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

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**Form 10-K**

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**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-28018

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**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, including zip code)

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

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

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

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

(Title of Class)

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

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of June 30, 2009, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant's common stock, as reported on the NASDAQ Global Select Market, was \$17,311,784,462. Shares of common stock held by each officer and director and by each person who owns 10 percent or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant's common stock outstanding as of February 19, 2010 was 1,400,201,879.

**DOCUMENTS INCORPORATED BY REFERENCE**

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

Proxy Statement for the 2010 Annual Meeting of Shareholders—Part III Items 10, 11, 12, 13, and 14.

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**YAHOO! INC.**  
**Form 10-K**  
**Fiscal Year Ended December 31, 2009**

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

## Part I

### Item 1. *Business*

#### OVERVIEW

Yahoo! Inc., together with its consolidated subsidiaries (“Yahoo!,” the “Company,” “we,” or “us”), attracts hundreds of millions of users every month through its innovative technology and engaging content and services, making it one of the most trafficked Internet destinations and a world class online media company. Yahoo!’s vision is to be the center of people’s online lives by delivering personally relevant, meaningful Internet experiences. To users, we provide online properties and services (“Yahoo! Properties” or our “Owned and Operated sites”). To advertisers, we provide a range of marketing services designed to reach and connect with users of our Owned and Operated sites, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities (our “Affiliates”) that have integrated our advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

We generate revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Our marketing services offerings include the display of graphical advertisements (“display advertising”), the display of text-based links to an advertiser’s Website (“search advertising”), listing-based services, and commerce-based transactions. Additionally, although many of the services we provide to users are free, we charge fees for a number of premium services.

Our offerings to users on Yahoo! Properties currently fall into four categories: Integrated Consumer Experiences, Applications (Communications and Communities), Search, and Media Products and Solutions. The majority of our offerings are available in more than 25 languages.

Yahoo! was developed and first made available in 1994 by our founders, David Filo and Jerry Yang, while they were graduate students at Stanford University. We were incorporated in 1995 and are a Delaware corporation. We are headquartered in Sunnyvale, California, and have offices in more than 25 countries, regions, and territories.

#### CORPORATE HIGHLIGHTS

##### Changes in Management and Board of Directors

During 2009, we made key changes to our executive leadership. On January 13, 2009, Carol Bartz was named Chief Executive Officer (“CEO”) and a member of the Board of Directors (the “Board”). On July 1, 2009, Timothy R. Morse became Chief Financial Officer (“CFO”) of Yahoo!. During the fourth quarter of 2009, Carl Icahn and Maggie Wilderotter resigned from our Board. Sue James was elected to the Board, effective January 11, 2010. She was also named Chair of the Board’s Audit Committee.

##### Significant Transactions

- Entered into a Search and Advertising Services and Sales Agreement (the “Search Agreement”) and a License Agreement with Microsoft Corporation (“Microsoft”), pursuant to which Microsoft will become Yahoo!’s exclusive platform technology provider for algorithmic and paid search services and Yahoo! will be the exclusive worldwide relationship sales force for both companies’ premium search advertisers.
- Acquired Maktoob.com, a leading online portal in the Middle East with users from the United Arab Emirates, Jordan, Kuwait, Egypt, Saudi Arabia, and Dubai. This acquisition will allow Yahoo! to build a stronger presence in the growing Middle East market.

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

## 2009 HIGHLIGHTS

### Users—Engagement and Offerings

- Launched the new Yahoo! homepage, which brings together the leading tools and content from across the Web, combined with leading content and services from Yahoo! Properties, to give users one place to access the people and things that matter to them most.
- Launched a new version of Yahoo! Mail, which makes it easier for people to get things done in Mail by prioritizing messages and updates from the people most important to them, providing new photo sharing tools, and offering new applications.
- Launched Yahoo!'s new mobile homepage, simplifying the mobile experience and allowing consumers to bring together their favorite content and services from anywhere across the Internet in one location. The mobile homepage is currently available in 38 markets on more than 1,900 devices. In addition to creating mobile browser services, Yahoo! also develops mobile applications for a variety of platforms including new applications that bring key Yahoo! Properties, such as Yahoo! Finance and Flickr, to mobile.
- Launched a new version of Yahoo! Messenger instant messaging (“IM”) services with improved interactive video and social features which make it easier for our users to communicate with each other.
- Launched Ad Interest Manager as a central place where Yahoo! users can see a concise summary of their online activity and make easy, personal choices about their exposure to interest-based advertising.

### Advertisers—Marketing Services

- Launched two new retargeting products and demographic targeting (for search ads), each designed to help brand and performance advertisers better reach their targeted audiences.
- Launched a Smart Ads partner program which combines Yahoo!'s consumer insights and rich media capabilities with a new ad serving technology that automatically converts advertisers' creative campaign elements and targeted offerings into customized display ads for the targeted group of consumers.
- Rolled out a series of enhancements to Yahoo! Search Marketing that makes it easier for advertisers to reach their targeted customers and improve their search advertising performance. Enhancements include the new Ad Delivery Report, pricing updates for advertisers to better align what advertisers pay with the value of the clicks they receive and a new advertisement selection platform to improve the relevance of search ads.

## USER OFFERINGS

Our offerings to users on Yahoo! Properties currently fall into four categories: Integrated Consumer Experiences, Applications (Communications and Communities), Search, and Media Products and Solutions.

Yahoo!'s mobile services are available across the Company's network of properties and through partnerships. Yahoo! has distribution partnerships with more than 80 carriers and original equipment manufacturers (“OEMs”) around the world for distributing its mobile services.

### Integrated Consumer Experiences

Our Integrated Consumer Experiences offerings include the Yahoo! Home Page, My Yahoo!, Yahoo! Toolbar, Yahoo! Local, and Connected TV—all are entry points to the Yahoo! experience, whether via the Web, mobile or TV. These offerings are generally provided to users free of charge. We generate revenues from these offerings primarily from search and display advertising.

*Yahoo! Home Page* ([www.yahoo.com](http://www.yahoo.com)) is a navigation hub and starting point into Yahoo! Properties and the Internet, via a personal computer (“PC”) or mobile device. This is where users have the ability to perform a Web search, read the latest news, and find links to other Yahoo! Websites.

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

*Yahoo! Toolbar* is a Web browser add-on that conveniently enables users to access Yahoo! Properties and third-party content via applications from anywhere on the Web.

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

*Connected TV* seamlessly integrates the Internet into the television experience in an open platform. We have distribution relationships with the top three global television manufacturers.

### **Applications**

#### ***Communications***

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

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

*Yahoo! Messenger* instant messaging service provides an interactive and personalized way for people to connect and share experiences on a real-time basis. Yahoo! currently offers mobile applications for Yahoo! Messenger.

#### ***Communities***

Our Communities offerings, including Yahoo! Groups, Yahoo! Answers, and Flickr, enable users to organize into groups and share knowledge, common interests, and photos. We generate revenues from our Communities offerings primarily through display advertising.

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

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

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

### **Search**

Our Search offering is available free to users and is often the starting point for our users to navigate the Internet and search for information. We generate revenues through our Search offerings on Yahoo! and affiliate sites.

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

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On December 4, 2009, Yahoo! entered into a Search and Advertising Services and Sales Agreement and a License Agreement with Microsoft under which Microsoft will be Yahoo!'s exclusive platform technology provider for algorithmic and paid search services and Yahoo! will become the exclusive worldwide relationship sales force for both companies' premium search advertisers. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—2009 Highlights—Search and License Agreements with Microsoft."

### **Media Products and Solutions**

Our Media Products and Solutions offerings are designed to engage users with some of the most relevant and compelling online content and services on the Web broadly organized in one of the following two areas:

#### ***Media***

Our online Media properties include several of the most visited news and entertainment destinations on the Internet. We generate revenue on our Media properties from display and search advertising and fee-based services. Our Media properties include the following:

*Yahoo! News* provides stories from the major news agencies that are aggregated by our editorial team and augmented by in-house generated content focused on up-to-the-minute news coverage with video, text, photos, and audio.

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

*Yahoo! Sports* offers free and fee-based fantasy games, up-to-the-minute sports news, real-time statistics, scores and game updates, broadcast programming, integrated shopping, and an online sports community. Yahoo! Sports offers mobile applications for specific areas of interest to our users, such as Yahoo! Fantasy Football, along with generalized sports content via our *Yahoo! Mobile* site.

*Yahoo! Entertainment & Lifestyles* represents a collection of properties that provides users with information, and other engaging content centered around popular culture-related themes and activities with sites such as *Yahoo! Movies*, *Yahoo! Music*, *Yahoo! TV*, including "Prime Time in No Time" which provides quick recaps of the previous evening's prime time television shows, celebrity news (*omg!*), *Yahoo! Games*, and women's lifestyles (*Shine*). In addition, our Media properties also include Websites devoted to specialty topics such as *Yahoo! Health*, *Yahoo! Tech*, *Yahoo! Education*, and *Yahoo! Weather*.

#### ***Other Offerings and Services***

Our other offerings and services include Yahoo! Shopping, Yahoo! Travel, Yahoo! Real Estate, Yahoo! HotJobs, Yahoo! Personals, Yahoo! Autos, and Yahoo! Small Business. On these properties, users can research specific topics, products, services or areas of interest by reviewing and exchanging information, obtaining contact details or considering offers from providers of goods, services, or parties with similar interests. We generate revenue from listing fees, transaction fees, and display and search advertising on many of these properties as well as from subscription fees for hosting, registering domains, and other services to small businesses seeking to maintain a Website. We also have properties tailored to users in specific international markets, which include commerce (auctions), blogging, and social networking Websites. Commerce properties, primarily based in our Asian markets, allow prospective buyers and sellers to enter into an online auction for goods for which we earn a posting and transaction fee. These properties include *Wretch* and *Monday* in Taiwan.

## **ADVERTISER AND PUBLISHER OFFERINGS AND SERVICES**

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

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

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

## **DEVELOPERS AND PLATFORM OFFERINGS**

We provide several software and platform offerings for third-party developers, advertisers, and publishers. Our top priority is to enable innovation in the user experience on Yahoo!. Our goal is to continue to create more personally relevant Web experiences for consumers and to make Yahoo! an even more valuable asset to advertisers. We believe open platforms accelerate this goal by attracting and enabling third-party developers/partners to build and incorporate new products and innovations that users want into our product experiences. We are committed to providing the developer community with products that solve their problems and enhance the development experience, positioning Yahoo! as a leader in the technical evolution of the Web.

Our offerings to developers and platforms for advertisers and publishers include:

*Yahoo! Developer Network ("Y!DN")* is the central source for developers, independent software vendors, partners, and advertisers to find resources and technical support for leveraging Yahoo! platforms, APIs, and development tools.

*Yahoo! Open Strategy ("Y!OS")* platform is an initiative designed both to make the Yahoo! experience both more social for our users and to open Yahoo! to innovation by third-party developers and publishers. By allowing third-party developers, publishers, and advertisers to develop applications that integrate with Yahoo! products and leverage Yahoo!'s data we are enabling experimentation and innovation in the user experience on both Yahoo! and the Web.

*Yahoo! Application Platform ("Y!AP")* is an application platform that third-party developers, including publishers and advertisers, can use to create innovative applications and consumer experiences that will function across the Yahoo! network and beyond.

*Yahoo! Updates* allows developers and publishers to syndicate user-generated actions from Yahoo! on their website and vice versa, integrating social data and actions into new applications and services.

*Yahoo! Query Language ("YQL")* is a simple language that enables developers to query, filter, and join data across different Web services. Traditionally, developers must locate the correct URLs and documentation for every Web service needed by an application, which is time consuming and complex. With YQL, developers can access and shape data across the Internet with one simple syntax, eliminating the need to learn how to call different APIs and making it possible for applications to run faster with fewer lines of code and a smaller network footprint.

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

*SearchMonkey* is a leading open search platform that allows developers and Website owners to use structured data to make Yahoo! Search results more useful and visually appealing, and drive more relevant traffic to their Websites.

### **GLOBAL BUSINESS**

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

We provide services in more than 25 languages and in more than 50 countries, regions, and territories, including localized versions of Yahoo! in Argentina, Australia, Austria, Brazil, Canada, Chile, China, Columbia, France, Germany, Greece, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Korea, Malaysia, Mexico, the Middle East, Netherlands, New Zealand, Peru, Philippines, Russia, Scandinavia (Denmark, Finland, Norway, Sweden), Singapore, Spain, Switzerland, Taiwan, Thailand, Turkey, the United Kingdom, the United States, Venezuela, and Vietnam.

Outside of native English speaking countries, we provide some of our most popular user services through Yahoo! Asia (our English language portal to Southeast Asia), Yahoo! Canada en Français (French Canadian Website), and Yahoo! En Espanol (United States Hispanic Website).

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

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

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

### **SALES**

We maintain four primary channels for selling our advertising services: field, telesales, online, and reseller. Our field advertising sales team sells display and search marketing services to leading advertisers and agencies. Our telesales channel sells our services to medium-sized businesses, while our online channel is a self-service program primarily for small businesses. Our reseller channel enables Yahoo! to sell advertising services to additional regional and small business advertisers.

In the United States, we employ sales professionals in multiple locations, including Atlanta, Boston, Chicago, Dallas, Detroit, Hillsboro, Los Angeles, Miami, New York, Omaha, San Francisco, and Sunnyvale. In the international markets, we have either our own internal sales professionals or we have established sales agency relationships in 50 countries, regions, and territories.

No individual customer represented more than 10 percent of our revenues in 2007, 2008, or 2009.

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



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### **MARKETING**

The Yahoo! brand is one of the most widely recognized in the world. Maintaining and growing the Yahoo! brand enables us to attract, retain, and more deeply engage users, advertisers, publishers, and developers. We believe a great brand begins with great products, services, and content. Our marketing teams engage in each step of product and services development, deployment, and management and content design to understand and shape our offerings so as better to market them to our communities of potential and existing users. In 2009, we launched a global brand marketing campaign designed to highlight our commitment to delivering personally relevant online experiences. Our marketing communications' efforts help accelerate product momentum, awareness, adoption, and engagement. We use online, television, print, radio, and outdoor advertising. We leverage our global online network and our distribution partnerships to market our products and services to the right people at the right time.

### **COMPETITION**

We operate in the Internet products, services, and content markets, which are highly competitive and characterized by rapid change, converging technologies, and increasing competition. Our most significant competition is from Google, Inc. ("Google"), Microsoft, and AOL, Inc. ("AOL"), which each offer an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to Yahoo!. We compete with these and other companies, including social networking Websites, such as Facebook, Inc., and MySpace.com, for users, advertisers, publishers, and developers. We also compete with these companies to obtain agreements with software publishers, Internet access providers, mobile carriers, device manufacturers and others to promote or distribute our services to their users. We compete with advertising networks, such as Google AdSense, AOL's Ad.com, and Microsoft Media Network, as well as traditional media companies for a share of advertisers' marketing budgets and in the development of the tools and systems for managing and optimizing advertising campaigns.

We believe our principal competitive strengths relating to attracting and retaining users include the usefulness, accessibility, integration, and personalization of the online services that we offer, the quality, relevance, and presentation of our search results, and the overall user experience on Yahoo! Properties. Our principal competitive strengths relating to attracting advertisers and publishers are the reach, effectiveness, and efficiency of our marketing services as well as the creativity of the marketing solutions that we offer. "Reach" is the size of the audience and/or demographic that can be accessed through the Yahoo! network.

"Effectiveness" for advertisers is the achievement of marketing objectives, which we support by developing campaigns, measuring the performance of these campaigns against their objectives, and optimizing for their objectives across the Yahoo! network. "Effectiveness" for publishers is the monetization of their online audiences, which we enable through our advertising technology platforms and marketing services. "Efficiency" is the simplicity and ease of use of the services we offer advertisers and publishers.

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

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

### **PRODUCT DEVELOPMENT**

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

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

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Our Product Development organization includes Yahoo! Labs. This organization includes our industry-leading Yahoo! Research group, our Applied Sciences group and our Academic Relations team, which has spearheaded key relationships with some of the world's most influential universities and institutions. Yahoo! Labs is designed to foster the long-term scientific competitiveness of Yahoo! as a world leader on the Internet through cutting-edge, multi-disciplinary research in a variety of fields, including economic theory, computer science, artificial intelligence, and various social sciences. In addition to Yahoo! Labs, the Product Development organization contains our Cloud Computing group which provides the common computing infrastructure upon which Yahoo!'s product are delivered, including grid computing. Finally, the Product Development organization contains our Consumer Platforms group, which focuses on the common elements that are embedded in multiple Yahoo! Products. These elements include the user data base and login, video and social connection platforms.

Our engineering and production teams are primarily located in our Sunnyvale, California headquarters and in Bangalore, India and Burbank, California. Product development expenses for 2007, 2008, and 2009 totaled approximately \$1.1 billion, \$1.2 billion, and \$1.2 billion, respectively, which included stock-based compensation expense of \$218 million, \$178 million, and \$206 million, respectively.

### **INTELLECTUAL PROPERTY**

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

### **EMPLOYEES**

As of December 31, 2009, we had approximately 13,900 full-time employees. Our future success is substantially dependent on the performance of our senior management and key technical personnel, as well as our continuing ability to attract, maintain the caliber of, and retain highly qualified technical and managerial personnel. Additional information regarding certain risks related to our employees is included in Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K.

### **AVAILABLE INFORMATION**

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

**Item 1A. Risk Factors**

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

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

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

Google, Microsoft and others offer products and services that directly compete for users with our offerings, including consumer e-mail, desktop search, local search, instant messaging, photos, maps, video sharing, content channels, mobile applications, and shopping. Similarly, the advertising networks operated by Google, Microsoft, AOL and others offer services that directly compete with our offerings for advertisers, including advertising exchanges, ad serving technologies and sponsored search offerings. While under our Search Agreement with Microsoft, Yahoo! will become the exclusive worldwide relationship sales force for both companies' premium search advertisers and Microsoft will become Yahoo!'s exclusive platform technology provider for algorithmic and paid search services, Yahoo! and Microsoft will still continue to compete for users, advertisers, publishers and distribution partners as described above.

We further compete for users, advertisers and developers with the wide variety of other providers of online services, including social media and networking sites. Social networking sites, such as Facebook.com in particular, are attracting a substantial and increasing share of users and users' online time, which could enable them to attract an increasing share of online advertising dollars.

We also compete with traditional media companies to attract advertising dollars, both domestically and internationally. Currently many advertisers direct a portion, but only a portion, of their advertising budgets to Internet advertising. In response, traditional media companies are increasingly expanding their content offerings onto the Web and thus are competing not only to keep offline advertising dollars but also for a share of online advertising dollars.

Some of our existing competitors and possible additional entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and greater operational, strategic, technological, financial, personnel, or other resources than we do. For example, Google and Microsoft have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions and research and development. In addition, emerging start-ups may be able to innovate and provide new products and services faster than we can.

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

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

For the year ended December 31, 2009, 88 percent of our total revenues came from marketing services. Our ability to continue to retain and grow marketing services revenues depends upon:

- maintaining and growing our user base;
- maintaining and growing our popularity as an Internet destination site;
- attracting more advertisers to our user base;
- broadening our relationships with advertisers to small- and medium-sized businesses;
- the successful implementation of changes and improvements to our advertising management platforms and acceptance of our advertising management platforms by advertisers, Website publishers, and online advertising networks;
- continuing to innovate and improve users' search experiences;
- maintaining and expanding our Affiliate program for search and display marketing services; and
- deriving better demographic and other information about our users to enable us to offer better experiences to both our users and advertisers.

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

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

Marketing services expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenues from marketing services, the adverse economic conditions have caused, and a continuation of adverse economic conditions could cause, additional decreases in or delays in advertising spending, a reduction in our marketing services revenues and a negative impact on our short term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements, whether resulting from customer bankruptcies or otherwise due to the current deterioration in economic conditions, could negatively impact our results of operations.

***If we do not manage our operating expenses effectively, our profitability could decline.***

We have implemented cost reduction initiatives to better align our operating expenses with our revenues, including reducing our headcount, outsourcing some administrative functions, consolidating space and terminating leases or entering into subleases. We plan to continue to manage costs to better and more efficiently manage our business. However, our operating expenses might also increase, from their reduced levels, as we expand our operations in areas of desired growth, continue to develop and extend the Yahoo! brand, fund product development, and acquire and integrate complementary businesses and technologies. In addition, deteriorating economic conditions or other factors could cause our business to contract requiring us to implement additional cost cutting measures. If our expenses increase at a greater pace than our revenues, or if we fail to implement additional cost cutting if required in a timely manner, our profitability will decline.

***Transition and implementation risks associated with our Search Agreement with Microsoft may adversely affect our business and operating results.***

Under our Search Agreement with Microsoft, Microsoft will be Yahoo!'s exclusive platform technology provider for algorithmic and paid search services. The parties commenced implementation of the Search Agreement on February 23, 2010. The global transition of Yahoo!'s algorithmic and paid search platforms to Microsoft and migration of Yahoo!'s paid search advertisers and publishers is expected to take up to 24 months and will be done on a market by market basis. The transition process will be complex and will require the expenditure of significant time and resources by us. Delays or difficulties in, or disruptions and inconveniences caused by, the transition process could result in the loss of advertisers, publishers, Affiliates, and employees, as well as, delays in recognizing or reductions in the anticipated benefits of the transaction, any of which could negatively impact our business and operating results.

Following the transition in each market, we will be relying on Microsoft as our exclusive platform technology provider of algorithmic and paid search services. If Microsoft fails to perform as required under the Search Agreement for any reason or suffers service level interruptions or other performance issues, we may not realize the anticipated benefits of the Search Agreement and our search revenues could decline.

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

Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. We must continually invest in improving our users' search experience—including improving the relevance of our search results, as well as presenting users with a search experience that is responsive to their needs and preferences—in order to continue to attract, retain, and expand our user base and paid search advertiser base. We currently deploy our own technology to provide search results on our network. Following implementation of our Search Agreement with Microsoft, Microsoft will become our algorithmic and paid search platform technology provider, however, we will continue to need to invest and innovate to improve our users' search experience.

We also generate advertising revenue through other online services, such as Yahoo! Mail. If we are unable to provide innovative search and other services which generate significant traffic to our Websites, our business could be harmed, causing our revenues to decline.

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

We believe that maintaining and enhancing our brands is an important aspect of our efforts to attract and expand our user, advertiser, and Affiliate base. We also believe that the importance of brand recognition will increase due to the relatively low barriers to entry in the Internet market. We have spent considerable money and resources to date on the establishment and maintenance of our brands, and we anticipate spending increasing amounts of money on, and devoting greater resources to, advertising, marketing, and other brand-building efforts to preserve and enhance consumer awareness of our brands. Our brands may be negatively impacted by a number of factors, including among other issues: service outages; product malfunctions; data privacy and security issues; exploitation of our trademarks by others without permission; and poor presentation or integration of our search marketing listings by Affiliates on their sites or in their software and services.

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

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

We create, own, and maintain a wide array of intellectual property assets, including copyrights, patents, trademarks, trade dress, trade secrets, and rights to certain domain names, which we believe are collectively among our most valuable assets. We seek to protect our intellectual property assets through patent, copyright, trade secret, trademark, and other laws of the U.S. and other countries of the world, and through contractual provisions. However, the efforts we have taken to protect our intellectual property and proprietary rights might not be sufficient or effective at stopping unauthorized use of those rights. Protection of the distinctive elements of Yahoo! might not always be available under copyright law or trademark law, or we might not discover or determine the full extent of any unauthorized use of our copyrights and trademarks in order to protect our rights. In addition, effective trademark, patent, copyright, and trade secret protection might not be available or cost-effective in every country in which our products and media properties are distributed or made available through the Internet. Changes in patent law, such as changes in the law regarding patentable subject matter, could also impact our ability to obtain patent protection for our innovations. Further, given the costs of obtaining patent protection, we might choose not to protect (or not to protect in some jurisdictions) certain innovations that later turn out to be important. There is also a risk that the scope of protection under our patents may not be sufficient in some cases or that existing patents may be deemed invalid or unenforceable. With respect to maintaining our trade secrets, we have entered into confidentiality agreements with most of our employees and contractors, and confidentiality agreements with many of the parties with whom we conduct business in order to limit access to and disclosure of our proprietary information. However, these agreements might be breached and our trade secrets might be compromised by outside parties or by our employees, which could cause us to lose any competitive advantage provided by maintaining our trade secrets.

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

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

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

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

As we expand our business and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement claims. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights, or other

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third-party rights such as publicity and privacy rights, we could incur substantial monetary liability, be required to enter into costly royalty or licensing agreements or be prevented from using such rights, which could require us to change our business practices in the future and limit our ability to compete effectively. We may also incur substantial expenses in defending against third-party infringement claims regardless of the merit of such claims. In addition, many of our agreements with our customers or Affiliates require us to indemnify them for some types of third-party intellectual property infringement claims, which could increase our costs in defending such claims and our damages. The occurrence of any of these results could harm our brand and negatively impact our operating results.

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

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

A number of U.S. federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act (“DMCA”) is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party Websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act (“CDA”) are intended to provide statutory protections to online service providers who distribute third-party content. Yahoo! relies on the protections provided by both the DMCA and CDA in conducting its business. Any changes in these laws or judicial interpretations narrowing their protections, or international jurisdictions’ refusal to apply similar provisions to foreign lawsuits, will subject us to greater risk of liability and may increase our costs of compliance with these regulations or limit our ability to operate certain lines of business. The Children’s Online Privacy Protection Act is intended to impose restrictions on the ability of online services to collect some types of information from children under the age of 13. In addition, Providing Resources, Officers, and Technology to Eradicate Cyber Threats to Our Children Act of 2008 (“PROTECT Act”) requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Other federal and state laws and legislative efforts designed to protect children on the Internet may impose additional requirements on the Company. U.S. export control laws and regulations impose requirements and restrictions on exports to certain nations and persons and on our business. The cost of compliance with these regulations may increase in the future as a result of changes in the regulations or the interpretation of them. Further, any failure on our part to comply with these regulations may subject us to significant liabilities.

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

Federal, state and international laws and regulations govern the collection, use, retention, sharing and security of data that we receive from and about our users. We have posted on our and many of our Affiliates’ Websites our

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own privacy policies and practices concerning the collection, use, and disclosure of user data. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, Federal Trade Commission requirements or orders, or other federal, state, or international privacy or data-protection-related laws, regulations or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, which could potentially have an adverse effect on our business.

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

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

### ***We may be subject to legal liability for online services.***

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

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

It is also possible that if the manner in which information is provided or any information provided directly by us contains errors or is otherwise wrongfully provided to users, third parties could make claims against us. For example, we offer Web-based e-mail services, which expose us to potential risks, such as liabilities or claims resulting from unsolicited e-mail, lost or misdirected messages, illegal or fraudulent use of e-mail, or interruptions or delays in e-mail service. We may also face purported consumer class actions or state actions relating to our online services, including our fee-based services (particularly in connection with any decision to discontinue a fee-based service). In addition, our customers, third parties or government entities may assert claims or actions against us if our online services or technologies are used to spread or facilitate malicious or



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harmful code or applications. Investigating and defending these types of claims is expensive, even if the claims are without merit or do not ultimately result in liability, and could subject us to significant monetary liability or cause a change in business practices that could impact our ability to compete.

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

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

- the difficulty of assimilating the operations and personnel of our acquired companies into our operations;
- the potential disruption of our on-going business and distraction of management;
- the incurrence of additional operating losses and expenses of the businesses we acquired or in which we invested;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to successfully further develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- the failure of strategic investments to perform as expected;
- the potential for patent and trademark infringement claims against the acquired company;
- litigation or other claims in connection with the acquired company;
- the impairment of relationships with customers and partners of the companies we acquired or in which we invested or with our customers and partners as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or our existing employees as a result of integration of new management personnel;
- our lack of, or limitations on, our control over the operations of our joint venture companies;
- in the case of foreign acquisitions and investments, the difficulty of integrating operations and systems as a result of cultural, systems, and operational differences and the impact of particular economic, currency, political, legal and regulatory risks associated with specific countries; and
- the impact of known potential liabilities or liabilities that may be unknown, including as a result of inadequate internal controls, associated with the companies we acquired or in which we invested.

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

### ***Any failure to manage expansion and changes to our business could adversely affect our operating results.***

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

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

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

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

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

Further, to the extent that demands for our services increase, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. This expansion is likely to be expensive and complex and require additional technical expertise. As we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store, and integrate data that will enable us to track each user's preferences. Any difficulties experienced in adapting our architectures, platforms and infrastructure to accommodate increased traffic, to store user data, and track user preferences, together with the associated costs and potential loss of traffic, could harm our operating results, cash flows from operations, and financial condition.

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

We offer fee-based enhancements to many of our free services, including e-mail, personals, finance, games, photographs, and sports. The development cycles for these technologies are long and generally require significant investment by us. We have invested and will continue to invest in new products and services. Some of these new products and services might not generate anticipated revenues or might not meet anticipated user adoption rates. We have previously discontinued some non-profitable premium services and may discontinue others. We must, however, continue to provide new services that are compelling to our users while continuing to develop an

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effective method for generating revenues for such services. General economic conditions as well as the rapidly evolving competitive landscape may affect users' willingness to pay for such services. If we cannot generate revenues from these services that are greater than the cost of providing such services, our operating results could be harmed.

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

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

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

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

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

We rely on leading providers of streaming media products to license the software necessary to deliver rich media content to our users. There can be no assurance that these providers will continue to license these products to us on reasonable terms, or at all. Our users are currently able to electronically download copies of the software to play rich media free of charge, but providers of rich media products may begin charging users for copies of their player software or otherwise change their business model in a manner that slows the widespread acceptance of

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these products. In order for our rich media services to be successful, there must be a large base of users of these rich media products. We have limited or no control over the availability or acceptance of rich media software, and to the extent that any of these circumstances occur, our business may be adversely affected.

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

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

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

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

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

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

### ***More individuals are utilizing non-PC devices to access the Internet and versions of our services developed for these devices might not gain widespread adoption by the devices' users, manufacturers, or distributors or might fail to function as intended on some devices.***

The number of individuals who access the Internet through devices other than a PC, such as mobile telephones, personal digital assistants, hand held computers, televisions, and set-top box devices, has increased dramatically, and the trend is likely to continue. Our services were originally designed for rich, graphical environments such as those available on the desktop and PC. The different hardware and software, memory, operating systems, resolution, and other functionality associated with alternative devices currently available may make our desktop and PC services unusable or difficult to use on such devices, and the versions of our services developed for these devices may not be compelling to users, manufacturers, or distributors of alternative devices. Similarly, the licenses we have negotiated to present third-party content to desktop and PC users may not extend to users of alternative devices. In those cases, we may need to enter into new or amended agreements with the content providers in order to present a similar user-experience on the new devices. The content providers may not be willing to enter into such new or amended agreements on reasonable terms or at all.

Further, new devices, operating systems, networks, and platforms are continually being released. It is difficult to predict the problems we may encounter in developing versions of our services for use on these alternative devices. We may also need to devote significant resources to the creation, support, and maintenance of such

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versions. We may be unable to attract and retain a substantial number of alternative device manufacturers, distributors, content providers, and users to our services, or to capture a sufficient share of an increasingly important portion of the market for these services, and, therefore, we may be unsuccessful in attracting both advertisers and premium service subscribers to these services.

To the extent that an access provider or device manufacturer enters into a distribution arrangement with one of our competitors (or as our competitors design mobile devices and mobile device operating systems), we face an increased risk that our users will favor the services or properties of that competitor. The manufacturer or access provider might promote a competitor's services or might impair users' access to our services by blocking access through their devices or by not making our services available in a readily-discoverable manner on their devices. If competitive distributors impair access to our services, or if they simply are more successful than our distributors in developing compelling products that attract and retain users or advertisers, then our revenues could decline.

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

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

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

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

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

- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- longer payment cycles;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions, and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;

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- geopolitical events, including acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;
- seasonal volatility in business activity and local economic conditions;
- laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;
- different and more stringent user protection, data protection, privacy and other laws; and
- risks related to other government regulation or required compliance with local laws.

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

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

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

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

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

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

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

- Our operations are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, and similar events.
- The systems through which we provide our products and services are highly technical, complex, and interdependent. Design errors might exist in these systems, or might be introduced as we roll-out improvements and upgrades, which might cause service malfunctions or require services to be taken offline while corrective responses are developed.

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- Despite our implementation of network security measures, our servers are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized access and tampering, as well as coordinated denial-of-service attacks. We are distributing servers among additional data centers around the world to create redundancies; however, we do not have multiple site capacity for all of our services and some of our systems are not fully redundant in the event of delays or disruptions to service.
- We rely on third-party providers for our principal Internet connections and co-location of a significant portion of our data servers, as well as for our payment processing capabilities and key components or features of our e-mail and VOIP services, news, stock quote and other content delivery, chat services, mapping, streaming, geo-targeting, music, games, and other services. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to handle higher volumes of use could, in turn, cause delays or disruptions in our services and loss of revenues. In addition, if our agreements with these third-party providers are terminated for any reason, we might not have a readily available alternative.

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

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

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

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

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

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

We are required under generally accepted accounting principles to test goodwill for impairment at least annually and to review our amortizable intangible assets and investments in equity interests for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to

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impairment of goodwill and amortizable intangible assets include significant adverse changes in the business climate and declines in the financial condition of our business. Factors that could lead to impairment of investments in equity interests include a prolonged period of decline in the stock price or operating performance of, or an announcement of adverse changes or events by, the company in which we invested. We have recorded and may be required in the future to record additional charges to earnings if a portion of our goodwill, amortizable intangible assets, or investments in equity interests becomes impaired. Any such charge would adversely impact our financial results.

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

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

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

The trading price of our common stock has been and may continue to be subject to broad fluctuations. During the year ended December 31, 2009, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from \$11.01 to \$17.81 per share and the closing sale price on February 19, 2010 was \$15.58 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in quarterly operating results, announcements and implementations of technological innovations or new services by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of other companies that investors may deem comparable to us; the operating performance of companies in which we have an equity investment, including Yahoo Japan Corporation ("Yahoo Japan") and Alibaba Group Holding Limited ("Alibaba Group"); and news reports relating to us, trends in our markets, or general economic conditions.

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

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

We have adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of our two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for \$250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the \$250 exercise price, shares of our



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common stock or of any company into which we are merged having a value of \$500. The rights expire on March 1, 2011, unless extended by our Board of Directors. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our rights plan could make it more difficult for a third-party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding that acquisition.

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

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

### **Item 1B. *Unresolved Staff Comments***

None.

### **Item 2. *Properties***

Our headquarters is located in Sunnyvale, California and consists of owned and leased space aggregating approximately 1.4 million square feet. We also lease office space in Argentina, Australia, Belgium, Brazil, Canada, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Jordan, Kuwait, Malaysia, Mexico, New Zealand, Norway, the Philippines, Saudi Arabia, Singapore, South Korea, Spain, Switzerland, Taiwan, the United Arab Emirates, the United Kingdom, and Vietnam. In the United States, we lease offices in various locations, including Atlanta, Boston, Champaign, Chicago, Dallas, Detroit, Hillsboro, the Los Angeles Area, Miami, New York, Omaha, Orlando, the San Diego Area, the San Francisco Bay Area, the Seattle Area, Brentwood and Franklin, Tennessee, and Washington, D.C. Our data centers are operated in locations in the United States, Europe, and Asia.

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

### **Item 3. *Legal Proceedings***

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

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

No matters were submitted to a vote of security holders during the fourth quarter of 2009.

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

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

	2008		2009	
	High	Low	High	Low
First quarter	\$30.25	\$18.58	\$14.14	\$10.81
Second quarter	\$29.73	\$20.60	\$16.99	\$12.60
Third quarter	\$24.80	\$16.88	\$17.94	\$13.97
Fourth quarter	\$17.31	\$ 8.94	\$18.02	\$14.80

**Stockholders**

We had 11,201 stockholders of record as of February 19, 2010.

**Dividends**

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

**Issuer Purchases of Equity Securities**

Stock repurchase activity during the three months ended December 31, 2009 was as follows:

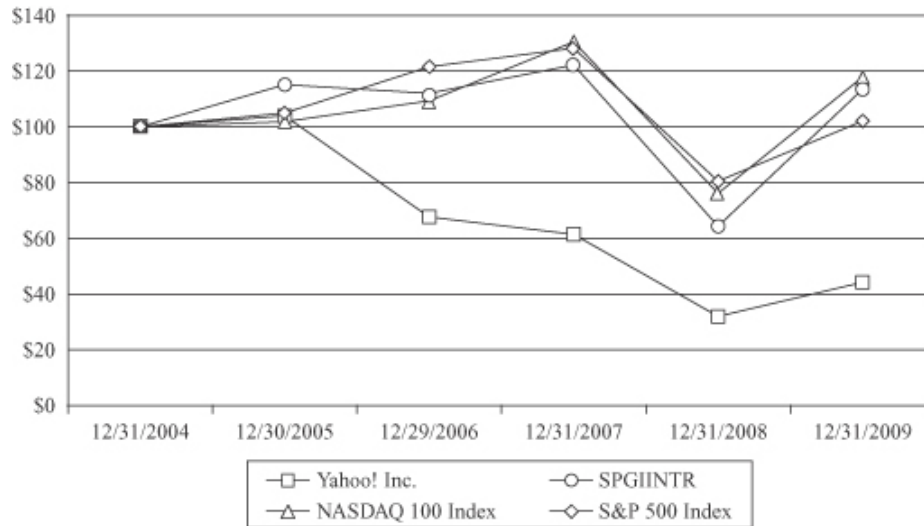
Period	Total Number of Shares Purchased(*)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs (in 000s)(*)
October 1—October 31, 2009	1,344,308	\$ 16.86	1,344,308	\$ 973,400
November 1—November 30, 2009	—	—	—	\$ 973,400
December 1—December 31, 2009	—	—	—	\$ 973,400
Total	<u>1,344,308</u>	<u>\$ 16.86</u>	<u>1,344,308</u>	

(\*) The shares repurchased in the three months ended December 31, 2009 were under our stock repurchase program that was announced in October 2006 with an authorized level of \$3.0 billion. This program, according to its terms, will expire in October 2011. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

### Performance Graph

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

The following graph compares, for the five-year period ended December 31, 2009, the cumulative total stockholder return for the Company’s common stock, the NASDAQ 100 Index, the Standard & Poor’s North American Technology-Internet Index, formerly the Goldman Sachs Internet Trading Index (the “SPGIINTR”), and the Standard & Poor’s 500 Stock Index (the “S&P 500 Index”). Measurement points are the last trading day of each of the Company’s fiscal years ended December 31, 2005, December 31, 2006, December 31, 2007, December 31, 2008, and December 31, 2009. The graph assumes that \$100 was invested on December 31, 2004 in the common stock of the Company, the NASDAQ 100 Index, the SPGIINTR, and the S&P 500 Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



**Item 6. Selected Financial Data**

**Consolidated Statements of Income Data:**

	Years Ended December 31,				
	2005 <sup>(1)(5)</sup>	2006 <sup>(2)(5)</sup>	2007 <sup>(5)</sup>	2008 <sup>(3)(5)</sup>	2009 <sup>(4)</sup>
	(In thousands, except per share amounts)				
Revenues	\$ 5,257,668	\$ 6,425,679	\$ 6,969,274	\$ 7,208,502	\$ 6,460,315
Income from operations	\$ 1,107,725	\$ 940,966	\$ 695,413	\$ 12,963	\$ 386,692
Net income attributable to Yahoo! Inc.	\$ 1,877,407	\$ 731,568	\$ 639,155	\$ 418,921	\$ 597,992
Net income attributable to Yahoo! Inc. common stockholders per share—basic	\$ 1.34	\$ 0.53	\$ 0.48	\$ 0.31	\$ 0.43
Net income attributable to Yahoo! Inc. common stockholders per share—diluted	\$ 1.28	\$ 0.51	\$ 0.47	\$ 0.29	\$ 0.42
Shares used in per share calculation—basic	1,400,421	1,388,741	1,338,987	1,369,476	1,397,652
Shares used in per share calculation—diluted	1,485,557	1,419,248	1,366,264	1,391,230	1,415,658

<sup>(1)</sup> Our net income attributable to Yahoo! Inc. for the year ended December 31, 2005 included gains related to sales of an investment of \$580 million, net of tax; a gain of \$205 million, net of tax, related to the divestiture of Yahoo! China in connection with the strategic investment with Alibaba Group; and a tax benefit of \$248 million related to a subsidiary restructuring transaction. In the aggregate, these items had an impact of \$1.0 billion on net income attributable to Yahoo! Inc., or \$0.74 per basic share or \$0.70 per diluted share.

<sup>(2)</sup> For the year ended December 31, 2006, as a result of adopting the Financial Accounting Standards Board's ("FASB") new authoritative guidance on stock-based compensation expense, our income from operations was lower by \$324 million and our net income attributable to Yahoo! Inc. was lower by \$222 million, than if we had continued to account for stock-based compensation using the superseded method. Both basic and diluted net income per share for the year ended December 31, 2006 were \$0.16 lower than if the Company had continued to account for stock-based compensation expense using the superseded method.

<sup>(3)</sup> Our net income attributable to Yahoo! Inc. for the year ended December 31, 2008 included a non-cash gain of \$401 million, net of tax, related to Alibaba Group's initial public offering ("IPO") of Alibaba.com Limited ("Alibaba.com"), the business to business e-commerce subsidiary of Alibaba Group, and a non-cash loss of \$30 million, net of tax, related to the impairment of our direct investment in Alibaba.com. In addition, in the year ended December 31, 2008, we recorded a goodwill impairment charge of \$488 million related to our European reporting unit and net restructuring charges of \$107 million related to our strategic workforce realignment and cost reduction initiatives, and a tax benefit for these two items of \$42 million. In the aggregate, these items had a net impact of \$182 million on net income attributable to Yahoo! Inc., or \$0.13 per both basic and diluted share.

<sup>(4)</sup> Our net income attributable to Yahoo! Inc. for the year ended December 31, 2009 included a pre-tax gain of \$67 million (\$42 million after tax) in connection with the sale of our Gmarket shares and a gain on the sale of our direct investment in Alibaba.com of \$98 million (\$60 million after tax). In addition, in the year ended December 31, 2009, we recorded net restructuring charges of \$127 million (\$87 million after tax) related to our cost reduction initiatives. In the aggregate, these items had a net impact of \$18 million on net income attributable to Yahoo! Inc., or \$0.01 per both basic and diluted share.

<sup>(5)</sup> Amounts reflect the adoption of new authoritative guidance for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. Refer to Note 9—"Debt" in the Notes to the consolidated financial statements for additional information.

[Table of Contents](#)**Consolidated Balance Sheets Data:**

	2005 <sup>(3)</sup>	2006 <sup>(3)</sup>	December 31, 2007 <sup>(1)(3)</sup> (In thousands)	2008 <sup>(2)(3)</sup>	2009
Cash and cash equivalents	\$ 1,429,693	\$ 1,569,871	\$ 1,513,930	\$ 2,292,296	\$ 1,275,430
Marketable debt securities	\$ 2,570,155	\$ 1,967,414	\$ 849,542	\$ 1,229,677	\$ 3,242,574
Working capital	\$ 2,245,481	\$ 2,276,148	\$ 942,652	\$ 3,040,483	\$ 2,877,044
Total assets	\$ 10,830,151	\$ 11,512,673	\$ 12,229,554	\$ 13,689,848	\$ 14,936,030
Long-term liabilities	\$ 1,013,638	\$ 843,790	\$ 384,208	\$ 715,872	\$ 699,666
Total Yahoo! Inc. stockholders' equity	\$ 8,612,461	\$ 9,186,833	\$ 9,538,209	\$ 11,250,942	\$ 12,493,320

<sup>(1)</sup> As of December 31, 2007, our \$750 million of outstanding zero coupon senior convertible notes were classified as short-term debt and are reflected in working capital. The zero coupon senior convertible notes were classified as long-term debt as of the end of 2005 and 2006. Refer to Note 9—"Debt" in the Notes to the consolidated financial statements.

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

<sup>(3)</sup> Amounts reflect the adoption of new authoritative guidance for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. Refer to Note 9—"Debt" in the Notes to the consolidated financial statements for additional information.

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

**Forward-Looking Statements**

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

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

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

**Overview**

Yahoo! Inc., together with its consolidated subsidiaries ("we," or "us," "Yahoo!" or our "Company"), attracts hundreds of millions of users every month through our innovative technology and engaging content and services, making us one of the most trafficked Internet destinations and a world class online media company. Our vision is to be the center of people's online lives by delivering personally relevant, meaningful Internet experiences. To users, we provide online properties and services ("Yahoo! Properties" or our "Owned and Operated sites"). To advertisers, we provide a range of marketing services designed to reach and connect with users of our Owned and Operated sites, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities (our "Affiliates") that have integrated our advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

We generate revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services we provide to users are free, we do charge fees for a number of premium services.

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Our offerings to users on Yahoo! Properties currently fall into four categories: Integrated Consumer Experiences, Applications (Communications and Communities), Search, and Media Products and Solutions. The majority of our offerings are available in more than 25 languages. We manage and measure our business geographically. Our primary areas of measurement and decision-making are the United States (“U.S.”) and International.

