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

FORM S-8
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Yahoo! Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0398689
(I.R.S. Employer
Identification No.)

701 First Avenue
Sunnyvale, California 94089
(Address of Principal Executive Offices) (Zip Code)

Associated Content Inc. 2005 Stock Incentive Plan
(Full title of the plan)

Michael Callahan, Esq.
Executive Vice President, General Counsel and Secretary
Yahoo! Inc.
701 First Avenue
Sunnyvale, California 94089
(Name and address of agent for service)

(408) 349-3300
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COPIES TO:

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Chief Financial Officer
Yahoo! Inc.
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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 the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock of Yahoo! Inc. issuable upon exercise of assumed options under the Associated Content Stock Plan	223,945 shares (1)(2)	\$2.735583(3)	\$612,620(3)	\$43.68
Common Stock of Yahoo! Inc. issuable upon vesting of assumed restricted stock units under the Associated Content Stock Plan	249,072 shares (1)(2)	\$15.04(4)	\$3,746,043(4)	\$267.09
TOTAL	473,017 shares (1)(2)		\$4,358,663	\$310.77

- (1) This Registration Statement covers, in addition to the number of shares of Yahoo! Inc., a Delaware corporation (the "Company" or the "Registrant"), common stock, par value \$0.001 per share (the "Common Stock"), stated above, options and other rights to purchase or acquire the shares of Common Stock covered by this Registration Statement and, pursuant to Rule 416(c) under the Securities Act of 1933, as amended (the "Securities Act"), an additional indeterminate number of shares, options and rights that may be offered or issued pursuant to the Associated Content Inc. 2005 Stock Incentive Plan (the "Associated Content Stock Plan"), as a result of one or more adjustments under the Associated Content Stock Plan to prevent dilution resulting from one or more stock splits, stock dividends or similar transactions.
- (2) Each share of Common Stock is accompanied by a preferred stock purchase right pursuant to the Amended and Restated Rights Agreement, dated as of April 1, 2005, as may be amended from time to time, between the Registrant and EquiServe Trust Company, N.A., as Rights Agent.
- (3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(h) under the Securities Act, based upon the weighted average exercise price of options outstanding under this plan.
- (4) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(h) and Rule 457(c) under the Securities Act, based upon the average of the high and low prices of the Common Stock on July 20, 2010 (which is within five business days prior to the date of filing), as quoted on the Nasdaq Global Select Market.

The Exhibit Index for this Registration Statement is at page 6.

PART I
INFORMATION REQUIRED IN THE
SECTION 10(a) PROSPECTUS

The documents containing the information specified in Part I of Form S-8 will be sent or given to participants as specified by Securities Act Rule 428(b) (1).

PART II
INFORMATION REQUIRED IN THE
REGISTRATION STATEMENT

Item 3. Incorporation of Certain Documents by Reference

The following documents of the Company filed with the Securities and Exchange Commission (the "Commission") are incorporated herein by reference (excluding any portions of such documents that have been "furnished" but not "filed" for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act")):

- (a) The Company's Annual Report on Form 10-K for its fiscal year ended December 31, 2009, filed with the Commission on February 26, 2010 (Commission File No. 000-28018);
- (b) The Company's Quarterly Report on Form 10-Q for its fiscal quarter ended March 31, 2010, filed with the Commission on May 10, 2010 (Commission File No. 000-28018);
- (c) The Company's Current Reports on Form 8-K filed with the Commission on January 14, 2010 (with respect to Item 5.02 only), February 16, 2010, March 23, 2010, April 14, 2010 and June 30, 2010 (with respect to Item 5.07 only) (each, Commission File No. 000-28018);
- (d) The description of the Company's Common Stock contained in its Registration Statement on Form 8-A filed with the Commission on March 12, 1996, as updated by the Company's Current Report on Form 8-K filed with the Commission on August 11, 2000 (each, Commission File No. 000-28018), and any other amendment or report filed for the purpose of updating such description; and
- (e) The description of the Company's preferred stock purchase rights contained in its Registration Statement on Form 8-A filed with the Commission on March 19, 2001, as amended by the Company's Registration Statement on Form 8-A/A filed with the Commission on April 30, 2004 and as updated by the Company's Current Report on form 8-K filed with the Commission on April 4, 2005 (each, Commission File No. 000-28018), and any other amendment or report filed for the purpose of updating such description.

All documents subsequently filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents. Any statement contained herein or in a document, all or a portion of which is incorporated or deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or amended, to constitute a part of this Registration Statement.

Item 4. Description of Securities

Not applicable.

Item 5. Interests of Named Experts and Counsel

Not applicable.

Item 6. Indemnification of Directors and Officers

Section 145 of the General Corporation Law of the State of Delaware (the “DGCL”) allows for the indemnification of officers, directors and other corporate agents in terms sufficiently broad to indemnify such persons under certain circumstances for liabilities (including reimbursement for expenses incurred) arising under the Securities Act. Article XII of the Company’s amended and restated certificate of incorporation and Article VI of the Company’s bylaws authorize indemnification of the Company’s directors, officers, employees and other agents to the extent and under the circumstances permitted by the DGCL.

The Company has entered into indemnification agreements with its directors and certain 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 to the fullest extent not prohibited by law.

The Company maintains liability insurance for the benefit of its officers and directors.

The above discussion of the DGCL and of the Company’s amended and restated certificate of incorporation, bylaws, and indemnification agreements is not intended to be exhaustive and is qualified in its entirety by such statute, amended and restated certificate of incorporation, bylaws and indemnification agreements.

Item 7. Exemption from Registration Claimed

Not applicable.

Item 8. Exhibits

See the attached Exhibit Index at page 6, which is incorporated herein by reference

Item 9. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in this Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in this Registration Statement or any material change to such information in this Registration Statement;

provided however, that Paragraphs (a)(1)(i) and (a)(1)(ii) of this Section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or Section 15(d) of the Exchange Act that are incorporated by reference in this Registration Statement

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(h) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, executive officers and controlling persons of the Registrant pursuant to the provisions described in Item 6 above, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
4.1*	Associated Content Inc. 2005 Stock Incentive Plan (composite plan document reflecting all amendments) (the “Associated Content Stock Plan”).
4.2.1*	Form of Incentive Stock Option Agreement and Notice of Stock Option Grant under the Associated Content Stock Plan.
4.2.2*	Form of option amendment letter agreement between Associated Content and each optionee.
4.3*	Form of Restricted Stock Unit Award Agreement under the Associated Content Stock Plan.
5.1*	Opinion of O’Melveny & Myers LLP (opinion of counsel).
23.1*	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (included in this Registration Statement under “Signatures”).

* Filed herewith.

**ASSOCIATED CONTENT INC.
2005 STOCK INCENTIVE PLAN**

As Amended Through May 17, 2010
Original Effective Date: January 20, 2005
Termination Date: January 20, 2015

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INTRODUCTION

The purpose of the Associated Content Inc. 2005 Stock Incentive Plan (the "Plan") is to further the growth and development of Associated Content Inc., a Delaware corporation (the "Company"), by affording an opportunity for stock ownership to selected Employees, Directors and Consultants of the Company and its Subsidiaries who are responsible for the conduct and management of its business or who are involved in endeavors significant to its success. The Plan is also intended to assist the Company in attracting new Employees and Consultants and retaining existing Employees and Consultants; to optimize the profitability and growth of the Company through incentives that are consistent with the Company's goals; to provide incentives for excellence in individual performance; and to promote teamwork.

ARTICLE 1.
DEFINITIONS

When used in this Plan, the following capitalized terms shall have the meanings set forth below unless a different meaning is plainly required by the context:

- 1.1 **Award** means the grant of Options or other stock-based grant under the Plan.
- 1.2 **Board of Directors** means the Board of Directors of the Company.
- 1.3 **Cause** means "Cause," as defined in the Participant's employment agreement, if applicable, or if the Participant has not entered into an employment agreement with the Company, as determined in the sole and absolute discretion of the Company, a termination on account of dishonesty, fraud, misconduct, unauthorized use or disclosure of confidential information or trade secrets or conviction or confession of a crime punishable by law (except minor violations), in each such case as determined by the Plan Administrator, and its determination shall be conclusive and binding. Such actions constituting "Cause" shall include, without limitation, (1) repeated refusal to obey written directions of the Board of Directors or a superior officer (so long as such directions do not involve illegal or immoral acts); (2) repeated acts of substance abuse that are materially injurious to the Company or any of its Subsidiaries; (3) fraud or dishonesty that is materially injurious to the Company or any of its Subsidiaries; (4) breach of any material obligation of nondisclosure or confidentiality owed to the Company or any of its Subsidiaries; (5) commission of a criminal offense involving money or other property of the Company (excluding any traffic violations or similar violations); or (6) commission of a criminal offense that constitutes a felony in the jurisdiction in which the offense is committed. A Participant who agrees to resign from his or her affiliation with the Company in lieu of being terminated for Cause may be deemed to have been terminated for Cause for purposes of the Plan.
- 1.4 **Change in Control** means the occurrence, whether in a single transaction or in a series of related transactions, of anyone or more of the following:
 - (a) At such time as a third person, including a "group" as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of shares of the Company having 50% or more of the total number of votes that may be cast for the election of Directors of the Company; provided, however, that the Board may, in its sole discretion, exclude control share acquisitions; or

- (b) On the later of the date on which the stockholder(s) of the Company approve and the date of consummation of the transaction contemplated:
 - (i) any agreement for a merger or consolidation of the Company with another entity, provided that the persons and entities who were the stockholders of the Company immediately before such merger or consolidation continue to own, directly or indirectly, more than 50% of the outstanding voting securities of the corporation resulting from such merger or consolidation in substantially the same proportion as their ownership of the voting securities of the Company outstanding immediately before such merger or consolidation; or (ii) any sale, exchange or other disposition of all or substantially all of the Company's assets; or
- (c) On the effective date of any sale, exchange or other disposition of greater than 50% in fair market value of the Company's assets, other than in the ordinary course of business.

