan.

4. *Method of Payment*. Payment of the Exercise Price shall be by any of, or a combination of, the following methods at the election of the Optionee: (i) cash; (ii) check; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or (iv) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative.

5. *Restrictions on Exercise*. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship*. In the event of termination of the Optionee's Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date") and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Section 9, exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee's right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.

7. *Disability of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of Total Disability, the Optionee may, but only within twelve (12) months from the date of termination of employment (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

8. *Death of Optionee*. In the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee's Continuous Status as an Employee or Consultant, this Option may be exercised, at any time within twelve (12) months following the date of the Optionee's death (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), by the Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee's estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

9. *Change in Control*. The following provisions shall apply in the event of a Change in Control (as such term is defined below):

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Optionee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Optionee for Good Reason (as such terms are defined below), this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such termination in accordance with Section 6.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, “Cause” shall mean termination of the Optionee’s employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Optionee has not cured within fourteen (14) days after the Optionee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Optionee’s refusal or material failure to perform the Optionee’s job duties and responsibilities (other than by reason of the Optionee’s serious physical or mental illness, injury or medical condition); (2) the Optionee’s failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Optionee’s material breach of any contract or agreement between the Optionee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Optionee and the Company), or the Optionee’s material breach of any statutory duty, fiduciary duty or any other obligation that the Optionee owes to the Company; (4) the Optionee’s commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Optionee’s engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Optionee’s indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Optionee’s employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Optionee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term “Company” shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, “Good Reason” shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Optionee specifying in reasonable detail the reasons the Optionee believes one of the following events or conditions has occurred (provided such notice is delivered by the Optionee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Optionee’s then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Optionee’s prior written agreement; (2) the material diminution of the Optionee’s authority, duties or responsibilities as an employee of the Company without the Optionee’s prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Optionee’s position with the Company to a location that is greater than 50 miles from the Optionee’s current principal place of employment with the Company, and that is also further from the Optionee’s principal place of residence, without the Optionee’s prior written agreement, provided that in all events the termination of the Optionee’s service with the Company shall not be treated as a termination for “Good Reason” unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute “Good Reason.” For purposes of this definition, the term “Company” shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, “Affiliate” means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Option shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

10. *Non-Transferability of Option*. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

11. *Term of Option*. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. *No Additional Employment Rights*. The Optionee understands and agrees that the vesting of Shares pursuant to the Exercise Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with his or her right or the Company’s right to terminate his or her employment or consulting relationship at any time, with or without cause.

13. *Notice of Disqualifying Disposition of Incentive Stock Option Shares*. If this Option is an Incentive Stock Option, and if the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the Incentive Stock Option on or before the later of (a) the date two years after the Date of Grant, or (b) the date one year after transfer of such Shares to the Optionee upon exercise of the Incentive Stock Option, the Optionee shall notify the Company in writing within thirty (30) days after the date of any such disposition. The Optionee agrees that the Optionee may be subject to the tax withholding provisions of Section 14 below in connection with such sale or disposition of such Shares.

14. *Tax Withholding*. The Optionee shall pay to the Company promptly upon request, and in any event at the time the Optionee recognizes taxable income in respect of the Option, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Option. Such payment may be made by any of, or a combination of, the following methods: (i) cash or check; (ii) out of the Optionee’s current compensation; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as

may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; (iv) by electing to have the Company withhold from the Shares to be issued upon exercise of this Option that number of Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or (v) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by the Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(i) the election must be made on or prior to the applicable Tax Date;

(ii) once made, the election shall be irrevocable as to the particular Shares of this Option as to which the election is made;

(iii) all elections shall be subject to the consent or disapproval of the Administrator;

(iv) if the Optionee is subject to Section 16 of the Exchange Act, the election must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

15. *Notices*. Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address appearing on the books of the Company or to the Optionee's residence or to such other address as may be designated in writing by the Optionee.

16. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

17. *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.

18. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

19. *Entire Agreement.* This Agreement, the Notice of Grant and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

20. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

21. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

22. *Signature*. This Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties of the Notice of Grant attached to this Agreement.

Exhibit 10.2(G)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the “Agreement”), dated as of __________, 2009 (the “Date of Grant”), is made by and between Yahoo! Inc., a Delaware corporation (the “Company”), and __________ (the “Grantee”).

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the “Plan”), pursuant to which the Company may grant Restricted Stock Units;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee __________ Restricted Stock Units (the “Award”) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, during the Restricted Unit Period. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, one-fourth (1/4) of the Restricted Stock Units shall vest and become non-forfeitable upon each of the first, second, third and fourth anniversaries of the Date of Grant. (The period commencing on the Date of Grant and ending on the date the Restricted Stock Units vest is referred to as the "Restricted Unit Period" as to those Restricted Stock Units.)

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the "Payment Date"), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* Except as expressly provided in Section 2(g), in the event of the termination of Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may

determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as such term is defined below) prior to the fourth anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as such terms are defined below), the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, “Cause” shall mean termination of the Grantee’s employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee’s refusal or material failure to perform the Grantee’s job duties and responsibilities (other than by reason of the Grantee’s serious physical or mental illness, injury or medical condition); (2) the Grantee’s failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee’s material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Grantee and the Company), or the Grantee’s material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee’s commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee’s engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee’s indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee’s employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term “Company” shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, “Good Reason” shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee’s then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee’s prior written agreement; (2) the material diminution of the Grantee’s authority, duties or responsibilities as an employee of the Company without the Grantee’s prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee’s position with the Company to a location that is greater than 50 miles from the Grantee’s current principal place of employment with the Company, and that is also further from the Grantee’s principal place of residence, without the Grantee’s prior written agreement, provided that in all events the termination of the Grantee’s service with the Company shall not be treated as a termination for “Good Reason” unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute “Good Reason.” For purposes of this definition, the term “Company” shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, “Affiliate” means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This grant of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company’s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee’s address appearing on the books of the Company or to the Grantee’s residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement.* This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(i) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(j) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the ____ day of __________, 2009.

YAHOO! INC.

By: ______________________________

Its: ______________________________

[Insert Name]

Signature: ______________________________

Printed Name: ______________________________

Address: ______________________________

____

Exhibit 10.2(H)
[TSR Version]

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of __________, 2009 (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and __________ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee __________ Restricted Stock Units (such amount, the "Target Number" of Restricted Stock Units) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, the Applicable Percentage (determined based upon the performance-based vesting provisions set forth in Exhibit A attached hereto) of the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the date of the Final Committee Determination; provided however that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the Applicable Percentage and performance-based vesting provisions shall no longer apply, and the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the third anniversary of the Date of Grant. Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) shall terminate as of the date of the Final Committee Determination (or, in the case of a Change in Control prior to the third anniversary of the Date of Grant, as of the third anniversary of the Date of Grant). For purposes of this Agreement, the “Final Committee Determination” shall mean the date on which the Administrator determines the extent to which (if any) the performance-based vesting requirements on Exhibit A have been satisfied, which date shall be not later than three months after the end of the Performance Period (as defined in Exhibit A).

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Section 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in

accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event Grantee's employment is terminated by the Company, Parent or Subsidiary without Cause (as defined below) or due to the Grantee's death or Total Disability (as defined in the Plan), a pro rata portion of the Restricted Stock Units subject to the Award may vest in accordance with the provisions set forth below:

(A) *Prior to a Change in Control*. Prior to any Change in Control (as defined in Section 2(g)), if such termination occurs on or after the date that is eighteen (18) month anniversary of the Date of Grant, but prior to the third anniversary of the Date of Grant, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested on the third anniversary of the Date of Grant shall equal (x) the number of Restricted Stock Units subject to the Award that would have vested in accordance with Section 2(c) above (assuming no termination of employment had occurred), multiplied by (y) a fraction, the numerator of which is the number of whole months after the Date of Grant that the Grantee was employed by or rendered services to the Company, Parent or any Subsidiary, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (A) shall terminate as of the third anniversary of the Date of Grant. Notwithstanding the foregoing, if a Change in Control occurs after such a termination of the Grantee's employment and prior to the third anniversary of the Date of Grant, the Grantee shall vest in a prorated number of Restricted Stock Units as of the date of the Change in Control determined by multiplying the Target Number of Restricted Stock Units by the fraction referred to in clause (y) of the preceding sentence, with any such vested Restricted Stock Units to be paid as soon as practicable following the date of the Change in Control as provided in Section 2(d) and any Restricted Stock Units that do not vest after giving effect to such determination shall terminate as of the date of the Change in Control.

(B) *After a Change in Control*. If such termination occurs after a Change in Control (or, in the case of a termination without Cause, more than 12 months after any Change in Control) but prior to the third anniversary of the Date of Grant, the Restricted Stock Units subject to the Award that shall become vested as of the date of termination shall equal (x) the Target Number of Restricted Stock Units, multiplied by (y) a fraction, the numerator of which is the number of whole months after the Date of Grant that the Grantee was employed by or rendered services to the Company, Parent or any Subsidiary, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate as of the date of termination.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee's refusal or material failure to perform the Grantee's job duties and responsibilities (other than by reason of the Grantee's serious physical or mental illness, injury or medical condition); (2) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee's material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Grantee and the Company), or the Grantee's material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee's indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(f) *Corporate Transactions*. The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control*. The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control but prior to the third anniversary of the Date of Grant, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined below), the Target Number of Restricted Stock Units subject to the Award, to the extent not then vested, shall become fully vested as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material

diminution of the Grantee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee's prior written agreement; (2) the material diminution of the Grantee's authority, duties or responsibilities as an employee of the Company without the Grantee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee's position with the Company to a location that is greater than 50 miles from the Grantee's current principal place of employment with the Company, and that is also further from the Grantee's principal place of residence, without the Grantee's prior written agreement, provided that in all events the termination of the Grantee's service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or in the event that the Restricted Stock Units are paid in cash (as opposed to Shares), the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by reducing the amount of any cash otherwise payable to Grantee with respect to the Restricted Stock Units; (iii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iv) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld;. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement.* This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(i) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(j) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the ____ day of __________, 2009.

YAHOO! INC.

By: ________________________________

Its: ________________________________

[Insert Name]

Signature: ________________________________

Printed Name: ________________________________

Address: ________________________________

____

EXHIBIT A

PERFORMANCE-BASED VESTING

Subject to Sections 2(e) and 2(g) of this Agreement, the Restricted Stock Units shall vest and become non-forfeitable with respect to the Applicable Percentage of the Target Number of Restricted Stock Units set forth in the chart below based on the Company's Actual TSR Percentile for the Performance Period (as each such term is defined below); provided, however, that in no event shall the Applicable Percentage exceed two hundred percent (200%):

Actual TSR Percentile	Applicable Percentage
90th or higher	200%
75th	150%
55th	100%
35th	50%
Below 35th	0%

The Applicable Percentage will be interpolated on a linear basis between the levels stated in the chart above. For example, if the Actual TSR Percentile for the Performance Period were the 60th percentile, then the Applicable Percentage would be 112.5%. Any Restricted Stock Units that do not vest based on the performance requirements set forth in this Exhibit A (and which have not previously terminated pursuant to the terms of this Agreement) will automatically terminate as of the last day of the Performance Period. The number of Restricted Stock Units that vest based on performance will be determined by the Administrator following the end of the Performance Period and payment of vested Restricted Stock Units will be made in the period provided for in Section 2(d) of this Agreement. Any such determination by the Administrator shall be final and binding.

For purposes of the Award, the following definitions shall apply:

- "TSR" means total shareholder return and shall be determined with respect to the Company and any other company in the Nasdaq-100 index by dividing: (a) the sum of (i) the difference obtained by subtracting the Beginning Price from the Ending Price plus (ii) all dividends and other distributions paid on such company's common stock during the Performance Period by (b) the Beginning Price. Any non-cash distributions shall be ascribed such dollar value as may be determined by or at the direction of the Administrator.
- "Actual TSR Percentile" means the percentile ranking of the Company's TSR among the TSRs for the companies comprising the Nasdaq 100 index on the last day of the Performance Period. For purposes of clarity, the Company's TSR shall be ranked against the TSRs for such companies regardless of whether the Company is a member of the Nasdaq 100 index at such time.
- "Performance Period" means the period commencing on the Date of Grant and ending on the third anniversary of the Date of Grant.

- "Beginning Price" means, with respect to the Company and any other company in the Nasdaq-100 index, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending with the first day of the Performance Period or, in the case of a company that is not traded on a stock exchange on the first day of the Performance Period, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is thereafter first admitted to trading for the twenty (20) consecutive trading days commencing with the first day in the Performance Period on which such company's common stock is so traded.
- "Ending Price" means, with respect to the Company and any other company in the Nasdaq-100 index, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending with the last day of the Performance Period.
- "Nasdaq 100 index" means the NASDAQ-100 Index published by The Nasdaq Stock Market (or its successor) or, in the event such index is no longer published on the last day of the Performance Period, an alternate index deemed comparable by the Administrator.

Exhibit 10.2(I)
[OCF Version]

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of __________, 2009 (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and __________ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee __________ Restricted Stock Units (such total number, the "Target Number" of Restricted Stock Units; and one-third of Target Number being the "Annual Target Number" of Restricted Stock Units for each of 2009, 2010 and 2011) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, the Restricted Stock Units credited to the Grantee for each Performance Year (as defined in Exhibit A) pursuant to the performance-based vesting provisions set forth in Exhibit A attached hereto shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the performance-based vesting requirements referred to in this Section 2(c) shall not apply with respect to the year in which such Change in Control occurs or any subsequent Performance Year, and the following provisions shall apply: the number of Restricted Stock Units that shall vest upon the third anniversary of the Date of Grant shall equal the sum of (i) the number of Restricted Stock Units (if any) credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Performance Year(s) ended prior to the year in which the Change in Control occurs ("Credited Restricted Stock Units"), plus (ii) the Annual Target Number of Restricted Stock Units for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s) (the "Remaining Uncredited Restricted Stock Units"). Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) shall terminate as of the third anniversary of the Date of Grant.

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the "Payment Date"), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Section 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as defined below) or due to the Grantee's death or Total Disability (as defined in the Plan), the Restricted Stock Units shall vest as set forth below:

(A) *Prior to a Change in Control*. Prior to any Change in Control (as defined in Section 2(g)), any Credited Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for any Performance Year ended prior to the year in which such termination occurs, to the extent then not vested, shall vest and become non-forfeitable as of the date of such termination and shall be paid in accordance with Section 2(d). Any Restricted Stock Units that do not vest in accordance with the preceding sentence shall terminate as of the date of such termination of employment.