### Revenue Sources

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

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

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

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

### 2009 Highlights

<u>Operating Highlights</u>	<u>Years Ended December 31,</u>		<u>Dollar Change</u>
	<u>2008</u>	<u>2009</u>	
		<u>(In thousands)</u>	
Revenues	\$ 7,208,502	\$ 6,460,315	\$ (748,187)
Income from operations	\$ 12,963	\$ 386,692	\$ 373,729
		<u>(In thousands)</u>	
<u>Cash Flow Highlights</u>	<u>2008</u>	<u>2009</u>	<u>Dollar Change</u>
Net cash provided by operating activities	\$ 1,880,241	\$ 1,310,346	\$ (569,895)
Net cash used in investing activities	\$ (1,311,783)	\$ (2,419,238)	\$ (1,107,455)
Net cash provided by financing activities	\$ 332,406	\$ 34,597	\$ (297,809)

Our revenue decline of 10 percent for the year ended December 31, 2009, compared to 2008, can be attributed to a reduction in our marketing services revenues primarily due to the economic environment and the impact of foreign currency rate fluctuations. Marketing services experienced a 10 percent year-over-year decline for the year ended December 31, 2009, compared to 2008. The increase in income from operations for the year ended December 31, 2009 reflects a decrease in operating expenses of \$970 million compared to 2008, partially offset by a decrease in revenues. The decrease in operating expenses is primarily due to our cost reduction initiatives and a goodwill impairment charge of \$488 million recorded in 2008.

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Cash provided by operating activities is a measure of the cash productivity of our business model. Our operating activities in 2009 generated adequate cash to meet our operating needs. Cash used in investing activities in the year ended December 31, 2009 included capital expenditures of \$434 million, net acquisitions of \$195 million, and net purchases of marketable debt securities of \$2 billion, offset by \$265 million of proceeds received from the sales of marketable equity securities. Cash provided by financing activities included \$113 million in proceeds from employee option exercises and employee stock purchases, offset by \$113 million used in the direct repurchase of common stock and \$73 million used for tax withholding payments related to the net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted stock. Net cash provided by operating activities during the year ended December 31, 2008 included a \$350 million one-time payment related to a commercial arrangement entered into with AT&T Inc. No similar payments were received during the year ended December 31, 2009.

During May of 2009, we sold all of our Gmarket shares for net proceeds of \$120 million and recorded a pre-tax gain of \$67 million (\$42 million after tax) in connection with the sale. In September of 2009, we sold our direct investment in Alibaba.com for net proceeds of \$145 million and recorded a pre-tax gain of \$98 million (\$60 million, after tax) in connection with the sale.

During 2009, we implemented cost initiatives that reduced our worldwide workforce by approximately 5 percent and reallocated resources to align with our strategic priorities including investing resources in some areas, reducing resources in others, and eliminating some areas of our business that do not support our strategic priorities. In connection with these initiatives, we incurred severance, facility, and other restructuring costs of \$61 million. In addition, we recorded \$66 million of restructuring costs relating to the 2008 restructuring plans during 2009.

### **Search and License Agreement with Microsoft**

On December 4, 2009, Yahoo! entered into a Search Agreement and a License Agreement with Microsoft under which Microsoft will be Yahoo!'s exclusive platform technology provider for algorithmic and paid search services and non-exclusive provider for contextual advertising. Under the Search Agreement, Yahoo! will become the exclusive worldwide relationship sales force for both companies' premium search advertisers, which include advertisers meeting certain spending or other criteria, advertising agencies that specialize in or offer search engine marketing services and their clients, and resellers and their clients seeking assistance with their paid search accounts. The term of the Search Agreement is 10 years after the parties commence performance under the agreement, subject to earlier termination as provided in the Search Agreement. Under the License Agreement, Microsoft will acquire an exclusive 10-year license to Yahoo!'s core search technology and will have the ability to integrate this technology into its existing Web search platforms. The parties commenced implementation of the Search Agreement on February 23, 2010.

During the first five years of the term of the Search Agreement, we will be entitled to receive 88% of the net revenues generated from Microsoft's services on Yahoo! Properties (the "Revenue Share Rate") and we will also be entitled to receive our share (at the Revenue Share Rate) of the net revenues generated from Microsoft's services on Affiliate sites after the Affiliate's share of net revenues is deducted. For new Affiliates during the term of the Search Agreement, and for all Affiliates after the first five years of such term, we will receive our share (at the Revenue Share Rate) of the net revenues generated from Microsoft's services on Affiliate sites after the Affiliate's share of net revenues and certain Microsoft costs are deducted. On the fifth anniversary of the date of implementation of the Search Agreement, Microsoft will have the option to terminate our sales exclusivity for premium search advertisers. If Microsoft exercises its option, the Revenue Share Rate will increase to 93% for the remainder of the term of the Search Agreement, unless Yahoo! exercises its option to retain its sales exclusivity, in which case the Revenue Share Rate would be reduced to 83% for the remainder of the term. If Microsoft does not exercise such option, the Revenue Share Rate will be 90% for the remainder of the term of the Search Agreement.



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Microsoft has agreed to reimburse us for certain specified expenses up to an aggregate total of \$150 million during the first three years of the Search Agreement. The expense reimbursement payments by Microsoft are not limited (other than by the \$150 million total) during the period from February 23, 2010 through June 30, 2010, but will be limited thereafter to not more than \$50 million in each of the three subsequent 12-month periods running from July 1 through June 30. From February 23, 2010 until the applicable services are fully transitioned to Microsoft, Microsoft will also reimburse us for the costs of running our algorithmic and paid search services subject to specified exclusions and limitations. These reimbursements are separate from and in addition to the \$150 million of reimbursement payments.

The global transition of Yahoo!'s algorithmic and paid search platforms to Microsoft and migration of Yahoo!'s paid search advertisers and publishers is expected to take up to 24 months and will be done on a market by market basis. We do not expect any material revenue sharing to begin in 2010, but we expect to receive reimbursements from Microsoft for the cost of running our algorithmic and paid search services following implementation. We expect search revenue sharing with Microsoft under the Search Agreement to increase in 2011 and 2012 as we migrate our paid search advertisers and publishers to Microsoft's platforms by market. Based on our current levels of revenue and operating expenses, we expect the Search Agreement, when fully implemented, to have a positive impact on our operating income and to result in capital expenditures savings.

### Summary

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

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

### Results of Operations

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

	Years Ended December 31,						2007-2008 % Change	2008-2009 % Change
	2007	(*)	2008	(*)	2009	(*)		
<b>Marketing services:</b>								
Owned and Operated sites	\$3,669,724	52%	\$4,046,001	56%	\$3,552,695	55%	10%	(12)%
Affiliate sites	2,418,515	35%	2,270,205	32%	2,120,973	33%	(6)%	(7)%
Marketing services	6,088,239	87%	6,316,206	88%	5,673,668	88%	4%	(10)%
Fees	881,035	13%	892,296	12%	786,647	12%	1%	(12)%
Total revenues	<u>\$6,969,274</u>	<u>100%</u>	<u>\$7,208,502</u>	<u>100%</u>	<u>\$6,460,315</u>	<u>100%</u>	3%	(10)%

(\*) Percent of total revenues.

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

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

*Marketing Services Revenues from Owned and Operated Sites.* Marketing services revenues from Owned and Operated sites for the year ended December 31, 2009 decreased by approximately \$493 million, or 12 percent, compared to 2008. For the year ended December 31, 2009, revenues from search advertising and display advertising on Owned and Operated sites declined 13 percent and 9 percent, respectively, compared to 2008. Although increased user activity levels on Yahoo! Properties has contributed to a higher volume of search queries and Page Views, lower advertising spending in both search and display advertising due to the economic environment during the majority of 2009 and a shift towards lower yielding inventory and non-commercial search terms have resulted in decreased revenues. In addition, the sale of Kelkoo SAS during the year ended December 31, 2008 contributed to the decline in revenues year-over-year. During 2009, the effects of foreign currency exchange rate fluctuations also contributed to the decline in revenues, compared to 2008. Using the foreign currency exchange rates from 2008, revenues from our Owned and Operated sites for 2009 would have been higher than we reported by approximately \$71 million.

Marketing services revenues from Owned and Operated sites for the year ended December 31, 2008 increased by approximately \$376 million, or 10 percent, compared to 2007. Factors leading to growth in overall marketing services revenues from 2007 to 2008 included an increase in user activity levels on Yahoo! Properties, which contributed to a higher volume of search queries, Page Views, and ad impression displays. The transition of and changes in certain of our broadband access partnerships from being fee-paying user based to an advertising revenue sharing model also contributed to the increase in marketing services revenues from Owned and Operated sites. For the year ended December 31, 2008, revenues from search advertising on Owned and Operated sites grew 17 percent, compared to 2007. For the year ended December 31, 2008, revenues from display advertising on Owned and Operated sites grew 7 percent, compared to 2007.

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

For the year ended December 31, 2009, Page Views increased 4 percent and revenue per Page View decreased 16 percent, compared to 2008. The decline in revenue per Page View in 2009 compared to 2008 was due to the decline in revenues as discussed above. For the year ended December 31, 2008, Page Views increased 18 percent and revenue per Page View decreased 6 percent compared to 2007. The decrease in revenue per Page View in 2008 compared to 2007 was due to a shift to lower-yielding display advertising.

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In the table below, we set forth the quarterly and year-over-year growth in Page Views and revenue per Page View for the years ended December 31, 2009 and 2008 both as previously reported and as revised to reflect our updated methodology.

	<u>Q1 2009</u> <u>3 months</u>	<u>Q2 2009</u>		<u>Q3 2009</u>		<u>FY 2009</u> <u>12 months</u>
		<u>3 months</u>	<u>6 months</u>	<u>3 months</u>	<u>9 months</u>	
Previously Reported Page View Growth <sup>(2)</sup>	8%	7%	7%	5%	7%	N/A
Page View Growth <sup>(1)</sup>	5%	4%	4%	5%	5%	4%
Previously Reported Revenue Per Page View Growth <sup>(2)</sup>	(16)%	(21)%	(18)%	(19)%	(19)%	N/A
Revenue Per Page View Growth <sup>(1)</sup>	(13)%	(19)%	(16)%	(19)%	(17)%	(16)%

	<u>Q1 2008</u> <u>3 months</u>	<u>Q2 2008</u>		<u>Q3 2008</u>		<u>FY 2008</u> <u>12 months</u>
		<u>3 months</u>	<u>6 months</u>	<u>3 months</u>	<u>9 months</u>	
Previously Reported Page View Growth <sup>(2)</sup>	20%	23%	22%	17%	20%	19%
Page View Growth <sup>(1)</sup>	20%	23%	22%	15%	19%	18%
Previously Reported Revenue Per Page View Growth <sup>(2)</sup>	(1)%	(7)%	(4)%	(7)%	(5)%	(7)%
Revenue Per Page View Growth <sup>(1)</sup>	(1)%	(7)%	(4)%	(6)%	(5)%	(6)%

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

<sup>(2)</sup> Previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2008 and in our Quarterly Report on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009, and September 30, 2009.

We currently expect marketing services revenues on our Owned and Operated sites to increase for the first quarter of 2010 compared to the first quarter of 2009 provided global economic conditions continue to improve and advertising spending increases.

*Marketing Services Revenues from Affiliate Sites.* Marketing services revenues from Affiliate sites for the year ended December 31, 2009 decreased \$149 million, or 7 percent, compared to 2008. The number of searches on Affiliate sites increased by approximately 24 percent for the year ended December 31, 2009, compared to 2008. Although increased traffic has contributed to a higher volume of search queries on our Affiliate network, lower advertising spending and a shift towards non-commercial search terms have resulted in decreased revenues. The average revenue per search on our Affiliate sites decreased by 24 percent for the year ended December 31, 2009, compared to 2008.

Marketing services revenues from Affiliate sites for the year ended December 31, 2008 decreased \$148 million, or 6 percent, compared to 2007. During the third quarter of 2007, we sold Overture Japan to Yahoo Japan. As part of this transaction, we also entered into a commercial arrangement with Yahoo Japan in which we provide search marketing services to Yahoo Japan for a service fee. This arrangement began on September 1, 2007 and, beginning on that date, we commenced recording marketing services revenues from Yahoo Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo Japan for the delivery of sponsored search results. The sale of Overture Japan to Yahoo Japan negatively impacted Affiliate revenues during the year ended December 31, 2008 by approximately \$300 million, year-over-year. The number of searches on Affiliate sites increased by approximately 23 percent for the year ended December 31, 2008, compared to 2007. The average revenue per search on our Affiliate sites decreased by 26 percent for the year ended December 31, 2008, compared to 2007, primarily as a result of a change in traffic mix and the impact of the sale of Overture Japan to Yahoo Japan.

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We expect marketing services revenues from Affiliate sites for the first quarter of 2010 to remain relatively flat compared to the first quarter of 2009 as we continue to implement our ongoing advertiser quality initiatives.

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

For the year ended December 31, 2009, fees revenues decreased approximately \$106 million, or 12 percent, compared to 2008. For the year ended December 31, 2008, fees revenues increased approximately \$11 million, or 1 percent, compared to 2007. The fluctuations were primarily attributed to changes in certain of our broadband access partnerships, from being fee-paying user based to an advertising revenue sharing model, as well as the outsourcing of the voice over internet protocol, or VOIP, subscription music businesses, and other business lines. Due to these factors and the renewed focus on our display and search revenues, we expect fees revenues to continue to decline for the first quarter of 2010, compared to the first quarter of 2009.

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

The number of paying users for our fee-based services decreased to 8.6 million as of December 31, 2009 compared to 9.7 million as of December 31, 2008, a decrease of 11 percent, as a result of the business model changes described above.

The number of paying users for our fee-based services decreased to 9.7 million as of December 31, 2008 compared to 19.0 million as of December 31, 2007, a decrease of 49 percent. As we renewed contracts with broadband partners and our relationships moved from being fee-paying user based to an advertising revenue sharing model, our number of fee-paying users decreased. Adjusting the number of fee-paying users as of December 31, 2007 to remove fee-paying users related to our renewed broadband relationships, our fee-paying users would have been 10.1 million as of December 31, 2007, compared to 9.7 million as of December 31, 2008, a decrease of 4 percent.

Average monthly revenues per paying user was approximately \$3.50 for the year ended December 31, 2009, compared to approximately \$4.00 and \$3.00 for the same periods in 2008 and 2007, respectively. The decrease in average monthly revenues per paying user for the year ended December 31, 2009 compared to 2008 can be attributed to the decline in fees revenues due to our business model changes. The increase in average monthly revenues per paying user for the year ended December 31, 2008 compared to 2007 was due to the change in mix of fee-based subscribers.

*Costs and Expenses.* Operating costs and expenses consist of cost of revenues, sales and marketing, product development, general and administrative, and amortization of intangible assets. In addition, in 2008, we incurred restructuring charges, net, and a goodwill impairment charge. In 2009, we incurred restructuring charges, net. Cost of revenues consists of traffic acquisition costs (“TAC”), Internet connection charges, and other expenses associated with the production and usage of Yahoo! Properties, including amortization of acquired intellectual property rights and developed technology.

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

	Year Ended December 31,						2007-2008		2008-2009	
	2007		2008		2009		Dollar Change	Percent Change	Dollar Change	Percent Change
		(1)		(1)		(1)				
Cost of revenues <sup>(2)</sup>	\$2,838,758	41%	\$3,023,362	42%	\$2,871,746	44%	\$184,604	7%	\$(151,616)	(5)%
Sales and marketing	\$1,610,357	23%	\$1,563,313	22%	\$1,245,350	19%	\$ (47,044)	(3)%	\$(317,963)	(20)%
Product development	\$1,084,238	16%	\$1,221,787	17%	\$1,210,168	19%	\$137,549	13%	\$ (11,619)	(1)%
General and administrative	\$ 633,431	9%	\$ 705,136	10%	\$ 580,352	9%	\$ 71,705	11%	\$(124,784)	(18)%
Amortization of intangibles <sup>(2)</sup>	\$ 107,077	2%	\$ 87,550	1%	\$ 39,106	1%	\$ (19,527)	(18)%	\$ (48,444)	(55)%
Restructuring charges, net	\$ —	—	\$ 106,854	1%	\$ 126,901	2%	\$106,854	N/M <sup>(3)</sup>	\$ 20,047	19%
Goodwill impairment charge	\$ —	—	\$ 487,537	7%	\$ —	—	\$487,537	N/M <sup>(3)</sup>	\$(487,537)	N/M <sup>(3)</sup>

<sup>(1)</sup> Percent of total revenues.

<sup>(2)</sup> For the years ended December 31, 2009, 2008, and 2007, cost of revenues included amortization expense of \$145 million, \$194 million, and \$143 million, respectively, relating to acquired intellectual property rights and developed technology.

<sup>(3)</sup> N/M = not meaningful.

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

	Years Ended December 31,		
	2007	2008	2009
Cost of revenues	\$ 10,628	\$ 13,813	\$ 10,759
Sales and marketing	246,472	182,826	141,537
Product development	218,207	178,091	205,971
General and administrative	97,120	63,113	79,820
Restructuring expense accelerations (reversals), net	—	(30,236)	11,062
Total stock-based compensation expense	<u>\$ 572,427</u>	<u>\$ 407,607</u>	<u>\$ 449,149</u>

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

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

*Compensation, Information Technology, Depreciation and Amortization, and Facilities Expenses.* Compensation expense consists primarily of salary, bonuses, commissions, and stock-based compensation expense. Information and technology expense includes telecom usage charges and data center operating costs. Depreciation and amortization expense consists primarily of depreciation of server equipment and information technology assets

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and amortization of developed or acquired technology and intellectual property rights. Facilities expense consists primarily of building maintenance costs, rent expense, and utilities.

The changes in operating costs and expenses for the year ended December 31, 2009 compared to the year ended December 31, 2008 are comprised of the following (in thousands):

	<u>Compensation</u>	<u>Information Technology</u>	<u>Depreciation and Amortization</u>	<u>Facilities</u>	<u>TAC</u>	<u>Other</u>	<u>Total</u>
Cost of revenues	\$ (12,822)	\$ (26,064)	\$ (34,517)	\$ (2,226)	\$ (32,088)	\$ (43,899)	\$ (151,616)
Sales and marketing	(202,630)	(827)	541	(19,441)	—	(95,606)	(317,963)
Product development	(14,735)	(188)	34,462	(6,367)	—	(24,791)	(11,619)
General and administrative	(50,767)	(110)	(3,228)	5,492	—	(76,171)	(124,784)
Amortization of intangibles	—	—	(48,444)	—	—	—	(48,444)
Restructuring charges, net	—	—	—	—	—	20,047	20,047
Goodwill impairment charge	—	—	—	—	—	(487,537)	(487,537)
Total	<u>\$ (280,954)</u>	<u>\$ (27,189)</u>	<u>\$ (51,186)</u>	<u>\$ (22,542)</u>	<u>\$ (32,088)</u>	<u>\$ (707,957)</u>	<u>\$ (1,121,916)</u>

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

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

*Compensation Expense.* Total compensation expense decreased approximately \$281 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily due to decreases in our average total headcount across all functions, primarily the sales and marketing function, as a result of our cost initiatives. Total compensation expense increased approximately \$54 million for the year ended December 31, 2008, compared to 2007. The increase in 2008 compared to the same period of 2007 was primarily due to increases in our average headcount, mainly in the product development function (partially offset in 2008 by decreased headcount in certain functions, mainly sales and marketing), as well as annual salary increases and higher base salaries across all functions. Product development headcount increased for the maintenance and development of and minor enhancements to existing offerings and services on Yahoo! Properties as well as the maintenance of Yahoo!'s technology platforms and infrastructure. For 2008, the increase in compensation expense was net of a decrease in stock-based compensation expense of \$165 million, primarily due to \$30 million in reversals of stock-based compensation expense related to employee departures (including the departure of executives) in 2008, compared

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to 2007 and reversals of \$51 million of stock-based compensation expense to reflect an increase in estimated forfeiture rate assumptions related to equity awards for which there were no similar reversals in 2007. As we continue to invest for growth, we expect our headcount to increase during the first quarter of 2010 compared to the same period of 2009.

*Information Technology Expenses.* Information technology expenses decreased \$27 million for the year ended December 31, 2009, compared to 2008. The decreases were due to decreased telecom usage as well as decreased equipment spending. Information technology expenses increased \$66 million for the year ended December 31, 2008, compared to 2007. The increase was due to increased telecom usage and data center operating costs.

*Depreciation and Amortization Expenses.* Depreciation and amortization expenses decreased \$51 million for the year ended December 31, 2009, compared to 2008. The decrease was due to decreased amortization expense for fully amortized intangible assets acquired in prior years slightly offset by increased investments in information technology assets and server equipment. Depreciation and amortization expenses increased \$131 million for the year ended December 31, 2008, compared to 2007. The increase was due to our investment in information technology assets and server equipment. The increase was slightly offset by a decrease in amortization expense for certain acquired intangible assets being fully amortized as well as an increase in the weighted amortization periods of recently acquired intangible assets.

*Facilities Expenses.* Facilities expenses decreased \$23 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily due to the consolidation of our real estate facilities as part of our cost initiatives. Facilities expenses increased \$14 million for the year ended December 31, 2008, compared to 2007. The increase was due to our expansion into new facilities and increased rent expense on our buildings during 2008.

*TAC.* TAC decreased \$32 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the impact of foreign currency rate fluctuations, offset by changes in Affiliate mix and a small increase in average TAC rates. TAC decreased \$47 million for the year ended December 31, 2008, compared to 2007. The decrease in 2008 was primarily due to the sale of Overture Japan to Yahoo Japan. The decrease in TAC was slightly offset by a small increase in average TAC rates and partner mix changes.

*Other Expenses.* Other expenses decreased \$708 million for the year ended December 31, 2009, compared to 2008 mainly due to decreases of \$488 million related to the goodwill impairment charge recorded in 2008 for which there was no comparable charge in 2009, decreases in third-party service-provider expenses of \$117 million, decreases in content costs of \$57 million, and decreases in employee travel and entertainment costs of \$39 million. Decreases in third-party service-provider expenses were primarily due to higher advisor costs incurred in 2008 related to Microsoft's proposal to acquire all or a part of our Company, other strategic alternatives, including the Google agreement, the proxy contest, and related litigation defense, compared to advisory and employee retention costs incurred in 2009 in connection with the Microsoft search arrangement. The decreases in third-party service provider expenses were also due to a decrease in temporary headcount and consulting projects related to our cost initiatives in 2009. Content costs, included in costs of revenues and driven by our rich media offerings, decreased due to lower content costs for various properties as we transition out of and/or outsource certain business lines.

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

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Excluding any advisory, retention costs, or reimbursements related to the Microsoft Search Agreement and any restructuring charges arising from ongoing cost initiatives, we currently expect our operating costs to remain relatively flat for the first quarter of 2010 compared to the same period of 2009.

*Restructuring Charges, Net.* For the years ended December 31, 2008 and 2009, restructuring charges, net was comprised of the following (in thousands):

	Year Ended December 31,	
	2008	2009
Employee severance pay and related costs	\$ 109,548	\$ 48,696
Non-cancelable lease, contract terminations, and other charges	19,617	59,285
Other non-cash charges	7,925	7,858
Sub-total before (reversals) accelerations of stock-based compensation expense	137,090	115,839
(Reversals) accelerations of stock-based compensation expense	(30,236)	11,062
Restructuring charges, net	<u>\$ 106,854</u>	<u>\$ 126,901</u>

*Q108 Restructuring Plan.* During the first quarter of 2008, we implemented a strategic workforce realignment to more appropriately allocate resources to our key strategic initiatives. The strategic workforce realignment involved investing resources in some areas, reducing resources in others, and eliminating some areas of our business that did not support our strategic priorities. During the year ended December 31, 2008, we incurred total pre-tax charges of approximately \$27 million in severance pay expenses and related cash expenses in connection with this workforce realignment, net of reversal for adjustments to original estimates totaling \$2 million. The pre-tax cash charges were offset by a \$12 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the net estimated total strategic workforce realignment pre-tax expense of approximately \$15 million, \$12 million was related to the U.S. segment and \$3 million was related to the International segment. As of December 31, 2008, there was no remaining restructuring accrual related to this strategic workforce realignment.

*Q408 Restructuring Plan.* During the fourth quarter of 2008, we implemented additional cost reduction initiatives, including a workforce reduction and consolidation of certain real estate facilities. We began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and expect to continue this process through the second quarter of 2010. We vacated and ceased use of most of the ten facilities in the U.S. and five international facilities identified under the plan. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. Present value computations use discount rates based on published Treasury risk-free interest rates, adjusted for our credit spread, which is consistent with observable credit spreads of companies with similar credit standing. The cost of exiting and terminating our facility leases was determined by referring to the contractual terms of the agreements, by evaluating the current real estate market conditions, and, where applicable, by referring to amounts in negotiation. Our ability to generate the estimated amounts of sublease income, as well as to terminate lease obligations at the estimated amounts, is dependent upon the commercial real estate market conditions in certain geographies at the time we negotiate the lease termination and sublease arrangements with third parties. These amounts represent our best estimate of the obligations we expect to incur and could be subject to adjustment as market conditions change. The fair value measurement of the liability related to exited facilities involves the use of certain significant unobservable inputs and therefore fall within level 3 of the fair value hierarchy established by accounting guidance. The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts. During the year ended December 31, 2008, we incurred severance, facility, and other restructuring costs of \$110 million related to the Q408 restructuring plan, offset by \$18 million related to stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of \$92 million. Of the \$92 million in



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restructuring charges, net recorded in the year ended December 31, 2008 related to the Q408 restructuring plan, \$68 million related to our U.S. segment and \$24 million related to our International segment. During the year ended December 31, 2009, we incurred total pre-tax cash charges for severance benefits provided and facilities vacated of approximately \$57 million related to the Q408 restructuring plan in connection with the continued implementation of these initiatives, net of reversal for adjustments to original estimates totaling \$8 million. Of the \$65 million in restructuring charges, net recorded in the year ended December 31, 2009 related to the Q408 restructuring plan, \$63 million related to the U.S. segment and \$2 million related to the International segment.

As of December 31, 2009, the aggregate outstanding restructuring liability related to the Q408 restructuring plan was \$60 million, most of which relates to non-cancelable lease costs that we expect to pay over the terms of the related obligations, which end by the second quarter of 2017.

*Q209 Restructuring Plan.* During the second quarter of 2009, we implemented new cost reduction initiatives to further reduce our worldwide workforce by approximately 5 percent. The restructuring plan involves reallocating resources to align with our strategic priorities including investing resources in some areas, reducing resources in others, and eliminating some areas of our business that do not support our strategic priorities. During the year ended December 31, 2009, we incurred total pre-tax cash charges of approximately \$35 million in severance and other related costs related to the Q209 restructuring plan. The pre-tax charges were offset by an \$8 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the \$27 million in restructuring charges, net recorded in the year ended December 31, 2009 related to the Q209 restructuring plan, \$18 million related to the U.S. segment and \$9 million related to the International segment.

As of December 31, 2009, the aggregate outstanding restructuring liability related to the Q209 restructuring plan was \$4 million, which we expect to pay out by the end of the third quarter of 2010.

*Q409 Restructuring Charges.* During the fourth quarter of 2009, we decided to close one of our international facilities and began implementation of a workforce realignment at the facility to focus resources on our strategic initiatives. We plan to exit the facility in the third quarter of 2010. During the fourth quarter of 2009, we incurred total pre-tax cash charges of approximately \$16 million in severance and other costs related to this realignment. In connection with our strategic realignment efforts, an executive of one of our acquired businesses departed. We incurred \$19 million of non-cash stock-based compensation expense for the acceleration of certain of the executive's stock-based awards pursuant to the acquisition agreements. Of the \$35 million in restructuring charges, recorded in the fourth quarter ended of 2009, \$19 million related to the U.S. segment and \$16 million related to the International segment.

As of December 31, 2009, the aggregate outstanding restructuring liability related to the Q409 restructuring activities was \$15 million, most of which relates to employee severance pay expenses that we expect to substantially pay out by the end of the third quarter of 2010.

In addition to the charges described above, we currently expect to incur future charges of approximately \$28 million to \$38 million for non-cancelable lease costs and relocation costs as we continue to exit facilities identified as part of the Q408 restructuring plan and Q409 restructuring activities, of which \$25 million to \$33 million relates to the U.S. segment and \$3 million to \$5 million relates to the International segment. The expected future charges are expected to be recorded primarily in 2010 and 2011. See Note 16—"Restructuring charges, net" in the Notes to the consolidated financial statements for additional information.

*Goodwill Impairment Charge.* We conduct our annual goodwill impairment test as of October 31 each year. Goodwill is potentially impaired if the carrying value of the reporting unit that contains the goodwill exceeds its estimated fair value. As a result of this test in 2008, we previously concluded that the carrying value of our European reporting unit exceeded its fair value and recorded a goodwill impairment charge of approximately

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\$488 million. At the time of this test in 2008, the fair values of our other reporting units exceeded their carrying values by a significant margin and therefore goodwill in those reporting units was not impaired. The goodwill impairment in our European reporting unit resulted from a combination of factors, including the global economic downturn, a persistent decline in business conditions, reductions in projected operating results, reductions in estimated future cash flows, and decreases in revenue and earnings multiples of comparable companies in the region. We had no goodwill impairment charges in the year ended December 31, 2009.

Significant changes in the economic environment and our operating results may result in future impairment of our reporting units. See Note 5—“Goodwill” in the Notes to the consolidated financial statements for additional information.

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

	Years Ended December 31,			2007-2008 Dollar Change	2008-2009 Dollar Change
	2007	2008	2009		
Interest and investment income	\$ 129,541	\$ 86,056	\$ 22,116	\$ (43,485)	\$ (63,940)
Investment gains (losses), net	1,730	(351)	3,702	(2,081)	4,053
Gain on divestiture of Yahoo! China	8,066	—	—	(8,066)	—
Gain on sale of Overture Japan	6,175	—	—	(6,175)	—
Gain on sale of Kelkoo SAS	—	25,149	—	25,149	(25,149)
Gain on sales of marketable equity securities	—	—	164,851	—	164,851
Imputed interest on convertible debt <sup>(*)</sup>	(35,240)	(9,088)	—	26,152	9,088
Other	8,499	(28,016)	(3,141)	(36,515)	24,875
<b>Total other income, net</b>	<b>\$ 118,771</b>	<b>\$ 73,750</b>	<b>\$ 187,528</b>	<b>\$ (45,021)</b>	<b>\$ 113,778</b>

(\*) Refer to Note 9—“Debt” in the Notes to the consolidated financial statements for additional information.

Other income, net was \$188 million for the year ended December 31, 2009, an increase of \$114 million, compared to 2008. Interest and investment income for the year ended December 31, 2009 decreased due to lower average interest rates compared to the same periods in 2008. Average interest rates were less than 1 percent in 2009, compared to 2.8 percent in 2008. Gains on sales of marketable equity securities include gains from sales of publicly traded companies. In May 2009, we sold all of our Gmarket shares for net proceeds of \$120 million. We recorded a pre-tax gain of \$67 million (\$42 million after tax) in connection with the sale of our Gmarket shares. In September 2009, we sold our direct investment in Alibaba.com for net proceeds of \$145 million. We recorded a pre-tax gain of \$98 million (\$60 million after tax) in connection with the sale of our Alibaba.com shares. We had no imputed interest on our convertible debt in 2009, compared to a charge of \$9 million in 2008. Other charges decreased by \$25 million for the year ended December 31, 2009, compared to 2008, primarily due to foreign exchange re-measurement of assets and liabilities denominated in non-functional currencies.

Other income, net was \$74 million for the year ended December 31, 2008, a decrease of \$45 million, compared to 2007. Interest and investment income for the year ended December 31, 2008 decreased \$43 million due to lower average interest rates, compared to 2007. In the year ended December 31, 2008, higher average invested balances for 2008, compared to 2007, were offset by lower average interest rates of 2.8 percent in 2008, compared to 4.3 percent in 2007. Imputed interest on our convertible debt decreased \$26 million for the year ended December 31, 2008, compared to 2007. Other decreased by \$37 million for the year ended December 31, 2008, compared to 2007, primarily due to foreign exchange re-measurement of assets and liabilities denominated in non-functional currencies. Other income, net for the year ended December 31, 2007 included a \$6 million gain from the sale of Overture Japan and an \$8 million non-cash gain arising from the reduction in our ownership in Alibaba Group, which was treated as an incremental sale of additional equity interests in Yahoo! China. Other income, net for the year ended December 31, 2008 included a \$25 million gain from the sale of Kelkoo SAS.

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

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*Income Taxes.* The provision for income taxes for the year ended December 31, 2009 differs from the amount computed by applying the federal statutory income tax rate primarily due to the effect of non-U.S. operations, non-deductible stock-based compensation expense, benefits due to state taxes resulting from California state tax law changes, and the net impact of tax restructuring.

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

	Years Ended December 31,					
	2007 <sup>(2)</sup>	(1)	2008 <sup>(2)</sup>	(1)	2009	(1)
Income tax at the U.S. federal statutory rate of 35 percent	\$ 284,963	35%	\$ 30,349	35%	\$ 200,976	35%
State income taxes, net of federal benefit	30,881	4%	(8,925)	(10)%	(4,549)	(1)%
Change in valuation allowance	9,806	1%	25,674	30%	13,521	2%
Stock-based compensation expense	34,011	4%	44,938	52%	28,322	5%
Research tax credits	(8,618)	(1)%	(13,954)	(16)%	(11,046)	(2)%
Effect of non-U.S. operations	(37,238)	(4)%	18,403	21%	20,126	4%
Meals and entertainment	2,770	0%	2,816	3%	1,386	0%
Settlement with tax authorities	—	—	(5,245)	(6)%	—	—
Goodwill impairment charge	—	—	170,644	197%	—	—
Tax restructuring, net of reserve	—	—	—	—	(25,583)	(4)%
Other	6,293	1%	(5,694)	(7)%	(3,832)	(1)%
Provision for income taxes	<u>\$ 322,868</u>	<u>40%</u>	<u>\$ 259,006</u>	<u>299%</u>	<u>\$ 219,321</u>	<u>38%</u>

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

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

The effective tax rate for the year ended December 31, 2009 was 38 percent, compared to 299 percent in 2008. The primary reasons for the lower effective tax rate in 2009 compared to 2008 were due to the fact that 2008 pre-tax income included a \$488 million goodwill impairment charge, the majority of which was non-deductible for tax purposes, and that benefits resulting from tax restructuring activities were implemented in 2009. The 2008 effective tax rate included the cumulative tax benefit of a favorable state tax ruling granted in 2008 and retroactive to 2007. The 2007 provision for income taxes reflects a tax benefit related to the release of deferred tax liabilities in connection with changes to our worldwide entity structure in 2007.

Our U.S. federal and California income tax returns for the years ended December 31, 2005 and 2006 are currently under examination by the Internal Revenue Service (“IRS”) and the California Franchise Tax Board. Additionally, we are seeking early resolution of a 2009 U.S. federal income tax position by means of a pre-filing agreement with the IRS. The issues relate to capital losses available for carry forward, intercompany transactions and research and development tax credits. The IRS is expected to notify us of their conclusions during 2010. We believe adequate reserves have been provided for all issues; however, it is reasonably possible that our unrecognized tax benefits could increase once the results are known. An estimate of the range of possible outcomes cannot be made at this time. The U.S. Federal Research and Development tax credit expires on December 31, 2009. It is uncertain whether this credit will be available in 2010, as it has not yet been signed into law. As a result, we expect our effective tax rate may increase in 2010 compared to 2009.

*Earnings in Equity Interests.* Earnings in equity interests for the year ended December 31, 2009 was approximately \$250 million. Earnings in equity interests for the year ended December 31, 2008 was approximately \$597 million, including a \$401 million non-cash gain related to Alibaba Group’s IPO of Alibaba.com, net of tax. In connection with the IPO, we made a direct investment of 1 percent in Alibaba.com, which we sold during the third quarter of 2009 for net proceeds of \$145 million. In 2008, we also recorded an impairment charge of \$30 million, net of tax, within earnings in equity interests to reduce the carrying value of

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the Alibaba.com investment to fair value. Earnings in equity interests for the year ended December 31, 2007 were approximately \$151 million (net of \$7 million related to tax benefits on dividends received and net of \$17 million related to the tax benefit of our share of Alibaba Group's loss). See Note 4—“Investments in Equity Interests” in the Notes to the consolidated financial statements for additional information.

*Noncontrolling Interests.* Noncontrolling interests represents the noncontrolling holders' percentage share of income or losses from the subsidiaries in which we hold a majority, but less than 100 percent, ownership interest and the results of which are consolidated in our consolidated financial statements. Noncontrolling interests was approximately \$7 million in 2009, compared to \$6 million and \$3 million in 2008 and 2007, respectively. Noncontrolling interests recorded in 2009, 2008, and 2007 were mainly related to our Yahoo! 7 joint venture in Australia.

### Business Segment Results

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

In January 2010, we announced changes to our business management structure that are expected to be implemented by mid 2010. We are currently assessing the impact on segment reporting for 2010.

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

	Years Ended December 31,						2007-2008 % Change	2008-2009 % Change
	2007	(*)	2008	(*)	2009	(*)		
Revenues by segment:								
United States	\$4,724,426	68%	\$5,182,308	72%	\$4,714,436	73%	10%	(9)%
International	2,244,848	32%	2,026,194	28%	1,745,879	27%	(10)%	(14)%
Total revenues	<u>\$6,969,274</u>	<u>100%</u>	<u>\$7,208,502</u>	<u>100%</u>	<u>\$6,460,315</u>	<u>100%</u>	3%	(10)%

(\*) Percent of total revenues.

	Years Ended December 31,			2007-2008 % Change	2008-2009 % Change	
	2007	2008	2009			
Segment operating income before depreciation, amortization, and stock-based compensation expense:						
United States		\$1,430,923	\$1,205,262	\$1,095,601	(16)%	(9)%
International		496,112	5,341	486,954	(99)%	N/M(*)
Total segment operating income before depreciation, amortization, and stock-based compensation expense		1,927,035	1,210,603	1,582,555	(37)%	31%
Depreciation and amortization		(659,195)	(790,033)	(746,714)	20%	(5)%
Stock-based compensation expense		(572,427)	(407,607)	(449,149)	(29)%	10%
Income from operations		<u>\$ 695,413</u>	<u>\$ 12,963</u>	<u>\$ 386,692</u>	(98)%	N/M(*)

(\*) N/M = not meaningful.

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Revenues are attributed to individual countries according to the international online property that generated the revenues. No single foreign country accounted for more than 10 percent of revenues in 2009, 2008, or 2007, respectively.

*United States.* U.S. revenues for the year ended December 31, 2009 decreased approximately \$468 million, or 9 percent, as compared to 2008. Our year-over-year decrease in revenues was a result of a decline in advertising across the majority of Yahoo! Properties, particularly search advertising, and in our fee-based services. The decline in revenues was offset by a decline in operating expenses of \$278 million for the year ended December 31, 2009 as compared to 2008. U.S. revenues for the year ended December 31, 2008 increased approximately \$458 million, or 10 percent, as compared to 2007. The year-over-year increases in 2008 and 2007 were a result of growth in advertising across Yahoo! Properties. More than 95 percent of the 2008 increase, or \$453 million, came from marketing services revenues. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2009 decreased \$110 million, or 9 percent, as compared to 2008. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2009 includes restructuring charges of \$79 million. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 decreased \$226 million, or 16 percent, as compared to 2007. U.S. operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 includes restructuring charges of \$107 million.

*International.* International revenues for the year ended December 31, 2009 decreased approximately \$280 million or 14 percent compared to 2008. The decline in international revenues was mainly due to a decline in advertising across the majority of Yahoo! Properties, the sale of Kelkoo SAS during the year ended December 31, 2008, and the effects of foreign currency exchange rate fluctuations. The decline in revenues was offset by a decline in operating expenses of \$692 million for the year ended December 31, 2009 compared to 2008. International operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2009 increased \$482 million compared to 2008. The increase in international operating income before depreciation, amortization, and stock-based compensation expense year-over-year is primarily due to the \$488 million goodwill impairment charge related to our European reporting unit in 2008, for which there was no similar charge in 2009. In addition, international operating loss before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2009 included restructuring charges of \$28 million.

International revenues for the year ended December 31, 2008 decreased approximately \$219 million, or 10 percent, compared to 2007. More than 95 percent of the international revenues decrease in 2008 came from marketing services revenues. The year-over-year decrease is the result of the sale of Overture Japan to Yahoo Japan which negatively impacted revenues by approximately \$300 million. Previously, we earned search marketing revenues from advertisers and paid TAC to Yahoo Japan. In the third quarter of 2007, we initiated a new commercial arrangement with Yahoo Japan in which we now provide search marketing services to Yahoo Japan for a service fee. Under this new arrangement, we record marketing services revenues from Yahoo Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo Japan for the delivery of sponsored search results. International operating income before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 decreased \$491 million, or 99 percent, compared to 2007. The decrease in international operating income before depreciation, amortization, and stock-based compensation expense year-over-year is primarily due to the \$488 million goodwill impairment charge related to our European reporting unit which is part of our International segment. See Note 5 —“Goodwill” in the Notes to the consolidated financial statements for additional information. In addition, international operating loss before depreciation, amortization, and stock-based compensation expense for the year ended December 31, 2008 includes restructuring charges of \$30 million.

International revenues accounted for approximately 27 percent of total revenues during 2009, 28 percent of total revenues during 2008, and 32 percent of total revenues during 2007. Our international operations expose us to

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foreign currency fluctuations. Revenues and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include Australian dollars, British pounds, Euros, Korean won, and Taiwan dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenues, operating expenses, and net income for our International segment. Similarly, our revenues, operating expenses, and net income will increase for our International segment if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from 2008, our international revenues for 2009 would have been higher than we reported by approximately \$176 million and our International segment operating income before depreciation, amortization, and stock-based compensation expense would have been higher than we reported by \$18 million.

### **Transactions**

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

- *July 2007*—Purchased the remaining equity interests in Right Media, Inc., an online advertising exchange, for a total purchase price of \$524 million;
- *October 2007*—Acquired Zimbra, Inc. (“Zimbra”), a provider of e-mail and collaboration software, for a total purchase price of \$303 million;
- *October 2007*—Acquired BlueLithium, Inc. (“BlueLithium”), an online global advertising network company, for a total purchase price of \$255 million;
- *November 2007*—Purchased approximately 1 percent of Alibaba.com for a total purchase price of approximately \$101 million in the IPO on the Hong Kong Stock Exchange of Alibaba.com;
- *February 2008*—Acquired Maven Networks, Inc. (“Maven”), a leading online video platform provider, for a total purchase price of \$143 million;
- *May 2009*—Sold our Gmarket shares for net proceeds of \$120 million;
- *July 2009*—Entered into a binding letter agreement with Microsoft to negotiate and execute a Search and Advertising Services and Sales Agreement and a License Agreement;
- *September 2009*—Sold our direct investment in Alibaba.com for net proceeds of \$145 million;
- *November 2009*—Acquired Maktoob, a leading online portal in the Middle East, for a total purchase price of \$164 million; and
- *December 2009*—Entered into a Search and Advertising Services and Sales Agreement and License Agreement with Microsoft pursuant to which Microsoft will become Yahoo!’s exclusive platform technology provider for algorithmic and paid search services and Yahoo! will be the exclusive worldwide relationship sales force for Yahoo!’s and Microsoft’s premium search advertisers.

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

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

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### Liquidity and Capital Resources

As of and for each of the three years ended December 31, 2009 (dollars in thousands):

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Cash and cash equivalents	\$ 1,513,930	\$ 2,292,296	\$ 1,275,430
Short-term marketable debt securities	487,544	1,159,691	2,015,655
Long-term marketable debt securities	361,998	69,986	1,226,919
Total cash, cash equivalents, and marketable debt securities	<u>\$ 2,363,472</u>	<u>\$ 3,521,973</u>	<u>\$ 4,518,004</u>
Percentage of total assets	<u>19%</u>	<u>26%</u>	<u>30%</u>

#### Cash Flow Highlights

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net cash provided by operating activities	\$ 1,918,899	\$ 1,880,241	\$ 1,310,346
Net cash used in investing activities	\$ (572,502)	\$(1,311,783)	\$(2,419,238)
Net cash (used in) provided by financing activities	\$(1,442,008)	\$ 332,406	\$ 34,597

Our operating activities for each year in the three years ended December 31, 2009 have generated adequate cash to meet our operating needs. As of December 31, 2009, we had cash, cash equivalents, and marketable debt securities totaling \$4.5 billion, compared to \$3.5 billion as of December 31, 2008.

During the year ended December 31, 2009, we invested \$113 million in direct stock repurchases, a net \$434 million in capital expenditures, and a net \$195 million in acquisitions. The cash used for these investments was offset by \$1.3 billion of cash generated from operating activities, \$265 million of proceeds from sales of marketable equity securities, and \$113 million from the issuance of common stock as a result of the exercise of employee stock options. In 2009, \$73 million was used for tax withholding payments related to the net share settlement of restricted stock units and tax withholding-related reacquisition of shares of restricted stock.

During the year ended December 31, 2008, we invested \$79 million in direct stock repurchases, a net \$675 million in capital expenditures, and a net \$209 million in acquisitions. The cash used for these investments was offset by \$1.9 billion of cash generated from operating activities (including a \$350 million one-time payment from AT&T Inc.) and \$363 million from the issuance of common stock as a result of the exercise of employee stock options. In 2008, \$77 million was used for tax withholding payments related to the net share settlement of restricted stock units and tax withholding-related reacquisition of shares of restricted stock.