To the extent a Change in Control must satisfy Code Section 409A and related regulations, "Change in Control" shall be interpreted consistently with Code Section 409A. In determining whether subsection (a) of the preceding sentence has been satisfied, the third person owning shares must be someone other than a person or an affiliate (that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such person) that, as of the Effective Date, was the beneficial owner of shares of the Company having 20% or more of the total number of votes that may be cast for the election of Directors of the Company. The Plan Administrator's reasonable determination as to whether such an event has occurred shall be final and conclusive.

- 1.5 **Code** means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.
- 1.6 **Common Stock** means the Company's Class A voting common stock (par value \$0.01 per share) and any share or shares of the Company's capital stock hereafter issued or issuable in substitution for such shares.
- 1.7 **Consultant** means a consultant, agent, advisor or independent contractor who provides service to the Company and who do not receive wages subject to income tax federal withholding under Code Section 3401; provided, however, that such person renders bona fide services that are not in connection with the offer and sale of the Company's securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities. Consultant does not include Directors who are not compensated by the Company for services as Directors, and the payment of a Director's fee by the Company for services as a Director shall not cause a Director to be considered a Consultant for purposes of the Plan.

- 1.8 **Continuous Service** means that the Participant's service with the Company or a Subsidiary, whether as an Employee, Consultant or Director, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or a Subsidiary as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of a Subsidiary or a Director will not constitute an interruption of Continuous Service. The Plan Administrator, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in any circumstance, including (but not limited to) in the case of any leave of absence, including sick leave, military leave or any other personal leave.
- 1.9 **Director** means a member of the Board of Directors.
- 1.10 **Disability** means disability within the meaning of the long-term disability policy maintained by the Company, or if none, within the meaning of Code Section 22(e)(3) .
- 1.11 **Effective Date** means the effective date of the Plan, as first set forth above.
- 1.12 **Employee** means a common law employee of the Company or its Subsidiary (with respect to Incentive Stock Options, as that term is defined in Code Section 424(f)) and any person who has accepted a binding offer of employment from the Company or its Subsidiary, but excludes any individual classified by the Company or its Subsidiary as an independent contractor or leased employee.
- 1.13 **Fair Market Value** means the value of the Common Stock, determined in accordance with the following:
- (a) **Publicly Traded.** If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, then the Fair Market Value per share shall be deemed to be the average of the "high" and "low" sales prices for the Common Stock or security in the over-the-counter market for the preceding five days as reported by the National Association of Securities Dealers Automated Quotations System, or, if the prices are not reported thereby, the average of the closing bid and asked prices for the preceding five days, reported by the National Quotations Bureau. If the Common Stock is not listed upon an established stock exchange but is traded in the Nasdaq National Market, the Fair Market Value per share shall be deemed to be the closing price of the Common Stock in the National Market System for the day immediately preceding the day for which the determination is made.
 - (b) **Not Publicly Traded.** If the Company is not publicly traded as determined in accordance with subsection (a), the Fair Market Value per share shall be deemed to be an amount as determined in good faith by the Plan Administrator by applying any reasonable valuation method.
- 1.14 **Incentive Stock Option** means any option granted to an eligible Employee under the Plan, which the Company intends at the time the option is granted to be an Incentive Stock Option within the meaning of Code Section 422.
- 1.15 **Nonqualified Stock Option** means any option granted to an eligible Employee, Director or Consultant under the Plan that is not an Incentive Stock Option.
- 1.16 **Option** means and refers collectively to Incentive Stock Options and Nonqualified Stock Options.

- 1.17 **Option Agreement** means the agreement specified in Section 6.2.
- 1.18 **Parent** means a parent corporation of the Company as defined in Code Section 424(e).
- 1.19 **Participant** means any Employee, Director or Consultant who is granted an Award under the Plan. Participant also means the personal representative of a Participant and any other person who acquires the right to exercise or receive payment pursuant to an Award by bequest or inheritance.
- 1.20 **Plan Administrator** means the body that is responsible for the administration of the Plan, as determined pursuant to Section 3.1.
- 1.21 **Rule 16b-3** means Rule 16b-3 promulgated by the Securities Exchange Commission under the Exchange Act, together with any successor rule, as in effect from time to time.
- 1.22 **Stock Restriction Agreement** means an agreement placing certain restrictions upon the Participant's right to transfer shares, including without limitation the creation of an irrevocable right of first refusal upon the transfer of shares in favor of the Company and its designees and provisions requiring the Participant to transfer the shares to the Company or the Company's designees upon a termination of employment, as described in Section 6.7.
- 1.23 **Subsidiary** means a subsidiary corporation of the Company as defined in Code Section 424(f).
- 1.24 **Termination Date** means the termination date of the Plan, as first set forth above.

ARTICLE 2.
EFFECTIVE DATE

The Effective Date of the Plan shall be the effective date first set forth above (provided, however, that the adoption of the Plan by the Board of Directors is subject to approval and ratification by the stockholders of the Company within 12 months of such effective date), or, with respect to Incentive Stock Option, if such 12-month period expires without ratification by the stockholders, the date of such ratification. Incentive Stock Options granted under the Plan prior to approval of the Plan by the stockholders of the Company shall be subject to approval of the Plan by the stockholders of the Company. If the shareholders of the Company do not approve the Plan as specified above, the Plan shall terminate retroactively to the date of initial adoption and any grant of Awards hereunder shall be null and void without any further action by the Board or the Company.

**ARTICLE 3.
ADMINISTRATION**

- 3.1 **PLAN ADMINISTRATOR.** The Plan shall be administered by the Board of Directors, unless and until such time as the Board of Directors delegates the administration of the Plan to a committee, which shall be appointed by and shall serve at the pleasure of the Board of Directors. Any committee member shall be deemed to have resigned automatically from the committee upon his or her termination of service with the Company. To the extent the Board considers it desirable for transactions relating to a grant of Options to be eligible to qualify for an exemption under Rule 16b-3, the Plan Administrator shall consist of a committee of two or more Directors of the Company, all of whom qualify as “non-employee directors” within the meaning of Rule 16b-3. To the extent the Board considers it desirable for compensation delivered pursuant to a grant of Options to be eligible to qualify for an exemption under Code Section 162(m), the Plan Administrator shall consist of a committee of two or more Directors of the Company, all of whom qualify as “outside directors” within the meaning of Code Section 162(m). The Board may from time to time remove members from or add members to any such committee; fill vacancies on the committee, howsoever caused; and otherwise increase or decrease the number of members of such committee, in each case as the Board deems appropriate to permit transactions in Shares pursuant to the Plan and to satisfy such conditions of Rule 16b-3 or Code Section 162(m) as then in effect.
- 3.2 **MEETINGS AND ACTIONS.** The Plan Administrator shall hold meetings at such times and places as it may determine. A majority of the members of the Plan Administrator shall constitute a quorum, and the acts of the majority of the members present at a meeting or a consent in writing signed by all members of the Plan Administrator shall be the acts of the Plan Administrator and shall be final, binding and conclusive upon all persons, including the Company, its Subsidiaries, its stockholders, and all persons having any interest in Awards that may be or have been granted pursuant to the Plan.
- 3.3 **POWERS OF PLAN ADMINISTRATOR.** The Plan Administrator shall have the full and exclusive right to grant and determine terms and conditions of all Awards granted under the Plan and to prescribe, amend and rescind rules and regulations for administration of the Plan. In selecting Participants and granting Awards, the Plan Administrator shall take into consideration the contribution the Participant has made or may make to the success of the Company or its Subsidiaries and such other factors as the Plan Administrator shall determine.
- 3.4 **INTERPRETATION OF PLAN.** The Plan Administrator may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or in any agreement entered into hereunder. The determination of the Plan Administrator as to any disputed question arising under the Plan, including questions of construction and interpretation, shall be final, binding and conclusive upon all persons, including the Company, its Subsidiaries, its stockholders, and all persons having any interest in Awards that may be or have been granted pursuant to the Plan.
- 3.5 **INDEMNIFICATION.** Each person who is or shall have been a member of the Plan Administrator or of the Board of Directors shall be indemnified and held harmless by the Company against and from any loss, cost, liability or expense that may be imposed upon or reasonably incurred in connection with or resulting from any claim, action, suit or proceeding to which such person may be a party or in which such person may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid in settlement thereof, provided that the Company approved such settlement, or paid in satisfaction of a judgment in any such action, suit or proceeding; and provided further that such person shall give the Company an opportunity, at its own expense, to handle and defend the same before undertaking to handle and defend it on such person’s own behalf. The foregoing right of indemnification shall not be exclusive of, and is in addition to, any other rights of indemnification to which any person may be entitled under the Company’s Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless. The foregoing right of indemnification shall not apply to any person in his or her capacity as a Participant under the Plan.