(B) *After a Change in Control*. If such termination occurs after a Change in Control (or, in the case of a termination without Cause, more than 12 months after any Change in Control) but prior to the third anniversary of the Date of Grant, the Restricted Stock Units subject to the Award that shall become vested as of the date of termination shall equal the sum of (i) the number of Credited Restricted Stock Units, plus (ii) the number of Remaining Uncredited Restricted Stock Units multiplied by (y) a fraction, the numerator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and the date of such termination of employment, and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year; and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate as of the date of termination.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee's refusal or material failure to perform the Grantee's job duties and responsibilities (other than by reason of the Grantee's serious physical or mental illness, injury or medical condition); (2) the Grantee's failure or refusal to comply in any material respect with

material Company policies or lawful directives; (3) the Grantee's material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Grantee and the Company), or the Grantee's material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company;, or (5) the Grantee's indictment or conviction or nolo contendre or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined below), the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent outstanding and not then vested, shall become fully vested as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee's prior written agreement; (2) the material diminution of the Grantee's authority, duties or responsibilities as an employee of the Company without the Grantee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee's position with the Company to a location that is greater than 50 miles from the Grantee's current principal place of employment with the Company, and that is also further from the Grantee's principal place of residence, without the Grantee's prior written agreement, provided that in all events the termination of the Grantee's service with the Company shall not be

treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or in the event that the Restricted Stock Units are paid in cash (as opposed to Shares), the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by reducing the amount of any cash otherwise payable to Grantee with respect to the Restricted Stock Units; (iii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iv) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld;. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement.* This Agreement and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(i) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(j) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the ____ day of __________, 2009.

YAHOO! INC.

By: ________________________________
Its: ________________________________

[Insert Name]

Signature: ________________________________

Printed Name: ________________________________

Address: ________________________________
____

EXHIBIT A

PERFORMANCE-BASED REQUIREMENTS

For each of 2009, 2010 and 2011 (each, a “Performance Year”), the Grantee shall be credited with a number of Restricted Stock Units based on the Company’s actual Operating Cash Flow (as defined below) for that Performance Year in comparison with the Annual OCF Performance Target (as defined below) established by the Administrator for that Performance Year. For each Performance Year, the percentage of the Annual Target Number of Restricted Stock Units that shall be credited for such Performance Year shall be determined based on the percentage of the Annual OCF Performance Target achieved as set forth below

Actual OCF as a Percentage of Annual OCF Performance Target	Percentage of Annual Target Number of Restricted Stock Units Credited
Less than 85%	0%
85%	50%
100%	100%
105%	120%
115%	170%
120% or greater	200%

The Annual Target Number of Restricted Stock Units will be credited to the Grantee if the Company achieves 100% of the OCF Performance Target for that Performance Year, with the maximum number of Restricted Stock Units that may be credited for any Performance Year being 200% of the Annual Target Number. If the Actual OCF as a Percentage of the Annual OCF Performance Target is between 85% and 120% and falls between two of the performance levels identified in the table above, the Percentage of the Annual Target Number of Restricted Stock Units to be credited shall be determined by linear interpolation between the levels stated in the chart above.

Any Restricted Stock Units credited to the Grantee pursuant to the foregoing provisions shall continue to be subject to the vesting provisions set forth in Sections 2(c), 2(e) and 2(g) of this Agreement. The Annual OCF Performance Target for each year shall be established by the Administrator not later than ninety (90) days after the start of such year and in all events at a time when it is substantially uncertain whether the Target will be achieved. The Administrator shall, following the end of each Performance Year, determine, whether and the extent to which the applicable OCF Performance Target has been satisfied. Such determinations by the Administrator shall be final and binding. In no event shall the Grantee be credited more than 200% of the Annual Target Number of Restricted Stock Units for any one Performance Year; and in no event shall the Grantee be entitled to payment of more than 200% of the Target Number of Restricted Stock Units subject to this Award.

For purposes of the Award, the following definitions shall apply:

- "Annual OCF Performance Target" means, with respect to each Performance Year, the Operating Cash Flow target established by the Administrator for such Performance Year for purposes of the Award.
- "Operating Cash Flow" means the Company's operating income before depreciation, amortization and stock-based compensation expense as determined by the Company on the basis of its annual financial statements; provided, however, Operating Cash Flow shall be adjusted by the Administrator as follows:

(a) increased or decreased to eliminate the financial statement impact of acquisitions and costs associated with such acquisitions and the costs incurred in connection with potential acquisitions that are required to be expensed under Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), *"Business Combinations"* ("SFAS 141R");

(b) increased or decreased to eliminate the financial statement impact of divestitures and costs associated with such divestitures and the costs incurred in connection with potential divestitures that are required to be expensed under SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS 144");

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of restructuring charges that are required to be expensed (or reversed) under SFAS No. 146, "*Accounting for Costs Associated With Exit or Disposal Activities"* &/or SFAS No. 112, *"Employers' Accounting for Postemployment Benefits"* &/or SFAS No. 144**,** resulting from a corporate reorganization;

(e) increased or decreased to eliminate the financial statement impact of impairment charges that are required to be recorded under SFAS No. 142, "*Goodwill and Other Intangible Assets"*; and

(f) increased or decreased to adjust the foreign exchange translation impact on Operating Cash Flow to reflect the foreign exchange rates in effect when the Company's OCF Performance Target is established.

Exhibit 10.13

Summary of Compensation Payable to Named Executive Officers

Base Salary. The Compensation Committee (the "Committee") of the Board of Directors of Yahoo! Inc. ("Yahoo") has previously approved the annual base salaries of Yahoo's principal executive officer, principal financial officer, and the other executive officers who were named in the Summary Compensation Table of the Company's Proxy Statement filed with the SEC on June 9, 2008 and who are currently employed by the Company (together, the "Named Executive Officers"). The following table shows the current annual base salary for 2009 for each of the Named Executive Officers:

Name and Principal Position	Salary ($)
Carol Bartz Chief Executive Officer	1,000,000
Jerry Yang Chief Yahoo	1
Susan Decker President	815,000(1)
Blake Jorgensen Chief Financial Officer	500,000(2)
Michael J. Callahan Executive Vice President, General Counsel and Secretary	420,000
Michael L. Murray Senior Vice President, Finance and Chief Accounting Officer	375,000

(1) On January 13, 2009, we announced that Sue Decker indicated she would resign after a transition period. Ms. Decker's date of resignation will be April 1, 2009.

(2) Mr. Jorgensen will be leaving the Company but is remaining through a transition period.

Bonus. In addition to receiving a base salary, Yahoo!'s Named Executive Officers are also generally eligible to receive an annual bonus.

Yahoo's Named Executive Officer bonuses for 2009 will be determined under Yahoo's Executive Incentive Plan. The Named Executive Officer's respective target bonus opportunities (expressed as a percentage of base salary) under the Executive Incentive Plan for 2009 are as follows: Ms. Bartz - 200%, Mr. Callahan - 75%, and Mr. Murray - 50%. Mr. Yang, Ms. Decker and Mr. Jorgensen will not participate in the Executive Incentive Plan. The Committee also has the ability to award discretionary bonuses from time to time in circumstances the Committee determines to be appropriate.

Long-Term Incentives. The Named Executive Officers are also eligible to receive equity-based incentives and other awards from time to time at the discretion of the Committee. Equity-based incentives granted by Yahoo! to the Named Executive Officers are reported on Form 4 filings with the Securities and Exchange Commission.

Exhibit 10.15

AMENDED AND RESTATED YAHOO! INC.
CHANGE IN CONTROL EMPLOYEE SEVERANCE PLAN
FOR
LEVEL I AND LEVEL II EMPLOYEES

The Company hereby adopts this Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees for the benefit of certain employees of the Company and its subsidiaries, on the terms and conditions hereinafter stated. This Plan amends and restates in its entirety the Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees adopted on February 12, 2008. The Plan, as set forth herein, is intended to help retain qualified employees, maintain a stable work environment and provide economic security to eligible employees in the event of certain terminations of employment. The Plan, as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations §2510.3-2(b).

SECTION 1. DEFINITIONS. As hereinafter used:

1.1 "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

1.2 "Board" means the Board of Directors of the Company.

1.3 "Cause" shall mean that the Eligible Employee has: (a) willfully and continually failed to substantially perform, or been willfully grossly negligent in the discharge of, his or her duties to the Company or any of its subsidiaries (in any case, other than by reason of a disability, physical or mental illness or analogous condition), which failure or negligence continues for a period of 10 business days after a written demand for performance is delivered to the Eligible Employee by the Board, which specifically identifies the manner in which the Board believes that the Eligible Employee has not substantially performed, or been grossly negligent in the discharge of, his or her duties; (b) been convicted of or pled nolo contendere to a felony; or (c) materially and willfully breached any agreement with the Company, any of its subsidiaries or any Affiliate of the Company or any of its subsidiaries. No act or failure to act on the part of the Eligible Employee shall be deemed "willful" unless done, or omitted to be done, by the Eligible Employee not in good faith or without reasonable belief that the Eligible Employee's act or failure to act was in the best interests of the Company.

1.4 A "Change in Control" shall be deemed to mean the first of the following events to occur after the Effective Date:

(a) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its affiliates, but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(b) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(c) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

1.5 "Change in Control Protection Period" shall mean the period commencing on the date a Change in Control occurs and ending on the first anniversary of such date.

1.6 "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

1.7 "Company" means Yahoo! Inc., its subsidiaries or any successors thereto.

1.8 "Disability" means a physical or mental condition entitling the Eligible Employee to benefits under the applicable long-term disability plan of the Company or any its subsidiaries, or if no such plan exists, a "permanent and total

disability" (within the meaning of Section 22(e)(3) of the Code) or as determined by the Company in accordance with applicable laws.

1.9 "Effective Date" shall mean February 12, 2008.

1.10 "Eligible Employee" means any Level I Employee or Level II Employee, who is employed on the date of a Change in Control, other than: (i) an employee who has entered into a separation agreement with the Company prior to a Change in Control; (ii) interns, casual or temporary employees; and (iii) employees on a fixed-term employment agreement.

1.11 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.13 "Fundamental Board Change" means the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on December 8, 2008, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on December 8, 2008, or whose appointment, election or nomination for election was previously so approved or recommended;

1.14 "Good Reason" means:

(a) a material diminution in the Eligible Employee's duties or responsibilities from those in effect immediately prior to the Change in Control (including in the case of a Level I Employee who reports directly to the chief executive officer of the Company immediately prior to a Change in Control, if, after such Change in Control, such Level I Employee no longer reports directly to the chief executive officer of a public company), it being understood that:

(i) "a material diminution in the Eligible Employee's duties or responsibilities" is not established by one or more of the following changes, whether alone or in combination: (a) a change in job title; (b) except as expressly provided in Section 1.14(a), a change in reporting relationships; or (c) any change in an Eligible Employee's duties or responsibilities of a type that the Company has historically caused or permitted in the two years prior to the Change in Control;

(ii) under no circumstances will a promotion or an increase in the number of employees or projects to be managed or an increase in the budget to be managed constitute "a material diminution in the Eligible Employee's duties or responsibilities";

(iii) a decrease in the number of employees to be managed or a decrease in the budget to be managed, standing alone, shall not constitute "a material diminution in the Eligible Employee's duties or responsibilities" if resulting from a reduction in force; and

(iv) "a material diminution in the Eligible Employee's duties or responsibilities" would be established if an Eligible Employee is reassigned to perform job functions in a discipline that is materially different than the discipline in which the Eligible Employee worked prior to the Change in Control (e.g., a software engineer is assigned to work in the accounting department or an in-house lawyer is assigned to work in the corporate communications department), without regard to similarity of job level;

(b) a material reduction in the Eligible Employee's annual base salary as of immediately prior to the Change in Control (or as the same may be increased from time to time);

(c) a material reduction in the Eligible Employee's annual target bonus opportunity as of immediately prior to the Change in Control; or

(d) the relocation of the Eligible Employee's principal place of employment to a location more than 35 miles from the Eligible Employee's principal place of employment immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with the Eligible Employee's business travel obligations as of immediately prior to the Change in Control.

Notwithstanding the foregoing, any change in the Eligible Employee's duties or responsibilities or any relocation of the Eligible Employee's principal place of employment shall not constitute Good Reason if such Eligible Employee either requested, volunteered to undertake, or consented in writing to, such change or relocation. The Eligible Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder, provided that the Eligible Employee provides the Company with a written notice of resignation within ninety (90) days following the occurrence of the event constituting Good Reason and the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice.

1.15 "Level I Employee" means any full-time employee of the Company or its subsidiaries with the job level immediately prior to a change in control of: E4, E5 or EX.

1.16 "Level II Employee" means any full-time employee of the Company or its subsidiaries with the job level immediately prior to a change in control of E3.

1.17 "Plan" means the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees, as set forth herein and as it may be amended from time to time.

1.18 "Plan Administrator" means the Compensation Committee of the Board or such other person or persons appointed from time to time by the Compensation Committee of the Board to administer the Plan.

1.19 "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control; or

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control.

1.20 "Potential Change in Control Period" means the period beginning upon the occurrence of a Potential Change in Control and ending upon the earliest to occur of the: (i) consummation of the Change in Control or (ii) one-month anniversary of the abandonment of the transaction or series of transactions that constitute a Potential Change in Control (as determined by the Plan Administrator in its sole discretion).

1.21 "Severance" means (a) the involuntary termination of an Eligible Employee's employment by the Company or any subsidiary thereof, other than for Cause, death or Disability or (b) a termination of an Eligible Employee's employment by the Eligible Employee for Good Reason, in each case, following a Change in Control and during the Change in Control Protection Period, other than a termination of an Eligible Employee's employment by the Company as part of a global integration after a Change in Control when such Eligible Employee is rehired by the Company as part of such integration.

1.22 "Severance Date" means the date on which an Eligible Employee incurs a Severance.

SECTION 2. CHANGE IN CONTROL SEVERANCE BENEFITS

2.1 Generally. Subject to Sections 2.7, 2.8, 4 and 6.2 hereof, each Eligible Employee shall be entitled to the greater of either the: (a) severance payments and benefits pursuant to the applicable provisions of Section 2 of this Plan if such Eligible Employee incurs a Severance during the Change in Control Protection Period or (b) severance benefits under any negotiated severance agreement between such Eligible Employee and the Company (if applicable). With respect to an Eligible Employee who is entitled to benefits under the Workers Adjustment Retraining Notification Act of 1988, or

any similar state or local statute or ordinance (collectively the "WARN Act"), such benefits under this Plan shall be reduced dollar-for-dollar by any benefits received pursuant to the WARN Act.

2.2 Payment of Accrued Obligations. Subject to Sections 2.8, 4 and 6.2 hereof, the Company shall pay to each Eligible Employee who incurs a Severance during the Change in Control Protection Period a lump sum payment in cash, paid in accordance with applicable law, as soon as practicable but no later than 10 days after the Severance Date, equal to the sum of (a) the Eligible Employee's accrued but unpaid annual base salary and any accrued but unpaid vacation pay through the Severance Date, and (b) the Eligible Employee's annual bonus earned for the fiscal year immediately preceding the fiscal year in which the Severance Date occurs if such bonus has not been paid as of the Severance Date.