We have accrued U.S. federal income taxes on the earnings of our foreign subsidiaries except to the extent the earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2009, approximately \$2.0 billion of earnings held by our foreign subsidiaries and a corporate joint venture are designated as indefinitely reinvested outside the U.S. If required for our operations in the U.S., most of the cash held abroad could be repatriated to the U.S. but, under current law, would be subject to U.S. federal income taxes (subject to an adjustment for foreign tax credits). Currently, we do not anticipate a need to repatriate these funds to our U.S. operations.

We invest excess cash predominantly in marketable debt securities, money market funds, and time deposits that are liquid, highly rated, and the majority of which have effective maturities of less than one year. Our marketable debt and equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income. Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The fair value for securities is determined based on quoted market prices of the historical underlying security or from readily available pricing sources for the identical underlying securities that may not be actively traded as of the valuation date. As of December 31, 2009, certain of our marketable debt securities had a fair value below cost due primarily to the changes in market rates of interest and yields on these securities. We evaluate these investments periodically for possible other-than-temporary impairment. We have no current requirement or intent to sell these securities. We expect to recover up to (or beyond) the initial cost of the investment.



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We expect to continue to generate positive cash flow from operations for the first quarter of 2010. We use cash generated by operations as our primary source of liquidity because we believe that internally generated cash flows are sufficient to support our business operations and capital expenditures. We believe that existing cash, cash equivalents, and investments in marketable debt securities, together with any cash generated from operations will be sufficient to meet normal operating requirements including capital expenditures for the next twelve months. However, we may sell additional equity, or debt securities, or obtain credit facilities to further enhance our liquidity position, and the sale of additional equity securities could result in dilution to our stockholders.

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

### ***Cash flow changes***

Cash provided by operating activities is driven by our net income, adjusted for non-cash items, and non-operating gains and losses from sales of investments. Non-cash adjustments include depreciation, amortization of intangible assets, stock-based compensation expense net of stock-based restructuring expense reversals, non-cash restructuring charges, goodwill impairment, tax benefits from stock-based awards, and excess tax benefits from stock-based awards. Cash provided by operating activities was greater than net income in 2009 mainly due to the net impact of non-cash adjustments to income. In the year ended December 31, 2008, operating cash flows were positively impacted by changes in working capital balances, including a one-time payment from AT&T Inc.

Cash used in investing activities is primarily attributable to capital expenditures, purchases, sales and maturities of marketable debt securities, purchases of intangible assets, as well as acquisitions including our strategic investments. Our capital expenditures totaled \$434 million in 2009, \$675 million in 2008, and \$602 million in 2007. Our capital expenditures have been primarily used for purchases and internal development of software to support our offerings and our increased number of users. We invested a net \$195 million in acquisitions in 2009, compared to \$209 million and \$974 million in 2008 and 2007, respectively. Acquisitions and investments in 2009 included the cash outlay for our acquisition of Maktoob. Acquisitions and investments in 2008 included the cash outlay for our acquisition of Maven. Acquisitions and investments in 2007 included cash outlays for our acquisitions of Right Media, Zimbra, and BlueLithium and an investment in Alibaba.com. In 2009 and 2008, we utilized \$2.0 billion and \$368 million, respectively, for net purchases of marketable debt securities, compared to cash proceeds from the net sales and maturities of marketable debt securities of \$1.1 billion in 2007.

Cash used in financing activities is driven by employee option exercises and employee stock purchases offset by our stock repurchases. Our cash proceeds from employee option exercises and employee stock purchases were \$113 million in 2009, compared to \$363 million and \$375 million in 2008 and 2007, respectively.

During 2009, we invested \$113 million in the direct repurchase of 7.4 million shares of our common stock at an average price of \$15.31 per share. In addition, certain restricted stock awards that vested during 2009 were subject to statutory tax withholding obligations. We reacquired 0.3 million shares of restricted stock awards to satisfy the tax withholding obligations and \$5 million was recorded as treasury stock. We paid \$68 million related to the net share settlement of 4.4 million shares of restricted stock units which was recorded as a reduction of additional paid-in-capital. During 2008, we invested \$79 million in the direct repurchase of 3.4 million shares of our common stock at an average price of \$23.39 per share. In addition, certain restricted stock awards that vested during 2008 were subject to statutory tax withholding obligations. We reacquired 1.1 million shares of restricted stock awards to satisfy the tax withholding obligations and \$27 million was recorded as treasury stock. We paid \$50 million related to the net share settlement of 2.2 million shares of restricted stock units which was recorded as a reduction of additional paid-in-capital. During 2007, we used \$1.6 billion in the direct repurchase of 57.9 million shares of our common stock at an average price of \$27.34 per share. In addition, certain restricted stock awards that vested during 2007 were subject to statutory tax withholding obligations. We reacquired 70,000 shares of restricted stock awards to satisfy the tax withholding obligations and \$2 million was recorded as treasury stock. We paid \$4 million related to the net share settlement of 156,000 shares of restricted stock units which was recorded as a reduction of additional paid-in-capital.



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In the third quarter of 2007, a \$250 million structured stock repurchase transaction, which was entered into in the first quarter of 2007, settled and matured. On the maturity date, we received 8.4 million shares of our common stock at an effective buy-back price of \$29.80 per share.

In 2009, 2008, and 2007, \$108 million, \$125 million, and \$35 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods. We have accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows. See Note 12—"Employee Benefits" in the Notes to the consolidated financial statements for additional information.

### ***Financing***

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

### ***Stock repurchases***

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

Under this program, during the year ended December 31, 2009, we repurchased 7.4 million shares of common stock at an average price of \$15.31 per share. Total cash consideration for the repurchased stock was \$113 million. In addition, upon the vesting of certain restricted stock awards during the year ended December 31, 2009, we reacquired 0.3 million shares of such vested stock to satisfy tax withholding obligations. These repurchased shares were recorded as \$5 million of treasury stock and reduced the number of common shares outstanding by 0.3 million. Treasury stock is accounted for under the cost method. See Note 11—"Stockholders' Equity" in the Notes to the consolidated financial statements for additional information.

### ***Capital expenditures***

Capital expenditures are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, and real estate. Capital expenditures, net were \$434 million in 2009, compared to \$675 million in 2008 and \$602 million in 2007. Our capital expenditures in 2010 are expected to be higher compared to 2009 as we continue to invest in our infrastructure to support additional users and to increase performance to our users.

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### **Contractual obligations and commitments**

The following table presents certain payments due under contractual obligations with minimum firm commitments as of December 31, 2009 (in millions):

	Payments Due by Period				
	Total	Due in 2010	Due in 2011-2012	Due in 2013-2014	Thereafter
Operating lease obligations <sup>(1)</sup>	\$ 827	\$ 161	\$ 252	\$ 182	\$ 232
Capital lease obligation <sup>(2)</sup>	76	7	14	16	39
Affiliate commitments <sup>(3)</sup>	143	120	23	—	—
Non-cancelable obligations <sup>(4)</sup>	169	76	65	19	9
FIN 48 obligations including interest and penalties <sup>(5)</sup>	488	54	—	—	434
Total contractual obligations	<u>\$1,703</u>	<u>\$ 418</u>	<u>\$ 354</u>	<u>\$ 217</u>	<u>\$ 714</u>

<sup>(1)</sup> We have entered into various non-cancelable operating lease agreements for our offices throughout the U.S. and internationally with original lease periods up to 23 years, expiring between 2010 and 2027. See Note 13—"Commitments and Contingencies" in the Notes to the consolidated financial statements for additional information.

<sup>(2)</sup> During the year ended December 31, 2008, we entered into an 11 year lease agreement for a data center in the western U.S. Of the total expected minimum lease commitment of \$105 million, \$21 million was classified as an operating lease for real estate and \$84 million was classified as a capital lease for equipment.

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

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

<sup>(5)</sup> As of December 31, 2009, unrecognized tax benefits and potential interest and penalties resulted in accrued liabilities of \$488 million, of which \$54 million is classified as accrued expenses and other current liabilities and \$434 million is classified as deferred and other long-term tax liabilities, net on our consolidated balance sheets. As of December 31, 2009, the settlement period for the \$434 million long-term income tax liabilities cannot be determined; however, the liabilities are not expected to become due within the next twelve months.

**Intellectual Property Rights.** We are committed to make certain payments under various intellectual property arrangements of up to \$44 million through 2023.

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

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As of December 31, 2009, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, we are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships.

### **Critical Accounting Policies and Estimates**

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

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

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

*Revenue Recognition.* Our revenues are generated from marketing services and fees. Marketing services revenues are generated from several offerings including: the display of graphical advertisements, display of text-based links to advertisers' Websites, listings-based services, and commerce-based transactions. Fees revenues include revenues from a variety of consumer and business fee-based services. While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we enter into certain sales transactions that involve multiple elements (arrangements with more than one deliverable). We also enter into arrangements to purchase goods and/or services from certain customers. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: (1) whether an arrangement exists; (2) whether fees are fixed or determinable; (3) how the arrangement consideration should be allocated among potential multiple elements; (4) when to recognize revenue on the deliverables; (5) whether all elements of the arrangement have been delivered; (6) whether the arrangement should be reported gross as a principal versus net as an agent; (7) whether we receive a separately identifiable benefit from the purchase arrangements with certain customers for which we can reasonably estimate fair value; and (8) whether the consideration received from a vendor should be characterized as revenue or a reimbursement of costs incurred. In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

*Income Taxes.* Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. See Note 10—"Income Taxes" in the Notes to the consolidated financial statements for additional information. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain

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

We record a valuation allowance against certain of our deferred income tax assets if it is more likely than not that those assets will not be realized. In evaluating our ability to realize our deferred income tax assets we consider all available positive and negative evidence, including our operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction by jurisdiction basis. In the event we were to determine that we would be able to realize these deferred income tax assets in the future, we would make an adjustment to the valuation allowance, which would reduce the provision for income taxes.

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

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

- ***Market comparables***

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

- ***Estimated future cash flows***

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

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- **Discount rates**

We employ a Weighted Average Cost of Capital (“WACC”) approach to determine the discount rates used in our cash flow projections. The determination of the discount rates for each reporting unit includes factors such as the risk-free rate of return and the return an outside investor would expect to earn based on the overall level of inherent risk. The determination of expected returns includes consideration of the beta (a measure of risk) of traded securities of comparable companies.

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

We conducted our annual goodwill impairment test as of October 31, 2009 and determined that the fair values of our reporting units exceeded their carrying values by a significant margin and therefore goodwill in those reporting units was not impaired.

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

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

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

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

*Stock-Based Compensation Expense.* We recognize stock-based compensation expense net of an estimated forfeiture rate and therefore only recognize compensation expense for those shares expected to vest over the service period of the award. Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based options, stock price volatility, and the pre-vesting award forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns, which we believe are representative of future behavior. We estimate the volatility of our common stock

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on the date of grant based on the implied volatility of publicly traded options on our common stock, with a term of one year or greater. We believe that implied volatility calculated based on actively traded options on our common stock is a better indicator of expected volatility and future stock price trends than historical volatility. Therefore, expected volatility for the year ended December 31, 2009 was based on a market-based implied volatility. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected pre-vesting award forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain awards will be achieved, and only recognize expense for those shares expected to vest. We estimate this forfeiture rate based on historical experience of our stock-based awards that are granted and cancelled. If our actual forfeiture rate is materially different from our original estimates, the stock-based compensation expense could be significantly different from what we have recorded in the current period. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the forfeiture rate for all current and previously recognized expense for unvested awards is recognized in the period the forfeiture estimate is changed. In addition, because many of our stock-based awards have vesting schedules of two or three years cliff vests, a significant change in our actual or expected forfeiture experience will result in the reversal of stock-based compensation which was recorded in prior years for all unvested awards. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the consolidated financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the consolidated financial statements. See Note 12—“Employee Benefits” in the Notes to the consolidated financial statements for additional information.

### **Recent Accounting Pronouncements**

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

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

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

*Interest Rate Risk.* Our exposure to market risk for changes in interest rates relates primarily to our cash and marketable debt securities portfolio. We invest excess cash in money market funds, time deposits, and liquid debt instruments of the U.S. and foreign governments and their agencies, U.S. municipalities, and high-credit corporate issuers which are classified as marketable debt securities and cash equivalents.

Investments in fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. As of December 31, 2009 and 2008, we had investments in short-term marketable debt securities of approximately \$2.0 billion and \$1.2 billion, respectively. Such investments had a weighted-average yield of less than 1.0 percent and 1.2 percent, respectively. As of December 31, 2009 and 2008, we had investments in long-term marketable debt securities of approximately \$1.2 billion and \$70 million, respectively. Such investments had a weighted average yield of approximately 1.0 percent and 4.0 percent, respectively. A hypothetical 100 basis point increase in interest rates would result in an approximate \$25 million and \$2 million decrease in the fair value of our available-for-sale debt securities as of December 31, 2009 and 2008, respectively.

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*Foreign Currency Risk.* Revenues and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include Australian dollars, British pounds, Euros, Korean won, and Taiwan dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenues, operating expenses, and net income for our International segment. Similarly, our revenues, operating expenses, and net income will increase for our International segment if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from 2008, our international revenues for 2009 would have been higher than we reported by approximately \$176 million and our International segment operating income before depreciation, amortization, and stock-based compensation expense would have been higher than we reported by \$18 million.

We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries and our investments in equity interests into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars results in a gain or loss which is recorded as a component of accumulated other comprehensive income which is part of stockholders' equity. In addition, we have certain assets and liabilities that are denominated in currencies other than the respective entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a gain or loss. We record these foreign currency transaction gains and losses, realized and unrealized, in other income, net on the consolidated statements of income. During 2009, our net realized and unrealized foreign currency transaction loss was not material. During 2008 and 2007, we recorded realized and unrealized foreign currency transaction net losses of \$25 million and foreign currency transaction net gains of \$7 million, respectively.

*Investment Risk.* We are exposed to investment risk as it relates to changes in the market value of our investments.

We have investments in marketable debt securities. Our cash and debt investment policy and strategy attempt primarily to preserve capital and meet liquidity requirements. A large portion of our cash is managed by external managers within the guidelines of our investment policy. We protect and preserve invested funds by limiting default, market, and reinvestment risk. To achieve this objective, we maintain our portfolio of cash and cash equivalents and short-term and long-term investments in a variety of liquid fixed income securities, including both government and corporate obligations and money market funds. As of December 31, 2009 and 2008, net unrealized gains and losses on these investments were not material.

We invest in equity instruments of public companies for business and strategic purposes and have classified these securities as available-for-sale or investment in equity interests. These investments may be subject to significant fluctuations in fair value due to the volatility of the stock market and the industries in which these companies participate. Our investments in available-for-sale equity securities amounted to \$3 million and \$87 million, respectively, as of December 31, 2009 and 2008. During the year ended December 31, 2009, we realized gains of \$67 million related to the sale of our investment in Gmarket. Our realized gains and losses from the sale of available-for-sale investments were not material in 2008. During the year ended December 31, 2008, we recorded an other-than-temporary impairment charge of \$30 million, net of tax, within earnings in equity interests to reduce the carrying value of our direct investment in Alibaba.com to fair value. During the year ended December 31, 2009, we sold our direct investment in Alibaba.com for net proceeds of \$145 million and recorded a pre-tax gain of \$98 million in other income, net.

Our objective in managing exposure to stock market fluctuations is to minimize the impact of stock market declines to earnings and cash flows. Using a hypothetical reduction of 10 percent in the stock price of these available-for-sale investments, the fair value of our equity investments would decrease by less than \$1 million as of December 31, 2009 and \$9 million as of December 31, 2008.

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

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**Report of Independent Registered Public Accounting Firm**

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Yahoo! Inc. and its subsidiaries at December 31, 2008 and December 31, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As discussed in Note 10 to the consolidated financial statements, effective January 1, 2007, the Company adopted new authoritative guidance on accounting for uncertain tax benefits. In addition, as discussed in Note 9 to the consolidated financial statements, effective January 1, 2009, the Company adopted new authoritative guidance on accounting for convertible debt instruments that may be settled in cash upon conversion.

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

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

/s/ PricewaterhouseCoopers LLP

San Jose, California  
February 26, 2010

**Yahoo! Inc.**  
**Consolidated Statements of Income**

	Years Ended December 31,		
	2007	2008	2009
	(In thousands, except per share amounts)		
Revenues	\$6,969,274	\$7,208,502	\$6,460,315
Cost of revenues	2,838,758	3,023,362	2,871,746
Gross profit	4,130,516	4,185,140	3,588,569
Operating expenses:			
Sales and marketing	1,610,357	1,563,313	1,245,350
Product development	1,084,238	1,221,787	1,210,168
General and administrative	633,431	705,136	580,352
Amortization of intangibles	107,077	87,550	39,106
Restructuring charges, net	—	106,854	126,901
Goodwill impairment charge	—	487,537	—
Total operating expenses	3,435,103	4,172,177	3,201,877
Income from operations	695,413	12,963	386,692
Other income, net	118,771	73,750	187,528
Income before provision for income taxes and earnings in equity interests	814,184	86,713	574,220
Provision for income taxes	(322,868)	(259,006)	(219,321)
Earnings in equity interests	150,689	596,979	250,390
Net income	642,005	424,686	605,289
Less: Net income attributable to noncontrolling interests	(2,850)	(5,765)	(7,297)
Net income attributable to Yahoo! Inc.	\$ 639,155	\$ 418,921	\$ 597,992
Net income attributable to Yahoo! Inc. common stockholders per share—basic	\$ 0.48	\$ 0.31	\$ 0.43
Net income attributable to Yahoo! Inc. common stockholders per share—diluted	\$ 0.47	\$ 0.29	\$ 0.42
Shares used in per share calculation—basic	1,338,987	1,369,476	1,397,652
Shares used in per share calculation—diluted	1,366,264	1,391,230	1,415,658
Stock-based compensation expense by function:			
Cost of revenues	\$ 10,628	\$ 13,813	\$ 10,759
Sales and marketing	246,472	182,826	141,537
Product development	218,207	178,091	205,971
General and administrative	97,120	63,113	79,820
Restructuring expense (reversals) accelerations, net	—	(30,236)	11,062

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

**Yahoo! Inc.**  
**Consolidated Balance Sheets**

	December 31,	
	2008	2009
(In thousands, except par values)		
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,292,296	\$ 1,275,430
Short-term marketable debt securities	1,159,691	2,015,655
Accounts receivable, net of allowance of \$51,600 and \$41,003 as of December 31, 2008 and 2009, respectively	1,060,450	1,003,362
Prepaid expenses and other current assets	233,061	300,325
Total current assets	4,745,498	4,594,772
Long-term marketable debt securities	69,986	1,226,919
Property and equipment, net	1,536,181	1,426,862
Goodwill	3,440,889	3,640,373
Intangible assets, net	485,860	355,883
Other long-term assets	233,989	194,933
Investments in equity interests	3,177,445	3,496,288
Total assets	<u>\$ 13,689,848</u>	<u>\$ 14,936,030</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 151,897	\$ 136,769
Accrued expenses and other current liabilities	1,139,894	1,169,815
Deferred revenue	413,224	411,144
Total current liabilities	1,705,015	1,717,728
Long-term deferred revenue	218,438	122,550
Capital lease and other long-term liabilities	77,062	83,021
Deferred and other long-term tax liabilities, net	420,372	494,095
Total liabilities	2,420,887	2,417,394
Commitments and contingencies (Note 13)	—	—
Yahoo! Inc. stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000 shares authorized; none issued or outstanding	—	—
Common stock, \$0.001 par value; 5,000,000 shares authorized; 1,600,220 shares issued and 1,391,560 shares outstanding as of December 31, 2008 and 1,413,718 shares issued and 1,406,075 shares outstanding as of December 31, 2009	1,595	1,410
Additional paid-in capital	11,643,635	10,640,367
Treasury stock at cost, 208,660 shares as of December 31, 2008 and 7,643 shares as of December 31, 2009	(5,267,484)	(117,331)
Retained earnings	4,752,920	1,599,638
Accumulated other comprehensive income	120,276	369,236
Total Yahoo! Inc. stockholders' equity	11,250,942	12,493,320
Noncontrolling interests	18,019	25,316
Total equity	<u>11,268,961</u>	<u>12,518,636</u>
Total liabilities and equity	<u>\$ 13,689,848</u>	<u>\$ 14,936,030</u>

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

**Yahoo! Inc.**  
**Consolidated Statements of Cash Flows**

	Years Ended December 31,		
	2007	2008 (In thousands)	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 642,005	\$ 424,686	\$ 605,289
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	409,366	508,812	554,546
Amortization of intangible assets	249,829	281,221	184,309
Stock-based compensation expense, net	572,427	407,607	449,149
Non-cash restructuring charges	—	7,925	7,301
Goodwill impairment charge	—	487,537	—
Tax benefits from stock-based awards	76,138	117,716	6,860
Excess tax benefits from stock-based awards	(35,427)	(125,114)	(108,487)
Deferred income taxes	(227,137)	(39,035)	(90,562)
Earnings in equity interests	(150,689)	(596,979)	(250,390)
Dividends received from equity investees	15,156	18,942	27,628
Losses (gains) from sales of investments, assets, and other, net	8,060	(10,347)	(160,634)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(88,738)	(62,082)	81,959
Prepaid expenses and other	132,437	(15,777)	21,585
Accounts payable	45,101	(23,840)	(19,684)
Accrued expenses and other liabilities	184,805	325,030	106,096
Deferred revenue	85,566	173,939	(104,619)
Net cash provided by operating activities	<u>1,918,899</u>	<u>1,880,241</u>	<u>1,310,346</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment, net	(602,276)	(674,829)	(433,795)
Purchases of marketable debt securities	(1,105,043)	(2,317,004)	(5,048,462)
Proceeds from sales of marketable debt securities	571,199	285,753	136,538
Proceeds from maturities of marketable debt securities	1,672,521	1,663,569	2,884,926
Proceeds from sales of marketable equity securities	—	—	265,194
Acquisitions, net of cash acquired	(973,577)	(208,958)	(195,106)
Purchases of intangible assets	(110,378)	(71,310)	(32,185)
Other investing activities, net	(24,948)	10,996	3,652
Net cash used in investing activities	<u>(572,502)</u>	<u>(1,311,783)</u>	<u>(2,419,238)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of common stock, net	375,066	363,354	112,673
Repurchases of common stock	(1,583,919)	(79,236)	(113,444)
Structured stock repurchases, net	(250,000)	—	—
Excess tax benefits from stock-based awards	35,427	125,114	108,487
Tax withholdings related to net share settlements of restricted stock awards and restricted stock units	(6,456)	(76,752)	(73,119)
Other financing activities, net	(12,126)	(74)	—
Net cash (used in) provided by financing activities	<u>(1,442,008)</u>	<u>332,406</u>	<u>34,597</u>
Effect of exchange rate changes on cash and cash equivalents	39,670	(122,498)	57,429
Net change in cash and cash equivalents	(55,941)	778,366	(1,016,866)
Cash and cash equivalents at beginning of year	1,569,871	1,513,930	2,292,296
Cash and cash equivalents at end of year	<u>\$ 1,513,930</u>	<u>\$ 2,292,296</u>	<u>\$ 1,275,430</u>

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

**Yahoo! Inc.**  
**Consolidated Statements of Stockholders' Equity**

	Years Ended December 31,		
	2007	2008 (In thousands)	2009
<b>Common stock</b>			
Balance, beginning of year	\$ 1,493	\$ 1,527	\$ 1,595
Common stock issued (retired), net	34	68	(185)
Balance, end of year	<u>1,527</u>	<u>1,595</u>	<u>1,410</u>
<b>Additional paid-in capital</b>			
Balance, beginning of year	8,615,915	10,032,252	11,643,635
Common stock and stock-based awards issued	665,695	363,322	112,654
Stock-based compensation expense	593,451	434,639	463,469
Tax benefits from stock-based awards	76,138	117,716	6,860
Tax withholdings related to net share settlements of restricted stock units	(4,466)	(49,276)	(68,344)
Debt conversions	287	749,516	—
Retirement of treasury stock	—	—	(1,516,895)
Adoption of new authoritative guidance relating to convertible debt instruments	95,242	—	—
Other	(10,010)	(4,534)	(1,012)
Balance, end of year	<u>10,032,252</u>	<u>11,643,635</u>	<u>10,640,367</u>
<b>Treasury stock</b>			
Balance, beginning of year	(3,324,863)	(5,160,772)	(5,267,484)
Repurchases of common stock	(1,833,920)	(79,236)	(113,444)
Tax withholdings related to net share settlements of restricted stock awards	(1,989)	(27,476)	(4,780)
Retirement of treasury stock	—	—	5,268,377
Balance, end of year	<u>(5,160,772)</u>	<u>(5,267,484)</u>	<u>(117,331)</u>
<b>Retained earnings</b>			
Balance, beginning of year	3,717,560	4,333,999	4,752,920
Net income attributable to Yahoo! Inc.	639,155	418,921	597,992
Adoption of new authoritative guidance relating to uncertain tax benefits effective January 1, 2007	46,304	—	—
Adoption of new authoritative guidance relating to convertible debt instruments	(69,020)	—	—
Retirement of treasury stock	—	—	(3,751,274)
Balance, end of year	<u>4,333,999</u>	<u>4,752,920</u>	<u>1,599,638</u>
<b>Accumulated other comprehensive income</b>			
Balance, beginning of year	150,505	331,202	120,276
Net change in unrealized (losses) gains on available-for-sale securities, net of tax	5,074	(20,017)	(1,936)
Foreign currency translation adjustment, net of tax	175,623	(190,909)	250,896
Balance, end of year	<u>331,202</u>	<u>120,276</u>	<u>369,236</u>
Total Yahoo! Inc. stockholders' equity	<u>\$ 9,538,208</u>	<u>\$ 11,250,942</u>	<u>\$ 12,493,320</u>

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

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	Years Ended December 31,		
	2007	2008 (In thousands)	2009
<b>Comprehensive income</b>			
Net income	\$ 642,005	\$ 424,686	\$ 605,289
Other comprehensive income (loss):			
Unrealized gains (losses) on available-for-sale securities, net of taxes of \$(8,131), \$18,736, and \$10,276 for 2007, 2008, and 2009, respectively	2,999	(21,195)	(9,652)
Reclassification adjustment for realized losses (gains) included in net income, net of taxes of \$(1,384), \$(785), and \$(10,060) for 2007, 2008, and 2009, respectively	2,075	1,178	7,716
Net change in unrealized gains (losses) on available-for-sale securities, net of tax	5,074	(20,017)	(1,936)
Foreign currency translation adjustment, net of tax	175,623	(190,909)	250,896
Other comprehensive income (loss)	180,697	(210,926)	248,960
Comprehensive income	822,702	213,760	854,249
Less: Comprehensive income attributable to noncontrolling interests	(2,850)	(5,765)	(7,297)
Comprehensive income attributable to Yahoo! Inc.	<u>\$ 819,852</u>	<u>\$ 207,995</u>	<u>\$ 846,952</u>

	Number of Outstanding Shares		
	(In thousands)		
<b>Common stock</b>			
Balance, beginning of year	1,360,247	1,330,828	1,391,560
Common stock and restricted stock issued	36,968	28,609	22,227
Repurchases of common stock	(66,332)	(3,388)	(7,409)
Debt conversions	13	36,563	—
Tax withholdings related to net share settlements of restricted stock awards	(68)	(1,052)	(303)
Balance, end of year	<u>1,330,828</u>	<u>1,391,560</u>	<u>1,406,075</u>

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

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements**

**Note 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The Company.* Yahoo! Inc., together with its consolidated subsidiaries (“Yahoo!” or the “Company”), attracts hundreds of millions of users every month through its engaging content and services and innovative technology, making it one of the most trafficked Internet destinations and a world class online media company. Yahoo!’s vision is to be the center of people’s online lives by delivering personally relevant, meaningful Internet experiences. To users, the Company provides online properties and services (“Yahoo! Properties” or our “Owned and Operated sites”). To advertisers, the Company provides a range of marketing services designed to reach and connect with users of its Owned and Operated sites, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities (“Affiliates”) that have integrated its advertising offerings into their Websites, referred to as Affiliate sites, or their other offerings. The Company believes that its marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences. The Company generates revenues by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Additionally, although many of the services the Company provides to users are free, Yahoo! does charge fees for a range of premium services.

*Basis of Presentation.* The consolidated financial statements include the accounts of Yahoo! Inc. and its majority-owned or otherwise controlled subsidiaries. Effective January 1, 2009, the Company adopted Financial Accounting Standards Board (“FASB”) authoritative guidance requiring that a noncontrolling interest held by others in a subsidiary be part of the equity of the controlling group and reported on the balance sheet within the equity section as a distinct item separate from the Company’s equity. In accordance with this guidance, minority interests have been re-captioned to noncontrolling interests and reported separately in equity for 2009 and prior periods. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the consolidated balance sheets. The Company has included the results of operations of acquired companies from the date of acquisition. Certain prior year amounts have been reclassified to conform to the current year presentation. Effective July 1, 2009, the Company adopted the Accounting Standards Codification™ (the “Codification”), as issued by the FASB. The Codification became the single source of authoritative generally accepted accounting principles (“GAAP”) in the U.S.

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

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

In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed and collectability of the related fee is reasonably assured. The Company accounts for cash consideration given to customers, for which it does not receive a separately identifiable benefit or cannot reasonably estimate fair value, as a reduction of revenue rather than as an expense.

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

Cash consideration received in an arrangement with a provider may require consideration of classification of amounts received as revenue or a reimbursement of costs incurred. Additionally, the Company reports revenue for which it is the primary obligor in the arrangement and for which it provided a product or service at the gross amount.

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

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

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

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

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

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

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

*Restructuring Charges.* The Company has developed and implemented restructuring initiatives to improve efficiencies across the organization, reduce operating expenses, and better align its resources to market conditions. As a result of these plans, the Company has recorded restructuring charges comprised principally of employee severance and associated termination costs related to the reduction of its workforce, office closures, losses on subleases and contract termination costs. Liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, as opposed to when management commits to an exit plan. In addition, (i) liabilities associated with exit and disposal activities are measured at fair value; (ii) one-time



**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

termination benefits are expensed at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period; and (iii) costs to terminate a contract before the end of its term are recognized when the entity terminates the contract in accordance with the contract terms. In addition, a portion of the Company's restructuring costs related to international employees whose termination benefits are recognized when the amount of such termination benefits becomes estimable and payment is probable.

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

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

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

*Product Development.* Product development expenses consist primarily of compensation related expenses (including stock-based compensation expense) incurred for research and development, the development of, enhancements to, and maintenance and operation of Yahoo! Properties, advertising products, technology platforms, and infrastructure. Depreciation expense, third-party technology and development expense, and other operating costs are also included in product development.

*Advertising Costs.* Advertising production costs are recorded as expense the first time an advertisement appears. Costs of communicating advertising are recorded as expense as advertising space or airtime is used. All other advertising costs are expensed as incurred. Advertising expense totaled approximately \$220 million, \$190 million, and \$197 million for 2007, 2008, and 2009, respectively.

*Stock-Based Compensation Expense.* The Company recognizes stock-based compensation expense net of an estimated forfeiture rate and therefore only recognizes compensation costs for those shares expected to vest over the service period of the award. Stock-based awards granted on or after January 1, 2006 are valued based on the grant date fair value of these awards; the Company records stock-based compensation expense on a straight-line basis over the requisite service period, generally one to four years.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock options, stock price volatility, and the pre-vesting forfeiture rate of stock awards. The Company estimates the expected life of options granted based on historical exercise patterns, which the Company believes are representative of future behavior. The Company estimates the volatility of its common stock on the

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

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

The Company uses the "with and without" approach in determining the order in which tax attributes are utilized. As a result, the Company only recognizes a tax benefit from stock-based awards in additional paid-in capital if an incremental tax benefit is realized after all other tax attributes currently available to the Company have been utilized. In addition, the Company accounts for the indirect effects of stock-based awards on other tax attributes, such as the research tax credit, through the statement of income.

*Operating and Capital Leases.* The Company leases office space and data centers under operating leases and certain data center equipment under a capital lease agreement with original lease periods up to 23 years. Assets acquired under capital leases are amortized over the shorter of the remaining lease term or its estimated useful life which is generally ten to fifteen years. Certain of the lease agreements contain rent holidays and rent escalation provisions. For purposes of recognizing these lease incentives on a straight-line basis over the term of the lease, the Company uses the date of initial possession to begin amortization. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the period of straight-line recognition. For the years ended December 31, 2008 and 2009, the Company expensed approximately \$3 million and \$5 million of interest, respectively. As of December 31, 2008 and 2009, the Company had a net lease commitment included in capital lease and other long-term liabilities in the consolidated balance sheets of \$43 million, respectively.

*Income Taxes.* Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. The Company records a valuation allowance against particular deferred income tax assets if it is more likely than not that those assets will not be realized. The provision for income taxes comprises the Company's current tax liability and change in deferred income tax assets and liabilities.

Significant judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are in accordance

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

with applicable tax laws. The Company adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties. Income taxes paid were \$141 million, \$70 million, and \$114 million in the years ended December 31, 2007, 2008, and 2009, respectively. Interest paid was not material in any of the years presented. See Note 10—"Income Taxes" for additional information.

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

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

The Company's marketable debt and equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss). Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The Company evaluates the investments periodically for possible other-than-temporary impairment. A decline of fair value below amortized costs of debt securities is considered an other-than-temporary impairment if the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis. In those instances, an impairment charge equal to the difference between the fair value and the amortized cost basis is recognized in earnings. Regardless of the Company's intent or requirement to sell a debt security, an impairment is considered other-than-temporary if the Company does not expect to recover the entire amortized cost basis; in those instances, a credit loss equal to the difference between the present value of the cash flows expected to be collected based on credit risk and the amortized cost basis of the debt security is recognized in earnings. The Company has no current requirement or intent to sell its debt securities as of December 31, 2009. The Company expects to recover up to (or beyond) the initial cost of investment for securities held. When assessing other-than-temporary impairment of equity securities, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, the Company's intent to hold the investment for a period of time which may be sufficient for an anticipated recovery in market value, and whether its cash flow needs may require the Company to sell the investment. If appropriate, the Company records impairment charges equal to the amount that the carrying value of an equity security exceeds the estimated fair value of such security as of the evaluation date. In computing realized gains and losses on available-for-sale securities, the Company determines cost based on amounts paid, including direct costs such as commissions to acquire the security, using the specific identification method. During the years ended December 31, 2007 and 2008, gross realized gains and losses on available-for-sale debt and equity securities were not material. During the year ended December 31, 2009 the Company recognized a gain of \$42 million, net of tax, in connection with the sale of its investment in Gmarket.

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

*Concentration of Risk.* Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, marketable debt securities, and accounts receivable. The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. A large portion of the Company's cash is managed by external managers within the guidelines of the Company's investment policy. The Company's investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating. To manage the risk exposure, the Company maintains its portfolio of cash and cash equivalents and short-term and long-term investments in a variety of fixed income securities, including government, municipal and highly rated corporate debt obligations and money market funds. Accounts receivable are typically unsecured and are derived from revenues earned from customers. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Historically, such losses have been within management's expectations. As of December 31, 2008 and 2009, no one customer accounted for 10 percent or more of the accounts receivable balance and no one customer accounted for 10 percent or more of the Company's revenues for 2007, 2008, or 2009.

*Property and Equipment.* Buildings are stated at cost and depreciated using the straight-line method over the estimated useful lives of 25 years. Leasehold improvements are amortized over the lesser of their expected useful lives and the remaining lease term. Computers and equipment and furniture and fixtures are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally two to five years.

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

*Internal Use Software and Website Development Costs.* The Company capitalized certain internal use software and Website development costs totaling approximately \$111 million, \$149 million, and \$90 million during 2007, 2008, and 2009, respectively. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from one to three years. During 2007, 2008, and 2009, the amortization of capitalized costs totaled approximately \$48 million, \$81 million, and \$128 million, respectively. Capitalized internal use software and Website development costs are included in property and equipment, net. Included in the capitalized amounts above are \$16 million, \$22 million, and \$14 million, respectively, of stock-based compensation expense in the years ended December 31, 2007, 2008, and 2009.

*Goodwill.* Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination. Goodwill is not amortized, but is tested for impairment on an annual basis and between annual tests in certain circumstances. The performance of the goodwill impairment test involves a two-step process. The first step involves comparing the fair value of the Company's reporting units to their carrying values, including goodwill. The Company's reporting units are based on geography, either at the operating segment level or one level below operating segments. The fair values of the reporting units are estimated using an average of a market approach and an income approach as this combination is deemed to be the most indicative of the Company's fair value in an orderly transaction between market participants. In addition, the fair values estimated under these two approaches are validated against each other to ensure consistency. Under the market approach, the Company utilizes publicly-traded comparable company information, specific to the regions in which the reporting units operate, to determine revenue and earnings multiples that are used to value the reporting units adjusted for an estimated control premium. Under the income approach, the Company determines fair value based on estimated future cash flows of each reporting unit discounted by an estimated

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The cash flow projections for each reporting unit are based on a five-year forecast of cash flows, derived from the most recent annual financial forecast, and a terminal value based on the Perpetuity Growth Model. The sum of the fair values of the reporting units is reconciled to the Company's market capitalization adjusted for an estimated control premium. If the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. See Note 5—"Goodwill" for additional information.

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

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

*Foreign Currency.* The functional currency of the Company's international subsidiaries is evaluated on a case-by-case basis and is often the local currency. The financial statements of these subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenues and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. In addition, the Company records translation gains (losses) related to its foreign equity method investments in accumulated other comprehensive income (loss). The Company records foreign currency transaction gains and losses, realized and unrealized in other income, net in the consolidated statements of income. The Company recorded approximately \$7 million of net gains in 2007, and \$25 million and \$1 million of net losses in 2008 and 2009, respectively.

***Recent Accounting Pronouncements***

In October 2009, the FASB amended the accounting standards for multiple deliverable revenue arrangements. The amendment will require the arrangement consideration to be allocated based on the relative selling price for each arrangement deliverable. The selling price for each arrangement deliverable can be established based on vendor specific objective evidence ("VSOE"), third-party evidence ("TPE") if VSOE is not available, or best estimate of selling price ("BESP") if neither VSOE nor TPE is available. The Company is in the process of evaluating the impact of the adoption of this guidance on the Company's consolidated financial position, cash flows, and results of operations.

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)****Note 2 BASIC AND DILUTED NET INCOME ATTRIBUTABLE TO YAHOO! COMMON STOCKHOLDERS PER SHARE**

Basic and diluted net income per share attributable to Yahoo! common stockholders is computed using the weighted average number of common shares outstanding during the period, excluding net income attributable to participating securities (restricted stock awards granted under the Company's 1995 Stock Plan and restricted stock units granted under the 1996 Directors' Stock Plan (the "Directors' Plan")) in accordance with authoritative guidance which became effective January 1, 2009 for stock-based awards with non-forfeitable rights to dividends. Accordingly, all prior period earnings per share have been adjusted. Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares are calculated using the treasury stock method and consist of unvested restricted stock, shares underlying unvested restricted stock units, the incremental common shares issuable upon the exercise of stock options, and shares to be purchased under the employee stock purchase plan. In addition, potential common shares issuable upon an assumed conversion of the outstanding Notes prior to their maturity and conversion on April 1, 2008 were calculated using the "as if" converted method. These potential common shares were excluded from the denominator for the diluted calculation if including them in the calculation resulted in an increase to earnings per share. In applying the treasury stock method, the Company calculates potential tax windfalls and shortfalls by including the impact of pro forma deferred tax assets.

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

For 2007, 2008, and 2009, potentially dilutive securities representing approximately 128 million, 140 million, and 122 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been anti-dilutive.

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

	<u>Years Ended December 31,</u>		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Basic:</b>			
Numerator:			
Net income attributable to Yahoo!	\$ 639,155	\$ 418,921	\$ 597,992
Less: Net income allocated to participating securities	(1,797)	(435)	(552)
Net income attributable to Yahoo! common stockholders—basic	<u>\$ 637,358</u>	<u>\$ 418,486</u>	<u>\$ 597,440</u>
Denominator:			
Weighted average common shares	<u>1,338,987</u>	<u>1,369,476</u>	<u>1,397,652</u>
Net income attributable to Yahoo! common stockholders per share—basic	<u>\$ 0.48</u>	<u>\$ 0.31</u>	<u>\$ 0.43</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

	Years Ended December 31,		
	2007	2008	2009
<b>Diluted:</b>			
Numerator:			
Net income attributable to Yahoo!	\$ 639,155	\$ 418,921	\$ 597,992
Less: Net income allocated to participating securities	(1,238)	(265)	(54)
Less: Effect of dilutive securities issued by equity investees	—	(11,501)	(343)
Net income attributable to Yahoo! common stockholders—diluted	<u>\$ 637,917</u>	<u>\$ 407,155</u>	<u>\$ 597,595</u>
Denominator:			
Denominator for basic calculation	1,338,987	1,369,476	1,397,652
Weighted average effect of Yahoo! dilutive securities:			
Restricted stock and restricted stock units	4,785	5,240	10,371
Stock options and ESPP	22,492	16,514	7,635
Denominator for diluted calculation	<u>1,366,264</u>	<u>1,391,230</u>	<u>1,415,658</u>
Net income attributable to Yahoo! common stockholders per share—diluted	<u>\$ 0.47</u>	<u>\$ 0.29</u>	<u>\$ 0.42</u>

**Note 3 ACQUISITIONS**

The following table summarizes significant acquisitions (including business combinations, asset acquisitions, and strategic investments) completed during the three years ended December 31, 2009 (in millions):

	Purchase Price	Goodwill	Amortizable Intangibles
<b>2007</b>			
Right Media	\$ 524	\$ 440	\$ 104
Zimbra	\$ 303	\$ 245	\$ 79
BlueLithium	\$ 255	\$ 224	\$ 42
Other acquisitions	\$ 169	\$ 74	\$ 118
<b>2008</b>			
Maven	\$ 143	\$ 87	\$ 65
Other acquisitions	\$ 97	\$ 51	\$ 51
<b>2009</b>			
Maktoob	\$ 164	\$ 142	\$ 19
Other acquisitions	\$ 30	\$ 16	\$ 16

**Transactions completed in 2007**

*Right Media.* On July 11, 2007, the Company acquired Right Media Inc. (“Right Media”), an online advertising exchange. The Company believed the acquisition of Right Media was an integral piece of the Company’s strategy to build the industry’s leading advertising and publishing network and was a key step in executing the Company’s long-term strategy to change how online advertisers and publishers connect to their audiences in one open advertising community. The purchase price exceeded the fair value of net tangible and identifiable intangible assets acquired from Right Media and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the remaining equity interests (including all outstanding options and restricted stock units) in Right Media. Right Media stockholders were paid

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

in approximately equal parts cash and shares of Yahoo! common stock (approximately 8 million shares) and outstanding Right Media options and restricted stock units were assumed. Assumed Right Media options and restricted stock units are exercisable for, or will settle in, shares of Yahoo! common stock. The acquisition followed the Company's 20 percent investment in Right Media in October 2006.

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

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

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

The amortizable intangible assets have useful lives not exceeding seven years and a weighted average useful life of six years. No amounts have been allocated to in-process research and development and \$440 million has been allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the U.S. segment.

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

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



**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

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

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

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

In February 2010, the Company sold its Zimbra, Inc. business. Assets and liabilities sold were not material as of December 31, 2009 and their carrying value did not exceed the selling price.

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

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

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

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

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

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

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

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

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

	<b>Year Ended December 31, 2007</b>
Net revenues	\$ 7,054,888
Net income attributable to Yahoo!	\$ 491,013
Net income attributable to Yahoo! common stockholders per share—basic	\$ 0.37
Net income attributable to Yahoo! common stockholders per share—diluted	\$ 0.36

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

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

**Transactions completed in 2008**

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

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

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

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

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

*Other Acquisitions—Business Combinations.* During the year ended December 31, 2008, the Company acquired two other companies, which were accounted for as business combinations. The total purchase price for these acquisitions was \$71 million and consisted of \$68 million in cash consideration and \$3 million of direct transaction costs. The total cash consideration of \$68 million less cash acquired of \$25 million resulted in a net cash outlay of \$43 million. Of the purchase price, \$51 million was allocated to goodwill, \$15 million to

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

amortizable intangible assets, \$9 million to tangible assets, \$25 million to cash acquired, and \$30 million to net assumed liabilities. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

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

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

**Transactions completed in 2009**

*Maktoob.* On November 11, 2009, the Company acquired Maktoob.com, Inc. ("Maktoob"), a leading online portal in the Middle East. The Company believes the acquisition of Maktoob will accelerate the Company's growth in the Middle East through Maktoob's existing strong position in the region and the ability to deliver users a compelling local experience by combining Maktoob's experienced team with Yahoo!'s scalable technology and products. The purchase price exceeded the fair value of the net tangible and identifiable intangible assets acquired from Maktoob and as a result, the Company recorded goodwill in connection with this transaction. Under the terms of the agreement, the Company acquired all of the equity interests (including all outstanding options) in Maktoob. Maktoob stockholders and vested optionholders were paid in cash, and outstanding Maktoob unvested options were assumed. Assumed options are exercisable for shares of Yahoo! common stock.