ARTICLE 4.
STOCK SUBJECT TO THE PLAN

- 4.1 **PLAN LIMIT.** Subject to the provisions of Section 4.4, the aggregate number of shares of Common Stock that may be issued under Awards granted pursuant to the Plan shall not exceed 888,200. Shares that may be issued under Awards may consist, in whole or in part, of authorized but unissued stock or treasury stock of the Company not reserved for any other purpose. In addition, the Company may use the proceeds received from a Participant upon the exercise of an Option to repurchase shares of Stock in the open market, which shall be available for grant of Awards under the Plan; provided, however, that no more than 888,200 shares of Common Stock shall be delivered pursuant to Incentive Stock Options.
- 4.2 **INDIVIDUAL LIMIT.** Subject to the provisions of Section 4.4, to the extent the Board considers it desirable for compensation delivered pursuant to an Option to be eligible to qualify for an exemption under Code Section 162(m), no Participant shall be eligible to be granted Awards covering more than 50,000 shares of Common Stock during any calendar year.
- 4.3 **UNUSED STOCK.** If any outstanding Award under the Plan expires or for any other reason ceases to be exercisable, is forfeited or repurchased by the Company, in whole or in part (other than upon exercise of an Option), the shares that were subject to such Award (and as to which the Award had not been exercised) shall continue to be available under the Plan or revert to the Plan to again be available for issuance under the Plan; provided, however, that subject to the provisions of Section 4.4 relating to adjustments, the aggregate maximum number of shares of Common Stock that may be issued as Incentive Stock Options shall be the number of shares of Common Stock as may be approved by the stockholders of the Company from time to time for issuance as Incentive Stock Options under Section 4.1.
- 4.4 **ADJUSTMENT FOR CHANGE IN OUTSTANDING SHARES.**
- (a) **In General.** If there is any change, increase or decrease, in the outstanding shares of Common Stock that is effected without receipt of additional consideration by the Company, by reason of a stock dividend, subdivision, reclassification, recapitalization, merger, consolidation, stock split, combination or exchange of stock, or other similar circumstances not involving the receipt of consideration by the Company (each a Capitalization Event), then in each such event, the Plan Administrator shall make an appropriate adjustment in the aggregate number of shares of Common Stock available under the Plan, the number of shares of Common Stock subject to each outstanding Award and the prices in order to prevent the dilution or enlargement of any Participant's rights. In the event of any adjustment in the number of shares of Stock covered by any Award, including those provided in subsection (b), each such Award shall cover only the number of full shares resulting from such adjustment. The Plan Administrator's determinations in making any adjustment shall be final and conclusive.

- (b) Adjustments for Certain Distributions of Property. If the Company at any time distributes with respect to its Common Stock securities of other property (except cash or Common Stock), a proportionate part of those securities or other property shall be set aside and delivered to the Participant when he exercises an Option. The securities or other property shall be in the same ratio to the total securities and property set aside for the Participant as the number of shares of Common Stock with respect to which the Option is then exercised is to the total shares of Common Stock subject to the Award.
- (c) Exceptions to Adjustment. Except as expressly provided herein, the issue by the Company of shares of Common Stock of any class, or securities convertible into or exchangeable for shares of Common Stock of any class, for cash or property or for labor or services, either upon sale of upon exercise of rights or warrants to subscribe therefore, or upon conversion of shares or obligations of the Company convertible into or exchangeable for shares of Common Stock of any class shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Common Stock subject to any Award granted under the Plan.

4.5 **RETENTION OF RIGHTS.** The existence of this Plan and any Award granted pursuant to the Plan shall not affect the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, Reorganization Events (as defined in Section 8.2), or other change in the Company's capital structure or its business, or an merger or consolidation or the Company, or any issue of bonds, debentures, or preferred or preference stock ranking before or affecting the Common Stock, or the dissolution of the Company or any sale or transfer of all or any part of the Company's assets or business, or any other corporate act or proceeding, whether similar or not.

ARTICLE 5. ELIGIBILITY

All full-time and part-time Employees who are responsible for the conduct and management of its business or who are involved in endeavors significant to its success shall be eligible to receive any Award under the Plan. Directors and Consultants who are not Employees shall be eligible to receive any Award, other than Incentive Stock Options, under the Plan. Any Director who is otherwise eligible to participate, who makes an election in writing not to receive any grants under the Plan, shall not be eligible to receive any such grants during the period set forth in such election.

ARTICLE 6. STOCK OPTIONS

6.1 **GRANT OF OPTIONS.** The Plan Administrator may from time to time in its discretion determine which of the eligible Employees, Directors and Consultants of the Company or its Subsidiaries will receive Options, the type of Options to be granted (whether Incentive Stock Options or Nonqualified Stock Options), the number of shares subject to such Options, and the dates on which such Options are to be granted. No Employee may be granted Incentive Stock Options to the extent that the aggregate Fair Market Value (determined as of the time each Option is granted) of the Common Stock with respect to which any such Options are exercisable for the first time during a calendar year (under all incentive stock option plans of the Company and its Parent and Subsidiaries) would exceed \$100,000. To the extent that the limitation set forth in the preceding sentence has been exceeded, the Options that exceed the annual limitation shall be deemed to be Nonqualified Stock Options rather than Incentive Stock Options in accordance with Code Section 422.

6.2 **OPTION AGREEMENT.** Each Option granted under the Plan shall be evidenced by a written Option Agreement setting forth the terms upon which the Option is granted. Each Option Agreement shall designate the type of Options being granted (whether Incentive Stock Options or Nonqualified Stock Options), and shall state the number of shares of Common Stock, as designated by the Plan Administrator, to which that Option pertains. More than one Option, and any combination of Options and Awards may be granted to an eligible person.

- (a) **Option Price.** The Option price per share of Common Stock under each Option shall be determined by the Plan Administrator and stated in the Option Agreement. The Option price for Incentive Stock Options granted under the Plan shall not be less than 100% of the Fair Market Value (determined as of the day the Option is granted) of the shares subject to the Option. The Option price for Nonqualified Stock Options granted under the Plan shall not be less than 85% of the Fair Market Value (determined as of the day the Option is granted) of the shares subject to the Option. To the extent required to avoid penalties under Code Section 409 A, any Option issued under the Plan with an Option price of less than 100% of the Fair Market Value (determined as of the day the Option is granted) shall comply in all respects with Code Section 409A and related regulations and shall be interpreted and administered in all respects in accordance with Code Section 409A.
- (b) **Duration of Options.** Each Option shall be of a duration as specified in the Option Agreement; provided, however, that the term of each Incentive Stock Option shall be no more than ten years from the date on which the Option is granted and shall be subject to early termination as provided herein.
- (c) **Vesting.** Unless otherwise stated in the Option Agreement, Options shall be subject to the following vesting schedule, which may be waived or accelerated by the Plan Administrator at any time:

<u>Period of Participant's Continuous Service from the Grant Date</u>	<u>Percentage or Fraction of Shares Subject to Option that become Vested and Exercisable</u>
1 year	25%
Each following year	25%

To the extent required by applicable state securities law, Options subject to a vesting schedule shall vest at least as rapidly as 20% per year within the five years following the date of grant of the Option.

- (d) **Additional Limitations on Grant for 10% Stockholders.** No Incentive Stock Option shall be granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock (as determined in accordance with Code Section 424(d)) representing more than 10% of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary, unless the option price of such Incentive Stock Option is at least 110% of the Fair Market Value (determined as of the day the Incentive Stock Option is granted) of the stock subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable more than five years from the date it is granted.

- (e) Rights as Stockholder. A Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock covered by an Option until the date of the issuance of the stock certificate for such shares.
- (f) Other Terms and Conditions. The Option Agreement may contain such other provisions, which shall not be inconsistent with the Plan, as the Plan Administrator shall deem appropriate, including, without limitation, provisions that relate to the Participant's ability to exercise an Option in whole or in part to the passage of time or the achievement of specific goals or the occurrence of certain events, as specified by the Plan Administrator.