2.3 Level I Employees. Each Level I Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to (i) continuation of his or her annual base salary, as in effect on the Severance Date (or, if higher, as in effect on the date on which the Change in Control occurs), for twenty-four (24) months following the Severance and (ii) payment of up to $15,000 (payable in equivalent local currency with respect to Eligible Employees outside the United States) of outplacement services utilized by the Eligible Employee within twenty-four (24) months following the Severance Date, such reimbursement to be paid not later than the end of the calendar year following the year in which the expense is incurred.

2.4 Level II Employees. Each Level II Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to (i) continuation of his or her annual base salary, as in effect on the Severance Date (or, if higher, as in effect on the date on which the Change in Control occurs), for eighteen (18) months following the Severance, and (ii) payment of up to $15,000 (payable in equivalent local currency with respect to Eligible Employees outside the United States) of outplacement services utilized by the Eligible Employee within twenty-four (24) months following the Severance Date, such reimbursement to be paid not later than the end of the calendar year following the year in which the expense is incurred.

2.5 Acceleration of Vesting. In addition to the benefits provided pursuant to Sections 2.3, 2.4 and 2.6 hereof (as applicable), each Level I and Level II Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to full vesting of all stock options, restricted stock units and any other equity-based awards granted or assumed by the Company outstanding as of the Severance Date (whether or not such award was outstanding as of the Effective Date); provided, however, that this Section 2.5 shall not apply with respect to a grant or award of stock options, restricted stock units or any other equity-based compensation made after the Effective Date if the agreement granting or awarding the applicable stock options, restricted stock units or any other equity-based compensation provides that the grant shall not be subject to the provisions of this Section 2.5.

2.6 Benefit Continuation. In the case of each Eligible Employee who incurs a Severance during the Change in Control Protection Period, commencing on the date immediately following such Eligible Employee's Severance Date and continuing for the period set forth below (the "Welfare Benefit Continuation Period"), the Company shall provide to each such Eligible Employee (and anyone entitled to claim under or through such Eligible Employee) all Company-paid benefits under any group health plan or dental plan of the Company (as in effect immediately prior to such Eligible Employee's Severance Date) for which Eligible Employees of the Company are eligible, to the same extent as if such Eligible Employee had continued to be an Eligible Employee of the Company during the Welfare Benefit Continuation Period. To the extent that such Eligible Employee's participation in Company benefit plans is not practicable, the Company shall arrange to provide, at the Company's sole expense, such Eligible Employee (and anyone entitled to claim under or through such Eligible Employee) with equivalent health and dental benefits under an alternative arrangement during the Welfare Benefit Continuation Period. The coverage period for purposes of the group health continuation requirements of Section 4980B of the Code shall commence at the Severance Date, and shall run concurrently with the Welfare Benefit Continuation Period. The Welfare Benefit Continuation Period shall be for a number of months equal to the number of months (including fractions thereof) during which the Eligible Employee receives base salary continuation payments pursuant to this Section 2.

2.7 Release; Restrictive Covenants; Benefit Commencement Date. No Eligible Employee who incurs a Severance during the Change in Control Protection Period shall be eligible to receive any payments or other benefits under the Plan (other than payments under Section 2.2 hereof) unless, within forty-five (45) days following such Employee's Severance Date, he or she first executes a release (as substantially in the form of Exhibit A hereto, or in such other form as is required to comply with applicable law, a "Release") in favor of the Company and others set forth on said Exhibit A, or in such other form as is required to comply with applicable law, relating to all claims or liabilities of any kind relating to his or her employment with the Company or a subsidiary thereof and the termination of the Employee's employment, and such Release becomes effective and has not been revoked by the employee by the fifty-fifth (55th) day following the date of termination. Provided that the Eligible Employee executes the Release in accordance with the requirements of this Section 2.7, any payments or other benefits under the Plan shall commence (the "Benefit Commencement Date") on or before the sixtieth (60th) business day following the Severance Date; all payments or benefits accrued during the period between the Severance Date and Benefit Commencement Date shall be provided in full on the Benefit Commencement Date. If the Eligible Employee does not execute and return such Release such that it does not become effective within the aforesaid period, the Eligible Employee shall cease to be entitled to any payments or benefits under this Plan. In addition, payment and other benefits under this Plan shall cease as of the date that the Eligible Employee breaches any of the provisions of such Eligible Employee's Confidentiality, Proprietary Information and Assignment of Inventions Agreement, or other similar agreement.

2.8 409A. Notwithstanding any provision to the contrary in this Plan, no payment or distribution under this Plan which constitutes an item of deferred

compensation under Section 409A of the Code and becomes payable by reason of the Eligible Employee's termination of employment with the Company will be made to the Eligible Employee unless the Eligible Employee's termination of employment constitutes a "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code). In addition, no such payment or distribution will be made to the Eligible Employee prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the Eligible Employee's "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code) or (ii) the date of the Eligible Employee's death, if the Eligible Employee is deemed at the time of such separation from service to be a "key employee" within the meaning of that term under Section 416(i) of the Code and to the extent such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code. All payments and benefits which had been delayed pursuant to the immediately preceding sentence shall be paid to the Eligible Employee in a lump sum upon expiration of such six-month period (or if earlier upon the Eligible Employee's death). It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto so as not to subject the Eligible Employee to the payment of additional taxes and interest under Section 409A of the Code. In furtherance of this intent, this Plan shall be interpreted, operated, and administered in a manner consistent with these intentions.

SECTION 3. PLAN ADMINISTRATION.

3.1 The Plan Administrator shall administer the Plan and may interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan.

3.2 The Plan Administrator may delegate any of its duties hereunder to such person or persons from time to time as it may designate.

3.3 The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company.

3.4 Following the occurrence of a Change in Control, the Company may not remove from office the individual or individuals who served as Plan Administrator immediately prior to the Change in Control; provided, however, if any such individual ceases to be affiliated with the Company, the Company may appoint another individual or individuals as Plan Administrator so long as the substitute Plan Administrator consists solely of an individual or individuals who (a) were officers of the Company immediately prior to the Change in Control, (b) were directors of the Company immediately prior to

the Change in Control and are not affiliated with the acquiring entity in the Change in Control or (c) were selected or approved by an officer or director described in clause (a) or (b).

SECTION 4. LIMITATION ON BENEFITS. If any payment or benefit received or to be received by an Eligible Employee (including any payment or benefit received pursuant to the Plan or otherwise) would be (in whole or part) subject to the excise tax imposed by Section 4999 of the Code, or any successor provision thereto, or any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then, the salary continuation payments provided under Section 2.3 or 2.4, as applicable, shall first be reduced (and thereafter, if necessary, the accelerated vesting provided in Section 2.5 shall be reduced) to the extent necessary to make such payments and benefits not subject to such Excise Tax, but only if such reduction results in a higher after-tax payment to the Eligible Employee after taking into account the Excise Tax and any additional taxes the Eligible Employee would pay if such payments and benefits were not reduced.

SECTION 5. PLAN MODIFICATION OR TERMINATION.

5.1 Subject to Section 5.3 below, as long as no Potential Change in Control Period or Change in Control Protection Period is in effect, the Board (including the Board in place following a Fundamental Board Change) may amend or terminate the Plan at any time. During any Potential Change in Control Period or Change in Control Protection Period, the Board may not, except as provided in Section 5.2, (a) terminate the Plan or (b) amend the Plan if such amendment would in any manner be adverse to the interests of any Eligible Employee. For the avoidance of doubt, (a) any action taken by the Company or the Plan Administrator during the Change in Control Protection Period to cause an Eligible Employee to no longer be designated as a Level I Employee or Level II Employee, or to decrease the payments or benefits for which an Eligible Employee is eligible, and (b) any amendment to Section 3.4 or this Section 5 during the Change in Control Protection Period shall be treated as an amendment to the Plan which is adverse to the interests of any Eligible Employee.

5.2 Notwithstanding the foregoing Section 5.1, (a) the Plan Administrator may amend the Plan at any time and in any manner necessary to comply with applicable law, including, but not limited to, Section 409A of the Code; and (b) subject to Section 5.3 and provided that no Fundamental Board Change has occurred in connection with a Potential Change in Control, the Board in place prior to a Change in Control may during any Potential Change in Control Period terminate the Plan or amend the Plan in any manner as part of any Board-approved transaction that would constitute a Change in Control.

5.3 Other than amendments made as part of a Board-approved merger, consolidation or sale or disposition of all or substantially all of the Company's assets that would constitute a Change in Control under Section 1.4(b) or 1.4(c), for a period of eighteen (18) months following the effective date of that certain stipulation and

agreement of settlement by and among the Company and the Police & Fire Retirement System of the City of Detroit and General Retirement System of the City of Detroit, dated December 8, 2008 (the "Settlement Agreement"), filed in the Delaware Court of Chancery (the "Court"), the Board and the Company shall be prohibited from amending the Plan in any manner that (a) expands the definition of Good Reason, as prescribed under Section 1.14 hereof; (b) lengthens the Change in Control Protection Period, as defined under Section 1.5 hereof; (c) increases the amount of severance benefits provided under the Plan; or (d) otherwise materially alters any of the terms of Sections 1.4, 1.5, 1.13, 1.14, 1.19, 5, 6.11, 6.12, 7.6, or 7.7 of the Plan, unless such proposed amended terms to the Plan are, upon a showing of substantial need by the Company, approved in advance by the Court after a public announcement by the Company that such relief is being sought.

SECTION 6. GENERAL PROVISIONS.

6.1 Except as otherwise provided herein or by law, no right or interest of any Eligible Employee under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Eligible Employee under the Plan shall be liable for, or subject to, any obligation or liability of such Eligible Employee. When a payment is due under this Plan to a severed employee who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

6.2 If the Company or any subsidiary thereof is obligated by law or by contract to pay severance pay, a termination indemnity, notice pay, or the like, or if the Company or any subsidiary thereof is obligated by law or by contract to provide advance notice of separation ("Notice Period"), then any severance pay hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

6.3 Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee, or any person whomsoever, the right to be retained in the service of the Company or any subsidiary thereof, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

6.4 If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

6.5 This Plan shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Eligible Employee, present and future, and any successor to the Company. If a severed employee

shall die, all accrued but unpaid amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executor, personal representative or administrators of the severed employee's estate.

6.6 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

6.7 The Plan shall not be required to be funded unless such funding is authorized by the Board. Regardless of whether the Plan is funded, no Eligible Employee shall have any right to, or interest in, any assets of any Company which may be applied by the Company to the payment of benefits or other rights under this Plan.

6.8 Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States Mail, first class, postage prepaid (or such local equivalent thereof), addressed to the intended recipient at his, her or its last known address.

6.9 This Plan shall be construed and enforced according to the laws of the State of Delaware to the extent not preempted by federal law or other applicable local law, which shall otherwise control.

6.10 All benefits hereunder shall be reduced by applicable withholding and shall be subject to applicable tax reporting, as determined by the Plan Administrator, or as required by applicable law.

6.11 Any amendments made to this Plan (including, but not limited to, amendments to the definition of Change in Control in Section 1.4, , Change in Control Protection Period in Section 1.5, Good Reason in Section 1.14, and Potential Change in Control in Section 1.19, the provisions with regard to Plan Modifications or Termination in Section 5 and the Binding Arbitration provisions in Section 7.7) will not be applicable in certain jurisdictions outside the United States where (i) country-specific definitions or terms and conditions were adopted in a sub-plan to the Plan in accordance with applicable law, (ii) the amendments to the Plan would modify or otherwise alter the country-specific definitions or terms and conditions as adopted in a sub-plan to the Plan in accordance with applicable law, (iii) such changes to the Plan are prohibited by applicable law, or (iv) applicable law requires the Company or its affiliates to provide notice, obtain approval or obtain consent for such amendments to the sub-plan and/or the Plan to or by local labor courts, tribunals, governmental entities, works councils, unions, employee representatives or similar bodies or employees of the Company.

6.12 Except as the Board may otherwise direct, the amendments to the Plan pursuant to the Settlement Agreement shall be of no further force or effect 90 days after execution of the Settlement Agreement unless, prior to such date, the Court finally approves such Settlement Agreement. In the event the Court's final approval order is overturned on appeal and the Settlement Agreement ultimately is terminated, the amendments to the Plan shall be of no further force or effect, except as the Board may otherwise direct.

SECTION 7. CLAIMS, INQUIRIES, APPEALS.

7.1 Applications for Benefits and Inquiries. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Plan Administrator in writing, as follows:

Plan Administrator
c/o Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attention: Head of Human Resources

7.2 Denial of Claims. In the event that any application for benefits is denied in whole or in part, the Plan Administrator must notify the applicant, in writing, of the denial of the application, and of the applicant's right to review the denial. The written notice of denial will be set forth in a manner designed to be understood by the employee, and will include specific reasons for the denial, specific references to the Plan provision upon which the denial is based, a description of any information or material that the Plan Administrator needs to complete the review and an explanation of the Plan's review procedure.

This written notice will be given to the employee within ninety (90) days after the Plan Administrator receives the application, unless special circumstances require an extension of time, in which case, the Plan Administrator has up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90)-day period.

This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render his or her decision on the application. If written notice of denial of the application for benefits is not furnished within the specified time, the application shall be deemed to be denied. The applicant will then be permitted to appeal the denial in accordance with the review procedure described below.

7.3 Request for a Review. Any person (or that person's authorized representative) for whom an application for benefits is denied (or deemed denied), in whole or in part, may appeal the denial by submitting a request for a review to the Plan Administrator within 60 days after the application is denied (or deemed denied). The Plan Administrator will give the applicant (or his or her representative) an opportunity to review pertinent documents in preparing a request for a review and submit written comments, documents, records and other information relating to the claim. A request for a review shall be in writing and shall be addressed to:

Plan Administrator
c/o Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attention: Head of Human Resources

A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are pertinent. The Plan Administrator may require the applicant to submit additional facts, documents or other material as he or she may find necessary or appropriate in making his or her review.

7.4 Decision on Review. The Plan Administrator will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be furnished to the applicant within the initial sixty (60)-day period. The Plan Administrator will give prompt, written notice of his or her decision to the applicant. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will outline, in a manner calculated to be understood by the applicant, the specific Plan provisions upon which the decision is based. If written notice of the Plan Administrator's decision is not given to the applicant within the time prescribed in this Section 7.4 the application will be deemed denied on review.

7.5 Rules and Procedures. The Plan Administrator may establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out his or her responsibilities in reviewing benefit claims. The Plan Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial (or deemed denial) of benefits to do so at the applicant's own expense.

7.6 Exhaustion of Remedies. No claim for benefits under the Plan may be brought in any forum until the claimant (a) has submitted a written application for benefits in accordance with the procedures described by Section 7.1 above, (b) has been notified by the Plan Administrator that the application is denied (or the application is deemed denied due to the Plan Administrator's failure to act on it within the established time period), (c) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 7.3 above and (d) has been notified in writing that the Plan Administrator has denied the appeal (or the appeal is deemed to be denied due to the Plan Administrator's failure to take any action on the claim within the time prescribed by Section 7.4 above).