The total purchase price of \$164 million consisted of cash consideration. In connection with the acquisition, the Company issued stock-based awards valued at \$1 million which is being recognized as stock-based compensation expense as the awards vest over a period of up to two years.

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

Cash acquired	\$ 789
Other tangible assets acquired	6,986
Amortizable intangible assets:	
Customer contracts and related relationships	1,900
Developed technology and patents	13,100
Trade name, trademark, and domain name	4,400
Goodwill	<u>142,056</u>
Total assets acquired	169,231
Liabilities assumed	<u>(4,794)</u>
Total	<u>\$164,437</u>

The amortizable intangible assets have useful lives not exceeding five years and a weighted average useful life of five years. No amounts have been allocated to in-process research and development and \$142 million has been

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. The goodwill recorded in connection with this acquisition is included in the International segment.

*Other Acquisitions—Business Combinations.* During the year ended December 31, 2009, the Company acquired two other companies, which were accounted for as business combinations. The total purchase price for these acquisitions was \$30 million. The total cash consideration of \$30 million less cash acquired of \$2 million resulted in a net cash outlay of \$28 million. Of the purchase price, \$16 million was allocated to goodwill, \$16 million to amortizable intangible assets, \$2 million to tangible assets, \$2 million to cash acquired, and \$6 million to net assumed liabilities. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

The Company's business combinations completed in 2009 did not have a material impact on the Company's results of operations, and therefore pro forma disclosures have not been presented.

**Note 4 INVESTMENTS IN EQUITY INTERESTS**

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

	2008	2009	Percent Ownership of Common Stock
Alibaba Group	\$2,216,659	\$2,167,007	44%
Alibaba.com	51,999	—	0%
Yahoo Japan	905,672	1,329,281	35%
Other	3,115	—	
Total	<u>\$3,177,445</u>	<u>\$3,496,288</u>	

*Equity Investment in Alibaba Group.* On October 23, 2005, the Company acquired approximately 46 percent of the outstanding common stock of Alibaba Group, which represented approximately 40 percent on a fully diluted basis, in exchange for \$1.0 billion in cash, the contribution of the Company's China-based businesses, including 3721 Network Software Company Limited ("Yahoo! China"), and direct transaction costs of \$8 million. Pursuant to the terms of a shareholder agreement, the Company has an approximate 35 percent voting interest in Alibaba Group, with the remainder of its voting rights subject to a voting agreement with Alibaba Group management. Other investors in Alibaba Group include SOFTBANK. Alibaba Group is a privately-held company. Through its investment in Alibaba Group, the Company has combined its search capabilities with Alibaba Group's leading online marketplace and online payment system and Alibaba Group's strong local presence, expertise, and vision in the China market. These factors contributed to a purchase price in excess of the Company's share of the fair value of Alibaba Group's net tangible and intangible assets acquired resulting in goodwill.

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

The Company's initial purchase price was based on acquiring a 40 percent equity interest in Alibaba Group on a fully diluted basis; however, the Company acquired a 46 percent interest based on outstanding shares. In

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

allocating the initial excess of the carrying value of the investment in Alibaba Group over its proportionate share of the net assets of Alibaba Group, the Company allocated a portion of the excess to goodwill to account for the estimated reductions in the carrying value of the investment in Alibaba that may occur as the Company's equity interest is diluted to 40 percent. As of December 31, 2008 and 2009, the Company's ownership interest in Alibaba Group was approximately 44 percent.

In the initial public offering ("IPO") of Alibaba.com on November 6, 2007, Alibaba Group sold an approximate 27 percent interest in Alibaba.com through the issuance of new Alibaba.com shares, the sale of previously held shares in Alibaba.com, and the exchange of certain Alibaba Group shares previously held by Alibaba Group employees for shares in Alibaba.com, resulting in a gain on disposal of interests in Alibaba.com. Accordingly, in the first quarter of 2008, the Company recorded a non-cash gain of \$401 million, net of tax, within earnings in equity interests representing the Company's share of Alibaba Group's gain, and the Company's ownership interest in Alibaba Group increased approximately 1 percent from 43 percent to 44 percent.

The Company also recognizes non-cash gains when dilution to its ownership interest in Alibaba Group occurs as these reductions in ownership interest are treated as incremental sales of additional equity interests in Yahoo! China. The Company previously recorded a non-cash gain of approximately \$8 million during the year ended December 31, 2007 as a result of the exercise of Alibaba Group's employee stock options described above. This gain was recorded in other income; net, to account for an approximate 1 percent reduction in the Company's ownership interest in Alibaba Group from 44 percent in 2006 to 43 percent in 2007. Non-cash gains were not recognized in 2008 and 2009 as the Company's ownership interest in Alibaba did not decrease from the Company's 2007 ownership level.

As of December 31, 2009 the difference between the Company's carrying value of its investment in Alibaba Group and its proportionate share of the net assets of Alibaba Group is summarized as follows (in thousands):

Carrying value of investment in Alibaba Group	\$2,167,007
Proportionate share of Alibaba Group stockholders' equity	1,649,710
Excess of carrying value of investment over proportionate share of Alibaba Group's stockholders' equity	<u>\$ 517,297</u>
The excess carrying value has been primarily assigned to:	
Goodwill	\$ 497,186
Amortizable intangible assets	20,213
Deferred income taxes	(102)
Total	<u>\$ 517,297</u>

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

The following table presents Alibaba Group's U.S. GAAP financial information, as derived from the Alibaba Group financial statements (in thousands):

	Twelve Months Ended September 30,		
	2007	2008	2009
Operating data:			
Revenues	\$290,193	\$ 456,808	\$730,336
Gross profit	\$208,476	\$ 317,139	\$537,974
Loss from operations <sup>(1)</sup>	\$ (59,582)	\$ (236,017)	\$ (39,460)
Net (loss) income <sup>(2)</sup>	\$ (58,860)	\$1,909,009	\$ (19,932)
Net (loss) income attributable to Alibaba Group <sup>(2)</sup>	\$ (58,860)	\$1,870,093	\$ (57,346)

## Yahoo! Inc.

## Notes to Consolidated Financial Statements—(Continued)

	September 30, 2008	September 30, 2009
Balance sheet data:		
Current assets	\$ 2,585,369	\$ 3,191,097
Long-term assets	\$ 2,193,374	\$ 2,308,099
Current liabilities	\$ 821,174	\$ 1,562,583
Long-term liabilities	\$ 20,131	\$ 24,082
Noncontrolling interests	\$ 187,570	\$ 184,180

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

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

Since acquiring its interest in Alibaba Group, the Company has recorded, in retained earnings, cumulative earnings in equity interests of \$333 million and \$308 million, respectively as of December 31, 2008 and 2009.

The Company also has commercial arrangements with Alibaba Group to provide technical, development, and advertising services. For the years ended December 31, 2008 and 2009, these transactions were not material.

*Equity Investment in Alibaba.com Limited.* As part of the IPO of Alibaba.com, the Company purchased an approximate 1 percent interest in the common stock of Alibaba.com. This investment was accounted for using the equity method, consistent with the Company's investment in Alibaba Group, which holds the controlling interest in Alibaba.com. In September 2009, the Company sold its direct investment in Alibaba.com for net proceeds of \$145 million and recorded a pre-tax gain of \$98 million (\$60 million after tax) in other income, net.

*Equity Investment in Yahoo Japan.* During April 1996, the Company signed a joint venture agreement with SOFTBANK, which was amended in September 1997, whereby Yahoo Japan Corporation ("Yahoo Japan") was formed. Yahoo Japan was formed to establish and manage a local version of Yahoo! in Japan. The fair value of the Company's approximate 35 percent ownership in the common stock of Yahoo Japan, based on the quoted stock price, was approximately \$6 billion as of December 31, 2009.

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

As of December 31, 2009, the Company's ownership interest in Yahoo Japan was approximately 35 percent compared to 34 percent as of December 31, 2008. The 1 percent increase is primarily due to share repurchases undertaken by Yahoo Japan on the open market. The Company's proportionate share of Yahoo Japan's total share repurchase amount in excess of its book value was approximately \$238 million and has been primarily allocated to goodwill. Prior to and during 2001, Yahoo Japan acquired the Company's equity interests in certain entities in Japan for total consideration of approximately \$65 million, paid partially in shares of Yahoo Japan common stock and partially in cash. As a result of the acquisition, the Company increased its investment in Yahoo Japan, which resulted in approximately \$41 million of goodwill. The carrying value of the Company's investment in Yahoo Japan differs from the amount of the underlying equity in net assets of Yahoo Japan primarily as a result of the goodwill resulting from these transactions. Goodwill is not deductible for tax purposes.

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

During the years ended December 31, 2007, 2008 and 2009, the Company received cash dividends from Yahoo Japan in the amounts of \$15 million, \$19 million, and \$26 million, net of tax, respectively, which were recorded as reductions in the Company's investment in Yahoo Japan.

The following table presents Yahoo Japan's financial information, as derived from the Yahoo Japan financial statements (in thousands):

	Twelve Months Ended September 30,		
	2007	2008	2009
<b>Operating data:</b>			
Revenues	\$ 1,933,114	\$ 2,697,518	\$ 3,172,106
Gross profit	\$ 1,836,169	\$ 2,298,364	\$ 2,652,513
Income from operations	\$ 983,844	\$ 1,217,895	\$ 1,443,374
Net income	\$ 512,023	\$ 659,867	\$ 813,759
Net income attributable to Yahoo Japan	\$ 507,850	\$ 653,132	\$ 810,059
<b>Balance sheet data:</b>			
Current assets		\$ 1,202,164	\$ 1,599,624
Long-term assets		\$ 1,923,195	\$ 2,395,863
Current liabilities		\$ 778,110	\$ 997,722
Long-term liabilities		\$ 189,719	\$ 3,556
Noncontrolling interests		\$ 25,665	\$ 26,662

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

Since acquiring its equity interest in Yahoo Japan, the Company has recorded cumulative earnings in equity interests, net of dividends received and related taxes, of \$801 million and \$1.1 billion as of December 31, 2008 and 2009, respectively.

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

On September 1, 2007, the Company commenced a new commercial arrangement with Yahoo Japan in which the Company provides search marketing services to Yahoo Japan for a service fee and exited the pre-existing commercial arrangement. Previously, the Company earned marketing services revenues from advertisers and paid TAC to Yahoo Japan. The Company no longer recognizes marketing services revenues and TAC for the delivery of sponsored search results and payments to Affiliates in Japan as Yahoo Japan is responsible for the fulfillment of all advertiser and Affiliate services. Under this new arrangement, the Company records marketing services revenues from Yahoo Japan for the provision of search marketing services based on a percentage of advertising revenues earned by Yahoo Japan for the delivery of sponsored search results. In addition to marketing services revenues, the Company continues to record revenues from license fees from Yahoo Japan. The prior commercial arrangement resulted in net costs of approximately \$135 million for the year ended December 31, 2007. The new arrangement resulted in revenues of approximately \$296 million and \$303 million, respectively, for the years ended December 31, 2008 and 2009. As of December 31, 2008 and 2009, the Company had net receivable balances from Yahoo Japan of approximately \$39 million and \$41 million, respectively.



**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

**Note 5 GOODWILL**

The changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2009 were as follows (in thousands):

	<u>U.S.<sup>(1)</sup></u>	<u>International<sup>(2)(3)</sup></u>	<u>Total</u>
Net balance as of January 1, 2008	\$2,518,848	\$ 1,483,182	\$4,002,030
Acquisitions and other <sup>(4)</sup>	68,043	37,342	105,385
Goodwill impairment charge	—	(487,537)	(487,537)
Foreign currency translation adjustments	—	(178,989)	(178,989)
Net balance as of December 31, 2008	<u>2,586,891</u>	<u>853,998</u>	<u>3,440,889</u>
Acquisitions	10,678	148,406	159,084
Foreign currency translation adjustments	—	40,400	40,400
Net balance as of December 31, 2009	<u>\$2,597,569</u>	<u>\$ 1,042,804</u>	<u>\$3,640,373</u>

<sup>(1)</sup> Gross goodwill balances for the U.S. segment were \$2.5 billion and \$2.6 billion as of January 1, 2008 and December 31, 2009, respectively.

<sup>(2)</sup> Gross goodwill balances for the International segment were \$1.5 billion and \$1.6 billion as of January 1, 2008 and December 31, 2009, respectively.

<sup>(3)</sup> International segment includes accumulated impairment losses of \$64 million and \$552 million as of January 1, 2008 and December 31, 2009, respectively.

<sup>(4)</sup> Other includes a reduction of \$19 million of goodwill related to the sale of Kelkoo SAS.

In 2008, as a result of the goodwill impairment test, the Company concluded that the carrying value of the European reporting unit, included in the International segment, exceeded its fair value. Accordingly, the Company recorded a goodwill impairment charge of approximately \$488 million during 2008 for the difference between the carrying value of the goodwill in the reporting unit and its implied fair value. The fair values of the other reporting units exceeded their estimated carrying values so goodwill in those reporting units was not impaired. The impairment resulted from a combination of factors, including the global economic downturn, a persistent decline in business conditions in the European region, reductions in the Company's projected operating results and estimated future cash flows, and decreases in revenues and earnings multiples of comparable companies in that region. The 2009 impairment test indicated that the fair value of the reporting units substantially exceeded their carrying values; therefore goodwill in the reporting units was not impaired.

**Note 6 INTANGIBLE ASSETS, NET**

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

	<u>December 31, 2008</u>		
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization<sup>(*)</sup></u>	<u>Net</u>
Customer, affiliate, and advertiser related relationships	\$ 178,868	\$ (79,040)	\$ 99,828
Developed technology and patents	555,669	(205,501)	350,168
Trade names, trademarks, and domain names	128,190	(92,326)	35,864
Total intangible assets, net	<u>\$ 862,727</u>	<u>\$ (376,867)</u>	<u>\$485,860</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

	December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization <sup>(*)</sup>	Net
Customer, affiliate, and advertiser related relationships	\$ 141,484	\$ (58,252)	\$ 83,232
Developed technology and patents	505,124	(265,839)	239,285
Trade names, trademarks, and domain names	78,528	(45,162)	33,366
Total intangible assets, net	<u>\$ 725,136</u>	<u>\$ (369,253)</u>	<u>\$ 355,883</u>

(\*) Foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, totaled approximately \$11 million as of December 31, 2008 and \$15 million as of December 31, 2009.

The intangible assets have original estimated useful lives as follows:

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

The Company recognized amortization expense of intangible assets of approximately \$250 million, \$281 million, and \$184 million for 2007, 2008, and 2009, respectively, including \$143 million, \$194 million, and \$145 million, respectively, included in cost of revenues. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding years is as follows: 2010: \$132 million; 2011: \$101 million; 2012: \$64 million; 2013: \$26 million; 2014: \$12 million; and cumulatively thereafter: \$4 million.

**Note 7 CONSOLIDATED FINANCIAL STATEMENT DETAILS**

***Other income, net***

Other income, net for 2007, 2008, and 2009 were as follows (in thousands):

	Years Ended December 31,		
	2007	2008	2009
Interest and investment income	\$ 129,541	\$ 86,056	\$ 22,116
Investment gains (losses), net	1,730	(351)	3,702
Gain on divestiture of Yahoo! China <sup>(1)</sup>	8,066	—	—
Gain on sale of Overture Japan <sup>(1)</sup>	6,175	—	—
Gain on sale of Kelkoo SAS	—	25,149	—
Gain on sales of marketable equity securities	—	—	164,851
Imputed interest on convertible debt <sup>(2)</sup>	(35,240)	(9,088)	—
Other	8,499	(28,016)	(3,141)
Total other income, net	<u>\$ 118,771</u>	<u>\$ 73,750</u>	<u>\$ 187,528</u>

<sup>(1)</sup> See Note 4—“Investments in Equity Interests” for additional information related to the gains on the divestiture of Yahoo! China and sale of Overture Japan.

<sup>(2)</sup> See Note 9—“Debt” for additional information related to the retrospective adoption of new authoritative guidance on convertible debt instruments effective in 2009.

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

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

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

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

Gains on sales of marketable equity securities include gains from sales of publicly traded companies. In May 2009, the Company sold all of its Gmarket shares for net proceeds of \$120 million. The Company recorded a pre-tax gain of \$67 million (\$42 million after tax) in connection with the Company's sale of its Gmarket shares. In September 2009, the Company sold its direct investment in Alibaba.com for net proceeds of \$145 million. The Company recorded a pre-tax gain of \$98 million (\$60 million after tax) in connection with the Company's sale of its Alibaba.com shares.

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

***Prepaid expenses and other current assets***

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

	<u>2008</u>	<u>2009</u>
Prepaid expenses	\$ 70,084	\$ 74,409
Deferred income taxes (Note 10)	143,131	201,614
Other	19,846	24,302
Total prepaid expenses and other current assets	<u>\$ 233,061</u>	<u>\$ 300,325</u>

***Property and equipment, net***

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

	<u>2008</u>	<u>2009</u>
Land	\$ 170,949	\$ 170,949
Buildings	256,131	256,215
Leasehold improvements	220,305	304,421
Computers and equipment <sup>(1)</sup>	1,384,000	1,844,776
Furniture and fixtures	67,886	62,685
Assets not yet in use	206,216	142,899
	<u>2,305,487</u>	<u>2,781,945</u>
Less: accumulated depreciation and amortization <sup>(2)</sup>	(769,306)	(1,355,083)
Total property and equipment, net	<u>\$1,536,181</u>	<u>\$ 1,426,862</u>

<sup>(1)</sup> Includes data center equipment acquired under a capital lease of approximately \$43 million as of both December 31, 2008 and 2009.

<sup>(2)</sup> Includes \$2 million and \$6 million of accumulated depreciation related to the capital lease as of December 31, 2008 and 2009, respectively.

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)*****Other long-term assets***

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

	<u>2008</u>	<u>2009</u>
Deferred income taxes (Note 10)	\$ 36,821	\$ 74,299
Investments in privately-held companies	38,428	44,220
Investments in publicly-held companies	86,629	2,597
Other	72,111	73,817
Total other long-term assets	<u>\$ 233,989</u>	<u>\$ 194,933</u>

***Accrued expenses and other current liabilities***

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

	<u>2008</u>	<u>2009</u>
Accrued content, connection, traffic acquisition, and other costs	\$ 374,920	\$ 356,462
Deferred income taxes (Note 10)	865	2,622
Accrued compensation and related expenses	318,958	337,387
Accrued taxes payable	23,194	59,515
Accrued professional service expenses	77,032	56,684
Accrued sales and marketing related expenses	44,335	52,484
Accrued restructuring costs	82,268	45,936
Current liability for uncertain tax contingencies	5,519	53,858
Other	212,803	204,867
Total accrued expenses and other current liabilities	<u>\$ 1,139,894</u>	<u>\$ 1,169,815</u>

***Deferred and other long-term tax liabilities, net***

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

	<u>2008</u>	<u>2009</u>
Deferred income taxes	\$ 68,097	\$ 59,473
Tax contingency accruals(*)	352,275	434,622
Total deferred and other long-term tax liabilities, net (Note 10)	<u>\$ 420,372</u>	<u>\$ 494,095</u>

(\*) Includes interest and penalties.

***Accumulated other comprehensive income***

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

	<u>2008</u>	<u>2009</u>
Unrealized gains and losses on available-for-sale securities, net of tax	\$ 6,857	\$ 4,921
Foreign currency translation, net of tax	113,419	364,315
Accumulated other comprehensive income	<u>\$ 120,276</u>	<u>\$ 369,236</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

**Note 8 INVESTMENTS**

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

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

	December 31, 2009			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	\$1,781,674	\$ 868	\$ (1,825)	\$1,780,717
Municipal bonds	465,823	739	(3)	466,559
Corporate debt securities, commercial paper, and bank certificates of deposit	995,291	1,305	\$ (1,298)	995,298
Corporate equity securities	2,597	—	—	2,597
Total investments in available-for-sale securities	<u>\$3,245,385</u>	<u>\$ 2,912</u>	<u>\$ (3,126)</u>	<u>\$3,245,171</u>

	December 31,	
	2008	2009
Reported as:		
Short-term marketable debt securities	\$ 1,159,691	\$ 2,015,655
Long-term marketable debt securities	69,986	1,226,919
Other assets(*)	86,629	2,597
Total	<u>\$ 1,316,306</u>	<u>\$ 3,245,171</u>

(\*) As of December 31, 2008 these balances include the Company's investment in Gmarket, which was included as part of other long-term assets in the consolidated balance sheet. The Company sold all of its Gmarket shares in May 2009.

Available-for-sale securities included in cash and cash equivalents on the consolidated balance sheets are not included in the table above as the gross unrealized gains and losses were immaterial for both 2008 and 2009 as the carrying value approximates fair value because of the short maturity of those instruments.

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

	December 31,	
	2008	2009
Due within one year	\$ 1,159,691	\$ 2,015,655
Due after one year through five years	69,986	1,226,919
Total available-for-sale marketable debt securities	<u>\$ 1,229,677</u>	<u>\$ 3,242,574</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

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

	December 31, 2008					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Total investments in available-for-sale securities(*)	\$72,585	\$ (2,521)	\$18,640	\$ (464)	\$91,225	\$ (2,985)

(\*) Consists of corporate debt securities.

	December 31, 2009					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and agency securities	\$ 886,657	\$ (1,825)	\$ —	\$ —	\$ 886,657	\$ (1,825)
Municipal bonds	8,760	(3)	—	—	8,760	(3)
Corporate debt securities and commercial paper	352,031	(1,298)	—	—	352,031	(1,298)
Total investments in available-for-sale securities	<u>\$1,247,448</u>	<u>\$ (3,126)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$1,247,448</u>	<u>\$ (3,126)</u>

The Company's investment portfolio consists of liquid high-quality fixed income government, agency, municipal, corporate debt securities, money market funds, and term deposits with financial institutions. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Fixed income securities may have their fair market value adversely impacted due to a deterioration of the credit quality of the issuer. The longer the term of the securities, the more susceptible they are to changes in market rates. Investments are reviewed periodically to identify possible other-than-temporary impairment. The Company has no current requirement or intent to sell these securities. The Company expects to recover up to (or beyond) the initial cost of investment for securities held.

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

The FASB's authoritative guidance on fair value measurements establishes a framework for measuring fair value and requires disclosures about fair value measurements by establishing a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

**Basis of Fair Value Measurement**

- Level 1      Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2      Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3      Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

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

<u>Assets</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market funds <sup>(1)</sup>	\$ 1,024,633	\$ —	\$ 1,024,633
Available-for-sale securities:			
U.S. Government and agency securities <sup>(1)</sup>	—	1,274,388	1,274,388
Municipal bonds <sup>(1)</sup>	—	52,816	52,816
Asset-backed securities <sup>(1)</sup>	—	8,933	8,933
Commercial paper <sup>(1)</sup>	—	460,933	460,933
Corporate debt securities <sup>(1)</sup>	—	116,811	116,811
Available-for-sale securities at fair value	\$ 1,024,633	\$ 1,913,881	\$ 2,938,514
Corporate equity securities <sup>(2)</sup>	86,629	—	86,629
Total assets at fair value	<u>\$ 1,111,262</u>	<u>\$ 1,913,881</u>	<u>\$ 3,025,143</u>

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

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

The amount of cash and cash equivalents as of December 31, 2008 includes \$583 million in cash deposited with commercial banks, of which \$151 million are time deposits.

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

The following table sets forth the financial assets, measured at fair value, by level within the fair value hierarchy as of December 31, 2009 (in thousands):

Assets	Fair Value Measurements at Reporting Date Using		
	Level 1	Level 2	Total
Money market funds <sup>(1)</sup>	\$ 364,602	\$ —	\$ 364,602
Available-for-sale securities:			
U.S. Government and agency securities <sup>(1)</sup>	—	1,938,608	1,938,608
Municipal bonds <sup>(1)</sup>	—	470,031	470,031
Commercial paper and bank certificates of deposit <sup>(1)</sup>	—	445,786	445,786
Corporate debt securities <sup>(1)</sup>	—	641,104	641,104
Available-for-sale securities at fair value	\$ 364,602	\$ 3,495,529	\$ 3,860,131
Corporate equity securities <sup>(2)</sup>	2,597	—	2,597
Total assets at fair value	\$ 367,199	\$ 3,495,529	\$ 3,862,728

<sup>(1)</sup> The money market funds, U.S. Government and agency securities, municipal bonds, commercial paper and bank certificates of deposit, and corporate debt securities are classified as part of either cash and cash equivalents or investments in marketable debt securities in the consolidated balance sheet.

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

The amount of cash and cash equivalents as of December 31, 2009 includes \$658 million in cash deposited with commercial banks, of which \$205 million are time deposits.

The fair value of the Company's Level 1 financial assets is based on quoted market prices of the identical underlying security. The fair value of the Company's Level 2 financial assets is obtained from readily-available pricing sources for the identical underlying security that may not be actively traded. As of December 31, 2009, the Company did not have any material Level 3 financial assets or liabilities.

**Note 9 DEBT**

In April 2003, the Company issued \$750 million of zero coupon senior convertible notes ("the Notes") due April 1, 2008, resulting in net proceeds to the Company of approximately \$733 million after transaction fees of \$17 million, which had been deferred and subsequently amortized. The Notes were issued at par, did not bear interest, and were convertible into shares of the Company's common stock. Upon conversion, the Company had the right to deliver cash in lieu of common stock.

During the year ended December 31, 2008, the holders of the Company's Notes converted \$750 million of the Notes into 36.6 million shares of Yahoo! common stock.

Effective January 1, 2009, the Company adopted the FASB's new authoritative guidance for convertible debt instruments that may be settled in cash upon conversion, including partial cash settlement. For these types of convertible debt instruments, the proceeds from the instrument's issuance must be allocated between the liability and equity components in a manner that reflects interest cost based upon the Company's borrowing rate at the date of issuance of the convertible debt for a similar debt instrument without the debt conversion feature. The borrowing rate was estimated to be 5 percent for the liability component of the Notes. This effective interest rate was used to calculate the fair value of the Notes using a present value approach and the accretion of interest expense over the life of the Notes.



**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

Upon the adoption of the FASB's new authoritative guidance, the Company recorded the change in accounting principle as a cumulative effect adjustment to the opening balance of retained earnings as of January 1, 2007 totaling \$69 million, which represented imputed interest, net of taxes, for the period from issuance to January 1, 2007. The corresponding increase in additional paid-in capital as of January 1, 2007 was \$95 million. Imputed interest, which is net of \$66 million in taxes, recorded over the life of the Notes resulted in a reduction in retained earnings of \$95 million and a corresponding increase in additional paid-in capital of \$95 million as of the maturity date.

Imputed interest expense was \$35 million and \$9 million, respectively, in 2007 and 2008 and is included in other income, net on the consolidated statements of income. See Note 2—"Basic and Diluted Net Income per Share Attributable to Yahoo! Inc. Common Stockholders" for information related to the earnings per share computation.

**Note 10 INCOME TAXES**

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

	<b>Years Ended December 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
United States	\$ 631,293	\$ 448,175	\$ 387,212
Foreign(*)	182,891	(361,462)	187,008
Income before provision for income taxes and earnings in equity interests	<u>\$ 814,184</u>	<u>\$ 86,713</u>	<u>\$ 574,220</u>

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

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

	<b>Years Ended December 31,</b>		
	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Current:</b>			
United States federal	\$ 380,923	\$ 228,209	\$ 191,845
State	87,725	16,603	51,662
Foreign	81,357	53,229	66,376
Total current provision for income taxes	<u>550,005</u>	<u>298,041</u>	<u>309,883</u>
<b>Deferred:</b>			
United States federal	(148,319)	8,987	(32,385)
State	(40,217)	(35,064)	(58,660)
Foreign	(38,601)	(12,958)	483
Total deferred provision (benefit) for income taxes	<u>(227,137)</u>	<u>(39,035)</u>	<u>(90,562)</u>
Provision for income taxes	<u>\$ 322,868</u>	<u>\$ 259,006</u>	<u>\$ 219,321</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

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

	Years Ended December 31,		
	2007	2008	2009
Income tax at the U.S. federal statutory rate of 35 percent	\$284,963	\$ 30,349	\$200,976
State income taxes, net of federal benefit	30,881	(8,925)	(4,549)
Change in valuation allowance	9,806	25,674	13,521
Stock-based compensation expense	34,011	44,938	28,322
Research tax credits	(8,618)	(13,954)	(11,046)
Effect of non-U.S. operations	(37,238)	18,403	20,126
Meals and entertainment	2,770	2,816	1,386
Settlement with tax authorities	—	(5,245)	—
Goodwill impairment charge	—	170,644	—
Tax restructuring, net of reserve	—	—	(25,583)
Other	6,293	(5,694)	(3,832)
Provision for income taxes	<u>\$322,868</u>	<u>\$259,006</u>	<u>\$219,321</u>

The provision for income taxes for the year ended December 31, 2009 differs from the amount computed by applying the federal statutory income tax rate primarily due to the effect of non-U.S. operations, non-deductible stock-based compensation expense, benefits due to state taxes resulting from California state tax law changes and the net impact of tax restructuring.

The effective tax rate for the year ended December 31, 2009 was 38 percent, compared to 299 percent in 2008. The primary reasons for the lower effective tax rate in 2009 compared to 2008 were due to the fact that 2008 pre-tax income included a \$488 million goodwill impairment charge, the majority of which was non-deductible for tax purposes, and that benefits resulted from tax restructuring activities implemented in 2009. The 2008 effective tax rate included the cumulative tax benefit of a favorable state tax ruling granted in 2008 and retroactive to 2007. The 2007 provision for income taxes reflects a tax benefit related to the release of deferred tax liabilities in connection with changes to the Company's worldwide entity structure in 2007.

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

	December 31,	
	2008	2009
<b>Deferred income tax assets:</b>		
Net operating loss and tax credit carryforwards	\$ 195,306	\$ 171,883
Stock-based compensation expense	287,417	234,108
Non-deductible reserves and expenses	159,735	268,015
Intangible assets	36,664	14,336
Gross deferred income tax assets	679,122	688,342
Valuation allowance	(83,550)	(63,364)
Deferred income tax assets	<u>\$ 595,572</u>	<u>\$ 624,978</u>
<b>Deferred income tax liabilities:</b>		
Unrealized investment gains	\$ (4,838)	\$ 4,404
Purchased intangible assets	(25,942)	(9,684)
Investments in equity interests	(453,802)	(405,880)
Deferred income tax liabilities	<u>\$(484,582)</u>	<u>\$(411,160)</u>
Net deferred income tax assets	<u>\$ 110,990</u>	<u>\$ 213,818</u>

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

As of December 31, 2009, the Company's federal and state net operating loss carryforwards for income tax purposes were approximately \$185 million and \$113 million, respectively. If not utilized, the federal and state net operating loss carryforwards will begin to expire in 2025. The Company's federal and state research tax credit carryforwards for income tax purposes are approximately \$112 million and \$172 million, respectively. If not utilized, the federal research tax credit carryforwards will begin to expire in 2020. The state research tax credit carryforwards will not expire. Federal and state net operating loss and tax credit carryovers that result from the exercise of employee stock options were not recorded on the Company's consolidated balance sheets. Federal and state net operating loss and tax credit carryovers that result from the exercise of employee stock options are accounted for as a credit to additional paid-in-capital if and when realized through a reduction in income taxes payable.

During 2008, the Company recorded a deferred tax liability of \$276 million in connection with the non-cash gain recorded related to the IPO of Alibaba.com. This temporary difference and the corresponding deferred tax liability would be subject to reversal upon a taxable sale of the investment by the Company or upon the repatriation of earnings to the Company by Alibaba Group.

The Company has a valuation allowance of approximately \$63 million as of December 31, 2009 against certain deferred income tax assets that are not more likely than not to be realized in future periods. In evaluating the Company's ability to realize its deferred income tax assets, the Company considers all available positive and negative evidence, including operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction by jurisdiction basis. The valuation allowance as of December 31, 2009 relates to foreign net operating loss and credit carryforwards that will reduce the provision for income taxes if and when recognized.

The Company provides U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2009, U.S. income taxes were not provided for on a cumulative total of \$2.0 billion of undistributed earnings for certain foreign subsidiaries and a corporate joint venture. If these earnings were to be repatriated, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

The Company adopted authoritative guidance on accounting for uncertainty in income taxes on January 1, 2007. As a result of the implementation of these provisions, the Company recognized a \$46 million increase to the January 1, 2007 balance of retained earnings related to adjustments to certain unrecognized tax benefits. The total amount of gross unrecognized tax benefits was \$893 million as of December 31, 2009, of which up to \$699 million would affect the Company's effective tax rate if realized. A reconciliation of the beginning and ending amount of unrecognized tax benefits in 2008 and 2009 is as follows (in thousands):

	<u>2008</u>	<u>2009</u>
Unrecognized tax benefits balance at January 1	\$685,672	\$798,057
Gross increase for tax positions of prior years	70,474	18,027
Gross decrease for tax positions of prior years	(15,065)	(16,044)
Gross increase for tax positions of current year	58,667	102,855
Gross decrease for tax positions of current year	—	—
Settlements	(1,691)	(9,420)
Lapse of statute of limitations	—	—
Unrecognized tax benefits balance at December 31	<u>\$798,057</u>	<u>\$893,475</u>

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

The total unrecognized tax benefits as of December 31, 2008 and 2009 include approximately \$452 million and \$420 million, respectively, of unrecognized tax benefits that have been netted against the related deferred tax assets. The remaining balances are recorded on the Company's consolidated balance sheets as follows (in thousands):

	December 31,	
	2008	2009
Total unrecognized tax benefits balance	\$ 798,057	\$ 893,475
Amounts netted against related deferred tax assets	(451,790)	(419,782)
Unrecognized tax benefits recorded on consolidated balance sheets	<u>\$ 346,267</u>	<u>\$ 473,693</u>
Amounts classified as accrued expenses and other current liabilities	\$ 5,519	\$ 53,858
Amounts classified as deferred and other long-term tax liabilities, net	340,748	419,835
Unrecognized tax benefits recorded on consolidated balance sheets	<u>\$ 346,267</u>	<u>\$ 473,693</u>

The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. During 2008 and 2009, interest and penalties recorded in the consolidated statements of income were \$6 million and \$3 million, respectively. The amounts of accrued interest and penalties recorded on the consolidated balance sheets as of December 31, 2008 and 2009 were approximately \$12 million and \$15 million, respectively.

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

The Company's U.S. federal and California income tax returns for the years ended December 31, 2005 and 2006 are currently under examination by the Internal Revenue Service ("IRS") and the California Franchise Tax Board. Additionally the Company is seeking early resolution of a 2009 U.S. federal income tax position by means of a pre-filing agreement with the IRS. The issues relate to capital losses available for carry forward, intercompany transactions and research and development tax credits. The IRS is expected to notify the Company of their conclusions during 2010. The Company believes adequate reserves have been provided for all issues; however, it is reasonably possible that our unrecognized tax benefits could increase once the results are known. An estimate of the range of possible outcomes cannot be made at this time.

**Note 11 STOCKHOLDERS' EQUITY**

*Stockholder Rights Plan.* The Company adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of the Company's two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of the Company's Series A Junior Participating Preferred Stock for \$250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of the Company's outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the \$250 exercise price, shares of its common stock or of any company into which the Company is merged having a value of \$500. The rights expire on March 1, 2011, unless extended by the Company's Board of Directors (the "Board"). Because the rights may substantially dilute the stock ownership of

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**Notes to Consolidated Financial Statements—(Continued)**

a person or group attempting to take over the Company without the approval of the Board, the Company's rights plan could make it more difficult for a third-party to acquire the Company (or a significant percentage of its outstanding capital stock) without first negotiating with the Board regarding that acquisition.

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

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

Under this program, in the year ended December 31, 2007, the Company repurchased 58 million shares of common stock directly at an average price of \$27.34 per share. Total cash consideration for the repurchased stock was \$1.6 billion. Under this program, in the year ended December 31, 2008, the Company repurchased 3 million shares of common stock directly at an average price of \$23.39 per share, for total consideration of \$79 million. Under this program, in the year ended December 31, 2009, the Company repurchased 7 million shares of common stock directly at an average price of \$15.31 per share, for total consideration of \$113 million. The remaining authorization under the Company's share repurchase program is approximately \$973 million.

*Structured Stock Repurchase.* During the year ended December 31, 2007, the Company entered into a \$250 million structured stock repurchase transaction. This transaction matured and settled in 2007. The Company received 8 million shares of its common stock at an effective buy-back price of \$29.80 per share. The structured stock repurchase transaction was recorded in stockholders' equity on the consolidated balance sheets. During the years ended December 31, 2008 and 2009, the Company had no structured stock repurchase transactions.

As of December 31, 2009, the Company has repurchased 216 million shares; 208 million have been retired, resulting in reductions of \$0.2 million in common stock, \$1.5 billion in additional paid-in-capital, and \$3.8 billion in retained earnings, and 8 million are recorded as part of treasury stock. Treasury stock is accounted for under the cost method.

**Note 12 EMPLOYEE BENEFITS**

*Benefit Plans.* The Company maintains a Yahoo! Inc. 401(k) Plan (the "401(k) Plan") for its full-time employees in the U.S. The 401(k) Plan allows employees of the Company to contribute up to the Internal Revenue Code prescribed maximum amount. Employees may elect to contribute from 1 to 50 percent of their annual compensation to the 401(k) Plan. The Company matches employee contributions at a rate of 25 percent. Employee contributions are fully vested, whereas vesting in matching Company contributions occurs at a rate of 33 percent per year of employment. During 2007, 2008, and 2009, the Company's contributions to the 401(k) Plan amounted to approximately \$19 million, \$21 million, and \$18 million, respectively. The Company also contributed approximately \$18 million, \$26 million, and \$20 million to its other benefit plans outside of the U.S. for 2007, 2008, and 2009, respectively.

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**Notes to Consolidated Financial Statements—(Continued)**

*Stock Plans.* The 1995 Plan provides for the issuance of stock-based awards to employees, including executive officers, and consultants. The 1995 Plan permits the granting of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, and dividend equivalents.

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

The 1995 Plan permits the granting of restricted stock and restricted stock units (collectively referred to as “restricted stock awards”). The Restricted stock award vesting criteria is generally the passing of time, meeting certain performance-based objectives, or a combination of both, and continued employment through the vesting period, (which varies but does not exceed four years). Restricted stock award grants are generally measured at fair value on the date of grant based on the number of shares granted and the quoted price of the Company’s common stock. Such value is recognized as an expense over the corresponding service period.

During 2009, the Board adopted an amended and restated version of the Yahoo! Inc. 1995 Stock Plan (the “Restated 1995 Plan”), subject to approval of the amendments by the Company’s stockholders. At the Company’s annual meeting of stockholders held on June 25, 2009, the Company’s stockholders approved the Restated 1995 Plan. Among other things, the Restated 1995 Plan reflects amendments to (i) increase the number of shares of the Company’s common stock available for award grants under the Restated 1995 Plan by 50 million shares (so that a maximum of 754 million shares of the Company’s common stock may be issued or delivered pursuant to awards granted under the Restated 1995 Plan); (ii) change the share-counting provisions so that each share issued in respect of restricted stock and other “full-value” awards under the Restated 1995 Plan will count as 1.75 shares against the share limits; (iii) extend the Company’s ability to grant new awards under the Restated 1995 Plan until April 2, 2019; (iv) extend the Company’s authority to grant awards under the Restated 1995 Plan intended to qualify as “performance-based compensation” within the meaning of Section 162(m) of the U.S. Internal Revenue Code through the 2014 annual meeting of stockholders as well as to grant such performance-based awards that would be payable only in cash; and (v) revise the performance criteria listed in Appendix A to the Restated 1995 Plan for use in connection with such performance-based awards.

The 1995 Restated Plan provides for the issuance of a maximum of 754 million shares of which 114 million shares were still available for issuance as of December 31, 2009.

The Directors’ Plan provides for the grant of nonqualified stock options and restricted stock units to non-employee directors of the Company. The Directors’ Plan provides for the issuance of up to 9 million shares of the Company’s common stock, of which approximately 5 million were still available for issuance as of December 31, 2009. Each share of the Company’s common stock issued in settlement of restricted stock units granted under the Directors’ Plan is counted as 1.75 shares against the Directors’ Plans’ share limit.

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

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**Notes to Consolidated Financial Statements—(Continued)**

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

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

*Employee Stock Purchase Plan.* The Company's 1996 Employee Stock Purchase Plan allows employees to purchase shares of the Company's common stock through payroll deductions of up to 15 percent of their annual compensation subject to certain Internal Revenue Code limitations. The price of common stock purchased under the plan is equal to 85 percent of the lower of the fair market value of the common stock on the commencement date of each 24-month offering period or the specified purchase date.

During 2009, the Board adopted an amended and restated version of the Purchase Plan ("the Restated Purchase Plan"), subject to approval of the amendments by the Company's stockholders. At the Company's annual meeting of stockholders held on June 25, 2009, the Company's stockholders approved the Restated Purchase Plan. Among other things, the Restated Purchase Plan reflects amendments to (i) increase the number of shares authorized for issuance under the Restated Purchase Plan by 30 million shares (so that the maximum aggregate number of shares that may be issued under the Restated Purchase Plan would increase to 75 million shares); and (ii) extend the term of the Restated Purchase Plan so that no new offering period would commence after May 10, 2029.

The Restated Purchase Plan provides for the issuance of a maximum of 75 million shares of common stock of which 40 million shares were available as of December 31, 2009. For the years ended December 31, 2007, 2008, and 2009, stock-based compensation expense related to the activity under the plan was \$48 million, \$52 million, and \$55 million, respectively. As of December 31, 2009, there was \$21 million of unamortized stock-based compensation cost related to the Restated Purchase Plan which will be recognized over a weighted average period of 0.7 years.

The Company's Restated 1995 Plan, the Directors' Plan, and other stock-based award plans assumed through acquisitions are collectively referred to as the "Plans." Stock option activity under the Company's Plans is summarized as follows (in thousands, except years and per share amounts):

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2008	135,442	\$ 30.10	3.88	\$ 89,688
Options granted	30,010	\$ 12.91		
Options exercised <sup>(1)</sup>	(5,376)	\$ 5.72		
Options cancelled/forfeited	(13,264)	\$ 23.74		
Options expired	(27,219)	\$ 38.22		
Outstanding at December 31, 2009	<u>119,593</u>	<u>\$ 25.74</u>	<u>3.78</u>	<u>\$ 209,807</u>
Vested and expected to vest at December 31, 2009 <sup>(2)</sup>	<u>113,706</u>	<u>\$ 26.02</u>	<u>3.67</u>	<u>\$ 194,215</u>
Exercisable at December 31, 2009	<u>76,551</u>	<u>\$ 29.75</u>	<u>2.78</u>	<u>\$ 103,672</u>

<sup>(1)</sup> The Company issued new shares to satisfy stock option exercises.

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

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**Notes to Consolidated Financial Statements—(Continued)**

The weighted average grant date fair value of options granted in the years ended December 31, 2007, 2008, and 2009 was \$8.50, \$7.66, and \$5.59 per share, respectively.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate difference between the closing stock price of the Company's common stock on December 31, 2009 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2009.

The total intrinsic value of options exercised in the years ended December 31, 2007, 2008, and 2009 was \$393 million, \$233 million, and \$51 million, respectively.

As of December 31, 2009, there was \$203 million of unamortized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 2.2 years.

Cash received from option exercises and purchases of shares under the Restated Purchase Plan for the year ended December 31, 2009 was \$113 million.

The total tax benefit attributable to stock options exercised in the year ended December 31, 2009 was \$85 million.

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

	Stock Options			Purchase Plans <sup>(5)</sup>		
	Years Ended December 31,			Years Ended December 31,		
	2007	2008	2009	2007	2008	2009
Expected dividend yield <sup>(1)</sup>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate <sup>(2)</sup>	4.4%	2.6%	1.9%	4.4%	2.4%	2.7%
Expected volatility <sup>(3)</sup>	33.5%	47.4%	45.8%	32.4%	71.8%	63.2%
Expected life (in years) <sup>(4)</sup>	3.64	3.97	4.00	1.11	1.15	1.04

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

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

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

<sup>(4)</sup> The expected life of stock options granted under the Plans is based on historical exercise patterns, which the Company believes are representative of future behavior. New grants issued by the Company had an expected life of 3.75 years in 2007 and 4 years in 2008 and 2009. Options assumed in acquisitions had expected lives of less than 4 years. The expected life of options granted under the Restated Purchase Plan represents the amount of time remaining in the 24-month offering period.

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



**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

Restricted stock awards activity for the year ended December 31, 2009 is summarized as follows (in thousands, except per share amounts):

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Awarded and unvested at December 31, 2008	31,133	\$ 27.97
Granted	17,065	\$ 12.82
Vested	(14,367)	\$ 24.93
Forfeited	(7,642)	\$ 23.26
Awarded and unvested at December 31, 2009	<u>26,189</u>	<u>\$ 21.14</u>

As of December 31, 2009, there was \$211 million of unamortized stock-based compensation cost related to unvested restricted stock awards, which is expected to be recognized over a weighted average period of 2.0 years. The total fair value of restricted stock awards vested during the years ended December 31, 2007, 2008, and 2009 was \$27 million, \$301 million, and \$375 million, respectively.