6.3 **NONTRANSFERABILITY OF OPTIONS**. Options granted pursuant to the Plan are not transferable by the Participant other than by will or the laws of descent and distribution and shall be exercisable during the Participant's lifetime only by the Participant. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Options contrary to the provisions hereof, or upon the levy of any attachment or similar process upon the Award, the Award shall immediately become null and void. Notwithstanding the foregoing, to the extent specified in an Option Agreement, an Option may be transferred by a Participant solely to (1) the Participant's immediate family (children, grandchildren, or spouse) or trusts or other entities established for the benefit of the Participant's immediate family; or (2) the trust underlying a nonqualified deferred compensation plan established and maintained by the Company, to the extent specifically permitted in the trust agreement; provided that the transferability of an Option under this section shall be limited to the extent transfer is permitted by Rule 701 of the Securities Act, if and as required by applicable state securities law; provided further that such transfer does not result in a Critical Transfer or otherwise affect the status of the Company as an S corporation (until the Company files for status as a C corporation). Any such transfer of an Incentive Stock Option shall result in the conversion of the Option to a Nonqualified Stock Option.

6.4 **MANNER OF EXERCISE**. Subject to the limitations and conditions of the Plan or the Option Agreement, an Option shall be exercisable, in whole or in part, from time to time, by giving written notice of exercise to the Secretary of the Company, which notice shall specify the number of shares of Common Stock to be purchased and shall be accompanied by (a) payment in full to the Company of the purchase price of the shares to be purchased; plus (b) payment in full of such amount as the Company shall determine to be sufficient to satisfy any liability it may have for any withholding of federal, state or local income or other taxes incurred by reason of the exercise of the Option; (c) representations meeting the requirements of Sections 9.4 and/or 9.5 if requested by the Company; and (d) a Stock Restriction Agreement meeting the requirements of Section 6.7 if requested by the Company. Except as provided in Section 6.5, the conditions of this Section 6.4 shall be satisfied at the time that the Option or any part thereof is exercised, and no shares of Common Stock shall be issued or delivered until such conditions have been satisfied by the Participant.

- 6.5 **PAYMENT OF OPTION PRICE.** Payment for shares and withholding taxes shall be in the form of either (a) cash, (b) a certified or bank cashier's check to the order of the Company, or (c) shares of the Common Stock, properly endorsed to the Company, in an amount the Fair Market Value of which on the date of receipt by the Company equals or exceeds the aggregate option price of the shares with respect to which the Option is being exercised, provided that such shares have been held outright by the Participant for at least six months, (d) any other form of legal consideration that may be acceptable to the Plan Administrator, or (e) in any combination thereof; provided, however, that no payment may be made in shares of Common Stock unless the Plan Administrator has approved of payment in such form by such Participant with respect to the Option exercise in question. Should the Common Stock be registered under Section 12(g) of the Exchange Act at the time an Option is exercised, and to the extent the option is exercised for vested shares, then payment may also be made through a special sale and remittance procedure pursuant to which the Participant shall concurrently provide irrevocable written instructions (1) to a brokerage firm designated by the Company to effect the immediate sale of the purchased shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable withholding taxes, and (2) to the Company to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale. Upon the exercise of any Option, the Company, in its sole discretion, may permit the deferred payment of the purchase price on such terms and conditions as the Company shall specify.
- 6.6 **TERMINATION OF CONTINUOUS SERVICE.** Any vesting of the Option shall cease upon termination of the Participant's Continuous Service, and the Option shall be exercisable only to the extent that it was exercisable on the date of such termination of Continuous Service. Any Option not exercisable as of the date of termination, and any Option or portions thereof not exercised within the period specified herein, shall terminate.
- (a) Termination Other than for Cause. Subject to any limitations set forth in the Option Agreement, and provided that the Notice of Exercise is provided prior to the expiration of the Option, the Participant shall be entitled to exercise the Option (i) during the Participant's Continuous Service, and (ii) for a period of three months after the date of termination of the Participant's Continuous Service for reason other than Cause, or such longer period as may be set forth in the Option Agreement.
- (b) Termination by Death. Notwithstanding subsection (a), if a Participant's Continuous Service should terminate as a result of the Participant's death, or if a Participant should die within a period of three months after termination of the Participant's Continuous Service under circumstances in which subsection (a) would permit the exercise of the Option following termination, the personal representatives of the Participant's estate or the person or persons who shall have acquired the Option from the Participant by bequest or inheritance may exercise the Option at any time within one year after the date of death, but not later than the expiration date of the Option.
- (c) Termination by Disability. Notwithstanding subsection (a), if a Participant's Continuous Service should terminate by reason of the Participant's Disability the Participant may exercise the Option at any time within one year after the date of termination but not later than the expiration date of the Option.

- (d) Termination for Cause; Breach of Covenant Not to Compete or Nondisclosure Agreement. Notwithstanding anything herein to the contrary, and unless otherwise provided by the Option Agreement, unexercised Options granted to the Participant shall terminate immediately if the Participant is terminated for Cause, breaches any obligation under a covenant not to compete with the Company or any of its Subsidiaries, or breaches any obligation under an agreement not to use or disclose proprietary information obtained from or through the Company or any of its Subsidiaries, upon such occurrence.
- (e) Extension of Option Termination Date. The Plan Administrator, in its sole discretion, may extend the termination date of an Option granted under the Plan without regard to the preceding provisions of this section. Such extension may be made in the Option Agreement as originally executed or by amendment to the Option Agreement, either prior to or following termination of a Participant's Continuous Service. The Plan Administrator shall have no power to extend the termination date of an Incentive Stock Option beyond the periods provided in subsections (a), (b) and (c) prior to the termination of the Participant's Continuous Service or without the approval of the Participant, which may be granted or withheld in the Participant's sole discretion. Any extension of the termination date of an Incentive Stock Option shall be deemed to be the grant of a new Option for purposes of the Code.

6.7 **STOCK RESTRICTION AGREEMENT.** Upon demand by the Company, the Participant shall execute and deliver to the Company a Stock Restriction Agreement in such form as the Company may provide at the time of exercise of the Option. Such Agreement may include, without limitation, restrictions upon the Participant's right to transfer shares, including the creation of an irrevocable right of first refusal in the Company and its designees, and provisions requiring the Participant to transfer the shares to the Company or the Company's designees upon or following a termination of Continuous Service. Upon such demand, execution of the Stock Restriction Agreement by the Participant prior to the transfer or delivery of any shares and prior to the expiration of the Option period shall be a condition precedent to the right to purchase such shares, unless such condition is expressly waived in writing by the Company.

ARTICLE 7. OTHER AWARDS

The Plan Administrator may from time to time in its sole discretion determine which of the eligible Employees, Directors, or Consultants of the Company should receive other grants of Common Stock and/or other Awards that are value in whole or in part by reference to, or are otherwise based upon, Common Stock, including without limitation restricted stock units, dividend equivalents, stock appreciation rights, phantom stock and performance units. Such Awards may be issued alone or in conjunction with other Awards under the Plan. In addition, the Plan Administrator may, from time to time, in its sole discretion and consistent with applicable law that would prohibit the imposition of the constructive receipt of income under Code Section 451, afford a Participant the opportunity to convert the form of Award currently held by the Participant prior to the time such Participant would become vested in such Award (e.g., from a restricted stock award to a restricted stock unit award). To the extent required to avoid penalties under Code Section 409A, any Award shall comply in all respects with Code Section 409A and related regulations and shall be interpreted and administered in all respects in accordance with Code Section 409A.

ARTICLE 8.
CHANGE IN CONTROL; REORGANIZATION

- 8.1 **CHANGE IN CONTROL.** Notwithstanding any vesting requirements contained in this Plan or any Award Agreement, upon the occurrence of a Change in Control, outstanding Awards shall become exercisable in part or in full solely to the extent specified in the Award Agreement. The Plan Administrator, in its sole discretion, may accelerate the vesting of any outstanding Award in connection with any Change in Control.
- 8.2 **REORGANIZATION EVENT.** In the event of (i) a dissolution, liquidation or sale of all or substantially all of the Company's assets; (ii) a merger or consolidation (or similar transactions or series of transactions) of the Company with another entity; or (iii) any other capital reorganization in which the persons and entities who were the stockholders of the Company immediately before such capital reorganization own, directly or indirectly, less than two-thirds of the outstanding voting securities of the Company following such capital reorganization (each of such events being referred to hereinafter as a "Reorganization Event"), the Plan Administrator shall—
- (a) with respect to outstanding Awards requiring exercise, such as Options, either-
- (1) make appropriate provision for the protection of any such outstanding Awards by the substitution on an equitable basis of appropriate stock of the Company, or of the merged, consolidated or otherwise reorganized corporation, which will be issuable in respect of the Common Stock, provided that no additional benefits shall be conferred upon Participants as a result of such substitution, and provided further that the excess of the aggregate fair market value of the shares subject to the Awards immediately after such substitution over the purchase price thereof is not more than the excess of the aggregate fair market value of the shares subject to such Awards immediately before such substitution over the purchase price thereof, or
 - (2) upon written notice to all Participants, which notice shall be given prior to the effective date of the Reorganization Event, provide that all such unexercised Awards must be exercised within a specified number of days (which shall not be less than 20) of the date of such notice or such Awards will terminate, or
 - (3) terminate any or all unexercised Awards in exchange for consideration equivalent to that received by stockholders of Common Stock of the Company in the Reorganization Event, less any exercise price required under such Awards.