7.7 Binding Arbitration. Any and all disputes (including but not limited to claims in contract, tort, or claims for the interpretation, scope, or validity of the Plan, or this arbitration clause) between an applicant for benefits under the Plan, the Plan Administrator, and/or the Company premised in whole or in part upon a claimed material diminution in the Eligible Employee's duties and responsibilities that remains unresolved

after the exhaustion of the claims procedure outlined in Sections 7.1 through 7.6, above, shall be resolved through binding arbitration by a single arbitrator. The arbitration shall be conducted in the State where the applicant was employed as of the date of separation and will be governed by the Federal Arbitration Act (9 U.S.C. § 1 et. al). The arbitration will be conducted under the JAMS Streamlined Rules, except as modified or expanded by this provision. The arbitrator shall apply the standard of a reviewing court under ERISA and may provide all remedies and relief available under ERISA. The arbitrator shall permit reasonable pre-hearing discovery of facts sufficient to permit the parties to adequately arbitrate their claim(s) and defense(s), including access to essential documents and witnesses. The arbitrator shall give a written determination to the parties stating the arbitrator's determination and the facts and law supporting the determination and shall furnish to the parties a signed copy of such determination. The determination of the arbitrator shall be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. To the extent required by applicable law, the expenses of the arbitration shall be borne by the Company except that each party shall be responsible for their own legal fees and expenses, subject to any decision by the arbitrator under ERISA to award attorney's fees.

EXHIBIT A

FORM OF RELEASE

(To be signed on or after the Separation Date**)**

In return for payment of severance benefits pursuant to the Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees (the "Plan"), as amended, I hereby generally and completely release Yahoo! Inc. (the Company") and its directors, officers, employees, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively "Released Party") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to my employment with the Company or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including wages, salary, bonuses, commissions, vacation pay, expense reimbursements (to the extent permitted by applicable law), severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including without limitation claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including without limitation claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Worker Adjustment and Retraining Notification Act (as amended) and similar laws in other jurisdictions, the Employee Retirement Income Security Act of 1974 (as amended), the Family and Medical Leave Act of 1993, and California Fair Employment and Housing Act (as amended), the California Family Rights Act (as amended), California Labor Code section 1400 *et. seq.* and any similar laws in other jurisdictions; provided, however, that this Release does not waive, release or otherwise discharge any claim or cause of action arising after the date I sign this Agreement.

This Agreement includes a release of claims of discrimination or retaliation on the basis of workers' compensation status, but does not include workers' compensation claims. Excluded from this Agreement are any claims which by law cannot be waived in a private agreement between employer and employee, including but not limited to claims under California Labor Code section 2802 and the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission ("EEOC") or any state or local fair employment practices agency. I waive, however, any right to any monetary recovery or other relief should the EEOC or any other agency pursue a claim on my behalf.

I acknowledge and represent that I have not suffered any age or other discrimination, harassment, retaliation, or wrongful treatment by any Released Party. I also

acknowledge and represent that I have not been denied any rights including, but not limited to, rights to a leave or reinstatement from a leave under the Family and Medical Leave Act of 1993, the California Family Rights Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, or any similar law of any jurisdiction.

I agree that I am voluntarily executing this Release. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA and that the consideration given for this Release is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release specified in this paragraph does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised to consult with an attorney prior to signing this Release; (c) I have received a disclosure from the Company that includes a description of the class, unit or group of individuals covered by this employment termination program, the eligibility factors for such program, and any time limits applicable to such program and a list of job titles and ages of all employees selected for this group termination and ages of those individuals in the same job classification or organizational unit who were not selected for termination ("Disclosures"); (d) I have at least forty-five (45) days from the date that I receive the Disclosures to consider this Release (although I may choose to sign it any time on or after my Separation Date); (e) I have seven (7) calendar days after I sign this Release to revoke it ("Revocation Period"); and (f) this Release will not be effective until I have signed it and returned it to the Company's Human Resources Department and the Revocation Period has expired (the **"Effective Date"**).

I UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving this release, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which states: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any unknown or unsuspected claims I may have against the Company.

____
[name]

____
Date

Exhibit 10.17(B)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED JUNE 12, 2007)
NOTICE OF STOCK OPTION GRANT

Carol Bartz
701 First Avenue
Sunnyvale, CA 94089

You have been granted an option to purchase Common Stock of Yahoo! Inc., a Delaware corporation (the "Company"), as follows:

Date of Grant:	January 30, 2009
Vesting Commencement Date:	January 30, 2009
Exercise Price Per Share:	$11.73
Total Number of Shares Granted:	5,000,000
Total Price of Shares Granted:	$58,650,000.00
Type of Option:	Nonstatutory Stock Option
Term/Expiration Date:	January 30, 2016
Definitions:	Any capitalized terms not otherwise defined herein shall have the definitions set forth in the Plan. In addition to the terms defined in the Plan, the following terms shall have the meanings set forth in your offer letter with the Company, dated as of January 13, 2009: "Cause," "Change in Control," "CIC Agreement," "Disability," "Expiration," "Good Reason," "Open In Contemplation Event" and "Term."
Vesting Schedule:	Except as set forth below, this Option shall vest and become exercisable, in whole or in part, based on the attainment of average closing prices for the Company's Common Stock as reported on the NASDAQ Global Select Market (the "Market") for twenty (20) consecutive trading days after the Date of Grant and prior to January 1, 2013 (or, if a Change in Control occurs prior to January 1, 2013, the price of the Company's Common Stock on the Market immediately preceding the closing of the Change in Control (the "Change In Control Price"), even if such price is not maintained for twenty (20) consecutive trading days) (in either case, the "Average Price") as follows: (i) one third (1/3) of the Option (equal to 1,666,667 Shares) will vest if the Average Price is equal to or greater than one hundred and fifty percent (150%) of the Exercise Price; (ii) an additional one sixth (1/6) of the Option (equal to 833,333 Shares) will vest if the Average Price is equal to or greater than one hundred and seventy-five percent (175%) of the Exercise Price; (iii) an additional one sixth (1/6) of the Option (equal to 833,334 Shares) will vest if the Average Price is equal to or greater than two hundred percent (200%) of the Exercise Price; (iv) an additional one twelfth (1/12) of the Option (equal to 416,666 Shares) will vest if the Average Price is equal to or greater than two hundred and twenty-five percent (225%) of the Exercise Price; (v) an additional one twelfth (1/12) of the Option (equal to 416,666 Shares) will vest if the Average Price is equal to or greater than two hundred and fifty percent (250%) of the

Exercise Price; and (vi) an additional one sixth (1/6) of the Option (equal to 833,334 Shares) will vest if the Average Price is equal to or greater than three hundred percent (300%) of the Exercise Price (each such target price level shall be referred to as a "Vesting Level"). Vesting shall occur only one time at each applicable Vesting Level, and in no event shall the Option vest with respect to more than the "Total Number of Shares Granted" set forth above (as such number may be adjusted in accordance with Section 16 of the Plan).

If: (i) an Open In Contemplation Event exists on December 31, 2012 as a result of a CIC Agreement entered into while you were employed by the Company; (ii) the related Change in Control contemplated by the CIC Agreement closes on or after January 1, 2013; and (iii) you are employed by the Company on the date of such closing or you were terminated by the Company without Cause or for Disability, you terminate for Good Reason or your employment is terminated as a result of your death between the signing of the CIC Agreement and closing of such related Change in Control, a "special measurement" of the Average Price shall be made based on the price of the Company's Common Stock on the Market immediately preceding the closing of the Change in Control contemplated by the CIC Agreement, and, if an additional Vesting Level is attained, an additional portion of this Option shall vest at such time. If your employment terminates for any reason other than as specified above before the closing of the related Change in Control, or, if the obligation to close the Change in Control under the CIC Agreement terminates, the special measurement shall not apply, and no portion of this Option shall vest pursuant to this paragraph. Furthermore, except as expressly provided in this paragraph, no portion of this Option shall vest on or after January 1, 2013.

Vesting on Termination of Employment:

If your employment is terminated by the Company without Cause or by you for Good Reason or due to your death or Disability during the Term (each, a "Termination"), a portion of the Option shall continue to be eligible to vest based on the Average Price of the Company's Common Stock in the period following Termination through December 31, 2012, with each tranche not vested as of the date of a Termination to be prorated by multiplying the number of shares subject to such tranche by a fraction, the numerator of which is the sum of the number of full months of your employment with the Company (with January 2009 considered a full month) plus twelve (12), but in no event greater than forty-eight (48), and the denominator of which is forty-eight (48) months ("Pro-Rata Treatment").

In the event of a termination of employment (for any reason other than the events set forth in the paragraph above), the vested portion of the Option shall remain exercisable in accordance with the Termination Period provisions described below, and any unvested portion of the Option shall terminate and expire as of the date of such termination of employment.

Change in Control:

If a Change in Control occurs and the Option is continued, assumed or substituted in connection with the Change in Control, the Option shall continue to be eligible to vest in accordance with the Vesting Schedule (subject to adjustment, as described below) and continue to remain subject to the terms hereof.

	If a Change in Control occurs during the Term or thereafter and this Option is not continued, assumed or substituted in connection with the Change in Control, then any unvested portion of the Option shall vest or be forfeited on the date of such Change in Control, to the extent not previously vested, based on whether the Change In Control Price is at or in excess of the applicable Vesting Level, even if the Change In Control Price is not maintained for twenty (20) consecutive trading days, provided that any vesting after December 31, 2012 shall only occur to the extent that a Change in Control is covered by the last paragraph of the Vesting Schedule section above.
Termination Period:	In the event of a Termination or your employment is terminated at or after Expiration other than by the Company for Cause, the vested portion of the Option (whether vested before or after termination of employment) shall remain exercisable until the later of one (1) year after termination of employment or, with respect to any portion of the Option vesting within ninety (90) days prior to the end of such one (1) year period or at any time thereafter, ninety (90) days from the applicable vesting date, but in no event beyond the Term/Expiration Date of the Option or termination of the Option's exercisability as a result of an event other than termination of employment. In the event of a termination of your employment (for any reason other than the events set forth in the paragraph above), the then-vested portion of the Option shall remain exercisable for ninety (90) days following such termination, provided that in no event shall the Option be exercised after the Term/Expiration Date.
Adjustments:	The Option's Vesting Levels will be adjusted by the Compensation Committee at the same time as adjustments are made in accordance with Section 16 of the Plan with regard to "Adjustments Upon Change in Capitalization, Corporate Transactions" in a manner similar to and subject to the same requirements as the Total Number of Shares Granted and the Exercise Price under Section 16 of the Plan. For purposes of this Option, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of Common Stock of the Subsidiaries of the Company.

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the 1995 Stock Plan and the Stock Option Agreement, which are attached and made a part of this document.

OPTIONEE:	**YAHOO! INC.**
/s/ Carol Bartz	By: /s/ Michael Callahan
Carol Bartz	Michael Callahan

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED JUNE 12, 2007)
STOCK OPTION AGREEMENT

1. *Grant of Option*. Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1995 Stock Plan, as amended (the "Plan"), adopted by the Company, which is incorporated in this Agreement by reference. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Unless otherwise defined in this Agreement or the Notice of Grant, the terms used in this Agreement shall have the meanings defined in the Plan.

2. *Exercise of Option*. This Option shall be exercisable during its term in accordance with the Vesting Schedule set forth in the Notice of Grant (the "Vesting Schedule") and with the provisions of Sections 9 and 10 of the Plan as follows:

(i) *Right to Exercise*.

(a) This Option may not be exercised for a fraction of a share.

(b) In the event of the Optionee's death, termination on Disability (as defined in the Optionee's offer letter with the Company, dated as of January 13, 2009 (the "Offer Letter")) or other termination of employment, the exercisability of the Option is governed by Sections 6, 7 and 8 below, subject to the limitations contained in Sections 2(i)(c) and (d).

(c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

(ii) *Method of Exercise*.

(a) This Option shall be exercisable by delivering notice to the Company or a broker designated by the Company in such form and through such delivery method as shall be acceptable to the Company or the designated broker, as appropriate (the "Exercise Notice"). The Exercise Notice shall specify the election to exercise the Option and the number of Shares in respect of which the Option is being exercised, shall include such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan and applicable law, and shall be accompanied by payment of the Exercise Price, unless it is being exercised by "Net Exercise" (as provided in Section 4 below). This Option shall be deemed to be exercised upon receipt by the Company or the designated broker of such notice accompanied by, if applicable, the Exercise Price.

(b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of the Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise, including net share withholding as specified in the Offer Letter.

(c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any Stock Exchange. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which the Option is exercised with respect to such Shares.

3. *Continuance of Employment/Service Required*. Except as specifically provided in the Notice of Grant, the Vesting Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of the Option and the rights and benefits under this Agreement. Except as specifically provided in the Notice of Grant, employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6, 7 and 8 below or under the Plan.

4. *Method of Payment*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the Exercise Price ("Net Exercise"). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such Exercise Price in such method (including because doing so would disqualify the Option from being exempt under Section 409A of the Code) or the parties otherwise agree in writing, the Exercise Price shall be paid by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which said Option is exercised; or (iii) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Exercise Price.

5. *Restrictions on Exercise*. This Option may not be exercised if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or

regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship.* Except as otherwise specifically provided in the Notice of Grant, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date"), exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, except as otherwise provided in the Notice of Grant, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, the Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee's right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.

7. *Disability of Optionee*. Except as otherwise provided in the Notice of Grant and notwithstanding the provisions of Section 6 above:

(i) In the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of the Optionee's Disability, the Optionee may exercise this Option during the Termination Period set out in the Notice of Grant.

(ii) To the extent that the Optionee was not entitled to exercise the Option at the date of termination, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, the Option shall terminate.

8. *Death of Optionee*. Except as otherwise provided in the Notice of Grant:

(i) In the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee's Continuous Status as an Employee or Consultant, the Option may be exercised during the Termination Period set out in the Notice of Grant by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise the Option at the date of death or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant.

(ii) Except as provided in the Notice of Grant, to the extent that the Optionee was not entitled to exercise the Option at the date of death or termination, as the case may be, or if the Optionee's estate or the person who acquired the right to exercise the Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, the Option shall terminate.

9. *Non-Transferability.*

   (a) *Non-Transferability of Option*. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

   (b) *Non-Transferability of Stock*. Shares of Common Stock received upon exercise of this Option (other than with regard to payment of the Exercise Price and tax withholding in accordance with Sections 4 and 12, respectively) may not be transferred in any manner otherwise than by will or by the laws of descent or distribution until January 1, 2013, except in the event of the Optionee's earlier death or at or after a Change in Control (as defined in the Offer Letter).

10. *Term of Option*. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

11. *No Additional Employment Rights*. The Optionee understands and agrees that, except as otherwise provided in the Notice of Grant, the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.

12. *Tax Withholding*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the minimum statutory amount required to be withheld with respect to the portion of the Option exercised. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by deducting such amount out of the Optionee's current compensation; (iii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; or (iv) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to

a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined.

13. *Notices*. Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address appearing on the books of the Company or to the Optionee's residence or to such other address as may be designated in writing by the Optionee.

14. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

15. *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.

16. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

17. *Entire Agreement.* This Agreement, the Notice of Grant, the Plan and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

18. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

19. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

20. *Signature*. This Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties of the Notice of Grant attached to this Agreement.

Exhibit 10.17(D)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED JUNE 12, 2007)
RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT, (the “Agreement”), dated as of January 30, 2009 (the “Date of Grant”), is made by and between Yahoo! Inc., a Delaware corporation (the “Company”), and Carol Bartz (the “Grantee”).

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the “Plan”), pursuant to which the Company may grant Restricted Stock;

WHEREAS, the Company desires to grant to the Grantee the number of shares of Restricted Stock provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Award**

(a) *Grant of Restricted Stock.* The Company hereby grants to the Grantee 639,386 shares (the “Shares”) of Restricted Stock (the “Award”) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms; Definitions.*

(i) The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and the Grantee’s offer letter with the Company, dated as of January 13, 2009 (the “Offer Letter”). Consistent with the terms of the Offer Letter, the Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and her legal representative in respect of any questions arising under the Plan or this Agreement.

(ii) Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. In addition to the terms defined in the Plan, the following terms shall have the meanings set forth in the Offer Letter: “Cause,” “Change in Control,” “Disability,” and “Good Reason.”

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Ownership of Shares.* Subject to the restrictions set forth in the Plan and this Agreement, the Grantee shall possess all incidents of ownership of the Restricted Stock granted hereunder, including the right to receive or reinvest dividends with respect to such Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock and stock dividends will be subject to the restrictions provided in Section 2(b)) and the right to vote such Restricted Stock.

(b) *Dividends.* Any dividends with respect to Restricted Stock shall be subject to the same restrictions as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock." All other non-property distributions received in respect of the Restricted Stock shall be payable to the Grantee immediately following vesting of the Restricted Stock.

(c) *Restrictions.* The Restricted Stock and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, during the Restricted Period. Any attempt to dispose of any Restricted Stock in contravention of the above restriction shall be null and void and without effect.

(d) *Certificate; Book Entry Form; Legend.* The Company shall issue the Shares of Restricted Stock either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee, with legends, or notations, as applicable, referring to the terms, conditions and restrictions applicable to the Award. The Grantee agrees that any certificate issued for Restricted Stock prior to the lapse of any outstanding restrictions relating thereto shall be inscribed with the following legend:

> This certificate and the shares of stock represented hereby are subject to the terms and conditions, including forfeiture provisions and restrictions against transfer (the "Restrictions"), contained in the Yahoo! Inc. 1995 Stock Plan, as amended, and an agreement entered into between the registered owner and the Company. Any attempt to dispose of these shares in contravention of the Restrictions, including by way of sale, assignment, transfer, pledge, hypothecation or otherwise, shall be null and void and without effect.

(e) *Lapse of Restrictions.* Subject to the provisions of this Agreement and the Plan, twenty-five percent (25%) of the Shares of Restricted Stock shall vest on each of the following dates: March 31, June 30, September 30, and December 26, 2009. Upon the lapse of restrictions relating to any Shares of Restricted Stock, the Company shall, as applicable, either remove the notations on any such Shares of Restricted Stock issued in book-entry form or deliver to the Grantee or the Grantee's personal representative a stock certificate representing a number of Shares of Common Stock, free of the restrictive legend described in Section 2(d), equal to the number of Shares of Restricted Stock with respect to which such restrictions have lapsed. If certificates representing such Restricted Stock shall have theretofore been delivered to the Grantee, such certificates shall be returned to the Company, complete with any necessary signatures or instruments of transfer prior to the issuance by the Company of such unlegended Shares of Common Stock.

(f) *Termination of Employment.*

(i) In the event Grantee's employment with the Company, Parent or any Subsidiary is terminated by the Company without Cause or due to Disability, by the Grantee for Good Reason or due to Grantee's death prior to the lapsing of the restrictions in accordance with Section 2(e) hereof with respect to any Shares of the Restricted Stock granted hereunder, the Award shall, notwithstanding the provisions of Section 2(e), fully vest on the date of such termination of employment and be free of any restrictions under Section 2(e), and shall also cease to be subject to the Clawback (as defined in Section 2(g) below).

(ii) Subject to Section 2(g) below, in the event Grantee's employment is terminated with the Company, Parent or any Subsidiary for any reason other than a termination described in (i) above, prior to the lapsing of restrictions in accordance with Section 2(e) with respect to any portion of the Restricted Stock granted hereunder, such portion of the Restricted Stock held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination.

(iii) Any Shares of Restricted Stock forfeited pursuant to this Agreement shall be transferred to, and reacquired by, the Company without payment of any consideration by the Company, and neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall thereafter have any further rights or interests in such shares. If certificates for any such Shares containing restrictive legends shall have theretofore been delivered to the Grantee (or her legatees or personal representative), such certificates shall be returned to the Company, complete with any necessary signatures or instruments of transfer.

(g) Clawback. Notwithstanding anything to the contrary herein, the Award will be subject to clawback solely in accordance with Section 3 of the Offer Letter if the Grantee's employment is terminated by the Company for Cause or by the Grantee without Good Reason prior to January 1, 2013 (the "Clawback").

(h) *Change in Control.* The following provisions shall apply to a Change in Control of the Company.

(i) In the event there is a Change in Control of the Company and the Award is continued, assumed or substituted in connection with the Change in Control, the Award shall continue to vest in accordance with Section 2(e).

(ii) Notwithstanding (i) above, in the event there is a Change in Control of the Company and the Award is not continued, assumed or substituted in connection with the Change in Control, the Award shall, notwithstanding the provisions of Section 2(e), fully vest on the date of such Change in Control and be free of any restrictions under Section 2(e), and shall also cease to be subject to the Clawback.

(i) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares having a Fair Market Value equal to the taxes that the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Stock (with such withholding obligation determined based on any applicable minimum statutory withholding rates), in connection with the vesting of the Restricted Stock. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements) satisfy such tax withholding obligation in such method, the Grantee makes a Section 83(b) election pursuant to Section 2(j) below, or the parties otherwise agree in writing, then , the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; ; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(j) *Section 83(b) Election*. The Grantee hereby acknowledges that she may file an election pursuant to Section 83(b) of the Code to be taxed currently on the Fair Market Value of the Shares of Restricted Stock (less any purchase price paid for the Shares), provided that such election must be filed with the Internal Revenue Service no later than thirty (30) days after the grant of such Restricted Stock. The Grantee will seek the advice of her own tax advisors as to the advisability of making such a Section 83(b) election, the potential consequences of making such an election, the requirements for making such an election, and the other tax consequences of the Restricted Stock award under federal, state, and any other laws that may be applicable. The Company and its affiliates and agents have not and are not providing any tax advice to the Grantee.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Adjustments.* The Award shall be adjusted by the Committee at the same time as adjustments are made in accordance with Section 16 of the Plan with regard to "Adjustments Upon Change in Capitalization, Corporate Transactions" in a manner similar to, and subject to, the same requirements under Section 16 of the Plan. For purposes of this Award, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the Subsidiaries of the Company.

(e) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(f) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(g) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(h) *Entire Agreement.* This Agreement, the Plan and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the 30th day of January, 2009.

YAHOO! INC.

By: Michael J. Callahan
Its: Executive Vice President, General Counsel and Secretary
Signature: /s/ Michael J. Callahan

Carol Bartz

Signature: /s/ Carol Bartz
Printed Name: Carol Bartz

Exhibit 10.17(E)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED JUNE 12, 2007)
NOTICE OF STOCK OPTION GRANT

Carol Bartz
701 First Avenue
Sunnyvale, CA 94089

You have been granted an option to purchase Common Stock of Yahoo! Inc., a Delaware corporation (the "Company"), as follows:

Date of Grant:	February 25, 2009
Vesting Commencement Date:	February 25, 2009
Exercise Price Per Share:	$12.48
Total Number of Shares Granted:	355,870
Total Price of Shares Granted:	$4,441,258
Type of Option:	Nonstatutory Stock Option
Term/Expiration Date:	February 25, 2016
Vesting Schedule:	This Option may be exercised, in whole or in part, in accordance with the following schedule: One-fourth of the Shares subject to this Option shall vest and become exercisable on each of the first, second, third and fourth anniversaries of the Vesting Commencement Date.
Termination Period:	This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7, 8, 9 and 10 of the Stock Option Agreement (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement).

By your signature and the signature of the Company's representative below, you and the Company agree that this Option is granted under and governed by the terms and conditions of the 1995 Stock Plan and the Stock Option Agreement, which are attached and made a part of this document.

OPTIONEE:	**YAHOO! INC.**
/s/ Carol Bartz	By: /s/ Blake Jorgensen
Carol Bartz	[Officer]

YAHOO! INC.

STOCK OPTION AGREEMENT

1. *Grant of Option*. Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the Optionee named in the Notice of Grant (the "Optionee"), an option (the "Option") to purchase the total number of shares of Common Stock (the "Shares") set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the "Exercise Price") subject to the terms, definitions and provisions of the 1995 Stock Plan, as amended (the "Plan"), adopted by the Company, which is incorporated in this Agreement by reference. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Unless otherwise defined in this Agreement, the terms used in this Agreement shall have the meanings defined in the Plan.

2. *Exercise of Option*. This Option shall be exercisable during its term in accordance with the Exercise Schedule set forth in the Notice of Grant (the "Exercise Schedule") and with the provisions of Sections 9 and 10 of the Plan as follows:

   (i) *Right to Exercise*.

      (a) This Option may not be exercised for a fraction of a share.

      (b) In the event of the Optionee's termination of employment or a Change in Control (as such term is defined below), the vesting and exercisability of this Option is governed by Sections 6 through 10 below, subject to the limitations contained in Sections 2(i)(c).

      (c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.

   (ii) *Method of Exercise*.

      (a) This Option shall be exercisable by delivering notice to the Company or a broker designated by the Company in such form and through such delivery method as shall be acceptable to the Company or the designated broker, as appropriate (the "Exercise Notice"). The Exercise Notice shall specify the election to exercise this Option and the number of Shares in respect of which this Option is being exercised, shall include such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan and applicable law, and shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company or the designated broker of such notice accompanied by the Exercise Price.

(b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of this Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.

(c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any Stock Exchange. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which this Option is exercised with respect to such Shares.

3. *Continuance of Employment/Service Required*. The Exercise Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6 through 10 below or under the Plan.

4. *Method of Payment*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the Exercise Price ("Net Exercise"). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such Exercise Price in such method (including because doing so would disqualify the Option from being exempt under Section 409A of the Code) or the parties otherwise agree in writing, the Exercise Price shall be paid by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which said Option is exercised; or (iii) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Exercise Price.

5. *Restrictions on Exercise*. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship*. In the event of termination of the Optionee's Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date") or thereafter and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Sections 7, 8, 9 and 10, exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee's right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.

7. *Disability of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of Disability, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant plus twelve (12), and the denominator of which is forty-eight (48). The Optionee may, but only within twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of Disability (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 7), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Disability" shall have the same meaning as in the Optionee's employment agreement with the Company entered into on January 13, 2009 (as it may be amended from time to time, the "Employment Agreement").

8. *Death of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant plus twelve (12), and the denominator of which is forty-eight (48). In the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee's Continuous Status as an Employee or Consultant, this Option may be exercised, at any time within twelve (12) months following the date of the Optionee's death (but in no event later than the date of

expiration of the term of this Option as set forth in Section 13 below), by the Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death (after giving effect to any accelerated vesting pursuant to this Section 8) or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee's estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

9. *Termination Without Cause, Good Reason Termination, Certain Other Terminations*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of a termination by the Company without Cause, a termination by the Optionee with Good Reason or any termination at or after Expiration other than a termination by the Company for Cause (a "Qualifying Termination"), this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant plus twelve (12), and the denominator of which is forty-eight (48). The Optionee may, but only within twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of a Qualifying Termination (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 9), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Cause," "Good Reason" and "Expiration" shall have the same meanings as in the Employment Agreement.

10. *Change in Control*. The following provisions shall apply in the event of a Change in Control (as such term is defined below), and in the event the Optionee becomes entitled to accelerated vesting under both this Section 10 and Section 9 above, the Optionee shall be entitled to the accelerated vesting provided by both Sections (but the Optionee shall in no event become vested and exercisable in more than the total number of Shares subject to this Option):

(i) If a Change in Control occurs during the Term or thereafter and this Option is not continued, assumed or substituted, this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such Change in Control.

(ii) In the event that, upon or within two (2) years after a Change in Control that occurs during the Term, the Optionee's employment is terminated by the Company without Cause or by the Optionee for Good Reason (as such terms are defined in the Employment Agreement), this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such termination. Subject to any earlier termination of the Option in connection with the Change in Control or upon expiration of this Option as set forth in Section 13 below, the Optionee may exercise this Option, but only within twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of such a termination by the Company without Cause or by the Optionee for Good Reason. To the extent that the Optionee does not exercise this Option within the time specified in this Agreement, this Option shall terminate.

(iii) If after the execution of an agreement during the Term that would result in a Change in Control if such agreement were consummated (a "CIC Agreement") and prior to the occurrence of either a Change in Control or the termination of the obligations to close under the CIC Agreement, the Optionee's employment is terminated by the Company without Cause or by the Optionee for Good Reason (as such terms are defined in the Employment Agreement) and subsequent to such termination the Change in Control under the CIC Agreement is consummated, this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable upon the consummation of such Change in Control. If the Optionee's employment is terminated by the Company without Cause or by the Optionee for Good Reason following the execution of a CIC Agreement in the circumstances contemplated by this Section 10(iii), then notwithstanding anything to the contrary in Sections 6 and 9, the portion of the Option that was unvested and that the Optionee was not entitled to exercise at the date of termination (after giving effect to any accelerated vesting pursuant to Section 9) shall not terminate on the date of termination, but instead shall terminate upon the termination of the obligations to close under the CIC Agreement, but only if such portion of the Option remains unvested at that time. Subject to any earlier termination of the Option in connection with the Change in Control or upon expiration of this Option as set forth in Section 13 below, the Optionee may exercise any portion of this Option becoming vested pursuant to this Section 10(iii), but only within the later of (i) twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of a termination by the Company without Cause or by the Optionee for Good Reason under the circumstances contemplated by this Section 10(iii) or (ii) with respect to any portion of this Option vesting within ninety (90) days prior to the end of such twelve (12) month period, ninety (90) days from the applicable vesting date. To the extent that the Optionee does not exercise this Option within the time specified in this Agreement, this Option shall terminate.

(iv) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the

stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a “Person” and collectively, “Persons”), is or becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company’s then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, provided, however, that a sale of the Company’s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(v) For purposes of this Agreement, “Affiliate” means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

(vi) For purposes of this Agreement, “Term” shall have the same meaning as in the Employment Agreement.