During the year ended December 31, 2009, 14.4 million previously granted restricted stock awards and restricted stock units vested. A majority of these vested restricted stock awards and restricted stock units were net share settled. The Company withheld 4.7 million equivalent shares based upon the Company's closing stock price on the vesting date to settle the employees' minimum statutory obligation for the applicable income and other employment taxes. The Company then remitted the cash to the appropriate taxing authorities.

Total payments for the employees' tax obligations to the relevant taxing authorities were \$73 million for the year ended December 31, 2009 and are reflected as a financing activity within the consolidated statements of cash flows. Upon the vesting of shares of certain restricted stock awards, 0.3 million shares were reacquired by the Company to satisfy the tax withholding obligations and \$5 million was recorded as treasury stock. Payments of \$68 million related to the net share settlement of 4.4 million shares of restricted stock units had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued on the vest date and were recorded as a reduction of additional paid-in-capital.

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

In 2007, 2008, and 2009, \$35 million, \$125 million, and \$108 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods. The Company has accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows.

During 2007, the Company determined that income tax benefits of \$127 million (\$92 million related to 2006 and the remainder related to earlier years) should not have been recorded to additional paid-in capital as tax benefits from stock-based awards because for financial statement ordering purposes, the tax benefits should have been attributed to the utilization of acquired net operating losses first or should not have been recognized at all because the underlying tax amounts should not have been offset by tax benefits from stock-based awards. As a result, in the 2007 statement of cash flows, the Company reduced by \$92 million, excess tax benefits from stock-based

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**Notes to Consolidated Financial Statements—(Continued)**

awards recorded in cash flows from operating activities with an equivalent reduction to the amount of excess tax benefits recorded in cash flows from financing activities. This reclassification had no impact on overall cash flows. The amounts that impacted income tax expense and earnings in equity interests also increased diluted earnings per share by \$0.01 for the year ended December 31, 2007. The Company believes that the aforementioned amounts are not material to reported amounts for 2007, 2006, or earlier years and therefore the Company has corrected them in the 2007 consolidated financial statements.

*CEO Inducement Option and Make-up Equity.* On January 30, 2009, Carol Bartz, the Company's CEO, was granted a stock option covering 5.0 million shares of the Company's common stock, with a per share exercise price of \$11.73 (the closing price of the common stock on the grant date) and a maximum term of seven years ("Inducement Option"). Vesting of the Inducement Option is dependent on whether the average closing price for the Company's common stock for twenty consecutive trading days prior to January 1, 2013 (or the price immediately preceding a change in control of the Company if it occurs pursuant to an agreement signed before that date) exceeds certain levels that range from 150 percent to 300 percent (\$17.60 to \$35.19) of Yahoo!'s closing stock price on the date of grant of the Inducement Option. As of December 31, 2009, no portion of the award has vested. Any shares acquired by Ms. Bartz upon exercise of the Inducement Option must be held until January 1, 2013, except in the event of her death or a change in control. The Company determined the grant-date fair value of the Inducement Option to be \$27 million and the weighted average derived requisite service period of the award to be 1.2 years. The grant-date fair value of the Inducement Option will be expensed over the weighted average derived requisite service period.

In addition, to compensate Ms. Bartz for the forfeiture of the value of equity grants and post-employment medical coverage from her previous employer, the Company granted Ms. Bartz an award comprised of \$2.5 million in cash and restricted stock with a grant-date fair value of \$7.5 million, which vested in four equal quarterly installments in 2009 (the "Make-Up Grant"). The Make-Up Grant is subject to certain clawback provisions in the event of a termination of Ms. Bartz's employment by the Company for cause or by Ms. Bartz without good reason (as those terms are defined in her employment agreement) during the term of the employment agreement. The value of the Make-Up Grant was expensed ratably through 2009.

*Performance-Based Executive Incentive Restricted Stock Units.* In February 2009, the Compensation Committee approved long-term performance-based incentive equity awards to Ms. Bartz and other senior officers, including two types of restricted stock units that vest based on the Company's achievement of certain performance goals. The first type of restricted stock unit generally will vest on the third anniversary of the grant date based on the Company's attainment of certain annual operating cash flow targets as well as the executive's continued employment through that vesting date. The second type of restricted stock unit generally will vest following the third anniversary of the grant date based on the Company's attainment of certain levels of total stockholder return relative to the returns for the NASDAQ 100 Index companies as well as the executive's continued employment through that vesting date. For both types of restricted stock units, the number of shares which ultimately vest will range from 0 percent to 200 percent of the target amount stated in each executive's award agreement based on the performance of the Company relative to the applicable performance target. The amount of stock-based compensation recorded for the first type of restricted stock unit will vary depending on the Company's attainment of the operating cash flow target and the completion of the service period. The amount of stock-based compensation recorded for the second type of restricted stock unit will vary depending only on the completion of the service period. The aggregate fair value of these two types of restricted stock units on the date of grant of \$3 million and \$13 million, respectively, will be recognized over the three-year service periods.

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)****Note 13 COMMITMENTS AND CONTINGENCIES**

*Lease Commitments.* The Company leases office space and data centers under operating and capital lease agreements with original lease periods up to 23 years which expire between 2010 and 2027.

In 2008, the Company entered into an 11 year lease agreement for a data center in the western U.S. Of the total expected minimum lease commitment of \$105 million, \$21 million was classified as an operating lease for real estate and \$84 million was classified as a capital lease for equipment. As of December 31, 2009, the Company had total expected and remaining minimum lease commitments of approximately \$94 million over the lease term. The Company has the option to renew this lease for up to an additional ten years.

Rent expense for all operating leases was approximately \$88 million, \$103 million, and \$90 million for 2007, 2008, and 2009, respectively.

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

Gross and net lease commitments as of December 31, 2009 can be summarized as follows (in millions):

	<u>Gross Operating Lease Commitments</u>	<u>Sublease Income</u>	<u>Net Operating Lease Commitments</u>
Years ending December 31,			
2010	\$ 161	\$ (6)	\$ 155
2011	139	(4)	135
2012	113	(2)	111
2013	97	(1)	96
2014	85	(1)	84
Due after 5 years	232	(1)	231
Total gross and net lease commitments	<u>\$ 827</u>	<u>\$ (15)</u>	<u>\$ 812</u>

	<u>Capital Lease Commitment</u>
Years ending December 31,	
2010	\$ 7
2011	7
2012	7
2013	8
2014	8
Due after 5 years	39
Gross lease commitment	<u>\$ 76</u>
Less: interest	<u>(33)</u>
Net lease commitment included in capital lease and other long-term liabilities	<u>\$ 43</u>

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

*Affiliate Commitments.* In connection with contracts to provide advertising services to Affiliates, the Company is obligated to make payments, which represent TAC, to its Affiliates. As of December 31, 2009, these commitments totaled \$143 million, of which \$120 million will be payable in 2010 and \$23 million will be payable in 2011.

*Non-cancelable Obligations.* The Company is obligated to make payments under various non-cancelable arrangements with vendors and other business partners, principally for marketing, bandwidth, co-location, and content arrangements. As of December 31, 2009, these commitments totaled \$169 million, of which \$76 million will be payable in 2010, \$43 million will be payable in 2011, \$22 million will be payable in 2012, \$14 million will be payable in 2013, \$5 million will be payable in 2014, and \$9 million will be payable thereafter.

*Intellectual Property Rights.* The Company is committed to make certain payments under various intellectual property arrangements of up to \$44 million through 2023.

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

As of December 31, 2009, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market, or credit risk that could arise if the Company had engaged in such relationships. In addition, the Company identified no variable interests currently held in entities for which it is the primary beneficiary.

*Search and License Agreement with Microsoft.* The Company has entered into a Search and Advertising Services and Sales Agreement and License Agreement with Microsoft, under which Microsoft will become Yahoo!'s exclusive platform technology provider for algorithmic and paid search services and Yahoo! will become the exclusive worldwide relationship sales force for both companies' premium search advertisers. The Company derives a majority of revenue from marketing services, including search services. The parties commenced implementation of the Search Agreement on February 23, 2010.

*Contingencies.* Currently, the Company is engaged in lawsuits regarding patent issues and has been notified of other potential patent disputes. In addition, from time to time, the Company is subject to other legal proceedings

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

and claims in the ordinary course of business, including claims of alleged infringement of trademarks, copyrights, trade secrets, and other intellectual property rights, claims related to employment matters, and a variety of other claims, including claims alleging defamation, invasion of privacy, or similar claims arising in connection with the Company's e-mail, message boards, photo and video sites, auction sites, shopping services, and other communications and community features.

On May 24, 2001, Arista Records, Inc., Bad Boy Records, BMG Music d/b/a The RCA Records Label ("BMG"), Capitol Records, Inc., Virgin Records America, Inc., Sony Music Entertainment, Inc., UMG Recordings, Inc., Interscope Records, Motown Record Company, L.P., and Zomba Recording Corporation filed a lawsuit alleging copyright infringement against LAUNCH Media, Inc. ("LAUNCH") in the U.S. District Court for the Southern District of New York seeking declaratory and injunctive relief and damages. The plaintiffs alleged, among other things, that the consumer-influenced portion of LAUNCH's LAUNCHcast service is "interactive" within the meaning of Section 114 of the Copyright Act and therefore does not qualify for the compulsory license provided for by the Copyright Act. Yahoo! acquired LAUNCH in August 2001. This lawsuit was settled with all plaintiffs, other than BMG. On April 27, 2007, after a two week jury trial, the jury returned a unanimous verdict in favor of LAUNCH finding no liability. On August 21, 2009, the U.S. Court of Appeals for the Second Circuit affirmed the trial verdict and affirmed the lower court's denial of attorneys' fees. In January 2010, the U.S. Supreme Court denied BMG's petition for writ of certiorari, ending the action.

On July 12, 2001, the first of several purported securities class action lawsuits was filed in the U.S. District Court for the Southern District of New York against certain underwriters involved in Overture Services Inc.'s ("Overture") IPO, Overture, and certain of Overture's former officers and directors. The Court consolidated the cases against Overture. Plaintiffs allege, among other things, violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act") involving undisclosed compensation to the underwriters, and improper practices by the underwriters, and seek unspecified damages. Similar complaints were filed in the same court against numerous public companies that conducted IPOs of their common stock since the mid-1990s. All of these lawsuits were consolidated for pretrial purposes before Judge Shira Scheindlin. On April 1, 2009, the parties filed a motion with the Court for preliminary approval of a stipulated global settlement. On October 5, 2009, the Court granted class certification and granted final approval of the settlement and plan of allocation. Notices of appeal have been filed with the U.S. Court of Appeals for the Second Circuit.

On June 14, 2007, a stockholder derivative action was filed in the U.S. District Court for the Central District of California by Jill Watkins against members of the Board and selected officers. The complaint filed by the plaintiff alleged breaches of fiduciary duties and corporate waste, similar to the allegations in the former Brodsky/Hacker class action litigation relating to stock declines during the period April 2004 to July 2006, and alleged violation of Section 10(b) of the Exchange Act. On July 16, 2009, the plaintiff Watkins voluntarily dismissed the action against all defendants without prejudice. On July 17, 2009, plaintiff Miguel Leyte-Vidal, who had previously substituted in as plaintiff prior to the dismissal of the federal Watkins action, re-filed a shareholder derivative action in Santa Clara County Superior Court against members of the Board and selected officers. The Santa Clara County Superior Court derivative action purports to assert causes of action on behalf of the Company for violation of specified provisions of the California Corporations Code, for breaches of fiduciary duty regarding financial accounting and insider selling and for unjust enrichment.

Plaintiff Congregation Beth Aaron voluntarily dismissed an action filed in Santa Clara County Superior Court and on December 3, 2008 re-filed in the U.S. District Court for the Northern District of California alleging claims for breach of fiduciary duty and corporate waste in connection with Yahoo!'s consideration of proposals by Microsoft Corporation to purchase all or a part of Yahoo! in 2008, adoption of severance plans, and the June 12, 2008 agreement between Google Inc. and Yahoo!. Plaintiff filed an amended complaint on February 20, 2009. The complaint also alleges claims under Section 14(a) of the Exchange Act for alleged false statements or

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

omissions in Yahoo!'s June 9, 2008 proxy statement regarding the severance plans and for control person liability under Section 20(a) of the Exchange Act, and also alleges that the defendants' decision to settle similar Microsoft-related Delaware lawsuits constituted an independent breach of fiduciary duty. The complaint seeks unspecified compensatory damages, injunctive relief, and an award of plaintiffs' attorneys' fees and costs. On June 15, 2009, the Court granted defendants' motion to dismiss all of Congregation Beth Aaron's claims without leave to amend, which the Congregation has since appealed to the U.S. Court of Appeals for the Ninth Circuit.

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

**Note 14 SEGMENTS**

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

In January 2010, the Company announced changes to its business management structure that are expected to be implemented by mid 2010. The Company is currently assessing the impact on segment reporting for 2010.

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**Notes to Consolidated Financial Statements—(Continued)**

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

	Years Ended December 31,		
	2007	2008	2009
<b>Revenues by segment:</b>			
United States	\$4,724,426	\$ 5,182,308	\$ 4,714,436
International	2,244,848	2,026,194	1,745,879
Total revenues	<u>\$6,969,274</u>	<u>\$ 7,208,502</u>	<u>\$ 6,460,315</u>
<b>Segment operating income before depreciation, amortization, and stock-based compensation expense:</b>			
United States	\$1,430,923	\$ 1,205,262	\$ 1,095,601
International	496,112	5,341	486,954
Total segment operating income before depreciation, amortization, and stock-based compensation expense:	1,927,035	1,210,603	1,582,555
Depreciation and amortization	(659,195)	(790,033)	(746,714)
Stock-based compensation expense	(572,427)	(407,607)	(449,149)
Income from operations	<u>\$ 695,413</u>	<u>\$ 12,693</u>	<u>\$ 386,692</u>
<b>Capital expenditures, net:</b>			
United States	\$ 515,709	\$ 581,906	\$ 380,626
International	86,567	92,923	53,169
Total capital expenditures, net	<u>\$ 602,276</u>	<u>\$ 674,829</u>	<u>\$ 433,795</u>

	December 31,	
	2008	2009
<b>Property and equipment, net:</b>		
United States	\$ 1,396,031	\$ 1,310,677
International	140,150	116,185
Total property and equipment, net	<u>\$ 1,536,181</u>	<u>\$ 1,426,862</u>

Revenues are attributed to individual countries according to the international online property that generated the revenues. No single foreign country accounted for more than 10 percent of revenues in 2007, 2008, and 2009, respectively. See also Note 5—"Goodwill" and Note 16—"Restructuring Charges, Net" for additional information regarding segments.

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

	Years Ended December 31,		
	2007	2008	2009
<b>Marketing services:</b>			
Owned and Operated sites	\$ 3,669,724	\$ 4,046,001	\$ 3,552,695
Affiliate sites	2,418,515	2,270,205	2,120,973
Marketing services	6,088,239	6,316,206	5,673,668
Fees	881,035	892,296	786,647
Total revenues	<u>\$ 6,969,274</u>	<u>\$ 7,208,502</u>	<u>\$ 6,460,315</u>

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)****Note 15 RELATED PARTY TRANSACTIONS**

The Company and other third parties are limited partners in Softbank Capital Partners LP (“Softbank Capital”), a venture capital fund which is an affiliate of SOFTBANK. In July 1999 and March 2000, the Company made investments in Softbank Capital of approximately \$30 million and \$6 million, respectively, which together represents less than a 5 percent holding in Softbank Capital. Since the Company’s initial investment, the Company has impaired its entire investment. Pursuant to the Partnership Agreement, the Company invested on the same terms and on the same basis as all other limited partners.

Revenues from related parties, excluding Yahoo Japan and Alibaba Group, represented approximately 1 percent of total revenues for the years ended December 31, 2007, 2008, and 2009. Management believes that the terms of the agreements with these related parties are comparable to the terms obtained in arm’s-length transactions with unrelated similarly situated customers of the Company.

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

**Note 16 RESTRUCTURING CHARGES, NET**

Restructuring charges, net consists of costs associated with the four restructuring activities initiated in 2008 and 2009. It includes employee severance pay and related costs, accelerations and reversals of stock-based compensation expense, facility restructuring costs, and other non-cash charges associated with the exit of facilities, as well as reversals of restructuring charges arising from changes in estimates. The Company had no restructuring charges or accruals in 2007.

For the years ended December, 31, 2008 and 2009, restructuring charges, net was comprised of the following (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
Employee severance pay and related costs	\$ 109,548	\$ 48,696
Non-cancelable lease, contract terminations, and other charges	19,617	59,285
Other non-cash charges	7,925	7,858
Sub-total before (reversals) accelerations of stock-based compensation expense	137,090	115,839
(Reversals) accelerations of stock-based compensation expense	(30,236)	11,062
Restructuring charges, net	<u>\$ 106,854</u>	<u>\$ 126,901</u>

For the years ended December 31, 2008 and 2009, restructuring charges, net by segment consists of the following (in thousands):

	<b>Year Ended December 31, 2008</b>		
	<b>Q108 Restructuring Plan</b>	<b>Q408 Restructuring Plan</b>	<b>Total</b>
United States	\$ 12,130	\$ 67,861	\$ 79,991
International	3,181	23,682	26,863
Restructuring charges, net	<u>\$ 15,311</u>	<u>\$ 91,543</u>	<u>\$ 106,854</u>



## Yahoo! Inc.

## Notes to Consolidated Financial Statements—(Continued)

	Year Ended December 31, 2009			Total
	Q408 Restructuring Plan	Q209 Restructuring Plan	Q409 Restructuring Plan	
United States	\$ 63,247	\$ 17,761	\$ 18,403	\$ 99,411
International	2,171	9,015	16,304	27,490
Restructuring charges, net	<u>\$ 65,418</u>	<u>\$ 26,776</u>	<u>\$ 34,707</u>	<u>\$ 126,901</u>

*Q108 Restructuring Plan.* During the first quarter of 2008, the Company implemented a strategic workforce realignment to more appropriately allocate resources to its key strategic initiatives. The strategic workforce realignment involved investing resources in some areas, reducing resources in others, and eliminating some areas of the Company's business that did not support its strategic priorities. During the year ended December 31, 2008, the Company incurred total pre-tax charges of approximately \$27 million in severance pay expenses and related cash expenses in connection with this workforce realignment, net of reversal for adjustments to original estimates totaling \$2 million. The pre-tax cash charges were offset by a \$12 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the net estimated total strategic workforce realignment pre-tax expense of approximately \$15 million, \$12 million was related to the U.S. segment and \$3 million was related to the International segment. As of December 31, 2008, there was no remaining restructuring accrual related to the strategic workforce realignment.

*Q408 Restructuring Plan.* During the fourth quarter of 2008, the Company implemented additional cost reduction initiatives, including a workforce reduction and consolidation of certain real estate facilities in the U.S. and International. The Company began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and expects to continue this process through the second quarter of 2010. The Company vacated and ceased use of most of the ten facilities in the U.S. and five international facilities identified under the plan. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. Present value computations use discount rates based on published Treasury risk-free interest rates, adjusted for the Company's credit spread, which is consistent with observable credit spreads of companies with similar credit standing. The cost of exiting and terminating the Company's facility leases was determined by referring to the contractual terms of the agreements, by evaluating the current real estate market conditions, and, where applicable, by referring to amounts in negotiation. The Company's ability to generate the estimated amounts of sublease income, as well as to terminate lease obligations at the estimated amounts, is dependent upon the commercial real estate market conditions in certain geographies at the time the Company negotiates the lease termination and sublease arrangements with third parties. These amounts represent the Company's best estimate of the obligations the Company expects to incur and could be subject to adjustment as market conditions change. The fair value measurement of the liability related to exited facilities involves the use of certain significant unobservable inputs and therefore fall within level 3 of the fair value hierarchy established by accounting guidance. The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts. During the year ended December 31, 2008, the Company incurred severance, facility, and other restructuring costs of \$110 million related to the Q408 restructuring plan offset by \$18 million related to stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of \$92 million under the Q408 restructuring plan. Of the \$92 million in restructuring charges, net recorded in the year ended December 31, 2008 related to the Q408 restructuring plan, \$68 million related to the U.S. segment and \$24 million related to the International segment. During the year ended December 31, 2009, the Company incurred total pre-tax cash charges for severance benefits provided and facilities vacated of approximately \$57 million related to the Q408 restructuring plan in connection with the continued implementation of these initiatives, net of reversal for adjustments to original estimates totaling \$8 million. Of the \$65 million in

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

restructuring charges, net recorded in the year ended December 31, 2009 related to the Q408 restructuring plan, \$63 million related to the U.S. segment and \$2 million related to the International segment.

*Q209 Restructuring Plan.* During the second quarter of 2009, the Company implemented new cost reduction initiatives to further reduce the Company's worldwide workforce by approximately 5 percent. The restructuring plan involves reallocating resources to align with the Company's strategic priorities including investing resources in some areas, reducing resources in others, and eliminating some areas of the Company's business that do not support the Company's strategic priorities. During the year ended December 31, 2009, the Company incurred total pre-tax cash charges of approximately \$35 million in severance and other related costs related to the Q209 restructuring plan. The pre-tax charges were offset by an \$8 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the \$27 million in restructuring charges, net recorded in the year ended December 31, 2009 related to the Q209 restructuring plan, \$18 million related to the U.S. segment and \$9 million related to the International segment.

*Q409 Restructuring Charges.* During the fourth quarter of 2009, the Company decided to close one of its international facilities and began implementation of a workforce realignment at the facility to focus resources on its strategic initiatives. The Company plans to exit the facility in the third quarter of 2010. During the fourth quarter of 2009, the Company incurred total pre-tax cash charges of approximately \$16 million in severance and other costs related to this realignment. In connection with the strategic realignment efforts, an executive of one of the Company's acquired businesses departed. The Company incurred \$19 million of non-cash stock-based compensation expense for the acceleration of certain of the executive's stock-based awards pursuant to the acquisition agreements. Of the \$35 million in restructuring charges, recorded in the fourth quarter of 2009, \$19 million related to the U.S. segment and \$16 million related to the International segment.

In addition to the charges described above, the Company currently expect to incur future charges of approximately \$28 million to \$38 million for non-cancelable lease costs and relocation costs as we continue to exit facilities identified as part of the Q408 restructuring plan and Q409 restructuring activities of which \$25 million to \$33 million relates to the U.S. segment and \$3 million to \$5 million relates to the International segment. The expected future charges are expected to be recorded primarily in 2010 and 2011.

*Restructuring Accruals.* As of December 31, 2008 and 2009, the aggregate outstanding restructuring liability related to the cost reduction initiatives were \$90 million and \$79 million, respectively. Of the \$79 million restructuring liability as of December 31, 2009, \$20 million relates to employee severance pay expenses which the Company expects to substantially pay out by the end of the third quarter of 2010, and \$59 million relates to non-cancelable lease costs which the Company expects to pay over the terms of the related obligations which extend to the second quarter of 2017.

**Yahoo! Inc.**

**Notes to Consolidated Financial Statements—(Continued)**

The activity in the Company's restructuring accruals for the years ended December 31, 2008 and 2009 are summarized as follows (in thousands):

	Q108 Restructuring Plan	Q408 Restructuring Plan	Total
Balance as of January 1, 2008	\$ —	\$ —	\$ —
Employee severance pay and related costs	29,169	81,953	111,122
Reversals of stock-based compensation expense	(12,284)	(17,952)	(30,236)
Non-cancelable lease, contract termination, and other charges(*)	—	19,617	19,617
Other non-cash charges	—	7,925	7,925
Reversal of previous charges	(1,574)	—	(1,574)
Restructuring charges, net for the year ended December 31, 2008	<u>\$ 15,311</u>	<u>\$ 91,543</u>	<u>\$ 106,854</u>
Cash paid	(27,595)	(16,111)	(43,706)
Non-cash reversals of stock-based compensation expense	12,284	17,952	30,236
Non-cash adjustments	—	(3,497)	(3,497)
Balance as of December 31, 2008	<u>\$ —</u>	<u>\$ 89,887</u>	<u>\$ 89,887</u>

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

	Q408 Restructuring Plan	Q209 Restructuring Plan	Q409 Restructuring Charges	Total
Balance as of January 1, 2009	\$ 89,887	\$ —	\$ —	\$ 89,887
Employee severance pay and related costs	6,430	35,749	14,710	56,889
(Reversals) accelerations of stock-based compensation expense	—	(7,600)	18,662	11,062
Non-cancelable lease, contract termination, and other charges	59,429	—	1,335	60,764
Other non-cash charges	7,858	—	—	7,858
Reversal of previous charges	(8,299)	(1,373)	—	(9,672)
Restructuring charges, net for the year ended December 31, 2009	<u>\$ 65,418</u>	<u>\$ 26,776</u>	<u>\$ 34,707</u>	<u>\$ 126,901</u>
Cash paid	(94,668)	(30,560)	(863)	(126,091)
Non-cash reversals (accelerations) of stock-based compensation expense	—	7,600	(18,662)	(11,062)
Non-cash adjustments	(672)	486	(417)	(603)
Balance as of December 31, 2009	<u>\$ 59,965</u>	<u>\$ 4,302</u>	<u>\$ 14,765</u>	<u>\$ 79,032</u>

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

	2008	2009
Accrued expenses and other current liabilities	\$77,445	\$42,940
Capital lease and other long-term liabilities	12,442	36,092
Total restructuring accruals	<u>\$89,887</u>	<u>\$79,032</u>

**Yahoo! Inc.****Notes to Consolidated Financial Statements—(Continued)**

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

	<u>2008</u>	<u>2009</u>
United States	\$68,410	\$52,802
International	21,477	26,230
Total restructuring accruals	<u>\$89,887</u>	<u>\$79,032</u>

**Note 17 SUBSEQUENT EVENTS**

*Stock Repurchase Transactions.* Subsequent to December 31, 2009, the Company repurchased approximately 13.8 million shares of its common stock under the current stock repurchase program at an average price of \$15.20 per share, for a total of \$210 million.

*Microsoft.* The Company received regulatory clearance for its Search Agreement with Microsoft from both the U.S. Department of Justice and the European Commission and the parties commenced implementation of the agreement on February 23, 2010.

**Schedule II—Valuation and Qualifying Accounts**  
**Years Ended December 31, 2007, 2008, and 2009**

	<u>Balance at Beginning of Year</u>	<u>Charged to Expenses</u>	<u>Write-Offs Net of, Recoveries</u>	<u>Balance at End of Year</u>
	(In thousands)			
<b>Accounts receivable</b>				
Allowance for doubtful accounts				
2007	38,196	23,018	(14,693)	46,521
2008	46,521	24,937	(19,858)	51,600
2009	51,600	4,607	(15,204)	41,003
	<u>Balance at Beginning of Year</u>	<u>Charged to Expenses</u>	<u>Charged (Credited) to Other Accounts(*)</u>	<u>Balance at End of Year</u>
	(In thousands)			
<b>Deferred tax asset valuation allowance</b>				
2007	95,779	9,806	(39,097)	66,488
2008	66,488	25,674	(8,612)	83,550
2009	83,550	13,521	(33,707)	63,364

(\*) Amounts not charged (credited) to expenses are charged (credited) to stockholders' equity, deferred tax assets (liabilities), or goodwill.

**Selected Quarterly Financial Data  
(Unaudited)**

	Quarters Ended							
	March 31, 2008 <sup>(1)</sup>	June 30, 2008	September 30, 2008	December 31, 2008 <sup>(2)</sup>	March 31, 2009 <sup>(3)</sup>	June 30, 2009 <sup>(4)</sup>	September 30, 2009 <sup>(5)</sup>	December 31, 2009 <sup>(6)</sup>
	(In thousands, except per share amounts)							
Revenues	\$1,817,602	\$1,798,085	\$1,786,426	\$1,806,389	\$1,580,042	\$1,572,897	\$1,575,399	\$1,731,977
Gross profit	\$1,062,519	\$1,032,174	\$1,014,149	\$1,076,298	\$879,305	\$860,444	\$866,501	\$982,319
Net income (loss) attributable to Yahoo! Inc.	\$536,840	\$131,161	\$54,348	\$(303,428)	\$117,558	\$141,387	\$186,093	\$152,954
Net income (loss) attributable to Yahoo! Inc. common stockholders per share—basic	\$0.40	\$0.10	\$0.04	\$(0.22)	\$0.08	\$0.10	\$0.13	\$0.11
Net income (loss) attributable to Yahoo! Inc. common stockholders per share—diluted	\$0.37	\$0.09	\$0.04	\$(0.22)	\$0.08	\$0.10	\$0.13	\$0.11
Shares used in per share calculation—basic	1,333,730	1,372,629	1,383,786	1,387,758	1,391,526	1,394,783	1,401,961	1,402,339
Shares used in per share calculation— diluted	1,393,080	1,397,839	1,397,522	1,387,758	1,406,510	1,414,295	1,424,854	1,416,974

- <sup>(1)</sup> Net income attributable to Yahoo! Inc. for the quarter ended March 31, 2008 includes a non-cash gain of \$401 million related to Alibaba Group's IPO of Alibaba.com, net of tax.
- <sup>(2)</sup> Net loss attributable to Yahoo! Inc. for the quarter ended December 31, 2008 includes a goodwill impairment charge of \$488 million and net restructuring charges of \$90 million.
- <sup>(3)</sup> Net income attributable to Yahoo! Inc. for the quarter ended March 31, 2009 includes net restructuring charges of \$5 million.
- <sup>(4)</sup> Net income attributable to Yahoo! Inc. for the quarter ended June 30, 2009 includes a pre-tax gain of \$67 million (\$42 million after tax) in connection with the Company's sale of its Gmarket shares and net restructuring charges of \$65 million.
- <sup>(5)</sup> Net income attributable to Yahoo! Inc. for the quarter ended September 30, 2009 includes Yahoo!'s gain on sale of the Company's direct investment in Alibaba.com of \$98 million (\$60 million after tax) and net restructuring charges of \$17 million.
- <sup>(6)</sup> Net income attributable to Yahoo! Inc. for the quarter ended December 31, 2009 includes net restructuring charges of \$40 million.

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

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

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

#### **Management's Report on Internal Control Over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2009.

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

The Company's independent registered public accounting firm has issued an attestation report regarding its assessment of the Company's internal control over financial reporting as of December 31, 2009, which appears on page 48.

#### **Changes in Internal Control Over Financial Reporting**

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

### **Item 9B. Other Information**

#### **Executive Incentive Plan**

On February 25, 2010, the Compensation Committee approved the Company's 2010 annual cash bonus plan for senior executives (the 2010 Executive Incentive Plan, or "EIP"). Each participant in the EIP is assigned a target bonus percentage each year that is expressed as a percentage of the participant's annual base salary. The aggregate bonus pool available under the EIP for a particular year will equal the aggregate amount of the participants' target bonus opportunities, multiplied by a factor (the "Funding Percentage") that may range from 50 percent to 200 percent based on Yahoo!'s operating income and revenue (each as defined in the EIP) for that year. Payout of 70 percent of each participant's target bonus will be determined based on the Company's performance, and the remainder of the participant's bonus will be determined based on that participant's individual performance. The individual performance component of a participant's bonus will be determined by the Compensation Committee with respect to executive officers of the Company and by management with respect to the other participants in the EIP, except that in no event will the total amount of bonuses paid under the EIP for a particular year exceed the aggregate bonus pool for that year. A participant generally must remain employed by the Company until EIP bonuses are actually paid in order to be eligible for a bonus.

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The following table sets forth the 2010 EIP target bonus percentage, expressed as a percentage of the participant's annual base salary, for the Company's principal executive officer, principal financial officer, and the other executive officers who were named in the Summary Compensation Table of the Company's Proxy Statement filed with the SEC on April 29, 2009 and who are currently employed by the Company:

<u>Name and Principal Position</u>	<u>2010 Target Bonus (% of Base Salary)</u>
Carol Bartz Chief Executive Officer	200%
Jerry Yang Chief Yahoo	*
Timothy R. Morse Executive Vice President and Chief Financial Officer	100%
Aristotle Balogh Executive Vice President, Products and Chief Technology Officer	100%
Michael J. Callahan Executive Vice President, General Counsel and Secretary	75%

\* Mr. Yang will not participate in the EIP.

In addition, during the fourth quarter of 2009, we decided to close one of our international facilities and began implementation of a workforce realignment at the facility to focus resources on our strategic initiatives. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Q409 Restructuring Charges," which information is hereby incorporated in this Item 9B.

### **Part III**

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

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2009.

#### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2009.

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

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2009.

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

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2009.

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

The information required by this item is incorporated by reference to Yahoo!'s Proxy Statement for its 2010 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2009.



**Part IV**

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

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

1. *Consolidated Financial Statements:*

*Index To Consolidated Financial Statements*

Consolidated Financial Statements:

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	57
<a href="#">Consolidated Statements of Income for each of the three years in the period ended December 31, 2009</a>	58
<a href="#">Consolidated Balance Sheets as of December 31, 2008 and 2009</a>	59
<a href="#">Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2009</a>	60
<a href="#">Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2009</a>	61
<a href="#">Notes to Consolidated Financial Statements</a>	63

2. *Financial Statement Schedules:*

Financial Statement Schedules:

<a href="#">II—Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2009</a>	109
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All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto

Supplementary Financial Data:

<a href="#">Selected Quarterly Financial Data (unaudited) for the two years ended December 31, 2009</a>	110
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3. *Exhibits:*

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



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<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ SUSAN JAMES Susan James	Director	February 26, 2010
/s/ VYOMESH JOSHI Vyomesh Joshi	Director	February 22, 2010
/s/ ARTHUR KERN Arthur Kern	Director	February 26, 2010
/s/ GARY WILSON Gary Wilson	Director	February 26, 2010
/s/ JERRY YANG Jerry Yang	Director	February 26, 2010

**EXHIBIT INDEX**

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

<b>Exhibit Number</b>	<b>Description</b>
2.1	Stock Purchase and Contribution Agreement, dated as of August 10, 2005, between the Registrant and Alibaba.com Corporation (previously filed as Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed August 16, 2005 and incorporated herein by reference).
2.2	Amendment to the Stock Purchase and Contribution Agreement, dated as of October 24, 2005, between the Registrant and Alibaba.com Corporation (previously filed as Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.3	Tao Bao Share Purchase Agreement, dated as of October 24, 2005, among the Registrant, SOFTBANK CORP. and SB TB Holding Limited (previously filed as Exhibit 2.3 to the Registrant's Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.4	Secondary Share Purchase Agreement, dated as of October 24, 2005, among the Registrant and certain shareholders of Alibaba.com Corporation (previously filed as Exhibit 2.4 to the Registrant's Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.5	Shareholders Agreement, dated as of October 24, 2005, among Alibaba.com Corporation, the Registrant, SOFTBANK CORP., the Management Members, and the other shareholders named therein (previously filed as Exhibit 2.5 to the Registrant's Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
3.1(A)	Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed July 28, 2000 and incorporated herein by reference).
3.1(B)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant (included as Exhibit A within the Amended and Restated Rights Agreement, filed as Exhibit 4.1 below).
3.2	Amended and Restated Bylaws of the Registrant (previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed February 6, 2009 and incorporated herein by reference).
4.1	Amended and Restated Rights Agreement (including the form of Rights Certificate), dated as of April 1, 2005, by and between the Registrant and Equiserve Trust Company, N.A., as rights agent (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed April 4, 2005 and incorporated herein by reference).
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(A)+	Yahoo! Inc. 1995 Stock Plan, as amended and restated on June 25, 2009 (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 29, 2009 and incorporated herein by reference).

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<u>Exhibit Number</u>	<u>Description</u>
10.2(B)+	Form of Stock Option Agreement, including Notice of Stock Option Grant, under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(B) to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference)
10.2(C)+*	Form of Stock Option Agreement for Executives, including Notice of Stock Option Grant to Executive, under the Yahoo! Inc. 1995 Stock Plan.
10.2(D)+	Form of Restricted Stock Unit Award Agreement under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(D) to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(E)+*	Form of Restricted Stock Unit Award Agreement for Executives under the Yahoo! Inc. 1995 Stock Plan.
10.2(F)+*	Form of Executive Incentive Performance Restricted Stock Unit Award Agreement (TSR version) under the Yahoo! Inc. 1995 Stock Plan.
10.2(G)+	Form of Executive Incentive Performance Restricted Stock Unit Award Agreement (OCF version) under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(I) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.2(H)+*	Form of Letter Amendment to Executive Incentive Performance Restricted Stock Unit Award Agreement (OCF version) under the Yahoo! Inc. 1995 Stock Plan.
10.2(I)+*	Form of Executive Incentive Performance Restricted Stock Unit Award Agreement (AFP version) under the Yahoo! Inc. 1995 Stock Plan.
10.2(J)+	Form of Restricted Stock Award Agreement under the Yahoo! 1995 Stock Plan (previously filed as Exhibit 10.2(F) to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(K)+	Form of Stock Appreciation Rights Award Agreement under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.23(D) to the Registrant's Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference).
10.3(A)+	Yahoo! Inc. 1996 Employee Stock Purchase Plan, as amended and restated on June 25, 2009 (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 29, 2009 and incorporated herein by reference).
10.3(B)+	Form of Enrollment Agreement under the Yahoo! Inc. Amended and Restated 1996 Employee Stock Purchase Plan (previously filed as Exhibit 10.3(B) to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference)
10.4(A)+	Yahoo! Inc. 1996 Directors' Stock Plan, as amended and restated November 26, 2007 (previously filed as Exhibit 10.4(A) to the Registrant's Annual Report on Form 10-K filed February 27, 2008 and incorporated herein by reference).
10.4(B)+	Form of Director Nonstatutory Stock Option Agreement, including Notice of Grant, under the Yahoo! Inc. 1996 Directors' Stock Plan (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 1, 2006 and incorporated herein by reference).

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<u>Exhibit Number</u>	<u>Description</u>
10.4(C)+	Form of Notice of Restricted Stock Unit Grant and Director Restricted Stock Unit Award Agreement under the Yahoo! Inc. 1996 Directors' Stock Plan (previously filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 1, 2006 and incorporated herein by reference).
10.5	Joint Venture Agreement dated April 1, 1996 by and between the Registrant and SOFTBANK Corporation (previously filed as Exhibit 10.7 to the Registrant's Annual Report on Form 10-K filed March 21, 2003 and incorporated herein by reference).
10.6	Amendment Agreement dated September 17, 1997 by and between Registrant and SOFTBANK Corporation (previously filed as Exhibit 10.11 to the Registrant's Annual Report on Form 10-K filed March 21, 2003 and incorporated herein by reference).
10.7	Consent and Resale Agreement dated as of March 25, 2002, between the Registrant and SOFTBANK Corp. (previously filed as Exhibit 10.40 to the Registrant's Quarterly Report on Form 10-Q filed May 10, 2002 and incorporated herein by reference).
10.8	Waiver and Voting Agreement between the Registrant and SOFTBANK Corp. dated February 26, 2004 (previously filed as Exhibit 10.38 to the Registrant's Quarterly Report on Form 10-Q filed May 7, 2004 and incorporated herein by reference).
10.9	Yahoo Japan License Agreement dated April 1, 1996 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.43 to Amendment No. 2 to the Registrant's Registration Statement on Form S-3, Registration No. 333-100298, filed on December 23, 2002 and incorporated herein by reference).
10.10	Amendment to Yahoo Japan License Agreement dated September 17, 1997 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.40 to Amendment No. 1 of the Registrant's Registration Statement on Form S-3, Registration No. 333-100298, filed on November 27, 2002 and incorporated herein by reference).
10.11	Amendment No. 2 to Yahoo Japan License Agreement dated January 31, 2005 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.30 to the Registrant's Annual Report on Form 10-K filed March 11, 2005 and incorporated herein by reference).
10.12+*	Summary of Compensation Payable to Named Executive Officers.
10.13+	Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees, as amended on December 10, 2008 (previously filed as Exhibit 10.15 to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(A)+	Employment Agreement Letter, dated January 13, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed January 15, 2009 and incorporated herein by reference).
10.14(B)+	Notice of Stock Option Grant and Stock Option Award Agreement, dated January 30, 2009, between the Registrant and Carol Bartz (previously filed as Exhibits 10.17(B) and 10.17(C), respectively, to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(C)+	Restricted Stock Award Agreement, dated January 30, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(D) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(D)+	Incentive Notice of Stock Option Grant and Stock Option Award Agreement, dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(E) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).

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<u>Exhibit Number</u>	<u>Description</u>
10.14(E)+	Incentive Restricted Stock Unit Award Agreement, dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(F) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(F)+	Incentive Performance Restricted Stock Unit Award Agreement (TSR version), dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(G) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(G)+	Incentive Performance Restricted Stock Unit Award Agreement (OCF version), dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(H) to the Registrant's Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.14(H)+*	Form of Incentive Notice of Stock Option Grant and Stock Option Award Agreement between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.14(I)+*	Form of Incentive Restricted Stock Unit Award Agreement between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.14(J)+*	Form of Incentive Performance Restricted Stock Unit Award Agreement (TSR version) between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.14(K)+*	Form of Incentive Performance Restricted Stock Unit Award Agreement (AFP version) between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.15+*	Yahoo! Inc. Executive Incentive Plan.
10.16	Employment Letter, dated January 7, 2008, between the Registrant and Aristotle Balogh (previously filed as Exhibit 10.19 to the Registrant's Quarterly Report on Form 10-Q filed May 8, 2009 and incorporated herein by reference).
10.17	Employment Letter Agreement, dated June 5, 2009, between the Registrant and Timothy R. Morse (previously filed as Exhibit 10.20 to the Registrant's Quarterly Report on Form 10-Q filed August 7, 2009 and incorporated herein by reference).
10.18(A)†	Letter Agreement, dated July 29, 2009, between the Registrant and Microsoft Corporation (previously filed as Exhibit 10.21(A) to the Registrant's Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.18(B)†*	Search and Advertising Services and Sales Agreement, dated December 4, 2009, between the Registrant and Microsoft Corporation.
10.18(C)†*	License Agreement, dated December 4, 2009, between the Registrant and Microsoft Corporation.
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see the signature page of this Annual Report on Form 10-K.)
31.1*	Certificate of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 26, 2010.
31.2*	Certificate of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 26, 2010.

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<u>Exhibit Number</u>	<u>Description</u>
32*	Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(b) and 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated February 26, 2010.
101.INS*‡	XBRL Instance
101.SCH*‡	XBRL Taxonomy Extension Schema
101.CAL*‡	XBRL Taxonomy Extension Calculation
101.DEF*‡	XBRL Taxonomy Extension Definition
101.LAB*‡	XBRL Taxonomy Extension Labels
101.PRE*‡	XBRL Taxonomy Extension Presentation

\* Filed herewith.

+ Indicates a management contract or compensatory plan or arrangement.

† Portions of this exhibit have been omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to a request for confidential treatment.

‡ Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.



**YAHOO! INC.  
1995 STOCK PLAN  
NOTICE OF STOCK OPTION GRANT  
TO EXECUTIVE**

[Insert Name]  
[Insert Address]

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

Date of Grant: [\_\_\_\_\_]

Vesting Commencement Date: [\_\_\_\_\_]

Exercise Price Per Share: [\_\_\_\_\_]

Total Number of Shares Granted: [\_\_\_\_\_]

Total Price of Shares Granted: [\_\_\_\_\_]

Type of Option: [\_\_\_\_\_]

Term/Expiration Date: [\_\_\_\_\_]

Vesting Schedule: This Option may be exercised, in whole or in part, in accordance with the following schedule: **[Vesting provisions to be determined at time of grant]**

Post Termination Exercise Period: This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7 and 8 of the Stock Option Agreement for Executives (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement for Executives).

By your signature and the signature of the Company's representative below, or by indicating your acceptance of this award through the Company's online acceptance procedure, you and the Company agree that this Option is granted under and governed by the terms and conditions of the 1995 Stock Plan and the Stock Option Agreement for Executives, which are hereby incorporated by reference and made a part of this document.

**OPTIONEE:**

**YAHOO! INC.**

\_\_\_\_\_ By: \_\_\_\_\_  
[EMPLOYEE NAME] Chief Executive Officer

Executive Notice of Stock Option Grant (February 2010)

**YAHOO! INC.  
1995 STOCK PLAN  
STOCK OPTION AGREEMENT  
FOR EXECUTIVES**

1. *Grant of Option.* Yahoo! Inc., a Delaware corporation (the “Company”), hereby grants to the optionee (the “Optionee”) named in the Notice of Stock Option Grant to Executive (the “Notice of Grant”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the “Exercise Price”) subject to the terms, definitions and provisions of the 1995 Stock Plan, as amended (the “Plan”), adopted by the Company, which is incorporated in this Stock Option Agreement for Executives (this “Agreement”) by reference. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Unless otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the definitions set forth in the Plan.  
If designated as an Incentive Stock Option in the Notice of Grant, this Option is intended to qualify as an “incentive stock option” as such term is defined in Section 422 of the Code.
2. *Exercise of Option.* This Option shall be exercisable during its term in accordance with the vesting schedule set forth in the Notice of Grant (the “Vesting Schedule”) and with the provisions of Sections 9 and 10 of the Plan as follows:
  - (i) *Right to Exercise.*
    - (a) This Option may not be exercised for a fraction of a share.
    - (b) In the event of the Optionee’s death, disability or other termination of employment, the exercisability of this Option is governed by Sections 6 through 9 below, subject to the limitations contained in Sections 2(i)(c) and (d).
    - (c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.
    - (d) If designated as an Incentive Stock Option in the Notice of Grant, in the event that this Option becomes exercisable at a time or times which, when this Option is aggregated with all other incentive stock options granted to the Optionee by the Company or any Parent or Subsidiary, would result in Shares having an aggregate fair market value (determined for each Share as of the Date of Grant of the option covering such Share) in excess of \$100,000 becoming first available for purchase upon exercise of one or more incentive stock options during any calendar year, the amount in excess of \$100,000 shall be treated as a Nonstatutory Stock Option, pursuant to Section 5(b) of the Plan.