In response to a notice provided pursuant to subsection (a)(2), a Participant may make an irrevocable election to exercise the Participant's Award contingent upon and effective as of the effective date of the Reorganization Event. Awards that are not exercised within the specified period following the receipt of such a notice shall terminate and cease to be outstanding upon the consummation of the Reorganization Event.

- (b) with respect to outstanding Awards that do not require exercise, the Plan Administrator may—
 - (1) cause the forfeiture of the Awards in exchange for consideration similar to that received by stockholders of Common Stock of the Company in the Reorganization Event, less any purchase price owed under such Awards, and
 - (2) in the Plan Administrator's sole discretion, require that any amounts delivered, exchanged or otherwise paid in respect of the shares of Common Stock underlying such Awards in connection with the Reorganization Event be placed in escrow or otherwise made subject to such restrictions as the Plan Administrator deems appropriate to carry out the intent of the Plan.

The Plan Administrator, in its sole discretion, may accelerate the vesting of any outstanding Award in connection with any Reorganization Event. If the Reorganization Event results in a Change of Control, then the provisions of Section 8.1 shall be applied before the provisions of this section become effective.

ARTICLE 9. ISSUANCE OF SHARES

- 9.1 **TRANSFER OF SHARES TO PARTICIPANT.** As soon as practicable after (a) a Participant has given the Company written notice of exercise of an Option and has otherwise met the requirements of Section 6.2, with respect to an Option, or (b) a Participant has satisfied any applicable restrictions, terms and conditions set forth in this Plan, the Company shall register a certificate in such Participant's name for the number of shares of Common Stock as to which the Option has been exercised and shall, upon the Participant's request, deliver such certificate to the Participant. In no event shall the Company be required to transfer fractional shares to the Participant, and in lieu thereof, the Company may pay an amount in cash equal to the Fair Market Value of such fractional shares on the date of exercise or vesting, as applicable. To the extent required by applicable state securities law, the Participant shall become entitled to receive financial statements of the Company at least annually.
- 9.2 **LEGEND.** All certificates evidencing shares of Common Stock originally issued pursuant to this Agreement or subsequently transferred to any person or entity, and any shares of capital stock received in respect thereof, may bear such legends and transfer restrictions as the Company shall deem reasonably necessary or desirable, including, without limitation, legends restricting transfer of the Common Stock until there has been compliance with federal and state securities laws and until the Participant or any other holder of the Common Stock has paid the Company such amounts as may be necessary in order to satisfy any withholding tax liability of the Company.

- 9.3 **COMPLIANCE WITH LAWS.** If the issuance or transfer of shares, or the removal of restrictions from shares of Common Stock previously delivered pursuant to the Plan, by the Company would for any reason, in the opinion of counsel for the Company, violate any applicable federal, state or local laws or regulations, the Company may delay issuance or transfer of such shares to the Participant or removal of such restrictions until compliance with such laws can reasonably be obtained. Similarly, the Company will not be obligated to deliver shares of Common Stock pursuant to the Plan, or to remove any restrictions from shares of Common Stock previously delivered pursuant to the Plan, if the outstanding Common Stock is at the time of delivery listed on any stock exchange or national market system until the shares to be delivered have been listed or authorized to be listed on such exchange or system upon official notice of issuance. In no event shall the Company be obligated to effect or obtain any listing, registration, qualification, consent or approval under any applicable federal or state laws or regulations or any contract or agreement to which the Company is a party with respect to the issuance of any such shares. If, after reasonable efforts, the Company is unable to obtain the authority that counsel for the Company deems necessary for the lawful issuance and sale of shares upon exercise of Options or vesting of an Award under the Plan, the Company shall be relieved from any liability for failure to issue and sell shares upon exercise of such Options or vesting of an Award unless and until such authority is obtained.
- 9.4 **INVESTMENT REPRESENTATION.** The Company may require any Participant, as a condition precedent to exercising any Option, to provide a written representation providing assurances satisfactory to the Company (a) as to the Participant's knowledge and experience in financial and business matters and/or that the Participant has engaged a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, (b) that the Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of acquiring the Common Stock; and (c) that the Participant is acquiring the stock subject to the Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. Such a representation shall not be required if (1) the issuance of the shares pursuant to an Award has been registered under a then currently effective registration statement under the Securities Act, or (2) as to any particular requirement, a determination is made by counsel for the Company that such representation is not required.
- 9.5 **LOCK-UP AGREEMENT.** Upon demand by the Company, the Participant shall execute and deliver to the Company a representation that, in connection with the first underwritten registered offering of any securities of the Company under the Securities Act of 1933, as amended, the Participant will not sell or otherwise transfer or dispose of any shares of Common Stock held by the Participant (other than those included in the registration) for a period specified by the representative of the underwriters not to exceed 180 days following the effective date of the registration statement of the Company filed under the Act; provided, however, that (a) such agreement shall apply only to the Company's underwritten public offering of shares of Common Stock of the Company or the development of a public trading market for the shares of Common Stock of the Company; and (b) all officers and Directors of the Company and holders of at least one percent (1 %) of the Company's voting securities at the time of such initial public offering enter into similar agreements. The obligations described in this section shall not apply to a registration solely to employee benefit plans on Form S-8 or similar forms that may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction on Form S-4 or similar forms that may be promulgated in the future. The Company may impose stop-transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said 180-day period.

ARTICLE 10.
AMENDMENT AND TERMINATION

- 10.1 **AMENDMENT OF THE PLAN.** The Board of Directors may at any time and from time to time alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper, except that no such action shall diminish or impair the rights under an Award previously granted. Unless the shareholders of the Company shall have given their approval, the total number of shares which may be issued under the Plan as Incentive Stock Options shall not be increased, except as provided in Section 4.4, and no amendment shall be made which reduces the price at which the Common Stock may be offered upon the exercise of Incentive Stock Options under the Plan below the minimum required by Section 6.2(a), except as provided in Section 4.4, or which materially modifies the requirements as to eligibility under the Plan to receive Incentive Stock Options. Subject to the terms and conditions of the Plan, the Board of Directors may modify, extend or renew outstanding Awards granted under the Plan, or accept the surrender of outstanding Awards in substitution therefor, except that no such action shall diminish or impair the rights under an Award previously granted without the consent of the Participant.
- 10.2 **TERMINATION OF THE PLAN.** This Plan shall not have any fixed Termination Date. The Board of Directors may at any time suspend or terminate the Plan. No such suspension or termination shall diminish or impair the rights under an Award previously granted without the consent of the Participant. Notwithstanding the foregoing, no Incentive Stock Options may be granted any time after ten years after the adoption by the Board of any amendments to the Plan that constitutes the adoption of a new plan for purposes of Code Section 422.

ARTICLE 11.
GENERAL PROVISIONS

- 11.1 **WITHHOLDING OBLIGATIONS.** To the extent provided by the terms of an Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under an Award by any of the following means (in addition to the right to withhold from any compensation paid to the Participant by the Company or a Subsidiary) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Award; *provided, however*, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lower amount as may be necessary to avoid variable award accounting); or (iii) delivering to the Company owned and unencumbered shares of Common Stock.
- 11.2 **NO EMPLOYMENT RIGHTS.** Nothing contained in this Plan or in any Award granted under the Plan shall confer upon any Participant any right with respect to the continuation of such Participant's Continuous Service by the Company or any Subsidiary or interfere in any way with the right of the Company or any Subsidiary, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such Continuous Service or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of the Award.