If at the time of a Change in Control, the Company’s Change in Control Employee Severance Plan or similar plan (to the extent such a plan exists and applies) applicable at the time of a Change in Control provides for better treatment for the Company’s stock options granted in 2009 and then held by the Company’s other senior executives generally than is provided under this Section 10 (whether with respect to rights to accelerated vesting, the period of time to exercise the vested portion of this Option or otherwise), the Optionee shall be entitled to such better treatment with respect to this Option.

11. *Release*. The Optionee’s rights to receive any accelerated vesting and other benefits in connection with a termination of the Optionee’s Continuous Status as an Employee or Consultant pursuant to Sections 7, 8, 9 and 10 shall require the Optionee to execute and deliver to the Company (with the period to revoke expiring without the Optionee’s revocation) within sixty (60) days of such termination (and in all cases prior to any exercise of any accelerated portion of this Option) a release in the form annexed to the

Employment Agreement. The Optionee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Optionee's Continuous Status as an Employee or Consultant.

12. *Non-Transferability of Option*. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

13. *Term of Option*. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

14. *No Additional Employment Rights*. The Optionee understands and agrees that the vesting of Shares pursuant to the Exercise Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with her right or the Company's right to terminate her employment or consulting relationship at any time, with or without cause.

15. *Tax Withholding*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the minimum statutory amount required to be withheld with respect to the portion of the Option exercised. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by deducting such amount out of the Optionee's current compensation; (iii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; or (iv) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined.

16. *Notices*. Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address appearing on the books of the Company or to the Optionee's residence or to such other address as may be designated in writing by the Optionee.

17. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

18. *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.

19. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

20. *Entire Agreement and Full Satisfaction.* This Agreement, the Notice of Grant, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto. This Option, along with the other long-term incentive awards granted to the Optionee under the Plan on or around the date hereof, shall be in complete satisfaction of any and all rights the Optionee may have, under the Employment Agreement or otherwise, to receive annual equity grants for 2009.

21. *Adjustments*. For purposes of this Option, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

22. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

23. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

24. *Signature*. This Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties of the Notice of Grant attached to this Agreement.

Exhibit 10.17(F)

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the “Agreement”), dated as of February 25, 2009 (the “Date of Grant”), is made by and between Yahoo! Inc., a Delaware corporation (the “Company”), and Carol Bartz (the “Grantee”).

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the “Plan”), pursuant to which the Company may grant Restricted Stock Units;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee 162,070 Restricted Stock Units (the “Award”) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, during the Restricted Unit Period. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, one-fourth (1/4) of the Restricted Stock Units shall vest and become non-forfeitable upon each of the first, second, third and fourth anniversaries of the Date of Grant. (The period commencing on the Date of Grant and ending on the date the Restricted Stock Units vest is referred to as the "Restricted Unit Period" as to those Restricted Stock Units.)

(d) *Timing and Manner of Payment of Restricted Stock Units.* Any Restricted Stock Units subject to the Award that become non-forfeitable shall be paid upon the first to occur of (i) as soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable and (ii) March 15, 2013 (such date, the "Payment Date"). Such Restricted Stock Units shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* Except as expressly provided in this Section 2(e) or in Section 2(g), in the event of the termination of Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(i) If the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee's death or Disability, (B) by the Company, Parent or any Subsidiary without Cause, (C) by the Grantee with Good Reason or (D) for any reason at or after Expiration other than a termination by the Company for Cause, the Restricted Stock Units subject to the Award shall vest and become non-forfeitable to the extent necessary to cause the aggregate number of Restricted Stock Units subject to the Award that are vested and non-forfeitable (including any Restricted Stock Units previously paid pursuant to Section 2(d)) to equal the total number of Restricted Stock Units subject to the Award multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee's termination plus twelve (12), and the denominator of which is forty-eight (48).

(ii) For purposes of this Agreement, “Disability,” “Cause,” “Good Reason” and “Expiration” shall have the same meanings as in the Grantee’s employment agreement with the Company entered into on January 13, 2009 (the “Employment Agreement”).

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as such term is defined below), and in the event the Grantee becomes entitled to accelerated vesting under this Section 2(g) and any other provision of Section 2 above, the Grantee shall be entitled to the accelerated vesting provided by all such sections (but the Grantee shall in no event become vested and non-forfeitable in more than the total number of Restricted Stock Units subject to the Award):

(i) If a Change in Control occurs during the Term or thereafter and the Restricted Stock Units subject to the Award are not continued, assumed or substituted, the Restricted Stock Units, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such Change in Control.

(ii) In the event that, upon or within two (2) years after a Change in Control that occurs during the Term, the Grantee’s employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement), the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(iii) If after the execution of an agreement during the Term that would result in a Change in Control if such agreement were consummated (a "CIC Agreement") and prior to the occurrence of either a Change in Control or the termination of the obligations to close under the CIC Agreement, the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement) and subsequent to such termination the Change in Control under the CIC Agreement is consummated, the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable upon the consummation of such Change in Control. If the Grantee's employment or service is terminated without Cause or for Good Reason following the execution of a CIC Agreement in the circumstances contemplated by this Section 2(g)(iii), then notwithstanding anything to the contrary in Section 2(e), any portion of the Restricted Stock Units subject to the Award that was unvested and subject to forfeiture (after giving effect to any accelerated vesting pursuant to Section 2(e)) shall not be forfeited on the date of termination, but instead shall be forfeited upon the termination of the obligations to close under the CIC Agreement, but only if such portion of the Restricted Stock Units remains unvested and subject to forfeiture at that time.

(iv) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(v) For purposes of this Agreement, “Affiliate” means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

(vi) For purposes of this Agreement, “Term” shall have the same meaning as in the Employment Agreement.

If at the time of a Change in Control, the Company’s Change in Control Employee Severance Plan or similar plan (to the extent such a plan exists and applies) applicable at the time of a Change in Control provides for better treatment for the Company’s time-based Restricted Stock Units granted in 2009 and then held by the Company’s other senior executives generally than is provided under this Section 2(g), the Grantee shall be entitled to such better treatment with respect to the Restricted Stock Units subject to the Award.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company’s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release*. The Grantee’s rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee’s employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee’s revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee’s employment or service.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement and Full Satisfaction.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto. The Restricted Stock Units subject to the Award, along with the other long-term incentive awards granted to the Grantee under the Plan on or around the date hereof, shall be in complete satisfaction of any and all rights the Grantee may have, under the Employment Agreement or otherwise, to receive annual equity grants for 2009.

(h) *Adjustments*. For purposes of the Restricted Stock Units subject to the Award, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the 25th day of February, 2009.

YAHOO! INC.

/s/ Blake Jorgensen
By: Blake Jorgensen
Its: Chief Financial Officer

Carol Bartz

Signature: /s/ Carol Bartz
Printed Name: Carol Bartz
Address: 701 First Avenue
Sunnyvale, CA 94089

Exhibit 10.17(G)
[TSR Version]

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the “Agreement”), dated as of February 25, 2009 (the “Date of Grant”), is made by and between Yahoo! Inc., a Delaware corporation (the “Company”), and Carol Bartz (the “Grantee”).

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the “Plan”), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee 162,070 Restricted Stock Units (such amount, the “Target Number” of Restricted Stock Units) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the “Award”).

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, the Applicable Percentage (determined based upon the performance-based vesting provisions set forth in Exhibit A attached hereto) of the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the date of the Final Committee Determination; provided however that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the Applicable Percentage and performance-based vesting provisions shall no longer apply, and the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the third anniversary of the Date of Grant. Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) or pursuant to the provisions of Sections 2(e) through 2(g) below shall terminate as of the date of the Final Committee Determination (or, in the case of a Change in Control prior to the third anniversary of the Date of Grant, as of the third anniversary of the Date of Grant). For purposes of this Agreement, the “Final Committee Determination” shall mean the date on which the Administrator determines whether the performance-based vesting requirements on Exhibit A have been satisfied, which date shall be not later than three months after the end of the Performance Period (as defined in Exhibit A).

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Sections 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee's death or Disability, (B) by the Company, Parent or any Subsidiary without Cause or (C) by the Grantee with Good Reason (a "Qualifying Termination"), a pro rata portion of the Restricted Stock Units subject to the Award may vest in accordance with the provisions set forth below:

(A) If a Qualifying Termination occurs prior to a Change in Control (as defined in Section 2(g)), upon the date of the Final Committee Determination, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested and non-forfeitable shall equal (x) the number of Restricted Stock Units subject to the Award that would have vested in accordance with Section 2(c) above (assuming no termination of employment had occurred), multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee's termination plus twelve (12), and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (A) shall terminate and be forfeited as of the date of the Final Committee Determination. Notwithstanding the foregoing, if a Change in Control occurs after a Qualifying Termination and prior to the third anniversary of the Date of Grant, upon the date of the Change in Control, the Grantee shall vest and become non-forfeitable in a prorated number of Restricted Stock Units determined by multiplying the Target Number of Restricted Stock Units by the fraction referred to in clause (y) of the preceding sentence, and any Restricted Stock Units that do not vest after giving effect to such determination shall terminate and be forfeited as of the date of the Change in Control.

(B) If a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant and a Qualifying Termination occurs after such Change in Control, upon the date of the Grantee's termination, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested and non-forfeitable shall equal (x) the Target Number of Restricted Stock Units, multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee's termination plus twelve (12), and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate and be forfeited as of the date of termination.

(iii) For purposes of this Agreement, "Disability," "Cause," and "Good Reason" shall have the same meanings as in the Grantee's employment agreement with the Company entered into on January 13, 2009 (the "Employment Agreement").

(f) *Corporate Transactions*. Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control*. The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant, and in the event the Grantee becomes entitled to accelerated vesting under this Section 2(g) and any other provision of Section 2 above, the Grantee shall be entitled to the accelerated vesting provided by all such sections (but the Grantee shall in no event become vested and non-forfeitable in more than the Target Number of Restricted Stock Units subject to the Award):

(i) If a Change in Control occurs during the Term or thereafter and the Restricted Stock Units subject to the Award are not continued, assumed or substituted, the Target Number of Restricted Stock Units, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such Change in Control.

(ii) In the event that, upon or within two (2) years after a Change in Control that occurs during the Term, the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement), the Target Number of Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(iii) If after the execution of an agreement during the Term that would result in a Change in Control if such agreement were consummated (a "CIC Agreement") and prior to the occurrence of either a Change in Control or the termination of the obligations to close under the CIC Agreement, the Grantee's employment or service with the

Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement) and subsequent to such termination the Change in Control under the CIC Agreement is consummated, the Target Number of Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable upon the consummation of such Change in Control.

(iv) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(v) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

(vi) For purposes of this Agreement, "Term" shall have the same meaning as in the Employment Agreement.

If at the time of a Change in Control, the Company's Change in Control Employee Severance Plan or similar plan (to the extent such a plan exists and applies) applicable at the time of a Change in Control provides for better treatment for the Company's Restricted Stock Units granted in 2009 that include total stockholder return-based performance vesting provisions and are then held by the Company's other senior executives generally than is provided under this Section 2(g), the Grantee shall be entitled to such better treatment with respect to the Restricted Stock Units subject to the Award.

(h) *Income Taxes*. Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release*. The Grantee's rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee's employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee's revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee's employment or service.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement and Full Satisfaction.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto. The Restricted Stock Units subject to the Award, along with the other long-term incentive awards granted to the Grantee under the Plan on or around the date hereof, shall be in complete satisfaction of any and all rights the Grantee may have, under the Employment Agreement or otherwise, to receive annual equity grants for 2009.

(h) *Repayment Obligation*. In the event of a restatement of financial results, the Restricted Stock Units subject to the Award shall be subject to the repayment and other obligations contained in Section 10 of the Employment Agreement (the clawback provisions).

(i) *Adjustments*. For purposes of the Restricted Stock Units subject to the Award, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(j) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(k) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the 25th day of February, 2009.

YAHOO! INC.

/s/ Blake Jorgensen
By: Blake Jorgensen
Its: Chief Financial Officer

Carol Bartz

Signature: /s/ Carol Bartz
Printed Name: Carol Bartz
Address: 701 First Avenue
Sunnyvale, CA 94089

EXHIBIT A

PERFORMANCE-BASED VESTING

Subject to Sections 2(e) and 2(g) of this Agreement, the Restricted Stock Units shall vest and become non-forfeitable with respect to the Applicable Percentage of the Target Number of Restricted Stock Units set forth in the chart below based on the Company's Actual TSR Percentile for the Performance Period (as each such term is defined below); provided, however, that in no event shall the Applicable Percentage exceed two hundred percent (200%):

Actual TSR Percentile	Applicable Percentage
90th or higher	200%
75th	150%
55th	100%
35th	50%
Below 35th	0%

The Applicable Percentage will be interpolated on a linear basis between the levels stated in the chart above. For example, if the Actual TSR Percentile for the Performance Period were the 60th percentile, then the Applicable Percentage would be 112.5%. Any Restricted Stock Units that do not vest based on the performance requirements set forth in this Exhibit A (and which have not previously terminated pursuant to the terms of this Agreement) will automatically terminate as of the Final Committee Determination. The number of Restricted Stock Units that vest based on performance will be determined by the Administrator following the end of the Performance Period and payment of vested Restricted Stock Units will be made in the period provided for in Section 2(d) of this Agreement. Any such determination by the Administrator shall be final and binding.

For purposes of the Award, the following definitions shall apply:

- "TSR" means total shareholder return and shall be determined with respect to the Company and any other company in the Nasdaq-100 index by dividing: (a) the sum of (i) the difference obtained by subtracting the Beginning Price from the Ending Price plus (ii) all dividends and other distributions paid on such company's common stock during the Performance Period by (b) the Beginning Price. Any non-cash distributions shall be ascribed such dollar value as may be determined by or at the direction of the Administrator.
- "Actual TSR Percentile" means the percentile ranking of the Company's TSR among the TSRs for the companies comprising the Nasdaq 100 index on the last day of the Performance Period. For purposes of clarity, the Company's TSR shall be ranked against the TSRs for such companies regardless of whether the Company is a member of the Nasdaq 100 index at such time.
- "Performance Period" means the period commencing on the Date of Grant and ending on the third anniversary of the Date of Grant.

- "Beginning Price" means, with respect to the Company and any other company in the Nasdaq-100 index, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending with the first day of the Performance Period or, in the case of a company that is not traded on a stock exchange on the first day of the Performance Period, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is thereafter first admitted to trading for the twenty (20) consecutive trading days commencing with the first day in the Performance Period on which such company's common stock is so traded.
- "Ending Price" means, with respect to the Company and any other company in the Nasdaq-100 index, the average of the closing market prices of such company's common stock on the principal exchange on which such stock is traded for the twenty (20) consecutive trading days ending with the last day of the Performance Period.
- "Nasdaq 100 index" means the NASDAQ-100 Index published by The Nasdaq Stock Market (or its successor) or, in the event such index is no longer published on the last day of the Performance Period, an alternate index deemed comparable by the Administrator.