(ii) *Method of Exercise.*

- (a) This Option shall be exercisable by delivering notice to the Company or a broker designated by the Company in such form and through such delivery method as shall be acceptable to the Company or the designated broker, as appropriate (the "Exercise Notice"). The Exercise Notice shall specify the election to exercise this Option and the number of Shares in respect of which this Option is being exercised, shall include such other representations and agreements as to the holder's investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan and applicable law, and shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company or the designated broker of such notice accompanied by the Exercise Price.
- (b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of this Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.
- (c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any Stock Exchange. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which this Option is exercised with respect to such Shares.

3. *Continuance of Employment/Service Required.* The Vesting Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6, 7 and 8 below or under the Plan.

4. *Method of Payment.* Payment of the Exercise Price shall be by any of, or a combination of, the following methods at the election of the Optionee: (i) cash; (ii) check; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or (iv) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative.

5. *Restrictions on Exercise.* This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations (“Regulation G”) as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.
6. *Termination of Relationship.* In the event of termination of the Optionee’s Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the “Termination Date”) and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Section 9, exercise this Option during the Post Termination Exercise Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee’s right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.
7. *Disability of Optionee.* Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee’s Continuous Status as an Employee or Consultant as a result of Total Disability, the Optionee may, but only within twelve (12) months from the date of termination of employment (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.
8. *Death of Optionee.* In the event of the death of the Optionee during the period of the Optionee’s Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee’s Continuous Status as an Employee or Consultant, this Option may be exercised, at any time within twelve (12) months following the date of the Optionee’s death (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), by the Optionee’s estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death or, if earlier, the date of termination of the Optionee’s Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee’s estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

9. *Change in Control.* The following provisions shall apply in the event of a Change in Control (as such term is defined below):

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Optionee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Optionee for Good Reason (as such terms are defined below), this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such termination in accordance with Section 6.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Optionee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Optionee has not cured within fourteen (14) days after the Optionee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Optionee's refusal or material failure to perform the Optionee's job duties and responsibilities (other than by reason of the Optionee's serious physical or mental illness, injury or medical condition); (2) the Optionee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Optionee's material breach of any contract or agreement between the Optionee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Optionee and the Company), or the Optionee's material breach of any statutory duty, fiduciary duty or any other obligation that the Optionee owes to the Company; (4) the Optionee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Optionee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Optionee's indictment or conviction or *nolo contendere* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Optionee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Optionee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Optionee specifying in reasonable detail the reasons the Optionee believes one of the following events or conditions has occurred (provided such notice is delivered by the Optionee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Optionee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Optionee's prior written agreement; (2) the material diminution of the Optionee's authority, duties or responsibilities as an employee of the Company without the Optionee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Optionee's position with the Company to a location that is greater than 50 miles from the Optionee's current principal place of employment with the Company, and that is also further from the Optionee's principal place of residence, without the Optionee's prior written agreement, provided that in all events the termination of the Optionee's service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Option shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

10. *Non-Transferability of Option.* This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.
11. *Term of Option.* This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.
12. *No Additional Employment Rights.* The Optionee understands and agrees that the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with his or her right or the Company's right to terminate his or her employment or consulting relationship at any time, with or without cause.
13. *Notice of Disqualifying Disposition of Incentive Stock Option Shares.* If this Option is an Incentive Stock Option, and if the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the Incentive Stock Option on or before the later of (a) the date two years after the Date of Grant, or (b) the date one year after transfer of such Shares to the Optionee upon exercise of the Incentive Stock Option, the Optionee shall notify the Company in writing within thirty (30) days after the date of any such disposition. The Optionee agrees that the Optionee may be subject to the tax withholding provisions of Section 14 below in connection with such sale or disposition of such Shares.
14. *Tax Withholding.* The Optionee shall pay to the Company promptly upon request, and in any event at the time the Optionee recognizes taxable income in respect of the Option, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Option. Such payment may be made by any of, or a combination of, the following methods: (i) cash or check; (ii) out of the Optionee's current compensation; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; (iv) by electing to have the Company withhold from the Shares to be issued upon exercise of this Option that number of Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or (v) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by the Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

- (i) the election must be made on or prior to the applicable Tax Date;
- (ii) once made, the election shall be irrevocable as to the particular Shares of this Option as to which the election is made;
- (iii) all elections shall be subject to the consent or disapproval of the Administrator;
- (iv) if the Optionee is subject to Section 16 of the Exchange Act, the election must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

15. *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address appearing on the books of the Company or to the Optionee's residence or to such other address as may be designated in writing by the Optionee. Notices may also be delivered to the Optionee, during his or her employment, through the Company's inter-office or electronic mail systems.
16. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
17. *Imposition of Other Requirements.* If the Optionee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Optionee'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 Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.



18. *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.
19. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.
20. *Entire Agreement.* This Agreement, the Notice of Grant and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.
21. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.
22. *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.
23. *Recoupment.* Notwithstanding any other provision herein, any recoupment or “clawback” policies adopted by the Administrator and applicable to equity awards shall apply to the Option and any Shares that may be issued in respect of the Option to the extent the Administrator designates the policy as applicable to the Option at the time the policy is adopted.
24. *Signature.* This Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties (or upon the Optionee’s online acceptance) of the Notice of Grant.

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**  
**FOR EXECUTIVES**

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 20\_\_\_\_ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee \_\_\_\_\_ Restricted Stock Units (the "Award") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, during the Restricted Unit Period (as defined below). Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* **[Vesting provisions to be determined at the time of grant]** (The period commencing on the Date of Grant and ending on the date the Restricted Stock Units vest is referred to as the "Restricted Unit Period" as to those Restricted Stock Units.)

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the "Payment Date"), such Restricted Stock Units shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* Except as expressly provided in Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control*. The following provisions shall apply in the event of a Change in Control (as such term is defined below) prior to the date the Restricted Stock Units have either become vested and non-forfeitable or have been forfeited pursuant to this Agreement:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as such terms are defined below), the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee's refusal or material failure to perform the Grantee's job duties and responsibilities (other than by reason of the Grantee's serious physical or mental illness, injury or medical condition); (2) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee's material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between the Grantee and the Company), or the Grantee's material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee's indictment or conviction or *nolo contendere* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee's prior written agreement; (2) the material diminution of the Grantee's authority, duties or responsibilities as an employee of the Company without the Grantee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee's position with the Company to a location that is greater than 50 miles from the Grantee's current principal place of employment with the Company, and that is also further from the Grantee's principal place of residence, without the Grantee's prior written agreement, provided that in all events the termination of the Grantee's service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This grant of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

### **Section 3. Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(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) *Recoupment.* Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards shall apply to the Award and any Shares that may be issued in respect of the Award to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee's signature and the signature of the Company's representative below, or by Grantee's acceptance of this Award through the Company's online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_



**YAHOO! INC.**  
**1995 STOCK PLAN**  
**PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**  
*[Total Stockholder Return Version]*

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee \_\_\_\_\_ Restricted Stock Units (such amount, the "Target Number" of Restricted Stock Units ) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* Subject to Sections 2(e) through 2(g) below, the Applicable Percentage (determined based upon the performance-based vesting provisions set forth in Exhibit A attached hereto) of the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the date of the Final Committee Determination; provided however that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the Applicable Percentage and performance-based vesting provisions shall no longer apply, and the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the third anniversary of the Date of Grant. Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) shall terminate as of the date of the Final Committee Determination (or, in the case of a Change in Control prior to the third anniversary of the Date of Grant, as of the third anniversary of the Date of Grant). For purposes of this Agreement, the “Final Committee Determination” shall mean the date on which the Administrator determines the extent to which (if any) the performance-based vesting requirements on Exhibit A have been satisfied, which date shall be not later than three months after the end of the Performance Period (as defined in Exhibit A).

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Section 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event Grantee's employment is terminated by the Company, Parent or Subsidiary without Cause (as defined below) or due to the Grantee's death or Total Disability (as defined in the Plan), a pro rata portion of the Restricted Stock Units subject to the Award may vest in accordance with the provisions set forth below:

(A) *Prior to a Change in Control.* Prior to any Change in Control (as defined in Section 2(g)), if such termination occurs on or after the date that is eighteen (18) months after the Date of Grant but prior to the third anniversary of the Date of Grant, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested on the third anniversary of the Date of Grant shall equal (x) the number of Restricted Stock Units subject to the Award that would have vested in accordance with Section 2(c) above (assuming no termination of employment had occurred), multiplied by (y) a fraction, the numerator of which is the number of whole months after the Date of Grant that the Grantee was employed by or rendered services to the Company, Parent or any Subsidiary, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (A) shall terminate as of the third anniversary of the Date of Grant. Notwithstanding the foregoing, if a Change in Control occurs after such a termination of the Grantee's employment and prior to the third anniversary of the Date of Grant, the Grantee shall vest in a prorated number of Restricted Stock Units as of the date of the Change in Control determined by multiplying the Target Number of Restricted Stock Units by the fraction referred to in clause (y) of the preceding sentence, with any such vested Restricted Stock Units to be paid as soon as practicable following the date of the Change in Control as provided in Section 2(d) and any Restricted Stock Units that do not vest after giving effect to such determination shall terminate as of the date of the Change in Control.

(B) *After a Change in Control.* If such termination occurs after a Change in Control (or, in the case of a termination without Cause, more than 12 months after any Change in Control) but prior to the third anniversary of the Date of Grant, the Restricted Stock Units subject to the Award that shall become vested as of the date of termination shall equal (x) the Target Number of Restricted Stock Units, multiplied by (y) a fraction, the numerator of which is the number of whole months after the Date of Grant that the Grantee was employed by or rendered services to the Company, Parent or any Subsidiary, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate as of the date of termination.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee's refusal or material failure to perform the Grantee's job duties and responsibilities (other than by reason of the Grantee's serious physical or mental illness, injury or medical condition); (2) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee's material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between the Grantee and the Company), or the Grantee's material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee's indictment or conviction or *nolo contendere* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control*. The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control but prior to the third anniversary of the Date of Grant, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined below), the Target Number of Restricted Stock Units subject to the Award, to the extent not then vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee's prior written agreement; (2) the material diminution of the Grantee's authority, duties or responsibilities as an employee of the Company without the Grantee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee's position with the Company to a location that is greater than 50 miles from the Grantee's current principal place of employment with the Company, and that is also further from the Grantee's principal place of residence, without the Grantee's prior written agreement, provided that in all events the termination of the Grantee's service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or in the event that the Restricted Stock Units are paid in cash (as opposed to Shares), the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by reducing the amount of any cash otherwise payable to Grantee with respect to the Restricted Stock Units; (iii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iv) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

### Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(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) *Recoupment.* Notwithstanding any other provision herein, any recoupment or “clawback” policies adopted by the Administrator and applicable to equity awards shall apply to the Award and any Shares that may be issued in respect of the Award to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.



By Grantee's signature and the signature of the Company's representative below, or by Grantee's acceptance of this Award through the Company's online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_, 2010

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Re: Letter Amendment to Performance Restricted Stock Unit Award Agreement (OCF Version)**

Dear \_\_\_\_\_:

Reference is made to the Performance Restricted Stock Unit Award Agreement (OCF Version) between you and Yahoo! Inc. (the "Company") dated \_\_\_\_\_, 2009 (the "Award Agreement"). Capitalized terms used in this letter agreement and the attached exhibit and not otherwise defined herein or therein will have the meanings ascribed to such terms in the Award Agreement.

The purpose of this letter agreement is to amend the Award Agreement to provide that, for each of the 2010 and 2011 Performance Years, the number of the Restricted Stock Units (if any) that will be credited to you with respect to such Performance Year will not be determined under Exhibit A attached to the Award Agreement but will instead be determined in accordance with Exhibit 1 attached to this letter agreement.

This letter agreement does not modify any other terms of the Award Agreement except as expressly set forth above (including, without limitation, the crediting of any Restricted Stock Units to you with respect to the 2009 Performance Year and the vesting and payment provisions applicable to any such units).

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

Sincerely,

Yahoo! Inc.  
[NAME]  
[TITLE]

Acknowledged and Agreed:

By: \_\_\_\_\_  
[NAME]

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**  
*[Annual Financial Performance Version]*

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and \_\_\_\_\_ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee \_\_\_\_\_ Restricted Stock Units (such number, the "Target Number" of Restricted Stock Units; and one-third of the Target Number being the "Annual Target Number" of Restricted Stock Units for each "Performance Year" identified on Exhibit A hereto) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* Subject to Sections 2(e) through 2(g) below, the Restricted Stock Units credited to the Grantee for each Performance Year pursuant to the performance-based vesting provisions set forth in Exhibit A shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the performance-based vesting requirements referred to in this Section 2(c) shall not apply with respect to the Performance Year in which such Change in Control occurs or any subsequent Performance Year, and the following provisions shall apply: the number of Restricted Stock Units that shall vest upon the third anniversary of the Date of Grant shall equal the sum of (i) the number of Restricted Stock Units (if any) credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Performance Year(s) ended prior to the year in which the Change in Control occurs (“Credited Restricted Stock Units”), plus (ii) the Annual Target Number of Restricted Stock Units for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s) (the “Remaining Uncredited Restricted Stock Units”). Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) shall terminate as of the third anniversary of the Date of Grant.

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Section 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as defined below) or due to the Grantee's death or Total Disability (as defined in the Plan), the Restricted Stock Units shall vest as set forth below:

(A) *Prior to a Change in Control.* If such termination occurs prior to any Change in Control (as defined in Section 2(g)), any Credited Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for any Performance Year ended prior to the Performance Year in which such termination occurs, to the extent then not vested, shall vest and become non-forfeitable as of the date of such termination and shall be paid in accordance with Section 2(d). Any Restricted Stock Units that do not vest in accordance with the preceding sentence shall terminate as of the date of such termination of employment.

(B) *After a Change in Control.* If such termination occurs after a Change in Control (or, in the case of a termination without Cause, more than 12 months after any Change in Control) but prior to the third anniversary of the Date of Grant, the Restricted Stock Units subject to the Award that shall become vested as of the date of termination shall equal the sum of (i) the number of Credited Restricted Stock Units, plus (ii) the number of Remaining Uncredited Restricted Stock Units multiplied by (y) a fraction, the numerator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and the date of such termination of employment, and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year; and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate as of the date of termination.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee's employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee's refusal or material failure to perform the Grantee's job duties and responsibilities (other than by reason of the Grantee's serious physical or mental illness, injury or medical condition); (2) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee's material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between the Grantee and the Company), or the Grantee's material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee's commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee's engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee's indictment or conviction or nolo contendere or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control*. The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined below), the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent outstanding and not then vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee's then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee's prior written agreement; (2) the material diminution of the Grantee's authority, duties or responsibilities as an employee of the Company without the Grantee's prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee's position with the Company to a location that is greater than 50 miles from the Grantee's current principal place of employment with the Company, and that is also further from the Grantee's principal place of residence, without the Grantee's prior written agreement, provided that in all events the termination of the Grantee's service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or in the event that the Restricted Stock Units are paid in cash (as opposed to Shares), the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by reducing the amount of any cash otherwise payable to Grantee with respect to the Restricted Stock Units; (iii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iv) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.



### Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(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) *Recoupment.* Notwithstanding any other provision herein, any recoupment or “clawback” policies adopted by the Administrator and applicable to equity awards shall apply to the Award and any Shares that may be issued in respect of the Award to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee's signature and the signature of the Company's representative below, or by Grantee's acceptance of this Award through the Company's online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

### Summary of Compensation Payable to Named Executive Officers

**Base Salary.** The Compensation Committee (the “Committee”) of the Board of Directors of Yahoo! Inc. (“Yahoo”) has approved the 2010 base salaries of Yahoo’s principal executive officer, principal financial officer, and the other executive officers who were named in the Summary Compensation Table of the Company’s Proxy Statement filed with the Securities and Exchange Commission on April 29, 2009 and who are currently employed by the Company (together, the “Named Executive Officers”). The following table shows for each of the Named Executive Officers the annual base salary for 2010, which will become effective on April 1, 2010 (with the exception of the base salaries for Ms. Bartz and Mr. Yang, which are unchanged from 2009):

<u>Name and Principal Position</u>	<u>Annual Base Salary (\$)</u>
Carol Bartz Chief Executive Officer	1,000,000
Jerry Yang Chief Yahoo	1
Timothy R. Morse Executive Vice President and Chief Financial Officer	525,000
Aristotle Balogh Executive Vice President, Products and Chief Technology Officer	575,000
Michael J. Callahan Executive Vice President, General Counsel and Secretary	475,000

**Bonus.** In addition to receiving a base salary, Yahoo’s Named Executive Officers are also generally eligible to receive an annual bonus.

Yahoo’s Named Executive Officer bonuses for 2010 will be determined under Yahoo’s Executive Incentive Plan. The Named Executive Officers’ respective target bonus opportunities (expressed as a percentage of annual base salary) under the Executive Incentive Plan for 2010 are as follows: Ms. Bartz - 200%, Mr. Morse - 100%, Mr. Balogh - 100% and Mr. Callahan - 75%. Mr. Yang will not participate in the Executive Incentive Plan. The Committee also has the ability to award discretionary bonuses from time to time in circumstances the Committee determines to be appropriate.

**Long-Term Incentives.** The Named Executive Officers are also eligible to receive equity-based incentives and other awards from time to time at the discretion of the Committee. Equity-based incentives granted by Yahoo to the Named Executive Officers are reported on Form 4 filings with the Securities and Exchange Commission.

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**NOTICE OF STOCK OPTION GRANT**

Carol Bartz  
701 First Avenue  
Sunnyvale, CA 94089

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

Date of Grant: [\_\_\_\_\_]

Vesting Commencement Date: [\_\_\_\_\_]

Exercise Price Per Share: [\_\_\_\_\_]

Total Number of Shares Granted: [\_\_\_\_\_]

Total Price of Shares Granted: [\_\_\_\_\_]

Type of Option: [\_\_\_\_\_]

Term/Expiration Date: [\_\_\_\_\_]

Vesting Schedule: This Option may be exercised, in whole or in part, in accordance with the following schedule: **[Vesting provisions to be determined at time of grant]**

Termination Period: This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7, 8 and 9 of the Stock Option Agreement (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement).

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

**OPTIONEE:**

**YAHOO! INC.**

\_\_\_\_\_ By: \_\_\_\_\_  
Carol Bartz [Officer]

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**STOCK OPTION AGREEMENT**  
**FOR CAROL BARTZ**

1. *Grant of Option.* Yahoo! Inc., a Delaware corporation (the “Company”), hereby grants to the optionee (the “Optionee”) named in the Notice of Stock Option Grant (the “Notice of Grant”), an option (the “Option”) to purchase the total number of shares of Common Stock (the “Shares”) set forth in the Notice of Grant, at the exercise price per share set forth in the Notice of Grant (the “Exercise Price”) subject to the terms, definitions and provisions of the 1995 Stock Plan, as amended (the “Plan”), adopted by the Company, which is incorporated in this Stock Option Agreement (this “Agreement”) by reference. In the event of a conflict between the terms of the Plan and the terms of this Agreement, the terms of the Plan shall govern. Unless otherwise defined in this Agreement, capitalized terms used in this Agreement shall have the definitions set forth in the Plan.
2. *Exercise of Option.* This Option shall be exercisable during its term in accordance with the vesting schedule set forth in the Notice of Grant (the “Vesting Schedule”) and with the provisions of Sections 9 and 10 of the Plan as follows:
  - (i) *Right to Exercise.*
    - (a) This Option may not be exercised for a fraction of a share.
    - (b) In the event of the Optionee’s termination of employment or a Change in Control (as such term is defined below), the vesting and exercisability of this Option is governed by Sections 6 through 10 below, subject to the limitations contained in Section 2(i)(c).
    - (c) In no event may this Option be exercised after the date of expiration of the term of this Option as set forth in the Notice of Grant.
  - (ii) *Method of Exercise.*
    - (a) This Option shall be exercisable by delivering notice to the Company or a broker designated by the Company in such form and through such delivery method as shall be acceptable to the Company or the designated broker, as appropriate (the “Exercise Notice”). The Exercise Notice shall specify the election to exercise this Option and the number of Shares in respect of which this Option is being exercised, shall include such other representations and agreements as to the holder’s investment intent with respect to such shares of Common Stock as may be required by the Company pursuant to the provisions of the Plan and applicable law, and shall be accompanied by payment of the Exercise Price. This Option shall be deemed to be exercised upon receipt by the Company or the designated broker of such notice accompanied by the Exercise Price.

- (b) As a condition to the exercise of this Option, the Optionee agrees to make adequate provision for federal, state or other tax withholding obligations, if any, which arise upon the exercise of this Option or disposition of Shares, whether by withholding, direct payment to the Company, or otherwise.
  - (c) No Shares will be issued pursuant to the exercise of an Option unless such issuance and such exercise shall comply with all relevant provisions of law and the requirements of any Stock Exchange. Assuming such compliance, for income tax purposes the Shares shall be considered transferred to the Optionee on the date on which this Option is exercised with respect to such Shares.
3. *Continuance of Employment/Service Required.* The Vesting Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6 through 10 below or under the Plan.
4. *Method of Payment.* Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the Exercise Price (“Net Exercise”). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such Exercise Price in such method (including because doing so would disqualify the Option from being exempt under Section 409A of the Code) or the parties otherwise agree in writing, the Exercise Price shall be paid by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company’s earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which said Option is exercised; or (iii) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Exercise Price.
5. *Restrictions on Exercise.* This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations (“Regulation G”) as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship.* In the event of termination of the Optionee's Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date") or thereafter and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Sections 7, 8, 9 and 10, exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee's right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.
7. *Disability of Optionee.* Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of Disability, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant, and the denominator of which is forty-eight (48). The Optionee may, but only within twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of Disability (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 7), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Disability" shall have the same meaning as in the Optionee's employment agreement with the Company entered into on January 13, 2009 (as it may be amended from time to time, the "Employment Agreement").
8. *Death of Optionee.* Notwithstanding the provisions of Section 6 above, in the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant, and the denominator of which is forty-eight (48). In the event of the death of the Optionee during the period of the Optionee's Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee's Continuous Status as an Employee or Consultant, this Option may be exercised, at any time within twelve (12) months following the date of the Optionee's death (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), by the Optionee's estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death (after giving effect to any accelerated vesting pursuant to this Section 8) or, if earlier, the date of termination of the Optionee's Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee's estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.



9. *Termination Without Cause, Good Reason Termination, Certain Other Terminations.* Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of a termination by the Company without Cause, a termination by the Optionee with Good Reason or any termination at or after Expiration other than a termination by the Company for Cause (a "Qualifying Termination"), this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee's Continuous Status as an Employee or Consultant, and the denominator of which is forty-eight (48). The Optionee may, but only within twelve (12) months from the date of termination of the Optionee's Continuous Status as an Employee or Consultant as a result of a Qualifying Termination (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 9), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Cause," "Good Reason" and "Expiration" shall have the same meanings as in the Employment Agreement.
10. *Change in Control.* The following provisions shall apply in the event of a Change in Control (as such term is defined below):
- (i) In the event that, during the period of twelve (12) months following the Change in Control, the Optionee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Optionee for Good Reason, this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such termination in accordance with Section 6.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Option shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

11. *Release.* The Optionee's rights to receive any accelerated vesting and other benefits in connection with a termination of the Optionee's Continuous Status as an Employee or Consultant pursuant to Sections 7, 8, 9 and 10 shall require the Optionee to execute and deliver to the Company (with the period to revoke expiring without the Optionee's revocation) within sixty (60) days of such termination (and in all cases prior to any exercise of any accelerated portion of this Option) a release in the form annexed to the Employment Agreement. The Optionee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Optionee's Continuous Status as an Employee or Consultant.

12. *Non-Transferability of Option.* This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.
13. *Term of Option.* This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.
14. *No Additional Employment Rights.* The Optionee understands and agrees that the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with her right or the Company's right to terminate her employment or consulting relationship at any time, with or without cause.
15. *Tax Withholding.* Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the minimum statutory amount required to be withheld with respect to the portion of the Option exercised. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by deducting such amount out of the Optionee's current compensation; (iii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; or (iv) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined.
16. *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee's address appearing on the books of the Company or to the Optionee's residence or to such other address as may be designated in writing by the Optionee. Notices may also be delivered to the Optionee, during his or her employment, through the Company's inter-office or electronic mail systems.

17. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.
18. *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Optionee and the beneficiaries, executors, administrators, heirs and successors of the Optionee.
19. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.
20. *Entire Agreement.* This Agreement, the Notice of Grant, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.
21. *Adjustments.* For purposes of this Option, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.
22. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.
23. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.
24. *Recoupment.* Notwithstanding any other provision herein, the Option and any Shares that may be issued in respect of the Option shall be subject to any recoupment or “clawback” policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Option at the time the policy is adopted.
25. *Signature.* This Agreement shall be deemed executed by the Company and the Optionee upon execution by such parties (or upon the Optionee’s online acceptance) of the Notice of Grant.

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**RESTRICTED STOCK UNIT AWARD AGREEMENT**  
**FOR CAROL BARTZ**

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of [\_\_\_\_\_, 20\_\_] (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee [\_\_\_\_\_] Restricted Stock Units (the "Award") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution, during the Restricted Unit Period. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* **[Vesting provisions to be determined at the time of grant]** (The period commencing on the Date of Grant and ending on the date the Restricted Stock Units vest is referred to as the “Restricted Unit Period” as to those Restricted Stock Units.)

(d) *Timing and Manner of Payment of Restricted Stock Units.* Any Restricted Stock Units subject to the Award that become non-forfeitable shall be paid upon the first to occur of (i) as soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable and (ii) March 14, 20\_\_ (such date, the “Payment Date”). Such Restricted Stock Units shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* Except as expressly provided in this Section 2(e) or in Section 2(g), in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(i) If the Grantee’s employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee’s death or Disability, (B) by the Company, Parent or any Subsidiary without Cause, (C) by the Grantee with Good Reason or (D) for any reason at or after Expiration other than a termination by the Company for Cause, the Restricted Stock Units subject to the Award shall vest and become non-forfeitable to the extent necessary to cause the aggregate number of Restricted Stock Units subject to the Award that are vested and non-forfeitable (including any Restricted Stock Units previously paid pursuant to Section 2(d)) to equal the total number of Restricted Stock Units subject to the Award multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee’s termination, and the denominator of which is forty-eight (48).

(ii) For purposes of this Agreement, “Disability,” “Cause,” “Good Reason” and “Expiration” shall have the same meanings as in the Grantee’s employment agreement with the Company entered into on January 13, 2009 (the “Employment Agreement”).

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the date the Restricted Stock Units have either become vested and non-forfeitable or have been forfeited pursuant to this Agreement:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee’s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason, the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, “Change in Control” shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a “Person” and collectively, “Persons”), is or becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company’s then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This grant of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.



(i) *Release.* The Grantee's rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee's employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee's revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee's employment or service.

### Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during her employment, through the Company's inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Adjustments.* For purposes of the Restricted Stock Units subject to the Award, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Recoupment.* Notwithstanding any other provision herein, the Award and any Shares that may be issued in respect of the Award shall be subject to any recoupment or “clawback” policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee’s signature and the signature of the Company’s representative below, or by Grantee’s acceptance of this Award through the Company’s online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_

Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: Carol Bartz

Address: 701 First Avenue  
Sunnyvale, CA 94089

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**  
**FOR CAROL BARTZ**  
*[Total Stockholder Return Version]*

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee \_\_\_\_\_ Restricted Stock Units (such amount, the "Target Number" of Restricted Stock Units) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* Subject to Sections 2(e) through 2(g) below, the Applicable Percentage (determined based upon the performance-based vesting provisions set forth in Exhibit A attached hereto) of the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the date of the Final Committee Determination; provided however that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the Applicable Percentage and performance-based vesting provisions shall no longer apply, and the Target Number of Restricted Stock Units shall vest and become non-forfeitable upon the third anniversary of the Date of Grant. Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) or pursuant to the provisions of Sections 2(e) through 2(g) below shall terminate as of the date of the Final Committee Determination (or, in the case of a Change in Control prior to the third anniversary of the Date of Grant, as of the third anniversary of the Date of Grant). For purposes of this Agreement, the “Final Committee Determination” shall mean the date on which the Administrator determines whether the performance-based vesting requirements on Exhibit A have been satisfied, which date shall be not later than three months after the end of the Performance Period (as defined in Exhibit A).

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Sections 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee's death or Disability, (B) by the Company, Parent or any Subsidiary without Cause or (C) by the Grantee with Good Reason (a "Qualifying Termination"), a pro rata portion of the Restricted Stock Units subject to the Award may vest in accordance with the provisions set forth below:

(A) If a Qualifying Termination occurs prior to a Change in Control (as defined in Section 2(g)), upon the date of the Final Committee Determination, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested and non-forfeitable shall equal (x) the number of Restricted Stock Units subject to the Award that would have vested in accordance with Section 2(c) above (assuming no termination of employment had occurred), multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee's termination, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (A) shall terminate and be forfeited as of the date of the Final Committee Determination. Notwithstanding the foregoing, if a Change in Control occurs after a Qualifying Termination and prior to the third anniversary of the Date of Grant, upon the date of the Change in Control, the Grantee shall vest and become non-forfeitable in a prorated number of Restricted Stock Units determined by multiplying the Target Number of Restricted Stock Units by the fraction referred to in clause (y) of the preceding sentence, and any Restricted Stock Units that do not vest after giving effect to such determination shall terminate and be forfeited as of the date of the Change in Control.

(B) If a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant and a Qualifying Termination occurs after such Change in Control, upon the date of the Grantee's termination, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units subject to the Award that shall become vested and non-forfeitable shall equal (x) the Target Number of Restricted Stock Units, multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee's termination, and the denominator of which is thirty-six (36); and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate and be forfeited as of the date of termination.

(iii) For purposes of this Agreement, "Disability," "Cause," and "Good Reason" shall have the same meanings as in the Grantee's employment agreement with the Company entered into on January 13, 2009 (the "Employment Agreement").

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control but prior to the third anniversary of the Date of Grant, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined above), the Target Number of Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release.* The Grantee's rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee's employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee's revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee's employment or service.

### Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(g) *Entire Agreement.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Recoupment.* Notwithstanding any other provision herein, the Award and any Shares that may be issued in respect of the Award shall be subject to any recoupment or "clawback" policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.



(i) *Adjustments.* For purposes of the Restricted Stock Units subject to the Award, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(j) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(k) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee's signature and the signature of the Company's representative below, or by Grantee's acceptance of this Award through the Company's online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: Carol Bartz

Address: 701 First Avenue  
Sunnyvale, CA 94089

**YAHOO! INC.**  
**1995 STOCK PLAN**  
**PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT**  
**FOR CAROL BARTZ**  
*[Annual Financial Performance Version]*

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of \_\_\_\_\_, 20\_\_ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

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

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

**Section 1. Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee \_\_\_\_\_ Restricted Stock Units (such number, the "Target Number" of Restricted Stock Units; and one-third of the Target Number being the "Annual Target Number" of Restricted Stock Units for each "Performance Year" identified on Exhibit A hereto) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

**Section 2. Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions.* Subject to Sections 2(e) through 2(g) below, the Restricted Stock Units credited to the Grantee for each Performance Year (as defined in Exhibit A) pursuant to the performance-based vesting provisions set forth in Exhibit A attached hereto shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs prior to the third anniversary of the Date of Grant, the performance-based vesting requirements referred to in this Section 2(c) shall not apply with respect to the year in which such Change in Control occurs or any subsequent Performance Year, and the following provisions shall apply: the number of Restricted Stock Units that shall vest upon the third anniversary of the Date of Grant shall equal the sum of (i) the number of Restricted Stock Units (if any) credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Performance Year(s) ended prior to the year in which the Change in Control occurs (“Credited Restricted Stock Units”), plus (ii) the Annual Target Number of Restricted Stock Units for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s) (the “Remaining Uncredited Restricted Stock Units”). Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this Section 2(c) or pursuant to the provisions of Sections 2(e) through 2(g) below shall terminate as of the third anniversary of the Date of Grant.

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the “Payment Date”), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee’s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Sections 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee’s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the Grantee's employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee's death or Disability, (B) by the Company, Parent or any Subsidiary without Cause or (C) by the Grantee with Good Reason (a "Qualifying Termination"), the Restricted Stock Units shall vest as set forth below:

(A) If a Qualifying Termination occurs prior to any Change in Control (as defined in Section 2(g)), upon the date of the Grantee's termination, any Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for any Performance Year ended prior to the year in which such termination occurs, to the extent then not vested, shall vest and become non-forfeitable. In addition, upon December 31 of the Performance Year in which the Grantee's Qualifying Termination occurs, the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units that shall become vested and non-forfeitable shall equal (x) any Restricted Stock Units credited (or to be credited) to the Grantee in accordance with Exhibit A with respect to Company performance for such Performance Year (assuming no termination of employment had occurred), multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services in the Performance Year in which the Grantee's Qualifying Termination occurs (such numerator, the "Number of Additional Months") and the denominator of which is twelve (12). Any Restricted Stock Units that do not vest in accordance with the two preceding sentences shall terminate and be forfeited effective as of December 31 of the applicable Performance Year.

Notwithstanding the foregoing, if a Change in Control occurs after a Qualifying Termination and prior to the third anniversary of the Date of Grant, upon the date of the Change in Control, the Restricted Stock Units that shall become vested and non-forfeitable shall equal the sum of: (i) the number of Credited Restricted Stock Units, plus (ii) the number of Remaining Uncredited Restricted Stock Units for the Performance Year in which the Grantee's Qualifying Termination occurs multiplied by a fraction (not greater than 1), the numerator of which is the Number of Additional Months, and the denominator of which is twelve (12). Any Restricted Stock Units that do not vest upon the date of the Change in Control shall terminate and be forfeited as of the date of the Change in Control.

(B) If a Change in Control occurs prior to the third anniversary of the Date of Grant and a Qualifying Termination occurs after such Change in Control, then upon the date of the Grantee's termination, the Restricted Stock Units that shall become vested and non-forfeitable shall equal the sum of: (i) the number of Credited Restricted Stock Units, plus (ii) the number of Remaining Uncredited Restricted Stock Units multiplied by a fraction (not greater than 1), the numerator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and the date of such termination of employment, and the denominator of which is the number of whole months between January 1 of the year in which the Change in Control occurs and December 31 of the third Performance Year; and any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (B) shall terminate and be forfeited as of the date of termination.

(iii) For purposes of this Agreement, “Disability,” “Cause,” and “Good Reason” shall have the same meanings as in the Grantee’s employment agreement with the Company entered into on January 13, 2009 (the “Employment Agreement”).

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee’s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined above), the Credited Restricted Stock Units and the Remaining Uncredited Restricted Stock Units, to the extent outstanding and not then vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, “Change in Control” shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a “Person” and collectively, “Persons”), is or becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company’s then outstanding securities;

(B) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release.* The Grantee's rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee's employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee's revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee's employment or service.

### Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.



(g) *Entire Agreement.* This Agreement, the Plan and the Employment Agreement contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(h) *Recoupment.* Notwithstanding any other provision herein, the Award and any Shares that may be issued in respect of the Award shall be subject to any recoupment or “clawback” policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(i) *Adjustments.* For purposes of the Restricted Stock Units subject to the Award, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(j) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(k) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee's signature and the signature of the Company's representative below, or by Grantee's acceptance of this Award through the Company's online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

[Insert Name]

Signature: \_\_\_\_\_

Printed Name: Carol Bartz

Address: 701 First Avenue  
Sunnyvale, CA 94089

Yahoo! Executive Incentive Plan

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## I. Introduction

### A. Applicability

1. Employees eligible to participate in the Yahoo! Inc. Executive Incentive Plan (the "EIP" or "this Plan") are those employees of Yahoo! Inc. and its subsidiaries (collectively, the "Company") at job levels E3, E4, E5 and EX. The Compensation Committee of Yahoo!'s Board of Directors (the "Compensation Committee") has the sole discretion to determine whether the EIP will be offered to any executive for whom the Compensation Committee sets the executive's compensation level (an "Executive Officer"). Yahoo!'s Chief Executive Officer ("CEO") or his or her designee will determine whether any other eligible person (other than an Executive Officer) is a participant. Participants will be notified in writing of their participation in this Plan and will be provided with a copy of the EIP, which they must sign and accept in order to participate (any person so notified who timely accepts participation is referred to as a "Participant").
2. The Compensation Committee reserves the right to amend, modify or terminate the EIP, in whole or in part, at any time, in its sole discretion including, without limitation, to comply with applicable local law, rules and regulations. The Compensation Committee may remove any individual (and the CEO may remove any individual other than an Executive Officer) from participation in the EIP at any time.

### B. Objectives of the EIP

- To enhance the Company's competitiveness and the Company's ability to attract, motivate and retain top talent;
- To recognize the role of senior leadership in the success of the Company;
- To reward annual financial and individual performance that complements the Company's longer-term strategic focus; and
- To encourage collaboration and teamwork across the Company.

## II. EIP Elements

### A. Target Awards

A target cash bonus award ("Target Award") will be established for each Participant. Target Awards are determined by position level and will be typically expressed as a percentage of a Participant's annual base salary rate as of the last day of the applicable fiscal year, where such salary rate does not include other forms of compensation (such as, without limitation, expense reimbursements, superannuation, bonus payments, long-term incentives, overtime compensation, and other variable compensation). Target Awards may also be a specified fixed dollar (or local currency) amount.

Target Awards for Executive Officers may be reviewed and revised in the sole discretion of the Compensation Committee. Target Awards for other Participants may be reviewed and revised in the sole discretion of the CEO or his or her designee.

This EIP and Target Awards do not constitute a guarantee of or entitlement to a bonus payment. A Participant's actual bonus payment may vary from his or her Target Award.

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## **B. EIP Bonus Pool Funding**

Individual Target Awards will be aggregated to determine the Company's target bonus pool (the "Target Bonus Pool") for the applicable fiscal year. The actual EIP bonus pool (the "EIP Bonus Pool") for the applicable fiscal year may vary from 50% to 200% of the Target Bonus Pool for that year based on the Company's actual Operating Income for that year (the "Operating Income") and actual Revenue for that year ("Revenue"). The Compensation Committee will establish prior to March 31 of the applicable fiscal year an Operating Income target for that year ("Operating Income Target") and a Revenue target for that year ("Revenue Target"). The EIP Bonus Pool for a particular fiscal year will be determined as follows:

- If the Operating Income equals or exceeds the Operating Income Target, the EIP Bonus Pool will be funded at 100% of the Target Bonus Pool, subject to adjustment as described below.
- For every 1% (or fraction thereof) that the Operating Income exceeds the Operating Income Target, the EIP Bonus Pool will be funded at an additional equal percentage of the Target Bonus Pool (e.g., if Operating Income exceeds the Operating Income Target by 1.5%, the EIP Bonus Pool will be funded at an additional 1.5% of the Target Bonus Pool). The percentage (if any) by which the Operating Income exceeds the Operating Income Target is referred to as the "Incremental Bonus Pool Allocation" (which may be subject to increase as set forth below).
- For every 1% (or fraction thereof) that the Operating Income is less than the Operating Income Target, the EIP Bonus Pool will be decreased by an amount equal to 2.5 times that percentage of the Target Bonus Pool (e.g., if Operating Income is 1.5% less than the Operating Income Target, the EIP Bonus Pool will be decreased by 3.75% of the Target Bonus Pool).
- If the Operating Income exceeds the Operating Income Target, and the Revenue exceeds the Revenue Target, then the Incremental Bonus Pool Allocation referenced above will be increased as follows:
  - If the Revenue exceeds the Revenue Target by less than 3% the Incremental Bonus Pool Allocation will be multiplied by 1.5.
  - If the Revenue exceeds the Revenue Target by at least 3% but less than 5%, the Incremental Bonus Pool Allocation will be multiplied by 2.
  - If the Revenue exceeds the Revenue Target by at least 5%, the Incremental Bonus Pool Allocation will be multiplied by 2.5.
- In no event, however, will the EIP Bonus Pool be funded at a level less than 50% of the Target Bonus Pool or at a level greater than 200% of the Target Bonus Pool.

The terms "Operating Income" and "Revenue" are used as defined in Appendix A.

## **C. EIP Bonus Pool Allocation and Individual Awards**

Allocation of the EIP Bonus Pool among the Participants in a particular fiscal year will be determined based on a combination of Company performance and individual performance. Payout of seventy percent (70%) of each Participant's EIP Target Award will be determined based on the Company's actual Operating Income and actual Revenue performance against the Operating Income Target and Revenue Target, respectively, for the applicable fiscal year. The remainder of a Participant's EIP bonus will be determined based on the Participant's individual performance and relative contribution as determined by the CEO or his or her designee (or by the Compensation Committee in the case of Executive Officers) in his/her or its sole discretion.

The calculation of a Participant's EIP bonus will be made in conjunction with the Company's Focal Review Process for the applicable fiscal year, which shall occur in the first quarter of the following fiscal year and follow the process below.

**Step 1:** Determine the total EIP Bonus Pool as described in Section B.

**Step 2:** Determine the portion of the EIP Bonus Pool payable to each Participant for Company performance:

$$\text{Individual Target Award (Dollars)} \times \text{EIP Bonus Pool Funding \%} \times 70\% = \text{EIP Bonus for Company Performance}$$

**Step 3:** Determine the portion of the EIP Bonus Pool payable to each Participant for individual performance.

The CEO or his or her designee shall determine the portion of the EIP bonus for the non-Executive Officer Participants based on individual performance and relative contribution. The Compensation Committee shall determine the portion of the EIP bonus for Executive Officers based on individual performance and relative contribution.

**Step 4:** Calculate the total EIP bonus to be paid to each Participant:

a) Portion of EIP Bonus for Company Performance	=	Amount determined in Step 2
b) Portion of EIP Bonus for Individual Performance	=	Amount determined in Step 3
Total EIP Bonus	=	Sum of (a + b)

The aggregate total of bonuses payable to all Participants under this Plan for a particular fiscal year shall not exceed the EIP Bonus Pool determined as described in Section B above for that year.

Any EIP bonus payable to a Participant under this Plan shall not be considered as "salary" in any circumstance and shall not be included in calculations for overtime pay, retirement benefits, severance, or any other benefits under any applicable plan, policy, agreement or applicable law.

### III. TERMS AND CONDITIONS

#### A. EIP Effective Period

Each fiscal year covered by this Plan is the period from January 1 to December 31 of the applicable fiscal year. This EIP supersedes all previous executive cash incentive plans, management incentive plans (MIP), or leadership bonus plans and agreements and all other previous or contemporaneous oral or written statements by the Company on this subject.

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## **B. Date for Incentive Payments**

EIP bonuses paid under this Plan are not earned until paid. It is a condition for EIP eligibility that Participants must be employed, and not under notice of termination given by the Company or the Participant (if applicable), on the payment date of the EIP bonuses (except as otherwise provided in Section I – Terminations of Employment). Payment will not occur until after financial results for the applicable fiscal year are determined by the Company and the Focal Review process for the applicable year is completed.

## **C. Form and Timing of Payment**

If the conditions for payment described above are met, the EIP bonus will be payable in a lump sum cash payment (in local currency), subject to required payroll deductions and tax withholdings no later than March 15 of the year following the end of the applicable fiscal year (except that, in the case of Participants not on the United States payroll of the Company at the start of the applicable fiscal year and who are not added to the United States payroll of the Company during the applicable fiscal year, payment will occur not later than March 31 of the year following the end of the applicable fiscal year).

## **D. New Hires**

If an employee is hired on or before October 1 of the applicable fiscal year into a position that qualifies for the EIP, the employee will participate in the EIP only if the Company notifies the employee in writing that he or she is a Participant under the EIP for that year. The employee's Target Award amount for the fiscal year may be prorated based on the date of hire.

Employees who are hired after October 1 of the applicable fiscal year will not be considered Participants under the EIP for that fiscal year.

## **E. Transfers**

If a Participant transfers from one EIP-eligible position to another during the applicable fiscal year, the following guidelines shall apply:

- If the Participant has a different Target Award upon transfer, his/her annual Target Award amount may be prorated based on the Target Award percentages for the amount of time spent in each position during the fiscal year.
- If a Participant transfers mid-year from an EIP-eligible position to one that is not EIP eligible (for example, a transition from a role that participates in the EIP to a position that is covered by a sales incentive plan), the Compensation Committee with respect to Executive Officers (or the CEO or his or her designee with respect to non-Executive Officers), in its sole discretion, may award the employee an EIP bonus based on a prorated EIP Target Award. Any such payment will be paid at the same time as other EIP payments are paid.
- EIP eligibility for employees participating in a global assignment during the applicable fiscal year will be handled on a case-by-case basis based on individual facts and circumstances.