- 11.3 **PARTICIPANTS IN FOREIGN COUNTRIES.** The Plan Administrator shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company may operate to assure the viability of the benefits from Awards granted to Participants employed in such countries and to meet the objectives of the Plan.
- 11.4 **OTHER EMPLOYEE BENEFITS.** Unless so provided by the applicable plan, the amount of compensation deemed to be received by a Participant as a result of the exercise of an Award shall not constitute earnings with respect to which any other employee benefits of the person are determined, including without limitation benefits under any pension, profit sharing, life insurance, or disability or other salary continuation plan.
- 11.5 **CONFIDENTIALITY OF INFORMATION.** Information regarding the grant of Awards under this Plan is confidential and may not be shared with anyone other than the Participant's immediate family and personal financial advisor and other person(s) designated by Participant by power of attorney or assignment.
- 11.6 **SEVERABILITY.** If any provision of this Plan is held by any court or governmental authority to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions. Instead, each provision held to be illegal or invalid shall, if possible, be construed and enforced in a manner that will give effect to the terms of such provision to the fullest extent possible while remaining legal and valid.
- 11.7 **GOVERNING LAW AND VENUE.** This Plan, and all Awards granted under this Plan, shall be construed and shall take effect in accordance with the laws of the State of Colorado without regard to conflicts of laws principles. Resolution of any disputes under the Plan or any Award under the Plan shall only be held in courts in Denver County, Colorado.
- 11.8 **USE OF PROCEEDS.** Any cash proceeds received by the Company from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

Adopted effective as of the Effective Date first set forth above.

Associated Content
Associated Content, Inc. 2005 Stock Incentive Plan
NOTICE OF STOCK OPTION GRANT

You have been granted the following option to purchase shares of the **COMMON** Stock of **Associated Content** (the "Company"):

Name of Optionee: _____

Grant ID: _____

Total Number of Shares: _____

Type of Option: Incentive Stock Option (ISO)
 Nonstatutory Stock Option (NSO)

Exercise Price per Share: _____

Date of Grant: _____

Date Exercisable: This option may be exercised at any time after the Date of Grant for all or any part of the Shares subject to this option
 Only the vested portion of the shares subject to this option may be exercised at any time after the Date of Grant

Vesting Commencement Date: _____

Vesting Schedule: _____

Expiration Date: _____

By signing this stock Option Grant Notice (the "Grant Notice"), you agree that (a) you have carefully read, fully understand and agree to all of the terms and conditions described in the attached Stock Option Agreement and Exhibits thereto, Plan document and "Notice of Exercise and Common Stock Purchase Agreement" (the "Exercise Notice") (collectively, the "Option Documents"); (b) you hereby make the purchaser's investment representations contained in the Exercise Notice with respect to the grant of this Option; (c) you understand and agree that this Grant Notice and the Option Documents constitute the entire understanding between you and the Company regarding this Option, and that any prior agreements, commitments or negotiations concerning this Option are replaced and superseded; and (d) you have been given an opportunity to consult legal counsel with respect to all matters relating to this Option prior to signing this Grant Notice and that you have either consulted such counsel or voluntarily declined to consult such counsel.

Associated Content

Optionee:

[name]
[title]

Signature

Print Name

Date: _____

**ASSOCIATED CONTENT INC. 2005 STOCK INCENTIVE PLAN
INCENTIVE STOCK OPTION AGREEMENT**

THIS AGREEMENT is entered by and between Associated Content Inc. (the "Company"), and the above named Participant ("Participant"), an Employee of the Company or a Subsidiary thereof.

The Company and Participant agree as follows:

1. **PRECEDENCE OF PLAN.** This Agreement is subject to and shall be construed in accordance with the terms and conditions of the Associated Content Inc. 2005 Stock Incentive Plan, as amended (the "Plan"), as now or hereinafter in effect. Any capitalized terms that are used in this Agreement without being defined and that are defined in the Plan shall have the meaning specified in the Plan.
2. **GRANT OF OPTION.** Participant is hereby granted an Incentive Stock Option, within the meaning of Code Section 422 (the "Option"), to purchase Common Stock of the Plan. The number of shares as to which the Option is granted, the purchase price per share, and the expiration date of such Option are set in the Notice of Grant.
3. **MANNER OF EXERCISE.** Except as provided in this Agreement, the Option shall be exercisable, in whole or in part, from time to time, in the manner provided in Section 6.7 of the Plan.
4. **TIME OF EXERCISE.** The Option granted hereby shall become vested in and exercisable by Participant in the installments, on the dates and subject to the conditions set forth in vesting schedule in the Notice of Grant; provided, however, that Participant must have been continuously employed by the Company or a Subsidiary thereof from the date of grant of the Option until the date specified in the vesting schedule or until the conditions specified in the vesting schedule have been satisfied.
5. **VESTING UPON CHANGE IN CONTROL.** Upon the occurrence of the following events set forth in subsection (a) and (b) below, Participant's options granted hereunder shall become fully vested and immediately exercisable:
 - (a) There is a Change in Control as defined in Section 1.4 of the Plan; and
 - (b) Either of the following:
 - (i) The Participant is employed by the Company for twelve (12) months after the Change in Control; or
 - (ii) The Participant experiences a Termination Event as defined in subsection (c) within twelve (12) months after such Change in Control.
 - (c) A "Termination Event" occurs where, as determined by the Plan Administrator in its sole discretion, there has been, as initiated by the Company or any acquirer of the Company: (i) a material reduction in Participant's responsibilities, authorities or duties, without regard to any change in title; (ii) an involuntary termination of Participant's Continuous Service or an elimination of Participant's job, each, by the Company or any acquirer of the Company and other than by reason of promotion or termination for Cause as defined in the Plan; (iii) a material reduction in Participant's base salary, except in the event of an across-the-board salary reduction for all executive officers; or (iv) a required relocation of Participant's office outside of a 10-mile radius of the Company's current location (or such other place Participant regularly performs Continuous Service), without Participant's written consent.]
6. **STOCK RESTRICTION AGREEMENT.** Upon exercise of the Option, Participant shall execute and deliver to the Company a Stock Restriction Agreement in substantially the form attached to this Agreement as **Exhibit A**. Execution and delivery of the Stock Restriction Agreement prior to the transfer or delivery of any shares and prior to the expiration of the option period shall be a condition precedent to the right to purchase such shares.

7. LOCK-UP. In connection with the first underwritten registered offering of any securities of the Company under the Securities Act, Participant will not sell or otherwise transfer or dispose of any shares of Common Stock acquired upon exercise of this Option, or any shares of Common Stock acquired with respect thereto, during such period following the effective date of the registration statement of the Company filed under the Act as may be requested by the Company or the representative of the underwriters for the Company; provided, however, that such restriction shall apply only if the executive officers and Directors of the Company agree with the representatives of the underwriters not to transfer shares of Common Stock owned by them for the same or a greater period. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such period.

8. NONTRANSFERABILITY OF OPTION. The Option is not transferable by Participant other than by Will or the laws of descent and distribution, and the Option shall be exercisable during Participant's lifetime only by Participant. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option contrary to the provisions hereof, or upon the levy of any attachment or similar process upon the Option, the Option shall immediately become null and void.

9. GENERAL PROVISIONS.

(a) Withholding for Taxes. Participant shall reimburse the Company, in cash or by certified or bank cashier's check, for any federal, state or local taxes required by law to be withheld with respect to the exercise of the Option or any disqualifying disposition of the Common Stock acquired upon exercise of the Option. The Company shall have the right to deduct from any salary or other payments to be made to Participant any federal, state or local taxes required by law to be so withheld. The Company's obligation to deliver a certificate representing the Common Stock acquired upon exercise of the Option is subject to the payment by Participant of any applicable federal, state and local withholding tax.

(b) Amendment. Subject to the terms and conditions of the Plan, the Plan Administrator may modify, extend or renew the Option, or accept the surrender of the Option to the extent not theretofore exercised and authorize the granting of new Options in substitution therefore, except that no such action shall diminish or impair the rights under the Option without the consent of Participant.

(c) Receipt of Plan. By entering into this Agreement, Participant acknowledges (i) that he or she has received and read a copy of the Plan and (ii) that this Agreement is subject to and shall be construed in accordance with the terms and conditions of the Plan, as now or hereinafter in effect.

(d) Legends. Certificates representing Common Stock acquired upon exercise of this Option may contain such legends and transfer restrictions as the Company shall deem reasonably necessary or desirable, including, without limitation, legends restricting transfer of the Common Stock until there has been compliance with federal and state securities laws and until Participant or any other holder of the Common Stock has paid the Company such amounts as may be necessary in order to satisfy any withholding tax liability of the Company resulting from a disqualifying disposition described in Code Section 422(a).

(e) Not an Employment Contract. This Agreement is not an employment contract and nothing in this Agreement shall be deemed to create in any way whatsoever any obligation on the part of Participant to remain in the Continuous Service of the Company, or of the Company to continue Participant in the Continuous Service of the Company.

(f) Effect on Employee Benefits. Participant agrees that the Award will constitute special incentive compensation that will not be taken into account as "salary" or "compensation" or "bonus" in determining the amount of any payment under any pension, retirement, profit sharing or other remuneration plan of the Company unless so provided in such plan.

(g) Confidentiality of Information. By entering into this Agreement, Participant acknowledges that the information regarding the grant of options contained herein is confidential and may not be shared with anyone other than Participant's immediate family and personal financial advisor.