Exhibit 10.17(H)
[OCF Version]

YAHOO! INC.
1995 STOCK PLAN
(AS AMENDED AND RESTATED APRIL 24, 2007)
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of February 25, 2009 (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

WHEREAS, the Company desires to grant to the Grantee the number of Restricted Stock Units provided for herein;

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee 162,070 Restricted Stock Units (such total number, the "Target Number" of Restricted Stock Units; and one-third of Target Number being the "Annual Target Number" of Restricted Stock Units for each of 2009, 2010 and 2011) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, the Restricted Stock Units credited to the Grantee for each Performance Year (as defined in Exhibit A) pursuant to the performance-based vesting provisions set forth in Exhibit A attached hereto shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the performance-based vesting requirements referred to in this Section 2(c) shall not apply with respect to the year in which such Change in Control occurs or any subsequent Performance Year, and the following provisions shall apply: the number of Restricted Stock Units that shall vest upon the third anniversary of the Date of Grant shall equal the sum of (i) the number of Restricted Stock Units (if any) credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Performance Year(s) ended prior to the year in which the Change in Control occurs ("Credited Restricted Stock Units"), plus (ii) the Annual Target Number of Restricted Stock Units for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s) (the "Remaining Uncredited Restricted Stock Units"). Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) or pursuant to the provisions of Sections 2(e) through 2(g) below shall terminate as of the third anniversary of the Date of Grant.

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the "Payment Date"), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date. The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Sections 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee's death or Disability, (B) by the Company, Parent or any Subsidiary without Cause or (C) by the Grantee with Good Reason (a "Qualifying Termination"), the Restricted Stock Units shall vest as set forth below:

(A) If a Qualifying Termination occurs prior to any Change in Control (as defined in Section 2(g)), upon the date of the Grantee's termination, any Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for any Performance Year ended prior to the year in which such termination occurs, to the extent then not vested, shall vest and become non-forfeitable. In addition, (A) upon December 31 of the Performance Year in which the Grantee's Qualifying Termination occurs, any Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for such Performance Year (assuming no termination of employment had occurred), shall vest and become non-forfeitable and (B) upon December 31 of any Performance Year following the Performance Year in which the Grantee's Qualifying Termination occurs, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units that shall become vested and non-forfeitable shall equal (x) any Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for such Performance Year (assuming no termination of employment had occurred), multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services in the Performance Year in which the Grantee's Qualifying Termination occurs (such numerator, the "Number of Additional Months") and the denominator of which is twelve (12). Any Restricted Stock Units that do not vest in accordance with the two preceding sentences shall terminate and be forfeited effective as of December 31 of the applicable Performance Year.

Notwithstanding the foregoing, if a Change in Control occurs after a Qualifying Termination and prior to the third anniversary of the Date of Grant, upon the date of the Change in Control, the Restricted Stock Units that shall become vested and non-forfeitable shall equal the sum of: (i) the number of Credited Restricted Stock Units, plus either (A) if the Change in Control occurs in the Performance Year in which the Grantee's Qualifying Termination occurs, the number of Remaining Uncredited Restricted Stock Units multiplied by (x) a fraction (not greater than 1), the numerator of which is twelve (12) plus the Number of Additional Months, and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year or (B) if the Change in Control occurs in any Performance Year following the Performance Year in which the Grantee's Qualifying Termination occurs, the number of Remaining Uncredited Restricted Stock Units multiplied by (y) a fraction (not greater than 1), the numerator of which is the Number of Additional Months, and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year. Any Restricted Stock Units that do not vest upon the date of the Change in Control shall terminate and be forfeited as of the date of the Change in Control.

(B) If a Change in Control occurs prior to the third anniversary of the Date of Grant and a Qualifying Termination occurs after such Change in Control, then upon the date of the Grantee's termination, the Restricted Stock Units that shall become vested and non-forfeitable shall equal the sum of: (i) the number of Credited Restricted Stock Units, plus (ii) the number of Remaining Uncredited Restricted Stock Units multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and the date of such termination of employment plus twelve (12), and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year; and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate and be forfeited as of the date of termination.

(iii) For purposes of this Agreement, "Disability," "Cause," and "Good Reason" shall have the same meanings as in the Grantee's employment agreement with the Company entered into on January 13, 2009 (the "Employment Agreement").

(f) *Corporate Transactions*. Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant, and in the event the Grantee becomes entitled to accelerated vesting under this Section 2(g) and any other provision of Section 2 above, the Grantee shall be entitled to the accelerated vesting provided by all such sections (but the Grantee shall in no event become vested and non-forfeitable in more than the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units):

(i) If a Change in Control occurs during the Term or thereafter and the Restricted Stock Units subject to the Award are not continued, assumed or substituted, the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such Change in Control.

(ii) In the event that, upon or within two (2) years after a Change in Control that occurs during the Term, the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement), the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(iii) If after the execution of an agreement during the Term that would result in a Change in Control if such agreement were consummated (a "CIC Agreement") and prior to the occurrence of either a Change in Control or the termination of the obligations to close under the CIC Agreement, the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee with Good Reason (as such terms are defined in the Employment Agreement) and subsequent to such termination the Change in Control under the CIC Agreement is consummated, the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable upon the consummation of such Change in Control.

(iv) For purposes of this Agreement, “Change in Control” shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a “Person” and collectively, “Persons”), is or becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company’s then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, provided, however, that a sale of the Company’s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(v) For purposes of this Agreement, “Affiliate” means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

(vi) For purposes of this Agreement, “Term” shall have the same meaning as in the Employment Agreement.

If at the time of a Change in Control, the Company’s Change in Control Employee Severance Plan or similar plan (to the extent such a plan exists and applies) applicable at the time of a Change in Control provides for better treatment for the Company’s Restricted Stock Units granted in 2009 that include operating cash flow-based performance vesting provisions and are then held by the Company’s other senior executives generally than is provided under this Section 2(g), the Grantee shall be entitled to such better treatment with respect to the Restricted Stock Units subject to the Award.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release*. The Grantee's rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee's employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee's revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee's employment or service.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement and Full Satisfaction.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto. The Restricted Stock Units subject to the Award, along with the other long-term incentive awards granted to the Grantee under the Plan on or around the date hereof, shall be in complete satisfaction of any and all rights the Grantee may have, under the Employment Agreement or otherwise, to receive annual equity grants for 2009.

(h) *Repayment Obligation*. In the event of a restatement of financial results, the Restricted Stock Units subject to the Award shall be subject to the repayment and other obligations contained in Section 10 of the Employment Agreement (the clawback provisions).

(i) *Adjustments*. For purposes of the Restricted Stock Units subject to the Award, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(j) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(k) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the 25th day of February, 2009.

YAHOO! INC.

/s/ Blake Jorgensen

By: Blake Jorgensen
Its: Chief Financial Officer

Carol Bartz

Signature: /s/ Carol Bartz
Printed Name: Carol Bartz
Address: 701 First Avenue
Sunnyvale, CA 94089

EXHIBIT A

PERFORMANCE-BASED REQUIREMENTS

For each of 2009, 2010 and 2011 (each, a "Performance Year"), the Grantee shall be credited with a number of Restricted Stock Units based on the Company's actual Operating Cash Flow (as defined below) for that Performance Year in comparison with the Annual OCF Performance Target (as defined below) established by the Administrator for that Performance Year. For each Performance Year, the percentage of the Annual Target Number of Restricted Stock Units that shall be credited for such Performance Year shall be determined based on the percentage of the Annual OCF Performance Target achieved as set forth below

Actual OCF as a Percentage of Annual OCF Performance Target	Percentage of Annual Target Number of Restricted Stock Units Credited
Less than 85%	0%
85%	50%
100%	100%
105%	120%
115%	170%
120% or greater	200%

The Annual Target Number of Restricted Stock Units will be credited to the Grantee if the Company achieves 100% of the OCF Performance Target for that Performance Year, with the maximum number of Restricted Stock Units that may be credited for any Performance Year being 200% of the Annual Target Number. If the Actual OCF as a Percentage of the Annual OCF Performance Target is between 85% and 120% and falls between two of the performance levels identified in the table above, the Percentage of the Annual Target Number of Restricted Stock Units to be credited shall be determined by linear interpolation between the levels stated in the chart above.

Any Restricted Stock Units credited to the Grantee pursuant to the foregoing provisions shall continue to be subject to the vesting provisions set forth in Section 2 of this Agreement. The Annual OCF Performance Target for each year shall be established by the Administrator not later than ninety (90) days after the start of such year and in all events at a time when it is substantially uncertain whether the Target will be achieved. The Administrator shall, following the end of each Performance Year, determine, whether and the extent to which the applicable OCF Performance Target has been satisfied. Such determinations by the Administrator shall be final and binding. In no event shall the Grantee be credited more than 200% of the Annual Target Number of Restricted Stock Units for any one Performance Year; and in no event shall the Grantee be entitled to payment of more than 200% of the Target Number of Restricted Stock Units subject to this Award.

For purposes of the Award, the following definitions shall apply:

- "Annual OCF Performance Target" means, with respect to each Performance Year, the Operating Cash Flow target established by the Administrator for such Performance Year for purposes of the Award.
- "Operating Cash Flow" means the Company's operating income before depreciation, amortization and stock-based compensation expense as determined by the Company on the basis of its annual financial statements; provided, however, Operating Cash Flow shall be adjusted by the Administrator as follows:

(a) increased or decreased to eliminate the financial statement impact of acquisitions and costs associated with such acquisitions and the costs incurred in connection with potential acquisitions that are required to be expensed under Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), *"Business Combinations"* ("SFAS 141R");

(b) increased or decreased to eliminate the financial statement impact of divestitures and costs associated with such divestitures and the costs incurred in connection with potential divestitures that are required to be expensed under SFAS No. 144, *"Accounting for the Impairment or Disposal of Long-Lived Assets"* ("SFAS 144");

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of restructuring charges that are required to be expensed (or reversed) under SFAS No. 146, "*Accounting for Costs Associated With Exit or Disposal Activities"* &/or SFAS No. 112, *"Employers' Accounting for Postemployment Benefits"* &/or SFAS No. 144**,** resulting from a corporate reorganization;

(e) increased or decreased to eliminate the financial statement impact of impairment charges that are required to be recorded under SFAS No. 142, "*Goodwill and Other Intangible Assets"*; and

(f) increased or decreased to adjust the foreign exchange translation impact on Operating Cash Flow to reflect the foreign exchange rates in effect when the Company's OCF Performance Target is established.

Yahoo! Executive Incentive Plan

Yahoo! EIP

I. Introduction

A. Applicability

1. Employees eligible to participate in the Yahoo! Inc. Executive Incentive Plan (the “EIP” or “this Plan”) are those employees of Yahoo! Inc. and its subsidiaries (collectively, the “Company”) at job levels E3, E4, E5 and EX. The Compensation Committee of Yahoo!’s Board of Directors (the “Compensation Committee”) has the sole discretion to determine whether the EIP will be offered to any executive for whom the Compensation Committee sets the executive’s compensation level (an “Executive Officer”). Yahoo!’s Chief Executive Officer (“CEO”) or his or her designee will determine whether any other eligible person (other than an Executive Officer) is a participant. Participants will be notified in writing of their participation in this Plan and will be provided with a copy of the EIP, which they must sign and accept in order to participate (any person so notified who timely accepts participation is referred to as a “Participant”).

2. The Compensation Committee reserves the right to amend, modify or terminate the EIP, in whole or in part, at any time, in its sole discretion including, without limitation, to comply with applicable local law, rules and regulations.

B. Objectives of the EIP

- To enhance the Company’s competitiveness and the Company’s ability to attract, motivate and retain top talent;
- To recognize the role of senior leadership in the success of the Company;
- To reward annual financial and individual performance that complements the Company’s longer-term strategic focus; and
- To encourage collaboration and teamwork across the Company.

II. EIP Elements

A. Target Awards

A target cash bonus award (“Target Award”) will be established for each Participant. Target Awards are determined by position level and will be typically expressed as a percentage of a Participant’s annual base salary rate as of the last day of the applicable fiscal year, where such salary rate does not include other forms of compensation including without limitation expense reimbursements, superannuation, bonus payments, long-term incentives, overtime compensation, or other variable compensation. Target Awards may also be a specified fixed dollar (or local currency) amount.

Target Awards for Executive Officers may be reviewed and revised in the sole discretion of the Compensation Committee. Target Awards for other Participants may be reviewed and revised in the sole discretion of the CEO or his or her designee.

This EIP and Target Awards do not constitute a guarantee of or entitlement to a bonus payment. A Participant’s actual bonus payment may vary from his or her Target Award.

B. EIP Bonus Pool Funding

Individual Target Awards will be aggregated and multiplied by a factor of 100% to determine the Company's target bonus pool (the "Target Bonus Pool") for the applicable fiscal year. The actual EIP bonus pool (the "EIP Bonus Pool") for the applicable fiscal year may vary from 50% to 200% of the Target Bonus Pool based on the Company's actual Operating Cash Flow ("OCF") (as defined below) for the applicable fiscal year. The Compensation Committee will establish prior to March 31 of the applicable fiscal year an OCF target for that fiscal year (the "Financial Target"). The EIP Bonus Pool will be determined based on the percentage of the Financial Target achieved for the applicable fiscal year according to the following table:

Actual OCF Performance as percentage of the Financial Target	EIP Bonus Pool Funding as percentage of the Target Bonus Pool
85% or Less	50%
100%	100%
105%	120%
115%	170%
120% or Greater	200%

The EIP Bonus Pool will be funded according to the table above, and by way of example the maximum EIP Bonus Pool (200% of the Target Bonus Pool) will be funded only if the Company's OCF for the applicable fiscal year is at least 120% or more of the Financial Target. The EIP Bonus Pool funding percentage will be interpolated on a linear basis for performance against the Financial Target between the levels stated in the table above.

"Operating Cash Flow" means the Company's operating income before depreciation, amortization, and stock-based compensation expense, as determined by the Company on the basis of its annual financial statements. For purposes of the EIP, and without limiting discretion of the Compensation Committee hereunder, Operating Cash Flow shall be adjusted by the Compensation Committee as follows:

(a) increased or decreased to eliminate the financial statement impact of acquisitions and costs associated with such acquisitions and the costs incurred in connection with potential acquisitions that are required to be expensed under Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), "Business Combinations" ("SFAS 141R");

(b) increased or decreased to eliminate the financial statement impact of divestitures and costs associated with such divestitures and the costs incurred in connection with potential divestitures that are required to be expensed under SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144");

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of restructuring charges that are required to be expensed (or reversed) under SFAS No. 146, "Accounting for Costs Associated With Exit or Disposal Activities" &/or SFAS No. 112, "Employers' Accounting for Postemployment Benefits" &/or SFAS No. 144, resulting from a corporate reorganization;

(e) increased or decreased to eliminate the financial statement impact of impairment charges that are required to be recorded under SFAS No. 142, “Goodwill and Other Intangible Assets”; and

(f) increased or decreased to adjust the foreign exchange translation impact on Operating Cash flow to reflect the foreign exchange rates in effect when the performance goal is established.