The Compensation Committee with respect to Executive Officers (and the CEO or his or her designee with respect to non-Executive Officers) has the sole discretion to pro-rate, reduce, offset, or eliminate EIP bonuses to account for advances or payouts to employees under other bonus plans in effect during the same fiscal year, or for other reasons as it deems appropriate.

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#### **F. Promotions into EIP-Eligible Positions**

If a Participant is promoted from one EIP-eligible position to another, the payouts will be administered the same as described above for Transfers. If an employee is not in a position that is eligible for the EIP and is promoted to an EIP-eligible position during the applicable fiscal year, the Compensation Committee or the CEO or his or her designee as applicable, may select the employee for participation in the EIP by notifying the employee that he or she is a Participant under the EIP. The employee's Target Award amount for the fiscal year shall be prorated based on the date of the promotion.

#### **G. Adjustments to Target Awards**

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Executive Officers during the applicable fiscal year. The CEO or his or her designee in his or her sole discretion may approve adjustments to Target Awards for other Participants during the applicable fiscal year. Any such changes will be communicated to the Participant in writing. Any payout amount may be prorated based on the effective date of the change to the Target Award as determined by the Compensation Committee or the CEO or designee thereof, as applicable. Any adjustment to a Target Award will result in a corresponding adjustment to the Target Bonus Pool.

#### **H. Leaves of Absence and Part-Time Employees**

To the extent permitted by applicable law, the amount of the EIP bonus may be prorated for Participants who have been on an approved leave of absence of more than 90 days during the fiscal year and for Participants who work less than full-time.

#### **I. Terminations of Employment**

To the extent permitted by applicable law, Participants whose employment is voluntarily or involuntarily terminated (with or without cause) by the Participant or the Company or are under notice of termination given by either party (if applicable) prior to the payment date of the EIP bonus will not be eligible for and shall not receive any EIP bonus.

Participants whose employment terminates due to the employee's total disability during the applicable year will be eligible for a prorated EIP bonus, based on the date of termination, and paid at the time other EIP bonuses are paid under the EIP, to the extent permitted by local law. If a Participant dies during the applicable fiscal year, the EIP bonus will be prorated based on the date of death and paid to the estate of the deceased Participant, at the time other EIP bonuses are paid.

#### **J. EIP Interpretation**

The EIP shall be interpreted by the Compensation Committee. The Compensation Committee has the sole discretion to interpret or construe ambiguous, unclear or implied (but omitted) terms and shall resolve any and all questions regarding interpretation and/or administration.

Participants who have issues regarding payments or the administration of the EIP may file a claim in writing to the Compensation Committee, c/o the Secretary of the Company, within 90 days of the date on which the Participant first knew (or should have known) of the facts on which the claim is based. The Compensation Committee or its designee(s) shall consider the claim and notify the Participant in writing of the determination and resolution of the issue. Claims that are not pursued through this procedure shall be treated as having been irrevocably waived. The determination of the Compensation Committee or its designee(s) as to any complaint or dispute will be final and binding and shall be upheld unless arbitrary or capricious or made in bad faith.



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The provisions of this EIP are severable and if any provision is held to be unenforceable by any court of competent jurisdiction then such unenforceability shall not affect the enforceability of the remaining EIP provisions.

This Plan shall be construed and interpreted consistent with, and so as to avoid the imputation of any tax, penalty or interest under, Section 409A of the United States Internal Revenue Code of 1986, as amended.

**K. Exceptions and Modifications**

All exceptions, adjustments, additions, or modifications to the EIP require the written approval of the Compensation Committee, or its designee(s).

This version of the EIP is first effective with respect to 2010. All aspects of the EIP (including, but not limited to, financial targets, Target Awards, performance measures, and funding formulas) may be reviewed and revised at any time without advance notice in the sole discretion of the Compensation Committee.

**L. Employment At-Will (U.S. Employees only)**

The employment of all Participants in the United States is “at will” and is terminable by either the Participant or Yahoo! at any time, with or without advance notice and with or without cause. This EIP shall not be construed to create a contract of employment for a specified period of time between Yahoo! and any U.S. Participant.

*[signature page follows]*

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**M. EIP Acknowledgement**

By signing below, the Participant acknowledges that the Participant has read, comprehended, and agreed to this EIP and will abide by the guidelines outlined herein for all bonus payments. The EIP sets forth the entire agreement and understanding between the Company and the Participant relating to the subject matter herein and supersedes and replaces any and all prior plans, agreements, discussions and understandings whether oral or written regarding these subject matters including but not limited to any provision regarding cash incentive plan compensation contained in a Participant's employment agreement, if any.

**I have read and understood the provisions of this EIP and hereby agree to and accept its terms:**

Participant (print name)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
CC: Personnel File

February 2010

## Appendix A

“GAAP” means U.S. generally accepted accounting principles.

“Operating Income” as to a particular fiscal year means the Company’s income from operations for that fiscal year as determined by the Company in accordance with GAAP and reflected in its annual financial statements.

“Plan” as to a particular fiscal year means the Company’s financial plan for that fiscal year used by the Compensation Committee to set the Operating Income Target and Revenue Target for that fiscal year.

“Revenue” as to a particular fiscal year means the Company’s revenue for that fiscal year as determined by the Company in accordance with GAAP and reflected on its annual financial statements.

“Search Agreement” means the Search and Advertising Services and Sales Agreement between the Company and Microsoft Corporation (“Microsoft”).

For purposes of calculating Operating Income and Revenue for a particular fiscal year, the Operating Income and Revenue (actual or target, as appropriate) for that year shall be adjusted (without duplication) for the following items to the extent such items were not included in the Plan:

- (a) increased or decreased to eliminate the financial statement impact of acquisitions and costs associated with such acquisitions and the costs incurred in connection with potential acquisitions that are required to be expensed under GAAP;
- (b) increased or decreased to eliminate the financial statement impact of divestitures and costs associated with such divestitures and the costs incurred in connection with potential divestitures that are required to be expensed under GAAP;
- (c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;
- (d) increased or decreased to eliminate the financial statement impact of restructuring charges that are required to be expensed (or reversed) under GAAP;
- (e) increased or decreased to eliminate the financial statement impact of goodwill and intangible asset impairment charges that are required to be recorded under GAAP;
- (f) increased or decreased to eliminate the financial statement impact of search costs to the extent such search costs are less than or exceed the estimated search costs expected to be paid or reimbursed by Microsoft reflected in the Plan solely as a result of the Microsoft transaction closing earlier or later than the closing date assumed in the Plan, the amount of such adjustment to be determined on the basis of the estimated monthly search costs assumed in the Plan (pro-rated to reflect an earlier or later closing date);
- (g) increased or decreased to eliminate the financial statement impact of transaction costs related to the Microsoft Agreement which are booked to specific Microsoft transaction cost centers and which are not reimbursed by Microsoft;

February 2010

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- (h) increased or decreased to eliminate the financial statement impact of any portion of the \$150 million expense reimbursement payments received by the Company from Microsoft under the Search Agreement; and
  - (i) increased or decreased to eliminate the financial statement impact of revenue recognition changes resulting solely from revenue sharing under the Search Agreement.

February 2010

## SEARCH AND ADVERTISING SERVICES AND SALES AGREEMENT

This Search and Advertising Services and Sales Agreement (this “Agreement”) is made and entered into as of December 4, 2009 (the “Effective Date”), by and between Yahoo! Inc., a Delaware corporation (“Yahoo!”) and Microsoft Corporation, a Washington corporation (“Microsoft”).

### RECITALS

WHEREAS, Microsoft operates search services and provides certain monetization services on behalf of itself and to companies that publish and provide Web sites and other interactive applications and services;

WHEREAS, Yahoo! operates search services and provides certain monetization services on behalf of itself and to companies that publish and provide Web sites and other interactive applications and services and also operates Web sites and other interactive applications and services, all on a variety of platforms throughout the world;

WHEREAS, Microsoft desires to provide and Yahoo! desires to receive certain of Microsoft’s search services and monetization services;

WHEREAS, Microsoft desires to transfer to Yahoo! management and development of key Premium Direct Advertiser sales relationships and for Yahoo! to be Microsoft’s exclusive sales force for human-assisted sales for those customers and Yahoo! desires to provide these services to Microsoft in connection with such transfer;

WHEREAS the parties have entered into a Letter Agreement (the “Letter Agreement”) dated July 29, 2009 (the “Letter Agreement Effective Date”); and

WHEREAS the parties now desire to enter into a more detailed agreement setting forth the terms of their search and advertising relationship as contemplated in Section 1 of the Letter Agreement.

NOW, THEREFORE, in consideration of the promises, the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, the parties hereto, intending to be legally bound, agree as follows:

### AGREEMENT

#### 1. INTRODUCTION

1.1 Defined Terms. Capitalized terms not otherwise defined within the body of this Agreement have the meanings given in Exhibit A.

1.2 Overview. Both parties recognize the highly strategic and economic nature of their relationship under this Agreement and the fact that both of their search market shares and overall portal experiences are mutually dependent upon each other as a result of the foregoing. As a result, and without limiting any other provision of this Agreement, each party will reasonably cooperate with the other party and continuously allocate sufficient human and other resources on a day-to-day basis commensurate with the size, duration and importance of the relationships contemplated by this Agreement to make the relationships successful.

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

1.3 Effectiveness. This Agreement has been executed by each of the parties as of the Effective Date. However, the parties' respective rights and obligations under this Agreement will not become effective until the Commencement Date.

## 2. MICROSOFT SEARCH SERVICES

### 2.1 Algorithmic Search Services.

2.1.1 Scope of Microsoft Algorithmic Search Services. During the Term and in accordance with the terms and conditions of this Agreement, Microsoft will provide Yahoo! with Microsoft's Algorithmic Search Services. Except as provided in Section 2.4.1, Section 2.4.18 and as expressly provided elsewhere in this Agreement, Microsoft will enable the Algorithmic Search Services via the Microsoft API for use in connection with the Yahoo! Properties and the Syndication Properties. Yahoo! shall ensure that all Queries for Algorithmic Search Services from Yahoo! Properties (and any Queries that may be passed to Yahoo! and/or Microsoft from the Syndication Properties) will be passed to Microsoft in accordance with this Agreement.

2.1.2 Implementation. In response to a Query, Yahoo! shall display the Algorithmic Listings in the Block or Results Subsets (subject to Yahoo!'s rights to remove or block Algorithmic Listings as expressly provided in this Agreement) returned by the Microsoft API, except that:

(a) Yahoo! may add additional content within the Block or Results Subsets (displays under such circumstances, "Discretionary Displays"), including in circumstances when Microsoft has not provided a signal as described in Section 2.1.4(c). During the first [\*] following the Commencement Date the annual number of Yahoo! Results Pages containing Discretionary Displays will not exceed [\*]% of total impressions of the Yahoo! Results Pages for such year. After such [\*] period, the annual number of Yahoo! Results Pages containing Discretionary Displays will not exceed [\*]% of total impressions of the Yahoo! Results Pages for such year. Displays of news content within the Block or Results Subsets are not Discretionary Displays. In addition, displays of Yahoo! Images within the Block or Results Subsets on Yahoo! Results Pages from Image Internet Searches are not Discretionary Displays. "Yahoo! Images" means images that are sourced from Yahoo! Properties (e.g., Flickr), whether or not the specific images are licensed from third parties.

(b) Yahoo! may append additional content to individual Algorithmic Listings within the Block or Results Subsets so long as Yahoo! retains the title, abstract (other than as provided below), and link as supplied by Microsoft's Algorithmic Search Service. Microsoft shall provide structured data available to Microsoft from Web sites (i.e., structured data that is included in the Algorithmic Index or is otherwise available to the Microsoft Front-End Team as part of Microsoft's Algorithmic Search Services) with the Results passed to Yahoo! and Yahoo! shall be entitled to append such structured data (along with its own structured data) in its display of the Algorithmic Listings. Appending such content to individual Algorithmic Listings will not be deemed a Discretionary Display under Section 2.1.2(a) above. Yahoo! shall not modify the title and link provided by Microsoft. Yahoo! may modify the length of the displayed abstract (including by deleting it entirely) as enabled by the Microsoft API functionality (which functionality will be provided to Yahoo! at parity to Microsoft) or, to the extent that the Microsoft API functionality does not provide such functionality, Yahoo! may directly modify the length of the abstract returned in the Results.

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(c) Yahoo! may modify Algorithmic Listings to the extent that Microsoft does so or permits any third party to do so.

(d) The number of Algorithmic Listings that Yahoo! displays in response to a Query is in Yahoo!'s sole discretion, provided that if Yahoo! displays less than the full amount delivered by Microsoft in the Block or a Results Subset then Yahoo! will remove Algorithmic Listings from the Block or a Results Subset beginning with lowest ranked Algorithmic Listings first (i.e., from the end of the Block or Results Subset as applicable).

### 2.1.3 Queries and Return of Results.

(a) When sending a Query or call to Microsoft (and without limitation of Yahoo!'s right to make multiple calls as described in Section 2.4.6), Yahoo! and Syndication Partners will be able to specify or limit the type of Results to be returned to the same extent as Microsoft is able to specify or limit the Results returned in response to Queries or calls in connection with the Microsoft O&O Properties. In accordance with the foregoing, Microsoft will return Results as limited or specified by Yahoo! and Syndication Partners. If Yahoo! does not limit or specify the type of Results to be returned, then Microsoft will return Results as it would to the Microsoft Front-End Team for the same Query. For example, in connection with a Web Internet Search Query for the keyword term "Jaguar," Yahoo! may request in the call that Microsoft include Image Internet Search Algorithmic Listings in addition to Web Internet Search Algorithmic Listings. If Yahoo! does not specify or limit the type of Results returned in connection with such Query or call, Microsoft will return the Results (grouped in the same Results Subsets, if applicable, ) that it would return for the same Query or call if such Query or call had come from a Microsoft O&O Property, including Results that Microsoft may associate with different meanings ascribed by Microsoft to the Query or call. As of the Effective Date, a Query on Bing.com for the keyword term "Jaguar" returns subsets of Results (each a "Results Subset"), including (i) Algorithmic Listings from Image Internet Search of Jaguar animals and (ii) Algorithmic Listings from Web Internet Search that are categorized into different groupings under headers such as "Jaguar Dealers," "Jaguar Parts," "Jaguar Forum," and "Used Jaguar," and (iii) Algorithmic Listings from Video Internet Search of Jaguar animals. If Results Subsets are delivered, Microsoft will include a description of each such Results Subset. The intent of this Section 2.1.3 is that, to the same extent that Microsoft is able to do so for the Microsoft O&O Properties, Yahoo! may request that any or all of such Results Subsets be included or excluded (and Microsoft will return Results in accordance with such request), and in the absence of such a request, Microsoft will provide all of the Results and Results Subsets that it would display on Microsoft O&O Properties (or otherwise make available to the Microsoft Front-End Team) in response to the same Query or call.

(b) Microsoft will provide Yahoo! with the ability to Query or call for (or exclude) Results based on metadata obtained by Microsoft and associated with content or based on metadata supplied by Yahoo! to Microsoft pursuant to Section 2.1.5(d). The parties will determine whether to complete such functionality prior to the transition of Algorithmic Search Services, but such functionality will be completed no later than in [\*] following the Commencement Date. After such new Microsoft API Function (or other mechanism) is available, in response to such a Query or call that uses the new Microsoft API Function (or other mechanism), Microsoft will return (or exclude) only Algorithmic Listings that are tagged with the same metadata in rank order according to each Algorithmic Listing's relevance as determined by Microsoft's ranking algorithms (or exclude such Results as applicable).

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(c) When delivering Algorithmic Listings in response to a Query, the Microsoft API will provide a precision ranking score with at least two significant digits, which will allow Yahoo! to differentiate the relative ranking of Algorithmic Listings returned by the Microsoft API. Microsoft will also provide a consistent identifier that maps the URL for a crawled document to a corresponding document in the Algorithmic Index (a “GUID”) for each Algorithmic Listing and will notify Yahoo! promptly of any changes in the Algorithmic Index that would cause the GUIDs to no longer be accurate together with any available corrective information. Outside of the Microsoft API, Microsoft will not include different, or rerank or reorder, Algorithmic Listings for display on Microsoft O&O Properties or the properties of its syndication partners.

(d) To the extent that Microsoft enables Microsoft’s users to select Result types or display Results in a certain manner (and, if such functionality is enabled outside of the API, to the extent Yahoo! has chosen to implement such functionality), users of the Yahoo! Properties and Syndication Properties will have the same ability to do so. By way of example, to the extent that Microsoft enables users to display Results returned in response to an Image Internet Search Query based upon various attributes including size, color, attribution, etc. (and, if such functionality is enabled outside of the API, to the extent Yahoo! has chosen to implement such functionality), users of the Yahoo! Properties and Syndication Properties will have the ability to display Results on the same basis.

#### 2.1.4 Availability of Content.

(a) Content in Algorithmic Index. The obligation set forth in Section 2.4.13 (Parity of Results) includes, without limitation, making available all content (including third-party licensed content) that is included in Microsoft’s Algorithmic Index accessed by its Algorithmic Search Services. For clarity, if content is included in Microsoft’s Algorithmic Index, it will be made available to Yahoo! and the Syndication Partners to the extent that Microsoft is contractually able to do so (with respect to third-party licensed content only and subject to Section 2.1.4(e)), even if such content is obtained by Microsoft via a feed as opposed to Microsoft’s Web crawling algorithms [\*]. If there are fees attributable to the acquisition or use of content included in the Algorithmic Index under third-party agreements (excluding with Microsoft’s Affiliates), (i) Microsoft will disclose the fees to Yahoo! in advance of making the content available to Yahoo! so that Yahoo! may determine in its sole discretion whether or not to use or display such content; (ii) if Yahoo! determines in its sole discretion to display such content on the Yahoo! Properties and/or the Syndication Properties, Yahoo! will reimburse Microsoft [\*]. The foregoing does not include content made available outside of Microsoft’s Algorithmic Index and outside the Services (for example, Microsoft Excluded Services or Microsoft Applications), but otherwise does include any content associated with Results or other content included in the Block or Results Subset (such as “hover preview” content that is displayed when a user mouses over the area to the right of a Result to view content from the page associated with a Result). Microsoft will not take actions intentionally designed to circumvent its obligations under, or frustrate the purposes of, this Section 2.1.4(a) or the rest of this Agreement including by (x) removing or omitting content from its Algorithmic Index (e.g., omitting content Microsoft receives via a feed that otherwise should be part of the Algorithmic Index), (y) entering into exclusive relationships with content providers for content included in its Algorithmic Index that would prevent Microsoft from making such content available to Yahoo! or Syndication Partners, or (z) artificially increasing licensing fees payable by Yahoo! (including on behalf of Syndication Partners).

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(b) API Call. If Yahoo! determines in its sole discretion that Yahoo! will not display certain third-party content contemplated in the above Section 2.1.4(a), then Yahoo! will request in the initial Microsoft API call that Microsoft not include such third-party content in the Results delivered by the Microsoft API to the extent that the Microsoft API allows for such specification.

(c) Content Outside Algorithmic Index. If Microsoft is inserting any additional content within the Block or Results Subset when Results for a given Query are displayed on the Microsoft Results Page and such content is not contained in Microsoft's Algorithmic Index, then when that same Query is submitted by Yahoo! to the Microsoft API, the Microsoft API will (i) signal in which relative position within the Block or Results Subset the additional content is being included (e.g., between the third and fourth Result); (ii) signal what type of content is being included based upon a reasonable schema established by the parties (e.g., news, weather, etc.); and (iii) to the extent that Microsoft is contractually able to do so (subject to Section 2.1.4(e) below), include a copy of the additional inserted content. If Yahoo! displays such content provided by Microsoft (as opposed to displaying the same content that has been acquired by Yahoo! pursuant to a separate license ("Independently Sourced Content")), then Yahoo! shall reimburse Microsoft [\*].

(d) Display of Additional Content. When the Microsoft API provides the signals described in Section 2.1.4(c), in rendering the Block or Results Subset, Yahoo! may (i) include the Microsoft-supplied content (in which case any applicable fees under Section 2.1.4(a) above will apply and Yahoo! shall comply with any third party requirements associated with the display of the content, provided that Microsoft also complies with the same) [\*], (ii) include substitute Yahoo! content which is reasonably equivalent in subject matter to the Microsoft content in the signaled position, or (iii) display only the Algorithmic Listings in the original Block or Results Subset (i.e., remove the Microsoft-inserted additional content). Yahoo!'s exercise of its rights under subsections (i) and (ii) will not count against the limitations regarding Yahoo!'s insertion of content in the Block or Results Subset of its choosing independently of any such signals as set forth in Section 2.1.2(a) (i.e., such displays are not Discretionary Displays).

(e) Contractually Restricted Content. For any content that Microsoft is contractually unable to make available to Yahoo! pursuant to Section 2.1.4(a) or Section 2.1.4(c) pursuant to an agreement with a third party that is entered into prior to the Commencement Date (e.g., [\*]), Microsoft will use commercially reasonable best efforts to obtain the right to make such content available to Yahoo! and its Syndication Partners under Section 2.1.4(a) and Section 2.1.4(c), as applicable, as soon as possible following the Commencement Date. If Microsoft is unable to obtain such rights after using commercially reasonable best efforts, then Yahoo! may seek to obtain such rights directly from such third party. In connection with any agreement with a third party entered into after the Commencement Date for content to be used by Microsoft in connection with its Algorithmic Search Services, Microsoft will use commercially reasonable best efforts to obtain the rights to make such content available to Yahoo! and its Syndication Partners under Section 2.1.4(a) or Section 2.1.4(c), as applicable. After Microsoft realizes that it may be unable to obtain such rights for Yahoo! or its Syndication Partners, then to the extent Microsoft is contractually able to do so (and Microsoft will use commercially reasonable best efforts to be able to do so) Microsoft will notify Yahoo! of such negotiations (or if Microsoft is unable to notify Yahoo! of such negotiations, then Microsoft will notify Yahoo! as soon as it is able) in reasonably sufficient time to enable Yahoo! to negotiate directly with such content

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provider to obtain such rights from such third party prior to Microsoft (i) executing its agreement with such provider (unless Microsoft is unable to notify Yahoo! prior to the execution, in which case Microsoft will notify Yahoo! promptly after the execution of such agreement) and (ii) making such content available as part of its Algorithmic Search Services on Microsoft O&O Properties. Whenever Yahoo! is able to secure rights to content under this Section 2.1.4(e) (whether prior to or after Microsoft has commenced using such content) in a manner that enables Microsoft to deliver the content to Yahoo! in connection with the Services, Microsoft will make such content available to Yahoo! and its Syndication Partners pursuant to Sections 2.1.4(a) and Section 2.1.4(c), as applicable. In the event that Microsoft is not able to obtain the rights to allow Yahoo! to display the content, Microsoft will use commercially reasonable best efforts to secure the right to pass the content to Yahoo! simply for the purpose of Yahoo! understanding what content was inserted, but not for the purposes of Yahoo! display.

#### 2.1.5 Additional Access to Microsoft Algorithmic Search Platform.

(a) As used in this Agreement, “Web Crawl Cache” means a copy of the entire set of content utilized by Microsoft in connection with Microsoft Algorithmic Search Services excluding only third-party licensed content that Microsoft is contractually unable to provide to Yahoo! (but Microsoft will use commercially reasonable best efforts to obtain the right to include such content in the copy provided to Yahoo!). This content is comprised of a set of documents. Each document represents raw data pulled from external servers by the Microsoft programs that are traversing the Web to refresh the Microsoft catalog of Web content data (or content obtained via a feed and that is incorporated into the Algorithmic Index). Such data will include the following, to the extent collected by Microsoft, as well as other similar data to the extent collected by Microsoft:

- (1) Content and headers as well as body content extracted for formats such as PDF, Microsoft Word, etc.
- (2) Basic page processing: codepage conversion, language ID, region ID, outlinks, any information on boilerplate/templates, or any available page geometry information
- (3) Output of any per-page classifiers, key phrases, or other per-page document analysis available at this stage
- (4) Host IP and DNS info
- (5) Redirect chain
- (6) Page quality or authority score
- (7) In-lined content for any frames
- (8) Javascript and CSS required to render the page
- (9) Raw and canonical form of the URL
- (10) Inlinks (with anchortext)

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(11) Videos and images (including thumbnails of such images, videos or of the Web page itself to the extent they are included in the set of content utilized by Microsoft in connection with the Algorithmic Search Services)

(12) Information that is known by Microsoft about the site or page, including multi-dimensional host quality information, classifications such as authority, adult, spam, topics, and basic aggregations (number of 404's, language ID distribution, etc), change-rate, mirroring sites, page changes information such as discovery date, first crawl time, and similar information that is known to Microsoft

(b) Microsoft will make available to Yahoo! and update on a continuous basis (i.e., in accordance with the SLA) a copy of the entire Microsoft Web Crawl Cache. Each document within the Web Crawl Cache will be available for Yahoo! to access and download in accordance with the SLA. The parties will develop a process for scoping future scenarios and refresh needs as they arise. In order to facilitate the timely access to the Web Crawl Cache described in this Section 2.1.5, Microsoft (at Yahoo!'s request) will provide a copy area for Yahoo! in Microsoft colocation facilities. Microsoft will pay the development costs necessary to fulfill the foregoing obligations, and Yahoo! will pay the Covered Marginal Costs needed to support its access defined in the Yahoo!-defined scenarios. Microsoft will work with Yahoo! to help with network configuration as specified in the SLA and by providing a reasonable front-end presence in Microsoft's colocation facilities. Yahoo! may use its copy of the Microsoft Web Crawl Cache for such things as analysis, enriching the Microsoft platform with metadata and to improve the experience on Yahoo! Properties and Syndication Properties.

(c) Yahoo! will have the right, via its Dedicated Resources, to engineer a mechanism designed to meet Yahoo!'s business needs to process and/or deliver to Yahoo! the Web Content Derived Metadata for any document, including the Microsoft Web Map describing the link structure of the documents. The parties will work in good faith to develop mutually agreed service levels for this delivery, based on the performance and reliability characteristics of such delivery mechanism. The system will be engineered to avoid impact on the performance of the Microsoft systems collecting (and generating associated metadata), containing or using this data. Beyond the Dedicated Resources that Yahoo! prioritizes to work on this project, Yahoo! will pay Microsoft for the costs of this system as they arise, [\*]. Yahoo!, via the Dedicated Resources, will determine access to Web map and Web index which may include (i) bulk streaming access to the data and/or (ii) point queries for urls and other keys that exist in the Web Crawl Cache. "Web Content Derived Metadata" means all metadata derived by Microsoft via processing of the raw Web content for addition to the Algorithmic Index. Derived metadata can be at the document level, or across the entire Web content corpus. As an example, the Microsoft Web Map describing the link structure of the documents is part of the Web Content Derived Data. The derived metadata (and associated semantics for metadata generally) will be subject to constant revision by Microsoft according to Microsoft's business needs and Microsoft is not responsible for maintaining compatibility with previous versions. Microsoft will provide adequate notification of these changes to Yahoo! and Yahoo! will assign as one of the responsibilities of the Dedicated Resources to track and adapt to these changes. Such data will include the following, to the extent collected by Microsoft, as well as similar data to the extent collected by Microsoft:

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- (1) [\*]
- (2) [\*]
- (i) [\*]
- (ii) [\*]
- (iii) [\*]
- (iv) [\*]
- (3) [\*]
- (4) [\*]
- (5) [\*]
- (6) [\*].

(d) Yahoo! will have the ability to add its own metadata to each document in the Web Crawl Cache for Yahoo!'s internal purposes including the ability to create a separate content index that can be used to serve content for Yahoo! Results Pages, other Yahoo! Properties or both. [\*]. This [\*] will be engineered to avoid impact on the performance of the Microsoft systems producing, containing or using this data. Beyond the Dedicated Resources that Yahoo! prioritizes to work on this project, Yahoo! will pay Microsoft for the costs of this system as they arise, [\*]. Yahoo! may offer to share metadata with Microsoft on a periodic basis, subject to any third party contractual restrictions, in which case Microsoft may include such metadata within the Algorithmic Index and/or Web Crawl Cache. If Microsoft includes the metadata within the Algorithmic Index, such metadata will be returned back to Yahoo! through the APIs and Yahoo!'s Web Crawl Cache in accordance with the SLA, and, except where there are third-party contractual restrictions, Microsoft may use such metadata.

- (e) [\*]
  - (1) [\*]
  - (2) [\*]
  - (3) [\*]
  - (4) [\*].

- (f) [\*]
  - (1) [\*]
  - (2) [\*]
  - (3) [\*]

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(4) [\*]

(5) [\*].

(g) Yahoo! may request Microsoft to perform, and Microsoft will consider such requests in good faith via comparable procedures used by Microsoft internal teams to consider such issues, focused crawls based on:

(1) [\*]

(2) [\*]

(3) [\*].

2.1.6 BOSS. The parties agree that Microsoft will be the Algorithmic Search Services platform provider for Yahoo! (as provided for herein). This includes providing the Algorithmic Search Service and the Paid Search Service for use in Yahoo!'s BOSS platform. The parties will collaborate on a BOSS transition plan to migrate with quality Syndication Partners who are using the BOSS API from the current Yahoo! BOSS implementation to a modified Yahoo! BOSS implementation that will utilize the Services and combine Results from such Services with additional content from Yahoo!. Yahoo! shall be responsible for making the modifications required to adapt its current BOSS platform to call Microsoft Paid Search Service and Algorithmic Search Services and to incorporate Results from such Services. To effectuate the foregoing, (a) in making calls for Results, Yahoo!'s BOSS customers will use a Microsoft unique identifier that will be made available by Microsoft to Yahoo! promptly upon request by Yahoo!; (b) for publishers using this new BOSS implementation, the Algorithmic Search Services platform will be clearly attributed in the technical documentation to Microsoft; (c) at Yahoo!'s election, API calls for Yahoo!'s BOSS implementation will be passed from a BOSS Syndication Partner Property through Yahoo! to Microsoft for processing and Results will be passed back to Yahoo! so that Yahoo! can combine such Results with Yahoo! content for delivery to the Syndication Partner Property; and (d) the SLA will not apply to calls to the Microsoft API coming from BOSS, but (i) Microsoft will provide the Services in connection with such BOSS implementation at reasonable service levels for offerings of this type (and provided further [\*], then the parties will in good faith negotiate appropriate service levels) and (ii) Microsoft will offer at least the same service level objectives to Yahoo!'s BOSS customers as Microsoft offers to its own customers for similar functionality; (e) Yahoo!'s BOSS Syndication Partners may manipulate or display any or all Yahoo!-supplied content and/or any or all Results which may be integrated into their feed by Yahoo! as they see fit; and (f) [\*]. The parties will work together on an ongoing basis to discuss cost savings opportunities for BOSS which may also be tied to reduced service level offerings to BOSS customers. If Yahoo! incorporates Paid Listings from Microsoft's Paid Search Services into feeds for Syndication Partners taking such BOSS functionality, then Microsoft shall be entitled to receive the greater of (x) its Covered Marginal Costs associated with providing the Services to BOSS customers and (y) Microsoft's share of Net Revenues as provided for Syndication Partners in accordance with Section 9.1.2(c) and Section 9.1.3(c) of this Agreement and its Covered Marginal Costs as provided in Section 9.1.5(a). Finally Yahoo! may not provide BOSS functionality containing Algorithmic Listings from Microsoft to BOSS customers who did not use BOSS prior to the Commencement Date unless Yahoo! combines Microsoft's Algorithmic Listings with other Yahoo!-supplied content, as Yahoo! deems appropriate, such as vertical search results, site search, and other content to which Yahoo! has access (such combination is on a feed-by-feed basis and not a Query-by-Query basis, understanding that for any particular Query, the customer may receive only Microsoft Results).

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

2.1.7 SearchMonkey. The parties agree that Microsoft will provide functionality similar to Yahoo!'s SearchMonkey functionality for Microsoft's Algorithmic Search Services (Microsoft SearchMonkey, or "MSM"). Upon request by Yahoo!, Yahoo! and Microsoft will work together, as part of the Transition Plan and consistent with the feature prioritizations established by Yahoo!, as provided for in Section 2.4.12 below, to develop a continuity plan, including a customer communications plan, to use the Dedicated Resources to transition SearchMonkey customers to MSM. MSM need not be backwards compatible with Yahoo!'s current offering of SearchMonkey, but will support generally equivalent functionality without imposing significant new or different terms and conditions for a reasonable period of time, excluding changes which may be required to comply with Law or to conform with generally accepted industry practices (Yahoo!'s current terms and conditions can be found at <http://info.yahoo.com/legal/us/yahoo/search/searchapplication/searchapplication-4132.html>). Such migration will be performed by the Dedicated Resources so that Yahoo! can prioritize this work, relative to other work, as Yahoo! determines. Microsoft will maintain MSM for at least [\*] after the successful migration of all Yahoo! customers who choose to migrate to MSM and will provide at least [\*] notice both to Yahoo! and existing customers prior to ceasing to offer MSM functionality; provided that (a) Microsoft will only cease offering MSM if it does so with respect to all users of such functionality (including Microsoft's customers of such functionality); (b) Microsoft's decision about whether to cease to offer MSM would be based upon Microsoft Network-wide priorities for the Services; and (c) if Microsoft determines to cease offering MSM, Yahoo! may use Dedicated Resources to retain it. If pursuant to Section 2.4.12 Yahoo! elects not to prioritize sufficient Dedicated Resources to complete the SearchMonkey migrations during the [\*] period after the Commencement Date, then, after such period, Microsoft may cease to offer MSM upon [\*] written notice to Yahoo!, provided that Microsoft again complies with (a) through (c) in the previous sentence. Upon completion of such migration, Yahoo! may, (i) obtain and use structured data from MSM, (ii) combine such structured data with other content and structured data available to Yahoo! subject to the terms and conditions of this Agreement and (iii) make such combined structured data available to users subject to the terms and conditions of this Agreement.

## 2.2 Microsoft Paid Search Services

2.2.1 Scope of Microsoft Paid Search Services. During the Term and in accordance with the terms and conditions of this Agreement, Microsoft will provide Yahoo! with Microsoft's Paid Search Services. Except as provided in Section 2.4.1 and Section 2.4.18, Microsoft will enable the Paid Search Services via the Microsoft API for use in connection with the Yahoo! Properties and the Syndication Properties. Yahoo! shall ensure that all calls for Paid listings from Paid Search Services from Yahoo! Properties (and any Queries that may be passed to Yahoo! and/or Microsoft) from the Syndication Properties will be passed to Microsoft in accordance with this Agreement.

2.2.2 Implementation of Microsoft Paid Search Services. Yahoo! may (but shall not be obligated to) display on the Yahoo! Properties or the Syndication Properties the Paid Listings returned by the Microsoft API in the locations chosen by Yahoo!, subject to the terms of this Agreement. If Yahoo! displays more than one such Paid Listing, it will display such Paid Listings in rank order (subject to Yahoo!'s rights to remove or block Paid Listings as provided herein) contiguously, with such elements and in a format as may be mutually-agreed by Yahoo! and Microsoft. Yahoo! may display Paid Listings returned by the Microsoft API in multiple blocks of one or more Paid Listings in different locations on a page (e.g., north, east, south) and may repeat the display of Paid Listings in such locations on the same page, provided that (except for repeating ads) Yahoo! will maintain the rank order of the Paid Listings by placing them in order from the most valuable location to least valuable location on the page as determined by Yahoo! in its reasonable discretion. The parties will reasonably determine whether Paid Listings on next pages (i.e., the follow-up pages to the same Query) should repeat Paid Listings from the prior pages.

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### 2.2.3 Paid Search Parity.

(a) Recommendations for Ad Placement. In response to inputs from Yahoo! Properties or Syndication Properties in a given country, the Microsoft API will provide the same recommendation for ad placement (e.g., number of north ads), as would be provided in response to the same inputs from a Microsoft O&O Property in that country or, if there are no Microsoft O&O Properties in that country at that time, then at Yahoo!'s request the same as Microsoft provides to a Microsoft partner specified by Yahoo! in such country. Should Yahoo! choose to implement a different number of north ads than the number recommended by the Microsoft API, Yahoo! will return to Microsoft via a mutually agreeable process the number of north and east ads shown by Yahoo!. Microsoft's placement recommendations will be developed [\*].

(b) Discounting. Microsoft will discount, surcharge or adjust (including discarding fraudulent or invalid clicks) the price charged to advertisers for Paid Listings delivered by the Paid Search Services and Contextual Advertising Services across the Microsoft Network, including the Microsoft O&O Properties, the Yahoo! Properties and the Syndication Properties, in a manner that is (i) fully transparent to Yahoo! (with respect to both the methodology used to calculate and determine discounts, surcharges, adjustments (including fraudulent clicks) and the associated data); (ii) reasonable and fair; and (iii) consistently applied. For clarity, the application of the principles described in this Section 2.2.3(b) may or may not result in an actual discount, surcharge, or adjustment in any specific case. Microsoft also will provide additional information in response to Yahoo!'s reasonable requests to clarify how such discounting, surcharging and adjusting (including discarding) occurs on a case-by-case basis to ensure that the above is satisfied. The manner and methodology in which such pricing adjustments are made and any additional information provided by Microsoft pursuant to this Section 2.2.3(b) will be treated as Microsoft's Confidential Information. Yahoo! shall be entitled to share Customer and Syndication Partner specific information and the Services' general approach regarding discounts, surcharges and adjustments with the Customers and the Syndication Partners affected by such actions including for the purposes of assisting Customers and Syndication Partners in achieving genuine improvements in advertisement and traffic quality. Yahoo! may not share with a Customer or Syndication Partner those portions of the methodologies (or any other information) actually used by Microsoft or the Services that Yahoo! knows or reasonably should know could be used by any Customer or Syndication Partner to circumvent or otherwise manipulate the application of such methodologies without improving advertisement or traffic quality, as applicable. Notwithstanding the foregoing, Yahoo! may share such information to the same extent that Microsoft shares such information with Customers or its own syndication partners. Upon request by Yahoo!, Microsoft will work with Yahoo! in good faith consistent with the principles described in this Section 2.2.3(b) to timely address (where appropriate) any questions and concerns that Yahoo!, its Customers or its Syndication Partners raise regarding discounts, surcharges or adjustments, with the understanding that Yahoo! will be conducting the communications with its Customers and Syndication Partners.

(c) Site Restrictions. Neither Microsoft nor Yahoo! shall allow Customers to designate that Paid Listings from Microsoft's Paid Search Services may be displayed either only on Microsoft's Results Pages or only on Yahoo! Results Pages. Microsoft's Paid Search Services will, commencing no later than the first Migration Date in the applicable country and throughout the Term, provide Customers with advertising distribution controls that designate whether or not their Paid Listings from Microsoft's Paid Search Services will appear on properties other than the combined marketplace of the Microsoft O&O Properties and the Yahoo!

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Properties (including properties that resolve to bing.com or search.yahoo.com (or any successor URL to which results pages for Microsoft or Yahoo! are directed)). With respect to Microsoft's Contextual Advertising Services, neither Microsoft nor Yahoo! shall encourage Customers via direct site selection control or indirectly via targeting to designate that Paid Listings from such services be displayed either only on Microsoft O&O Properties or only on Yahoo! Properties. For clarity, Microsoft's inclusion of general functionality in the Contextual Advertising Services that enables Customers to target or exclude specific publisher sites is not "encouragement" as described in the prior sentence. If Microsoft develops functionality that enables it to designate that Paid Listings for its own products and services will be displayed only on Microsoft Results Pages, then (i) it will make such functionality available to Yahoo! and (ii) thereafter, Microsoft and Yahoo! may each designate that Paid Listings for its own products and services are displayed only on Microsoft Results Pages or Yahoo! Results Pages, respectively.

#### 2.2.4 Optimization

(a) Microsoft shall optimize the selection (including matching), ranking, placement recommendations and quantity of Paid Listings delivered from its Paid Search Services by evaluating performance across the entire Microsoft Network. Paid Listings provided by Microsoft will be optimized at parity with the technologies and methodologies used for Microsoft's optimization for the Microsoft O&O Properties. Specifically, Microsoft shall optimize Paid Listings at full parity using the same optimization technologies and methodologies as it does for Microsoft's primary search Web site (currently Bing.com), including Microsoft API call parity [\*]. Yahoo! may further optimize the placement and quantity of Paid Listings based on its own desired implementation while preserving the rank order of returned Paid Listings. Accordingly, Yahoo! will receive from the Paid Search Services portion of the Microsoft API the same optimization data that is available to Microsoft via the Paid Search Services portions of the Microsoft API for use on the Microsoft O&O Properties (and if Microsoft uses any data or information outside of the Paid Search Services portion of the Microsoft API to optimize Results on the Microsoft O&O Properties, then it will make such data or information available to Yahoo! as well). Such data will include, at a minimum, the data elements described in Section 2.2.4(b) below. Microsoft will make available additional performance data [\*] via the standard functionality of the Paid Search Services functions of the Microsoft API that Yahoo! may download and use for its offline optimization analysis and sales efforts for Premium Direct Advertisers. Yahoo! may conduct independent bucket testing as it desires to determine its desired optimization and for providing guidance to Microsoft for optimizing Paid Listings on Yahoo!'s behalf. Microsoft will provide Yahoo! with all reporting from Yahoo!'s bucket testing as reasonably requested by Yahoo! (and in no event less than the level of reporting generated from Microsoft's own bucket testing). Microsoft shall inform and use (as requested by Yahoo!) or make available to Yahoo! all available optimization techniques [\*], including when Microsoft develops more customizable or site-specific optimization techniques. For clarity, for any two Web sites on the Microsoft Network, including Microsoft O&O Properties, Yahoo! Properties and the Syndication Properties, the Microsoft API [\*] (with the understanding that pricing may later be discounted or surcharged pursuant to Section 2.2.3(b)), etc.).

(b) The Microsoft API for Paid Search Services runtime will provide, [\*], the following 12 data elements for each Paid Listing:

- [\*]
- [\*]

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- [\*]
- [\*]
- [\*]
- [\*]
- [\*]
- [\*]
- [\*]
- [\*]
- [\*]
- [\*]

(c) Yahoo! may not use any of the optimization data provided by Microsoft to reverse engineer, disassemble or otherwise attempt to obtain Microsoft's confidential information relating to the technology or algorithms associated with the Services.

(d) In the event that Microsoft's primary search Web site (e.g., in the United States as of the Effective Date, Bing.com) or Yahoo!'s primary search Web site (e.g., in the United States as of the Effective Date, Yahoo.com) would implement a different ad placement than what is recommended by the Microsoft API, the parties will use a mutually defined mechanism to deliver a data feed to the other party describing Query, location, placement recommendation and actual placement so that the other party may use the data to continue to improve its own optimization. The SLA for such returned information should be as near real time as practical as mutually agreed by the parties, bounded by an upper limit of [\*]. Note that such information is in addition to the standard information Yahoo! is required to return via the Microsoft API (e.g., impression counting) in order to have correct functioning of the Microsoft API.

(e) Yahoo! and the Syndication Partners shall be able to include as inputs to the Microsoft API any available context attributes (such as user information that is not personally identifiable) along with the user Query, Non-Internet Search Query or Contextual Advertising Services API request that are also available to Microsoft as inputs to the Microsoft API for its own use for the Services except that (i) [\*] and (ii) Microsoft may require Yahoo! and Syndication Partners using such functionality to comply with and agree to reasonable security, privacy and other similar requirements (consistent with this Agreement and Microsoft's own practices) associated with the use of the functionality so long as Microsoft generally requires its own syndication partners to comply with the same and, in such case, Yahoo! shall cause its Syndication Partners that use such functionality to comply with such requirements. The Services shall use these attributes to optimize the Results sent to Yahoo! or the Syndication Partners, at full parity with what the Services would do in connection with the Microsoft O&O Properties. Such attributes shall be subject to the data restrictions in Section 13. Microsoft will fully inform Yahoo! in a timely manner (similar to what is provided to Microsoft) of any changes or additions to the attributes (if any), or to the treatment of any attributes, that may be passed as inputs to the Microsoft API for optimization with a description of such attributes and their influence on the Results delivered.

(f) The parties will meet weekly (or at such other frequency as they later might agree) to review the performance of the Services on the Yahoo! Properties and Syndication Properties and to optimize user experience (including relevance) and monetization of the Services

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based on Yahoo!'s desired balance (which may represent Yahoo!'s desired balance for itself and its Syndication Partners) and Microsoft will provide sufficient qualified support to Yahoo! as needed in connection with such performance review and optimization using then-available functionalities. The desired balance may be different from Source to Source for each Yahoo! Property and Syndication Property.

#### 2.2.5 Search Advertiser Programs.

(a) Notwithstanding the parity provisions in Section 2.2.3, Yahoo! will not receive, and Microsoft will not be obligated to provide, [\*] in Paid Listings from the Services. However, (i) Yahoo! will receive the same Results from advertisers participating in [\*] (even though displayed Results would not [\*]), except the creative associated with such Results might be modified to remove any [\*]-specific messages; (ii) Results will be ordered without regard to an advertiser's participation [\*] based on the full amount bid by the advertiser and the other criteria used by Microsoft's Paid Search Service [\*]; and (iii) the gross amounts charged to advertisers will be the same regardless of [\*].