Notwithstanding the foregoing, Participant (and each representative or agent of Participant) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to Participant relating to such tax treatment and tax structure.

(h) Specific Enforcement. Because of the unique value of the Stock, in addition to any other remedies that the Company may have upon the breach of the agreements contained herein, the obligations of Participant shall be specifically enforceable.

(i) Costs of Enforcement. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party of such litigation, as determined by any court of competent jurisdiction in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any action or proceeding, such costs, expenses and attorneys' fees shall be included as part of the judgment.

(j) Further Action. The parties agree to execute such further instruments and to take such further action as reasonably may be necessary to carry out the intent of this Agreement.

(k) Interpretation. The interpretations and constructions of any provision of and determinations on any question arising under the Plan, this Agreement or Notice of Grant shall be made by the Plan Administrator, and all such interpretations, constructions and determinations shall be final and conclusive as to all parties. This Agreement, and the Notice of Grant as issued pursuant to the Plan, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, representations and understandings. The invalidity or unenforceability of any provision hereof shall in no way affect the validity or enforceability of any other provision hereof. This Agreement may be executed in counterparts, all of which shall be deemed to be one and the same instrument, and it shall be sufficient for each party to have executed at least one, but not necessarily the same, counterpart. The headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement in any way.

(l) Assignment. This Agreement shall be binding upon the parties and their respective legal representatives, beneficiaries, successors and assigns.

(m) Notices. All notices or other communications that are required to be given or may be given to either party pursuant to the terms of this Agreement shall be in writing and shall be delivered personally or by registered or certified mail, postage prepaid, to the address of the parties as set forth following the signature of such party. Notice shall be deemed given on the date of delivery in the case of personal delivery or on the delivery or refusal date as specified on the return receipt in the case of registered or certified mail. Either party may change its address for such communications by giving notice thereof to the other party in conformity with this section.

(n) Governing Law and Venue. This Agreement and the rights and obligations of the parties hereto shall be governed by and construed and enforced in accordance with the laws of the State of Colorado without regard to conflicts of laws principles. Resolution of any disputes under this Agreement shall only be held in courts in Denver County, Colorado, and the parties expressly consent to personal jurisdiction in courts in Denver County, Colorado and waive any objections to such jurisdiction.

The Company by a duly authorized officer of the Company and Participant have executed this Agreement effective as of the date of grant.

ASSOCIATED CONTENT INC.

May 21, 2010

«Name»

Dear «First»:

On May 17, 2010, Associated Content Inc. (the “Company”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Yahoo! Inc. (the “Parent”), among others, pursuant to which the Company shall become a wholly owned subsidiary of the Parent (the “Merger”). You were previously granted one or more options to purchase Company common stock (each, a “Company Option,” and collectively, the “Company Options”) under the Company’s 2005 Stock Incentive Plan (the “Plan”). Your Company Options that are currently outstanding are set forth on Exhibit A. Contingent upon the consummation of the Merger, you shall receive the following treatment with respect to your outstanding Company Options.

Vested Company Options

At the effective time of the Merger (the “Effective Time”), which is anticipated to occur in May, 2010, the portion of your outstanding Company Options that is vested as of the Effective Time (the “Vested Company Options”) shall terminate and be cancelled as of the Effective Time. If you do not exercise your Vested Company Options, you shall be entitled to receive a cash payment (subject to all applicable income and employment tax withholding) equal to the product of (x) the number of shares of Company common stock that were issuable upon exercise of such Vested Company Options immediately prior to the Effective Time multiplied by (y) an amount equal to (1) the Per Share Common Amount (as defined in the Merger Agreement as the consideration that each share of Company common stock will receive in the Merger) minus (2) the per share exercise price for the shares of Company common stock that would have been issuable upon exercise of such Vested Company Options immediately prior to the Effective Time (with the understanding that, for purposes of this clause, if there are different exercise prices for different Vested Company Options held by you, separate calculations shall be made for each applicable exercise price) (the “Vested Spread”).

Pursuant to the Merger Agreement, approximately 15% of the Vested Spread shall be held back in escrow to indemnify the Parent in case of a breach of a representation, warranty or covenant in the Merger Agreement or if an event happens which requires indemnification as provided in the Merger Agreement. (The exact percentage of the Vested Spread to be subject to escrow will depend on the final purchase price after giving effect to closing payments, working capital adjustments and the like.) The amount withheld will be deposited with the escrow agent pursuant to the terms of the Merger Agreement to secure such indemnification obligations, and all amounts deposited with the escrow agent, together with any interest, investment income or other proceeds applicable thereto, shall be held by the escrow agent, subject to the terms and conditions of the Merger Agreement and the related escrow agreement. You acknowledge and agree to be bound by all provisions of Articles 2 and 9 of the Merger Agreement, and that you shall be entitled to receive the portion of the Vested Spread held back in escrow only at the times and in the amounts set forth in the Merger Agreement and the escrow agreement.

You may also choose to exercise your Vested Company Options prior to the Effective Time. If you wish to exercise your Vested Company Options, please contact the Company **immediately**. You must provide a completed exercise notice to the Company and pay the exercise price per share prior to the Effective Time. For any of your Vested Company Options that were granted as incentive stock options (“ISOs”) under Internal Revenue Code Section 422 and are exercised by you, the Vested Spread shall be reported as ordinary income to you for income tax purposes, but shall not be subject to withholding, including not being subject to employment taxes. For any of your Vested Company Options that were granted as nonstatutory stock options (“NSOs”), the Vested Spread shall be reported as ordinary income and be subject to applicable tax withholding (including income and employment taxes). As a stockholder, a percentage of the Merger consideration that you receive for your shares will be held back in escrow on the same terms as described above for Vested Company Options.

Amendment and Assumption of Unvested Company Options

At the Effective Time (provided that you accept an offer of employment with Parent before the Effective Time and provided that you are to be employed with Parent immediately following the Effective Time), the portion of your outstanding Company Options that is unvested as of the Effective Time (the “Unvested Company Options”) shall be assumed by the Parent and converted into the right to purchase shares of Parent common stock (each, an “Assumed Option” and collectively, the “Assumed Options”). Each Assumed Option shall continue to have, and be subject to, the same terms and conditions (including, if applicable, the vesting arrangements and other terms and conditions set forth in the Plan and the applicable stock option or other agreement) as are in effect immediately prior to the Effective Time, except that (i) Parent shall have any and all amendment and administrative authority with respect to such option (subject, in the case of any amendment, to any required consent from you), (ii) the Assumed Option shall become exercisable for that number of whole shares of Parent common stock equal to the product (rounded down to the next whole number of shares of Parent common stock) of (A) the number of shares of Company common stock that would have been issuable upon exercise of the Assumed Option immediately prior to the Effective Time and (B) the Equity Exchange Ratio (as defined in the Merger Agreement), (iii) the per share exercise price for the shares of Parent common stock issuable upon exercise of the Assumed Option shall be equal to the quotient (rounded up to the next whole cent) obtained by dividing the exercise price per share of Company common stock at which such Assumed Option was exercisable immediately prior to the Effective Time by the Equity Exchange Ratio, and (iv) the Assumed Option will be subject to the amendments set forth below.

By executing this letter, you acknowledge and agree that the option agreement and related option documentation that evidences your Assumed Options are hereby amended, effective upon and subject to the Effective Time, to provide as follows:

1. **No Incentive Stock Option Treatment or Early Exercise Feature.** All of your Assumed Options shall be treated as NSOs, even if such Assumed Options immediately prior to the Effective Time were designated as ISOs, and any of your Assumed Options that included an “early exercise” feature prior to the Effective Time that permitted the option to be exercised prior to the time that the option had vested shall, effective as of the Effective Time, no longer include such an early exercise feature and may be exercised only to the extent (if any) then vested. Upon exercise of your Assumed Option, the difference between the fair market value of the shares you acquire on exercising the option and the exercise price of the option will be taxable as ordinary income and subject to applicable tax withholding (including income and employment taxes).

2. **Modification of Certain Definitions.** To the extent that your Assumed Options provide for accelerated vesting of the option if a “Termination Event” occurs within the 12-month period following the Effective Time, the following definitions will supersede and replace in their entirety the definitions of “Termination Event” and “Cause” that appear in the option agreement and the Plan, respectively:

“A “Termination Event” occurs where there is a termination of the Participant’s Continuous Service as a result of and as determined by the Plan Administrator in its sole discretion: (i) there has been, as initiated by the Company or any Subsidiary that employs Participant, (a) a significant reduction in Participant’s responsibilities, authorities or duties which occurred while the Participant was employed with the Company or any of its Subsidiaries, without regard to any change in title, (b) a material reduction in Participant’s base salary, except in the event of an across-the-board salary reduction for comparable positions in Participant’s business unit at the Company or any of its Subsidiaries, or (c) a required relocation of Participant’s office outside of a 50-mile radius of the Company’s current location without Participant’s written consent; or (ii) an involuntary termination of Participant’s Continuous Service by the Company or any Subsidiary other than for Cause.”