C. EIP Bonus Pool Allocation and Individual Awards

Allocation of the EIP Bonus Pool among the Participants will be determined based on a combination of Company performance and individual performance. Seventy percent (70%) of each Participant’s EIP bonus will be directly linked to the Company’s actual OCF performance against the Financial Target. Thirty percent (30%) of each Participant’s bonus will be based on each Participant’s individual performance and relative contribution as determined by the CEO or his or her designee (or by the Compensation Committee in the case of Executive Officers) in his/her or its sole discretion.

The calculation of a Participant’s EIP bonus will be made in conjunction with the Company’s Focal Review Process for the applicable fiscal year, which shall occur in the first quarter of the following fiscal year and follow the process below.

Step 1: Multiply the Target Bonus Pool by the EIP Bonus Pool funding percentage, determined as described above. This is the total EIP Bonus Pool.

Step 2: Determine the portion of the EIP Bonus Pool payable to each Participant for Company performance:

Individual Target Award (Dollars) X EIP Bonus Pool Funding % X 70%	=	EIP Bonus for Company Performance

Step 3: Determine the portion of the EIP Bonus Pool payable to each Participant for individual performance.

The CEO or his or her designee shall determine the portion of the EIP bonus for the non-Executive Officer Participants based on individual performance and relative contribution. The Compensation Committee shall determine the portion of the EIP bonus for Executive Officers based on individual performance and relative contribution.

Step 4: Calculate the total EIP bonus to be paid to each Participant:

a) Portion of EIP Bonus for Company Performance	=	Amount determined in Step 2
b) Portion of EIP Bonus for Individual Performance	=	Amount determined in Step 3
Total EIP Bonus	=	Sum of (a + b)

The aggregate total of bonuses payable to Participants under this Plan shall not exceed the EIP Bonus Pool determined in Step 1 above.

Any EIP bonus payable to a Participant under this Plan shall not be considered as "salary" in any circumstance and shall not be included in calculations for overtime pay, retirement benefits, or severance under any applicable severance plan or applicable law.

III. TERMS AND CONDITIONS

A. EIP Effective Period

The initial fiscal year covered by this Plan is the period from January 1 to December 31, 2009. This EIP supersedes all previous executive cash incentive plans, management incentive plans (MIP), or leadership bonus plans and agreements and all other previous or contemporaneous oral or written statements by the Company on this subject.

B. Date for Incentive Payments

EIP bonuses paid under this Plan are not earned until paid. It is a condition for EIP eligibility that Participants must be employed, and not under notice of termination given by the Company or the Participant (if applicable), on the payment date of the EIP bonuses (except as otherwise provided in Section I – Terminations of Employment). Payment will not occur until after financial results for the applicable fiscal year are determined by the Company and the Focal Review process for the applicable year is completed.

C. Form and Timing of Payment

If the conditions for payment described above are met, the EIP bonus will be payable in a lump sum cash payment (in local currency), subject to required payroll deductions and tax withholdings no later than March 15 of the year following the end of the applicable fiscal year.

D. New Hires

If an employee is hired into a job that qualifies for the EIP on or before October 1 of the applicable fiscal year and is notified in writing that he or she is a Participant under the EIP, the employee's Target Award amount for the fiscal year may be prorated based on the date of hire.

Employees who are hired after October 1 of the applicable fiscal year will not be considered Participants under the EIP for that fiscal year.

E. Transfers

If a Participant transfers from one EIP-eligible position to another during the applicable fiscal year, the following guidelines shall apply:

- If the participant has a different Target Award upon transfer, his/her annual Target Award amount may be prorated based on the Target Award percentages for the amount of time spent in each position during the fiscal year.

- If a Participant transfers mid-year from an EIP-eligible position to one that is not EIP eligible (for example, moving to a role that participates in the sales incentive plan and therefore off EIP), the Compensation Committee with respect to Executive Officers (or the CEO or his or her designee with respect to non-Executive Officers), in its sole discretion, may award the employee an EIP bonus based on a prorated EIP Target Award. Any such payment will be paid at the same time as other EIP payments are paid.

- EIP eligibility for employees participating in a global assignment during the applicable fiscal year will be handled on a case-by-case basis based on individual facts and circumstances.

The Compensation Committee with respect to Executive Officers (and the CEO or his or her designee with respect to non-Executive Officers) has the sole discretion to pro-rate, reduce, offset, or eliminate EIP bonuses to account for advances or payouts to employees under other bonus plans in effect during the same fiscal year, or for other reasons as it deems appropriate.

F. Promotions into EIP-Eligible Positions

If a Participant is promoted from one EIP-eligible position to another, the payouts will be administered the same as Transfers. If an employee is not in a position that is eligible for the EIP and is promoted to a EIP eligible position during the applicable fiscal year, the Compensation Committee or the CEO or his or her designee as applicable, may select the employee for participation in the EIP by notifying the employee that he or she is a Participant under the EIP. The employee’s Target Award amount for the fiscal year shall be prorated based on the date of the promotion.

G. Adjustments to Target Awards

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Executive Officers during the applicable fiscal year. The CEO or his or her designee in his or her sole discretion may approve adjustments to Target Awards for other Participants during the applicable fiscal year. Any such changes will be communicated to the Participant in writing. Any payout amount may be prorated based on the effective date of the change to the Target Award as determined by the Compensation Committee or the CEO or designee thereof, as applicable. Any adjustment to a Target Award will result in a corresponding adjustment to the Target Bonus Pool.

H. Leaves of Absence and Part-Time Employees

To the extent permitted by applicable law, the amount of the EIP bonus may be prorated for Participants who have been on an approved leave of absence of more than 90 days during the fiscal year and for Participants who work less than full-time.

I. Terminations of Employment

To the extent permitted by applicable law, Participants whose employment is voluntarily or involuntarily terminated (with or without cause) by the Participant or the Company or are under notice of termination given by either party (if applicable) prior to the payment date of the EIP bonus will not be eligible for and shall not receive any EIP bonus.

Participants whose employment terminates due to the employee’s total disability during the applicable year will be eligible for a prorated EIP bonus, based on the date of termination, and paid at the time other EIP bonuses are paid under the EIP, to the extent permitted by local law. If a Participant dies during the applicable fiscal year, the EIP bonus will be prorated based on the date of death and paid to the estate of the deceased participant, at the time other EIP bonuses are paid.

J. EIP Interpretation

The EIP shall be interpreted by the Compensation Committee. The Compensation Committee has the sole discretion to interpret or construe ambiguous, unclear or implied (but omitted) terms and shall resolve any and all questions regarding interpretation and/or administration.

Participants who have issues regarding payments or the administration of the EIP may file a claim in writing to the Compensation Committee, c/o the Secretary of the Company, within 90 days of the date on which the Participant first knew (or should have known) of the facts on which the claim is based. The Compensation Committee or its designee(s) shall consider the claim and notify the Participant in writing of the determination and resolution of the issue. Claims that are not pursued through this procedure shall be treated as having been irrevocably waived. The determination of the Compensation Committee or its designee(s) as to any complaint or dispute will be final and binding and shall be upheld unless arbitrary or capricious or made in bad faith.

The provisions of this EIP are severable and if any provision is held to be unenforceable by any court of competent jurisdiction then such unenforceability shall not affect the enforceability of the remaining EIP provisions.

K. Exceptions and Modifications

All exceptions, adjustments, additions, or modifications to the EIP require the written approval of the Compensation Committee, or its designee(s).

All aspects of the EIP (including, but not limited to, financial targets, Target Awards, performance measures, and funding formulas) may be reviewed and revised at any time without advance notice in the sole discretion of the Compensation Committee.

L. Employment At-Will (U.S. Employees only)

The employment of all Participants in the United States is “at will” and is terminable by either the Participant or Yahoo! at any time, with or without advance notice and with or without cause. This EIP shall not be construed to create a contract of employment for a specified period of time between Yahoo! and any U.S. Participant.

[*signature page follows*]

M. EIP Acknowledgement

This will acknowledge that the Participant specified below has read comprehended, and agreed to this EIP and will abide by the guidelines outlined herein for all bonus payments. The EIP sets forth the entire agreement and understanding between the Company and the Participant relating to the subject matter herein and supersedes and replaces any and all prior plans, agreements, discussions and understandings whether oral or written regarding these subject matters including but not limited to any provision regarding cash incentive plan compensation contained in a Participant's employment agreement, if any.

I have read and understood the provisions of this EIP and hereby agree to and accept its terms:

Participant (print name)

____

Signature

____

Title

____

Date

____

CC: Personnel File

Exhibit 21.1

Subsidiaries of Yahoo! Inc.

Name of Entity	Jurisdiction	Percent Owned (if not 100%)
Yahoo! UK Limited	UK	
Yahoo! Holdings Limited	UK	
Yahoo! Europe Limited	UK	
Yahoo! France SAS	France	
Yahoo! Italia SRL	Italy	
Yahoo! Deutschland GmbH	Germany	
E-com Management NV	Netherland Antilles	
Kenet Works AB	Sweden	
Yahoo! Switzerland Server Services Sàrl	Switzerland	
Yahoo! Iberia SL	Spain	
Yahoo! Netherlands BV	Netherlands	
Yahoo! Netherlands Holdings C. V.	Netherlands	
Yahoo! Southeast Asia PTE Ltd.	Singapore	
Yahoo! Emerging Markets (Singapore) Pty. Ltd.	Singapore	
Yahoo! Korea Yuhan Hoesa	Korea	
Yahoo! Hong Kong Limited	Hong Kong	
Yahoo! Asia Holdings Limited	Hong Kong	
Yahoo India Private Limited	India	
Yahoo! Software Development India Private Limited	India	
Yahoo! Internet Communications India Private Limited	India	
Yahoo! Taiwan Inc.	Taiwan	
Yahoo! Australia & NZ (Holdings) Pty Limited	Australia	50%
Yahoo de Mexico, SA de CV	Mexico	
Yahoo! do Brasil Internet Ltda	Brazil	
Yahoo! de Argentina SRL	Argentina	
Yahoo! Canada Co.	Canada	
LudiCorp Research and Development Ltd.	Canada	
Yahoo! Europe International LLC	Cayman Islands	
Yahoo! International Holdings LLC	Cayman Islands	
Kimo.com (Cayman) Corporation	Cayman Islands	
Yahoo! Cayman Asia Holdings Limited	Cayman Islands	
Actionality Deutschland GmbH	Germany	
Actionality Hong Kong Limited	Hong Kong	
Inktomi Japan KK	Japan	
Overture Services Limited	UK	
Overture Services Europe, Ltd.	Cayman Islands	
Overture Services IP (Cayman) Ltd.	Cayman Islands	
Overture Search Services (Ireland) Limited	Ireland	
Overture Search Services Holdco (Ireland) Limited	Cayman Islands	
Overture Search Services Asia, Limited	Ireland	
Overture Spain S.L.	Spain	
Overture Korea Yuhan Hoesa	Korea	
Overture Asia-Pac Services K.K.	Japan	
Yahoo! Communications Europe, Ltd.	Ireland	
Overture Marketing Services Limited	Ireland	
Overture Services Australia Pty, Ltd.	Australia	
Alta Vista Internet Solutions Limited	Ireland	

Name of Entity	Jurisdiction	Percent Owned (if not 100%)
Alta Vista Internet Holdings Limited	Ireland	
Alta Vista Internet Operations Limited	Ireland	
Yahoo! Technologies Norway AS	Norway	
Yahoo! Taiwan Holdings Limited	Hong Kong	
Yahoo! Ireland Services Limited	Ireland	
Yahoo! France Holdings SAS	France	
Farechase Israel Ltd.	Israel	
FoxyTunes Ltd.	Israel	
Whereonearth Limited	UK	
Where@Risk Limited	UK	
Whereonearth.com Limited	UK	
WOE Old GDC Limited	UK	
Yahoo! UK Services Limited	UK	
Right Media UK Limited	UK	
Blue Lithium UK Limited	UK	
BlueLithium France	France	
Zimbra Europe Limited	UK	
Zimbra Software Asia Pacific Private Limited	India	
Yahoo! 350 SAS	France	
Yahoo! 390 GmbH	Germany	
Yahoo! Deutschland Services GmbH	Germany	
Tensa R&D Kereskedelmi es Szolgaltato Kft	Hungary	
Yahoo! Philippines Services Inc.	Philippines	
Yahoo! Sàrl	Switzerland	
Monday Technology Co., Ltd.	Taiwan	
Elite Taiwan Co., Ltd.	Taiwan	
Yahoo! Vietnam Company Limited	Vietnam	
Yahoo! Software Research and Development (Beijing) Co., Ltd.	China	
Actionality, Inc.	Delaware	
BlueLithium, Inc.	Delaware	
FareChase, Inc.	Delaware	
HotJobs.com, Ltd.	Delaware	
Inktomi Corporation	Delaware	
JBS Sports, Inc. (dba Rivals.com)	Delaware	
Launch Media Inc.	Delaware	
Right Media LLC	Delaware	
Yahoo! Communications, Inc.	Delaware	
Yahoo! Communications USA, Inc.	Delaware	
Yahoo! CV, LLC	Delaware	
Yahoo! Hispanic Americas, LLC	Delaware	
Yahoo! Realty Inc.	Delaware	
Yahoo! SEA Holdings, LLC	Delaware	
Zimbra, Inc.	Delaware	

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-149417, No. 333-149416, No. 333-147125, No. 333-147124, No. 333-145046, No. 333-145044, No. 333-140917, No. 333-138422, No. 333-132226, No. 333-127322, No. 333-126581, No. 333-120999, No. 333-118093, No. 333-118088, No. 333-118067, No. 333-112596, No. 333-109914, No. 333-104137, No. 333-89948, No. 333-83770, No. 333-60828, No. 333-54426, No. 333-46492, No. 333-93497, No. 333-80227, No. 333-81635, No. 333-76995, No. 333-79675, No. 333-66067, No. 333-56781, No. 333-39105), and the Registration Statement on Form S-4 (No. 333-62694) of Yahoo! Inc. of our report dated February 27, 2009 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Pricewaterhouse Coopers LLP
San Jose, California
February 27, 2009

Exhibit 31.1

**Certification of Chief Executive Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Carol Bartz, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 27, 2009

By: /s/ CAROL BARTZ

Carol Bartz
Chief Executive Officer

Exhibit 31.2

**Certification of Chief Financial Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Blake Jorgensen, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 27, 2009

By: /s/ BLAKE JORGENSEN

Blake Jorgensen
Chief Financial Officer

Exhibit 32

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report on Form 10-K of Yahoo! Inc. (the "Company") for the year ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carol Bartz, as Chief Executive Officer of the Company, and Blake Jorgensen, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of her and his knowledge, respectively, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ CAROL BARTZ
Name:	**Carol Bartz**
Title:	**Chief Executive Officer**
Dated:	**February 27, 2009**

	/s/ BLAKE JORGENSEN
Name:	**Blake Jorgensen**
Title:	**Chief Financial Officer**
Dated:	**February 27, 2009**

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.