““Cause” means a termination of Participant’s employment on account of dishonesty, fraud, misconduct, unauthorized use or disclosure of confidential information or trade secrets or conviction or confession of a crime punishable by law (except a misdemeanor violation), in each such case as determined by the Plan Administrator, and its determination shall be conclusive and binding. Such actions constituting “Cause” shall include, without limitation, (1) refusal to obey directions of the Board of Directors or a superior officer (so long as such directions do not involve illegal acts); (2) material neglect or material failure to perform job duties and responsibilities; (3) fraud or dishonesty that is materially injurious to the Company or any of its Subsidiaries; (4) breach of any material obligation of nondisclosure or confidentiality owed to the Company or any of its Subsidiaries; (5) commission of a criminal offense involving money or other property of the Company (excluding any traffic violations or similar violations); or (6) commission of a criminal offense that constitutes a felony in the jurisdiction in which the offense is committed. A Participant who agrees to resign from his or her affiliation with the Company in lieu of being terminated for Cause will, unless otherwise expressly provided by the Company, be deemed to have been terminated for Cause for purposes of the Plan.”

For all purposes under the Plan and any option agreement under the Plan (including for purposes of the foregoing definitions), the term “Company” shall mean Yahoo! Inc., and the term “Subsidiary” shall include any majority-owned subsidiary of Yahoo! Inc. (including Associated Content Inc. for so long as such entity is a majority-owned subsidiary of Yahoo! Inc.).

If you do not accept an offer of employment with Parent before the Effective Time or if for any other reason you are not to be employed by Parent immediately following the Effective Time, your Unvested Company Options shall not be assumed and shall terminate and be cancelled at the Effective Time, pursuant to Section 8.2 of the Plan and Section 6.5 of the Merger Agreement. You will receive no consideration for any cancelled Unvested Company Options, and you will have no further rights with respect thereto or in respect thereof. Neither the Parent nor the Company will have any obligation with respect to the cancelled Unvested Company Options after the Effective Time.

The tax information in this letter is summary information only and is given for your reference. You agree that the Company and its affiliates, officers, directors, advisors and agents are not providing, and have not provided you with, any tax advice with respect to these matters and that you are relying solely on your own tax advisors. If you have questions or would like specific information about the tax treatment of your Company Options or any of the transactions contemplated by this letter, please consult your own tax advisors.

Please indicate your acceptance of the foregoing terms by signing this agreement below and returning it to me no later than the close of business on Wednesday, May 27, 2010. If you do not timely sign and return this agreement, your Unvested Company Options will not be assumed by the Parent and will instead be cancelled at the Effective Time without payment. You will not have any further rights with respect to or in respect of any Unvested Company Option that is so cancelled.

Sincerely,

ASSOCIATED CONTENT INC.

Craig M. Abruzzo
Vice President and General Counsel

Accepted and Agreed:

Name

Date

Exhibit A

COMPANY OPTION SUMMARY

Name	Date of Grant	Number of Shares	Exercise Price	Number of Shares Vested as of Anticipated Effective Time of June 1, 2010	Number of Shares Unvested as of Anticipated Effective Time of June 1, 2010
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ASSOCIATED CONTENT INC.

2005 STOCK INCENTIVE PLAN
STOCK UNIT AWARD AGREEMENT

THIS STOCK UNIT AWARD AGREEMENT (the “**Agreement**”), dated as of _____, 2010 (the “**Date of Grant**”), is made by and between Associated Content Inc., a Delaware corporation (the “**Company**”), and _____ (the “**Grantee**”).

WHEREAS, the Company has adopted the Associated Content Inc. 2005 Stock Incentive Plan, as amended (the “**Plan**”), pursuant to which the Company may grant restricted stock units (“**Stock Units**”);

WHEREAS, the Company desires to grant to the Grantee the number of Stock Units provided for herein;

WHEREAS, the Company intends to enter into an Agreement and Plan of Merger in [_____] 2010 (the “**Merger Agreement**”) by and among [Parent], a Delaware corporation (“**Parent**”), [Atlantic] Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of Parent (“**Merger Sub**”), the Company, and [_____] as representative of the Company Stockholders (as defined in the Merger Agreement), pursuant to which Merger Sub will merge with and into the Company and the Company will become a wholly-owned subsidiary of Parent (the “**Merger**”).

WHEREAS, pursuant to the Merger Agreement, the Stock Units evidenced by this Agreement will be assumed by Parent at the Effective Time, as defined in the Merger Agreement.

NOW, THEREFORE, in consideration of the recitals and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. Grant of Stock Unit Award

(a) *Grant of Stock Units.* The Company hereby grants to the Grantee a number of Stock Units to be determined by the Company immediately prior to the closing date of the Merger, which number will be equal to $\$[\text{_____}]$ divided by the Per Share Common Amount, as defined in the Merger Agreement, and communicated to the Grantee as soon as reasonably practicable following the closing date of the Merger (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 Plan 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 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 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 Stock Units.

(b) *Restrictions.* 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 (as defined below). Any attempt to dispose of any Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* Except as otherwise provided herein, one-third (1/3) of the Stock Units subject to the Award shall vest and become non-forfeitable on each of the first, second and third anniversaries of the Date of Grant. (The period commencing on the Date of Grant and ending on the date the Stock Units vest is referred to as the “**Restricted Unit Period.**”)

(d) *Timing and Manner of Payment of Stock Units.* As soon as practicable after (and in no case more than 74 days after) the date any Stock Units subject to the Award become non-forfeitable (the “**Payment Date**”), such Stock Units shall be paid by the Company delivering to the Grantee, a number of shares of Common Stock (“**Shares**”) equal to the number of 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 Stock Units that are so paid. Notwithstanding the foregoing, the Company shall have no obligation to issue Shares in payment of the Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any applicable securities exchange.

(e) *Termination of Employment.* 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 Stock Units granted hereunder, such portion of the 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 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 Plan 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 Plan 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 Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *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 Stock Units having a Fair Market Value equal to the taxes that the Company determines it or any Parent or Subsidiary is required to withhold under applicable tax laws with respect to the 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 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 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) *Imposition of Other Requirements.* If the Grantee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Grantee's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

(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 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.

(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 __ day of ____, 2010.

ASSOCIATED CONTENT INC.

By: _____

Its: _____

[Insert Name]

Signature: _____

Printed Name: _____

Address: _____

[O'Melveny & Myers LLP Letterhead]

July 23, 2010

Yahoo! Inc.
701 First Avenue
Sunnyvale, California 94089

Re: *Registration of Securities of Yahoo! Inc.*

Ladies and Gentlemen:

In connection with the registration of up to 473,017 shares of Common Stock of Yahoo! Inc., a Delaware corporation (the "Company"), par value \$0.001 per share (the "Shares"), and the preferred stock purchase rights accompanying such shares pursuant to the Amended and Restated Rights Agreement, dated as of April 1, 2005, between the Company and EquiServe Trust Company, N.A., as Rights Agent (the "Rights"), under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-8 (the "Registration Statement"), filed with the Securities and Exchange Commission on or about the date hereof, such Shares and related Rights to be issued or delivered pursuant to the Associated Content Inc. 2005 Stock Incentive Plan (the "Associated Content Stock Plan"), you have requested our opinion set forth below.

In our capacity as counsel, we have examined originals or copies of those corporate and other records of the Company that we considered appropriate.

On the basis of such examination and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

- (1) the Shares and related Rights have been duly authorized by all necessary corporate action on the part of the Company;
- (2) when issued in accordance with such authorization, the provisions of the Associated Content Stock Plan, and relevant agreements duly authorized by and in accordance with the terms of the Associated Content Stock Plan, and upon payment for and delivery of the Shares as contemplated in accordance with the Associated Content Stock Plan and either (a) the countersigning of the certificate or certificates representing the Shares by a duly authorized signatory of the registrar for the Company's Common Stock, or (b) the book-entry of the Shares by the transfer agent for the Company's Common Stock in the name of The Depository Trust Company or its nominee, the Shares will be validly issued, fully paid and non-assessable; and
- (3) when issued in accordance with such authorization, the provisions of the Associated Content Stock Plan, and relevant agreements duly authorized by and in accordance with the terms of the Associated Content Stock Plan, the Rights that accompany such shares of Common Stock will be validly issued.

We consent to your filing this opinion as an exhibit to the Registration Statement.

Respectfully submitted,

/s/ O'Melveny & Myers LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 26, 2010 relating to the consolidated financial statements, financial statement schedule, and the effectiveness of internal control over financial reporting, which appears in Yahoo! Inc.'s Annual Report on Form 10-K for the year ended December 31, 2009.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Jose, California
July 23, 2010