(b) The parties will work together on future advertiser-facing programs related to the Services prior to the implementation of such programs and subject to the parties' mutual agreement on the scope of such programs and the obligations that such programs would place on each of them. The parties understand and agree that (i) such programs should not be unfairly biased against or in favor of either Yahoo! or Microsoft; (ii) such programs should be available for both Yahoo! and Microsoft; (iii) both Yahoo! and Microsoft may elect not to participate in such programs; and (iv) such programs will not require as a condition of participation that one party be required to display the other's brand on its own results pages.

(c) Each party may develop its own end-user programs (e.g., loyalty programs) related to the Services, provided that such programs will not change the advertising selection, ordering, or payment obligations, consistent with Section 2.2.5(a) above.

### 2.3 Microsoft Contextual Advertising Services.

2.3.1 Scope of Microsoft Contextual Advertising Search Services. Microsoft will enable Yahoo! to integrate, and Yahoo! may, in its sole discretion, implement, Microsoft's Contextual Advertising Services on any Yahoo! Property and any Syndication Property. Microsoft shall enable the delivery of its Contextual Advertising Services to Yahoo! Properties and Syndication Properties through (i) Yahoo!'s advertising exchange marketplace, (ii) server-to-server xml ad calls and (iii) direct tagging of such properties. Microsoft will use commercially reasonable efforts to optimize the matching, relevance and monetization of Microsoft's Paid Listings from Contextual Advertising Services with the available inventory on Yahoo! Properties and Syndication Properties using the same methodology as Microsoft uses to optimize the matching, relevance and monetization of such Paid Listings from Contextual Advertising Services for Microsoft O&O Properties.

2.3.2 Bidding Process. Yahoo! may request Paid Listings on a real time basis from Microsoft's Contextual Advertising Services [\*].

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## 2.4 General.

2.4.1 Provision of Services. Subject to the terms and conditions of this Agreement, Microsoft will provide and Yahoo! will implement Microsoft's Algorithmic Search Services and Paid Search Services for Yahoo! Properties via the Microsoft API, the White Label Solution described in Section 2.4.18 or such other solutions as may developed by Microsoft during the Term. If Yahoo! chooses another such solution, Yahoo! shall be entitled to all of the same protections and advantages, and subject to the same obligations and limitations, provided for in this Agreement, including the parity provisions; provided that the parties will mutually agree upon any reasonable modifications in light of the operational or business model constraints associated with such other solutions.

2.4.2 Improvements and Successive or Substitute Services. For avoidance of doubt, the Services and Additional Services provided by Microsoft under this Agreement will include each such service as it exists as of the Effective Date, all improvements thereto and any successor or substitute Algorithmic Search Service, Paid Search Service, or Contextual Advertising Service. If any Service is no longer Microsoft's primary service for Algorithmic Search Services, Paid Search Services or Contextual Advertising Services, then Yahoo! may at any time elect to use such primary service (however named) and any successor service thereto in accordance with this Agreement, except that Yahoo! may elect to continue the secondary service, instead of the new primary service or successor service thereto, if it is still made available by Microsoft to third parties or on Microsoft O&O Properties, with the understanding that Microsoft is not obligated to continue to offer or maintain the secondary service.

2.4.3 Parity Principles. Among Yahoo's primary purposes in entering into this Agreement are to increase search market share, improve search monetization and improve its portal experience. Additionally, the parties both desire to preserve opportunities to offer differentiated search experiences on their respective sites in areas beyond core capabilities of the Services. To achieve these purposes, a basic underlying principle of this Agreement is that, in using the Services and Additional Services and Other Platform Services, if applicable (e.g., with respect to an Additional Service when Yahoo! has elected to receive such Additional Service exclusively from Microsoft pursuant to Section 3.2.4 or 3.3.4), the parties (and their syndication partners) will have equal opportunities to compete for search and portal share and to monetize the search experience by virtue of (i) the provisions of this Agreement specifying that Yahoo! will receive the Services at parity with how Microsoft receives them and (ii) the parties each having equal opportunity to provide differentiated experiences in areas that are not part of the Services (e.g., vertical content, Applications, Microsoft Excluded Services, and Yahoo! Excluded Services). In furtherance of such purposes, Microsoft will act in good faith in providing the Services and fulfilling its obligations under this Agreement, including fulfilling the spirit of parity, throughout the Term and as the Services (and Additional Services and Other Platform Services, if applicable) evolve during such time. Whenever possible, Microsoft will include content associated with the Services in the Algorithmic Index or otherwise make such content available within the Microsoft API and will provide all functionality associated with the Services within the API, unless the functionality relates to front-end execution (which is nonetheless covered under the immediately following sentence) or the functionality is an Application. Microsoft will provide all aspects of the Services (including by providing Yahoo! with the ability to utilize and/or call all functionality related to the Services, regardless of whether such functionality is within the API, but excluding the Applications) to Yahoo! (on behalf of Yahoo!, and subject to Section 4.10, its Syndication Partners): (a) at parity to the Services as available to Microsoft and (b) in a manner that is as easy for Yahoo! to implement as it is for Microsoft to implement (taking into account that Yahoo! is not running the underlying algorithms upon which the Services and Additional Services are based) assuming, to the extent that a given aspect of the Services or Additional Services relates to front-end execution, that Yahoo! uses comparable engineering resources as the

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Microsoft Front-End Team. Microsoft will not do anything to circumvent such parity. The foregoing is not intended to apply to matters that are not part of the Services (e.g., vertical content, Applications, Microsoft Excluded Services, or Yahoo! Excluded Services) unless the same are included within the Microsoft API, the Algorithmic Index, the Block or the Results Subset, in which case the provisions of Sections 2.1.4 apply.

2.4.4 Resource Commitments. Microsoft will ensure that it maintains, at a minimum, [\*] personnel dedicated at all times during the Term to the operation and continuous improvement and support of the Services, including at least [\*] personnel dedicated at all times during the Term to the operation and continuous improvement and support of Paid Search Services and at least [\*] personnel dedicated at all times to the operation and continuous improvement and support of Algorithmic Search Services. Microsoft will also dedicate a reasonable level of resources to each language and/or region that requires specialized matching or marketplace tuning. The parties' goal is to offer a highly compelling set of Services, both in terms of quality of consumer and advertiser experience, advertiser engagement, and monetization. In furtherance of the foregoing, Microsoft will ensure that, throughout the Term, there are levels of technically proficient personnel, investment in capital equipment and research and development funding, development time and support time dedicated to such operations and improvements as are reasonably necessary for Microsoft to advance such goal and that are equal to or greater than Microsoft's level of resources and investment as of the Letter Agreement Effective Date.

2.4.5 Microsoft APIs. Unless and until Yahoo! elects to implement a White Label Solution, Microsoft will enable Yahoo! and Syndication Partners to access Microsoft's Algorithmic Search Services and Paid Search Services through the Microsoft API. The Microsoft API made available to Yahoo! [\*] will at all times be at full parity with the Microsoft API made available to Microsoft. The Microsoft API will enable all Microsoft API Functions and will include all data and feed elements related to the Services that are received by the Microsoft Front-End Team (or comparable teams of any Microsoft partners) via the Microsoft API to create Microsoft Results Pages. Without limiting the foregoing, the Results shall include all additional data elements related to the Results that would be included with such Results when made available for the Microsoft O&O Properties or Microsoft's partners receiving the Services (for example, an image that is associated with an Algorithmic Listing). Such parity shall be fully verifiable, including by third parties.

2.4.6 API Calls. For each Query from any of the Yahoo! Properties and Syndication Properties, Yahoo! will submit one or more calls to the Microsoft API indicating the number of Paid Listings and Algorithmic Listings requested by Yahoo! for each aspect of the Services (e.g., Web, image, Paid Listings) and Microsoft shall return such number of Results for each such Service (or all Results if the amount requested is not available) in accordance with the terms of this Agreement. Yahoo! will not serve any cached Results previously delivered by Microsoft unless the parties otherwise mutually agree in writing. Microsoft will implement a mechanism for Yahoo! to specify via the Microsoft API (or some other mechanism) which calls to the Microsoft API are multiple calls for the same Query, and Yahoo! will use such mechanism to designate which calls are secondary calls (i.e. those in addition to the first call) when submitting multiple calls for the same Query. Within 30 days after the Effective Date, Yahoo! will provide Microsoft with the number of calls made to its own Algorithmic Search Services (excluding calls which are not made in response to a Query such as test calls), in each country and the number of corresponding Queries in each country as measured over the calendar quarter prior to the Effective Date. The total number of calls made by Yahoo! and the Syndication Partners to the Yahoo! Algorithmic Search Services during such period in each country divided by the corresponding Queries during such period in each country will be the "Historical Multiple Call Rate" for that country (e.g., if Yahoo! and the Syndication Partners made 300 calls for 150 Queries during the period the Historical Multiple Call Rate

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would be 2.00). On a calendar quarterly basis, in any country if the number of calls (excluding calls which are not made in response to a Query such as test calls) submitted to the Microsoft API for the Yahoo! Properties and the Syndication Properties exceeds the [\*], then Yahoo! will pay Microsoft the Covered Marginal Costs of providing such excess calls. [\*]. To the extent that Yahoo! is not submitting excess multiple calls under the foregoing formula in one country for a given period, Yahoo! may increase the number of permitted excess calls in a different country in the same period by an equal amount of calls so long as doing so does not [\*] as set forth in this Section 2.4.6. As appropriate, the parties will work together to determine alternative methods to making multiple calls if such methods achieve the same quality of Results and overall performance at a materially lower cost. In addition, when Yahoo! submits multiple calls for a single Query, the SLA provisions will apply separately to each individual call for Results for a Query, not the multiple calls in the aggregate for such Query.

2.4.7 Display of Results. If Yahoo! does not display all of the Results or if Yahoo! materially alters the Results (as permitted in this Agreement), then Yahoo! will subsequently, in a form, manner, and timing to be agreed to by the parties, deliver a report or data feed describing (x) which Results were not displayed, (y) any material modifications to the display of the Results, and (z) any additional content included with the Results. For clarity, the immediately previous sentence does not grant Yahoo! any additional rights; rather, the previous sentence is intended to provide Microsoft with visibility into these activities as authorized elsewhere hereunder. Yahoo! shall only be obligated to deliver the information provided for in this subsection to the extent that Microsoft is using such information.

(a) Test Queries. Yahoo! may conduct test Queries requesting over [\*] results per Query on an offline basis (with relaxed SLAs). Yahoo! shall reimburse Microsoft for the Covered Marginal Costs (i) of serving such offline test Queries during non-Peak Time (as defined in Exhibit B) in excess of [\*] Queries per second and (ii) [\*]. Such test Queries shall use the same means that Microsoft uses internally for its own similar test Queries and shall comprise typical end user Query distribution. Yahoo! may, at any time, lower the maximum Queries per second for Peak Time offline test Queries under subsection (ii) in order to reduce Microsoft's reimbursable Covered Marginal Costs, [\*].

(b) Query Signals. Microsoft and Yahoo! will work together to implement a mechanism (including, through the Microsoft API if both parties agree that such an approach is the most reasonable) to provide the best Query signal and other related information so that Yahoo! may present the Results and other content to the end user in a more effective and consistent manner in response to Queries or calls originating from Yahoo! Properties and Syndication Properties (e.g., so that if an end user types in "jaguar" and Microsoft re-writes or interprets the query to "jaguar car," Microsoft informs Yahoo! so that Yahoo! can display content relevant to "jaguar car" and not "Jaguar animal" to such user). The parties will determine whether to complete such functionality prior to the transition of Algorithmic Search Services, but such functionality will be completed no later than [\*] following the Commencement Date.

2.4.8 Rendering Code. Microsoft will provide Yahoo! with Rendering Code and associated mock-up examples, and Yahoo! may elect to use such Rendering Code in enabling the display of Results delivered by the Microsoft API on the Yahoo! Properties and the Syndication Properties. The parties recognize that new Microsoft API Functions may require new or updated Rendering Code. Microsoft need not provide technical support or engineering resources to Yahoo! in working with the Rendering Code, except as provided for in this Agreement. Microsoft makes no warranties as to the merchantability or fitness of the Rendering Code for a particular purpose or non-infringement. Yahoo!

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recognizes that due to (among other items) differences in the architecture of Yahoo!'s Web pages and the user experience that Yahoo! desires to achieve, Yahoo! may need to substantially modify the Rendering Code (or develop its own Rendering Code) in order to properly render Results in a fashion similar to the way in which Microsoft renders Microsoft Results Pages.

2.4.9 Documentation for Microsoft API and Rendering Code & Training. Microsoft will provide Yahoo! with all generally applicable technical documentation for the Microsoft API as well as reasonable training to Yahoo! engineers regarding the Microsoft API and changes to the Microsoft API. The technical documentation will, in form and substance, be reasonably detailed and sufficiently clear so that it may be practically used by Yahoo!. Yahoo! will implement the Microsoft API in compliance with generally applicable technical specifications in such documentation except to the extent that such technical documentation contravenes this Agreement or purports to impose new contractual requirements upon Yahoo!, in which case such conflicts or additional contractual requirements are, as to Yahoo!, non-binding. Yahoo! is not required, and will not be required, to accept any additional license agreement (beyond this Agreement or the License Agreement) to download, to use, or to implement the Microsoft API or any code provided by Microsoft, or, to the extent that there is an additional license agreement, any conflicting or additional provisions of such additional license agreement are non-binding as to Yahoo! unless Yahoo! expressly agrees (a) in a writing that references this Agreement and the License Agreement and (b) not via any automated or electronic means. Yahoo! will not unreasonably withhold its agreement to additional, reasonable license terms that do not conflict and are not inconsistent with this Agreement (including the parity requirements) and the License Agreement and that do not impose any financial or significant operational obligation.

2.4.10 Microsoft API Functions. Microsoft will provide Rendering Code for future Microsoft API Functions so as to provide Yahoo! a reasonable opportunity, if Yahoo! were to apply reasonable engineering resources, to render or implement the same Microsoft API Function for Yahoo! Results Pages with the goal of enabling Yahoo!, with a commercially reasonable level of effort (understanding that Yahoo! may not necessarily succeed in its effort), to launch the same Microsoft API Function at the same time (or, for changes to minor Microsoft API Functions, shortly thereafter as described in Section 2.4.10(d) below) as Microsoft releases such Microsoft API Function. Without limiting the foregoing:

(a) Microsoft will provide Yahoo! with advance visibility into anticipated changes to the Microsoft API and Rendering Code. The disclosure to Yahoo! will be at the same level of disclosure as such anticipated changes are disclosed to the Microsoft Front-End Team. Microsoft will use commercially reasonable efforts to make such disclosures at the same time as disclosure is made to the Microsoft Front-End Team, excluding informal disclosures that might be made during ordinary, unofficial conversations between Microsoft's engineering teams. At a minimum, such disclosures will be made at levels and at such time as is reasonably necessary to enable Yahoo! to launch the same feature at the same time as Microsoft releases such feature.

(b) Microsoft will consider in good faith feedback from Yahoo! on how to update the Rendering Code in an efficient manner; provided that Microsoft will retain discretion on how to implement any new Microsoft API Functions and any associated Rendering Code.

(c) For changes to the Microsoft API (other than changes to minor Microsoft API Functions) made during the course of Microsoft's regular product cycle, Microsoft will provide reasonably specific (to the extent available and provided internally to others within Microsoft) user-interface designs that describe the experience and proposed functionality as early

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as practicable in such cycle and will provide Rendering Code associated with changes to the Microsoft API. Microsoft will provide such Rendering Code no later than the final milestone of Microsoft's development process for the feature at code complete.

(d) For Rendering Code associated with minor Microsoft API Functions developed outside of Microsoft's regular product cycle, Microsoft will provide such Rendering Code on a monthly basis after the Microsoft API Functions are released.

(e) Before releases of updates to the Microsoft API, together the parties will regularly test to verify the integrity and the performance of the Microsoft API on the Yahoo! network to ensure that Microsoft API releases are compatible with Yahoo! implementation and that the functionality works and both parties will promptly address identified issues relating to the Microsoft API or the Yahoo! network (as applicable) if needed before such updates are released. Such testing will be done using a mutually agreed upon testing harness with corresponding test scripts developed by Yahoo! or the Dedicated Resources and in sufficient time before release to allow for any necessary repairs.

(f) The parties will assign one of the Dedicated Resources to be responsible for providing Yahoo! with any available flighting data, production candidate bucket testing or similar pre-launch testing information developed by Microsoft in connection with updates or new features of the Services or Additional Services. Microsoft will inform such Dedicated Resource of, and provide the Dedicated Resource with the opportunity to participate in such pre-launch testing on Yahoo! traffic when possible at the same time as the Microsoft Front-End Team. In the event such testing is not possible, then the parties will work together in good faith to enable such testing at a later date prior to launch. Yahoo!, in such event, will have the opportunity to provide meaningful input. To the extent the testing reveals issues, Microsoft will use commercially reasonable efforts to remedy them based on the severity of the discovered issues. Yahoo! may use data from such testing to assist it in enabling Yahoo! Properties to best take advantage of the updates and new features. Additionally, Microsoft will enable Yahoo! to bucket test any new features and updates through API access.

(g) On a case-by-case basis, the parties will consider in good faith exchanging information regarding the results of their separate bucket tests on their properties that use the Services based upon new features, updates, or configuration settings for the Services.

(h) Microsoft and Yahoo! will work together to improve the processes described above over time.

2.4.11 Support and Product Development. Consistent with the strategic nature of this Agreement as described in the Recitals and Section 1.2, Microsoft commits as follows:

(a) The Dedicated Resources will work solely on Yahoo!-defined projects. These Dedicated Resources shall have full access to the Microsoft product development organization and architecture supporting the Services and source code applicable to such Yahoo!-defined projects, but shall work on tasks prioritized by Yahoo!. To support these Dedicated Resources, Microsoft will allocate shared developers for the Services as required and as prioritized based upon Microsoft Network-wide priorities for the Services (i.e., based upon their relative impact on Microsoft's Network as a whole). The people Microsoft assigns as the Dedicated Resources will have skills and experience representative of Microsoft's employees

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performing similar tasks on behalf of Microsoft. Yahoo! shall be entitled to reasonably request that Microsoft remove specific persons from the Dedicated Resources team who are not meeting reasonable performance standards and that Microsoft replace such persons with substitute ones who meet the requirements of this Section 2.4.11(a) and have not been replaced previously by Yahoo!. Microsoft will honor such requests in a commercially reasonable manner. Yahoo! shall have the right to increase the number of Dedicated Resources, but shall be required to reimburse Microsoft for the fully-burdened costs (i.e., salary, bonus, benefits and overhead (allocated reasonably)) of such increased resources. The Dedicated Resources will be subject to the confidentiality provisions of Section 12.3.

(b) Microsoft will provide Yahoo! with visibility into Microsoft's entire product plan (including any changes as they arise) for the Services and associated core platform technologies that support the Services and any marketplace or editorial policies associated with the Services. Microsoft shall place Yahoo! in a substantially similar position to Microsoft employees to request new products and product changes and enhancements (collectively, "Product Updates"). As part of its then-current standard product cycle (six months as of the Letter Agreement Effective Date), Microsoft and Yahoo! will jointly review product performance of the Services and the corresponding new feature and functionality changes that will improve such product performance. At the beginning of each such product cycle, Yahoo! shall be entitled to request Product Updates (including requests from Yahoo! for Yahoo!-specific Microsoft API Functions or changes to the Microsoft API) and Microsoft shall review such requests fairly in light of all of the other product requests that Microsoft receives from internal sources. Microsoft agrees that a primary goal of this Agreement is for Yahoo! to have competitive Services, Yahoo! Results Pages and overall portal and that Microsoft shall treat Yahoo! fairly in determining how to prioritize Product Updates. Dedicated Resources can work with the other Microsoft resources to execute on relevant Yahoo! development, optimization and other priorities. If Microsoft makes major changes to API Functionality outside of its regular product cycle, it will give information about the same to Yahoo! in a reasonable advance manner.

(c) Microsoft shall appoint a single Dedicated Resource who will be tasked with the primary responsibility of interfacing with Microsoft on a day-to-day basis on behalf of Yahoo! with respect to the ongoing development of the Services and Yahoo!'s particular needs (the "Senior Technical Program Manager"). The Senior Technical Program Manager will have access to, and be kept fully and timely informed of, all relevant product information and roadmaps. After Yahoo! submits a product request to Microsoft, Microsoft will provide the Senior Technical Program Manager and Yahoo! with a response in a timely manner, consistent with Microsoft's planning cycle decision processes. If a product request is not honored, then at Yahoo!'s request, Microsoft or the Senior Technical Program Manager shall provide a description of why the request was turned down and if there are changes that could be made to change the decision or that could make such Product Update request get approved in the next product cycle and shall facilitate meetings as appropriate between Yahoo! and Microsoft to address such issues. If any such request is not honored, Yahoo! may escalate the issue to the Executive Steering Committee and/or initiate arbitration pursuant to Section 17.5 without escalating such issue pursuant to Section 17.4 (to the extent that Yahoo! reasonably believes that the refusal violates the terms of this Agreement). If the product request will move forward, then Microsoft shall provide Yahoo! (which may be through the Senior Technical Program Manager) with information on the planning and development cycle for the product request, consistent with the information Microsoft provides to other teams within Microsoft making similar requests. During the product cycle, Microsoft shall endeavor to treat Yahoo! and the Senior Technical Program Manager

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similarly to Microsoft's internal teams and program managers with respect to the reviews of the product roadmap and planned release of requested capabilities and, in any event, will respond to reasonable requests from Senior Technical Program Manager for updates on roadmaps and planned releases of requested capabilities. The parties jointly desire to have the communications contemplated by this Section 2.4.11(c) occur in an efficient and informal manner via email or telephone calls, but should either party believe that these communications are not happening in a timely or thorough manner, or believe that the Senior Technical Program Manager is not properly handling the responsibilities of the position, such party may escalate the issue to the Executive Steering Committee to evaluate whether more formal communication processes or timelines are appropriate.

(d) For clarity, the appointment of the Senior Technical Program Manager will not limit Yahoo!'s ability to contact other Dedicated Resources or relevant Microsoft personnel for information or assistance as contemplated by this Section 2.4.11 or the rest of this Agreement.

(e) Ownership of the results of development work by the Dedicated Resources that relate specifically to Yahoo! Solely-Owned Software will be as contemplated by Section 11.1 with the results of such development work being deemed Yahoo!-Owned JDT owned by Yahoo!, and licensed to Microsoft, in accordance with Section 11.1.

2.4.12 Early Development Milestones. The parties will task a sufficient number of the Dedicated Resources plus appropriate numbers of Microsoft shared resources to work on projects designated by Yahoo! for completion in the first product cycle following the Commencement Date, which may include the development of the Web Crawl Cache described in Section 2.1.5(a). The Web Crawl Cache will be completed by the end of Microsoft's first full release cycle, and in no event later than [\*] after the Commencement Date. Additional projects may also be completed in such timeframe, depending upon their scope and the capacity of the balance of the Dedicated Resources (i.e., the Dedicated Resources not otherwise fully occupied by the projects described in the previous sentence). At Yahoo!'s option, Yahoo! may elect not to prioritize the Web Crawl Cache in favor of such additional projects, in which case otherwise occupied Dedicated Resources (and the occupied shared resources) would be able to work on other Yahoo!-defined priorities, which shall be completed by Microsoft in such time frame. In connection with these projects, the parties will cooperate in good faith to test the implementations developed in these projects against reasonable functional requirements to be defined by Yahoo!.

2.4.13 Parity of Results. In response to inputs from Yahoo! Properties or Syndication Properties in a given country, the Microsoft API will provide to Yahoo! Properties and Syndication Properties the same Algorithmic Listings and Paid Listings in the same order as would be provided in response to the same inputs from Microsoft O&O Properties in that country or, if there are no Microsoft O&O Properties in that country, at that time, then at Yahoo!'s request the same as Microsoft provides to a Microsoft partner specified by Yahoo! in such country. For clarity, a Query itself is one of the inputs. Without limiting the generality of the foregoing, if Microsoft displays any additional visual elements (e.g., additional images, video, text, or other elements) with Paid Listings from the Services on Microsoft O&O Properties (or properties within the Microsoft Network), comparable elements will be provided to Yahoo! Properties and Syndication Properties on a parity basis, as to both content and timing.

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#### 2.4.14 General Implementation.

(a) Implementation Flexibility. Except as expressly provided in this Agreement, Yahoo! and the Syndication Partners will have full flexibility with respect to their user experience, content and look and feel on all of their Web pages (including results pages). Notwithstanding anything to the contrary in this Agreement, no requirement or restriction on Yahoo!'s implementation of any Microsoft Service will apply to the extent such requirement or restriction is not observed by Microsoft on any Microsoft O&O Property receiving such Service or required or enforced by Microsoft with respect to any other third party receiving such Service, with the understanding that if Yahoo! receives written notice from Microsoft that such requirement or restriction is later observed, required, or enforced (as applicable) then Yahoo! will resume compliance with the same within a reasonable period of time. In addition, with respect to any individual Query, Yahoo! will not be obligated to display Results to the extent that Microsoft fails to comply with its obligations under this Agreement with respect to such Query (e.g., by delivering too many Results or by failing to meet its response time obligations). Notwithstanding anything contained herein to the contrary, in the event that Microsoft alters the way in which Paid Listings or Algorithmic Listings from the Services are displayed on the Microsoft O&O Properties or Microsoft provides more flexibility to other Microsoft partners, then Yahoo! shall have the right to make similar alterations.

(b) Branding. [\*].

(c) Tracking and Reporting.

(1) Reporting Provided to Yahoo! and Syndication Partners. The parties will work together to implement all reasonable tracking and reporting requested by either party relating to the provision or implementation of the Services and Additional Services. The foregoing includes, without limitation, Yahoo! instrumenting search entry points on Yahoo! Properties in accordance with a mutually agreed, reasonably defined schema to enable the parties to perform RPS tracking on a per entry point basis. Yahoo! shall receive all tracking and reporting (which shall use data pertaining to Yahoo! and the Syndication Partners) then-available to Microsoft or its syndication partners as requested by Yahoo! so that Yahoo! can effectively manage its business, support its Customers and Syndication Partners and monitor the performance under this Agreement. Without limiting the foregoing, Microsoft will provide Yahoo! and Syndication Partners with continuous access in accordance with the SLA to reporting, or data to produce reporting, online and/or via an API, equivalent to reporting available to Microsoft (and at least equal to the reporting provided to any Microsoft syndication partner). Yahoo! will have access to all such reporting or data for Yahoo! to produce reporting, including in aggregate by various levels of Sources, while each Syndication Partner will have access only to the reporting or data for Yahoo! to produce reporting applicable to it and its implementations including in aggregate by various levels of Sources. [\*]. In addition, Microsoft will use commercially reasonable efforts to provide Yahoo! with access to [\*], estimated gross billings by Source in order to track fluctuations in gross billings by Source. Some data may require access to Microsoft's corporate networks and Yahoo! will comply with Microsoft's security policies regarding any such access, except to the extent such security policies conflict with other sections of this Agreement.

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(2) Reporting Provided to Yahoo!. The parties will work together to implement all reasonable tracking and reporting to meet the data and reporting needs of the Yahoo! customer groups described below. In accordance with the service levels specified in Exhibit B, Microsoft will provide Yahoo! with the following data and reports.

(i) Operations Finance Reporting. Microsoft will provide Yahoo!, via a data feed and/or an application, with aggregated data and reports providing revenue related information with respect to advertising performance for Yahoo! Properties and Syndication Properties and revenue related sales performance reports (e.g., acquisition, etc.).

(ii) Marketplace Reporting. Microsoft will provide Yahoo! with event-level data and aggregated data to track, monitor and support the health of the combined marketplace (e.g. current and future Paid Listing pricing, forecasting, keyword, generation, Sales Reporting, marketplace optimization, etc).

(iii) Sales Reporting. Microsoft will provide Yahoo! with the Sales Reporting data as set forth in Section 5.11.4(e) and CRM Data as set forth in Sections 5.11.2 and 5.11.3.

(iv) Advertiser Reporting. Microsoft will provide Yahoo! with campaign performance data in the form of reports. Microsoft will provide both event-level and aggregated analytics data. Such reports will be provided directly to Customers via application or API and include, but are not limited to campaign performance, opportunity assessment (recommendations), account history and status, analytics (post-click), etc.

(3) Corporate Finance Reporting. The parties will provide each other with the reporting specified in Section 9.2.2 of this Agreement for the purpose of ensuring that both sides are meeting their financial obligations under the agreement.

(4) Additional Reporting. To the extent that Yahoo! desires additional reporting (beyond what is required in (1) – (3) above or elsewhere in this Agreement), Yahoo! may prioritize such requests as work items to be performed by the Dedicated Resources.

(d) Keyword Optimization Data. Microsoft will provide Yahoo! with online access to then-current and available keyword performance data, by country, including keyword bid, cost, click-through rate, coverage, and depth across the Microsoft Network.

(e) Publisher Tools. Microsoft will enable Yahoo! to support its Syndication Partners at levels comparable to the level of support that Yahoo! provided prior to transition, via capabilities natively provided by the Microsoft API and the Core Platform and via Publisher Tools developed by Yahoo! using the Microsoft API and Core Platform APIs; provided, however, that the foregoing does not obligate Microsoft to match each feature that Yahoo! provided prior to transition. The parties will work together to determine what a reasonable level of capabilities would be given Yahoo!'s partner needs and the cost to Microsoft and Yahoo! of developing such

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capabilities. Where sufficient native capabilities do not exist, Microsoft will provide the Microsoft API and Core Platform APIs to support Yahoo!'s development of Publisher Tools in order to (i) allow new Syndication Partners to retrieve Paid Listings, (ii) provide reports directly accessible via Syndication Partners in a manner to be agreed by the parties during transition planning to allow for monitoring performance, (iii) diagnose and verify the performance of Paid Listings for each Syndication Partner, (iv) manage Syndication Partner accounts, including by providing reports available by Syndication Partner for performance monitoring, (v) update Syndication Partner-specific data such as filters and blocks, and (vi) optimize revenue and relevance on Syndication Partner Properties.

#### 2.4.15 Excluding and Filtering.

(a) Right to Block or Exclude Paid Listings. Yahoo! may exclude Paid Listings, directly or via filtering capabilities enabled by the Services in accordance with Section 2.4.15(b), (i) for companies considered by Yahoo! to be competitors; (ii) in order to comply with Syndication Partnership Agreements; (iii) that Yahoo! in good faith believes are unlawful or may subject Yahoo! to a risk of legal liability, (iv) that violate Yahoo!'s advertising policies (provided that Yahoo! will use commercially reasonable efforts to provide Microsoft with notice of its concerns); or (v) that would cause Yahoo! to violate a contractual obligation (provided that Yahoo! will use commercially reasonable efforts to avoid entering into such obligations following the Commencement Date, excluding obligations arising from any judicial or regulatory order or that are undertaken to resolve a legal dispute or avoid liability as described in subsection (iii) of this Section 2.4.15(a)). To the extent that Microsoft does not provide filtering capabilities described in Section 2.4.15(c), that enable Yahoo! to filter Paid Listings and Yahoo! excludes such Paid Listings itself, then Yahoo! will use a mutually defined mechanism to deliver a data feed to Microsoft describing the Paid Listings that Yahoo! has excluded so that Microsoft may properly report the non-delivery of such Paid Listings. The SLA for the returned excluded Paid Listing information should be as near real time as practical and mutually agreed by the parties, bounded by an upper limit of [\*].

(b) Blocking. Prior to the transition to Microsoft's Algorithmic Search Services and Paid Search Services in a country, Microsoft will develop a mechanism that provides comparable blocking functionality and capabilities to that which Yahoo! provides as of the Effective Date. Such mechanism may include the following mechanism or a mutually acceptable alternative agreed upon by the parties during the transition process to provide additional blocking capabilities beyond what is supported by the Microsoft API as of the Commencement Date: (i) the parties will develop a mutually-agreeable number of "block lists" on a per publisher basis with each block list supporting the maximum number of blocks then-supported by the Microsoft API; (ii) each publisher will pre-populate each of the block lists; and (iii) when passing the Query to the Microsoft API on a Query-by-Query or call-by-call basis, Yahoo! (or a Syndication Partner if it is calling the Microsoft API directly) will also designate which of the pre-configured block lists should be used in selecting the Paid Listings to be returned in response to the Query. Subject to the foregoing, Microsoft will exclude from Paid Listings served under this Agreement, as requested by Yahoo!, by Source and by the beginning of transition for a country, on a Query-by-Query or call-by-call basis, up to the maximum number of blocks per block category listed in subsections (i) through (iv) of this sentence supported by Yahoo! as of the Effective Date (i) Paid Listings that contain identified display URLs, (ii) Paid Listings that contain identified keywords, (iii) Paid Listings in response to identified keywords and (iv) Paid Listings from identified advertisers. In addition, the parties agree to work together

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to enable Yahoo! and Syndication Partners to specify which block category lists, when less than all lists, to apply on any given Query. Microsoft will implement such requests within a reasonable time (taking into account the severity of the request) after Microsoft's receipt thereof but in no event longer than (a) Microsoft's implementation of comparable requests from its internal teams or Microsoft's own syndication partners or (b) [\*] for common requests. If Microsoft has the capability to block Paid Listings on any basis other than as identified in subsections (i) through (iv) of this Section 2.4.15(b), Microsoft will notify Yahoo! of such capabilities and Yahoo! may elect to implement such blocking. To the extent that Microsoft provides Paid Listing blocking or exclusion capabilities that meet Yahoo!'s requirements as standard features for the Paid Search Services, Yahoo! will use the same to accomplish the permitted exclusions authorized in Section 2.4.15(a).

(c) Filtering. Microsoft will notify Yahoo! of all filtering (e.g., adult) capabilities available to Microsoft for the Paid Search Services and Contextual Advertising Services and Yahoo! may elect to implement any or all such filtering capabilities. Yahoo! may implement (or change the then-current implementation of) such filtering capabilities on any Yahoo! Property or Syndication Property upon written notice to Microsoft (which may be given by email) and Microsoft will use commercially reasonable efforts to implement the filters within timeframes comparable to Microsoft's implementation of comparable requests from its internal teams or Microsoft's own syndication partners. Yahoo! may implement such filtering on a Query-by-Query basis to the extent that Microsoft supports this functionality. Microsoft will immediately notify Yahoo! if any filter becomes unavailable and will address any such issues in accordance with the SLA.

(d) Right to Filter Algorithmic Listings. In a given country, Yahoo! may exclude Algorithmic Listings, directly or via filtering capabilities (if any) available in the Microsoft APIs that (i) Yahoo! in good faith believes are either unlawful or may subject Yahoo! to a risk of legal liability, (ii) are excluded or filtered at the request of a governmental agency in such country, (iii) are consistent with Yahoo!'s actually-applied exclusion and filtering practices for Algorithmic Listings in such country as of the Effective Date (e.g., adult, spam, profanity, socially objectionable, etc.), (iv) are consistent with Microsoft's filtering practices in such country; or (v) are requested by Yahoo!, subject to Microsoft's agreement (which Microsoft will provide or deny acting reasonably).

(e) Results for Yahoo! and Microsoft Products and Services. The Services will treat Yahoo!'s and its Affiliates' content, services, products and Web sites comparably to Microsoft's and its Affiliates' content, services, products and Web sites with respect to freshness, comprehensiveness, and relevance. Algorithmic Listings and Paid Listings for Microsoft content, services, products, and Web sites will be processed by Microsoft's ranking algorithms according to the same standards as listings of or from third-parties (including Yahoo!). Each party must pay for its own Paid Listings (i.e., neither party will extend itself any favorable pricing and will be billed for its Paid Listings the same as any other Customer) and revenues will be allocated between the parties in accordance with this Agreement. Microsoft will not boost or otherwise manipulate the ranking or ordering of such Algorithmic Listings and Paid Listings in a manner contrary to the foregoing principles. Yahoo! may filter Paid Listings for Microsoft content, services, products, and Web sites that Yahoo! deems competitive in accordance with Section 2.4.15.

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2.4.16 Applications. Except as provided in Section 2.4.18 (White Label Solution), neither party is obligated to provide its Applications to the other. At Yahoo!'s request, the parties will change their relationship described in the foregoing sentence such that each party shall provide the other with visibility into their product roadmap and release cycle for Applications created by or on behalf of either Microsoft or Yahoo! or their majority-owned Affiliates, subject to any third-party confidentiality obligations, with the goal that the other party would be in a position to launch a similar Application at the same time as the entity creating such Application without slowing the original Application creator's development or launch of such Application.

2.4.17 Prohibited Actions.

(a) General. The provisions in Section 2.4.17(b) and 2.4.17(c) below will not apply to prohibit any action or practice with respect to Algorithmic Search Services, Paid Search Services or Contextual Advertising Services that (i) is engaged in by Yahoo! with respect to the Yahoo! Properties as of the Letter Agreement Effective Date; (ii) that is then-engaged in by Microsoft, [\*], or by any other search provider in a country that has greater than [\*]% of total search queries in such country (with the understanding that the exception to the prohibitions in Sections 2.4.17(b) and 2.4.17(c) extends only to actions or practices in the same country); [\*]; or (vi) otherwise is expressly permitted under this Agreement. With respect to any specific Syndication Partner, the provisions in Section 2.4.17(c) below will not apply to prohibit any action or practice that is engaged in or permitted by such Yahoo! Syndication Partner as of the Letter Agreement Effective Date with respect to Algorithmic Search Services, Paid Search Services or Contextual Advertising Services that is not prohibited as of the Letter Agreement Effective Date in the Syndication Partnership Agreement with such Syndication Partner. If, during the Term, Microsoft reasonably believes that additional activities that are not restricted by the provisions of Section 2.4.17(c) become commonly and reasonably restricted in the algorithmic search, paid search or contextual advertising industry, then, subject to the first two sentences of this Section 2.4.17(a) and the rest of this Agreement (which may not be amended by this sentence), at Microsoft's request, the parties will negotiate in good faith to amend this Agreement to include such additional restrictions; provided that such restrictions also apply to Microsoft and other search providers in a country that have greater than [\*]% of total search queries in such country. If they are unable to do so within a 30-day period after Microsoft's request, either party may escalate the issue to the Executive Steering Committee for resolution. In no event will Yahoo! be in breach of this Agreement for past actions that may be subject to such new restrictions and Yahoo! will have no less than a reasonable time to comply with any such new restrictions.

(b) Generation of Queries or Clicks by Fraudulent Means. Yahoo! will use commercially reasonable efforts to prevent the generation of Queries or clicks on Results provided by Microsoft on any Yahoo! Properties by misleading or fraudulent means. Subject to Section 2.4.17(a), Yahoo! will use commercially reasonable efforts to prevent the generation of Queries or clicks on Results provided by Microsoft on any Yahoo! Properties by automated means.

(c) Prohibited Acts Related to the Services. Subject to Section 2.4.17(a), Yahoo! shall not, and shall not allow any third party to do the following with respect to the Services on the Yahoo! Properties or the Syndication Properties without Microsoft's prior written consent:

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(1) on Syndication Properties only, edit, modify, truncate, add content to, change the order of the information contained in or filter any Results without Microsoft's prior written consent, including, but not limited to commingling Results with search results or advertising provided by others;

(2) redirect an end user away from the landing page associated with any Results ("Destination Page") after clicking on the Result, provide a version of the Destination Page different from the page an end user would access by going directly to the Destination Page or intersperse any content between Results and any Destination Page;

(3) generate Queries or clicks on Results by misleading means or clicks on Paid Listings generated by incented means, including: (A) blind links (where users do not know that they will be performing a Query (other than as part of Domain Match, Error Channel or in connection with category links, related search links, hotspots and similar implementations) or clicking on a Result); (B) requiring a user to search or click to receive some other benefit, obtain some other result or perform another function (such as leaving a Web page or closing a window), except in connection with bona fide end user programs related to the Services as contemplated in Section 2.2.5(c), which do not create a materially negative impact on the user experience or monetization of the Services; (C) pre-populating a search entry point, except that spell check, auto completion, and suggested query functionalities will not be considered a violation of this subsection; or (D) Yahoo!, its employees, contractors or agents clicking on the Paid Listings except in the course of normal individual use;

(4) mask the true user agent or IP address of a user as long as the Microsoft API allows for the passing in of user agent and IP address as parameters;

(5) display any Results in (i) windows that pop over the current window that the user is viewing or (ii) expanding buttons, or animation where such expanding buttons' or animation's primary purpose is intended to artificially increase click-through rates to the Results, to increase the amount billable to the advertiser by artificially creating impressions for ads which are not seen by end-users, or similar deceptive activities;

(6) minimize, remove or otherwise inhibit the full and complete display of any Destination Pages accessed by clicking on any portions thereof;

(7) encourage or require end users or other persons, either with or without their knowledge, to generate impressions of or to click on Results through methods that are manipulative, deceptive, malicious or fraudulent;

(8) provide end users with access to any Results through any client software application that is known to be harmful or malicious or that is installed without an end-user's consent (such as malware, spyware, and "drive-by" downloads) or that otherwise fails to comply with applicable laws and regulations relating to client software applications that include dynamically served third party advertisements;

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(9) install any program on a user's computer or replace a user's home page, without the user's prior consent;

(10) place Results on any Web pages of Yahoo! Properties that, to Yahoo!'s knowledge, contain obscene (without limiting Yahoo!'s ability to receive Results in response to adult Queries or contextual pages), hate-related, or violent content or contains any other material, products or services that violate or encourage conduct that would violate any criminal laws, any other applicable laws, or any third party rights.

(d) Other Prohibited Acts. Yahoo! shall not, and shall not allow any third party to:

(1) modify, adapt, translate, prepare derivative works from or decompile, reverse engineer, disassemble or otherwise attempt to derive source code from (except to the extent permitted under this Agreement or allowed by Law) the technology used to provide the Services (excluding any technology provided by Yahoo!);

(2) remove, deface, obscure, or alter Microsoft's copyright notice, trademarks or other proprietary rights notices affixed to or provided or displayed as part of any Services, or any other Microsoft technology, software, materials and/or documentation; provided however that the foregoing does not require Yahoo! to provide additional or greater branding on the Yahoo! Results Pages than otherwise specified in this Agreement or to display Results that include Microsoft branding that are not for Microsoft content, services, products or Web sites.

(e) No Paid Inclusion. Following the transition to Microsoft's Algorithmic Search Services in a particular country, Yahoo! will not implement any Paid Inclusion product on the Yahoo! Results Pages in such country. Should Microsoft create a new Paid Inclusion product, Microsoft shall not include such results in the Block or Results Subset delivered to Yahoo! without Yahoo!'s prior approval. If, after Microsoft creates and launches a new Paid Inclusion product, Yahoo! chooses not to include Microsoft's Paid Inclusion product in the Block or Results Subset, Yahoo! may launch its own Paid Inclusion product.

#### 2.4.18 White Label Solution.

(a) Election and Transition; Costs. Yahoo! may, at its option, elect, to have Microsoft deliver the Algorithmic Search Services and Paid Search Services through a search results page hosted by Microsoft (the "White Label Solution"), instead of through the Microsoft API. Yahoo!'s initial election must be to implement the White Label Solution in the United States; thereafter, Yahoo! may elect to implement the White Label Solution on a country-by-country basis. Yahoo! will give Microsoft prior written notice of its intent to move to a White Label Solution. Promptly after receipt of any such notice, the parties will work together in good faith to determine a reasonable transition and launch schedule for such country for the White Label Solution. Once the transition to such White Label Solution is complete, Yahoo! may not operate under the Microsoft API solution in such country until Yahoo! provides Microsoft with written notice of its intention to switch back and the parties develop a reasonable plan to move back to the Microsoft API approach as quickly as possible. If Yahoo! elects to have Microsoft deliver a White Label Solution then, once such solution has been launched in accordance with the transition schedule described in this paragraph, (i) Yahoo! will continue to receive all of the data

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to which it is entitled under this Agreement; and (ii) Yahoo! and Microsoft will develop a yield management team, if no such team otherwise exists, staffed from the Dedicated Resources, to optimize the display of Paid Listings on the White Label Solution (e.g., in the north footprint) according to Yahoo!'s preferences. Microsoft will pay all of the costs associated with [\*], provided that the parties agree that should Yahoo! elect to receive a White Label Solution from Microsoft, then up to [\*] of the Dedicated Resources must be assigned to work on such customization rather than other Yahoo!-defined priorities. Yahoo! is required to pay for [\*]. The implementation of the White Label Solution will not require repeated custom work that would materially interfere with Microsoft's then-current pace of innovation

(b) Implementation. The White Label Solution will be in all material respects the same as Microsoft Results Pages for the same Queries (including any Applications available on the Microsoft Results Pages), except that (i) Yahoo! need not include Applications that use and integrate Microsoft properties, applications, or services outside of the Services ("Microsoft Integrated Apps"); (ii) Yahoo! shall be entitled to determine the Paid Listings footprint; (iii) [\*]; (iv) Yahoo! will have the option to have Microsoft include persistent links to certain other Yahoo! products, services or properties (for example, links to Yahoo!'s email service) on the White Label Solution as is reasonably requested by Yahoo! (when applicable, Yahoo! shall be entitled to at least the same location as comparable links to Microsoft products, services or properties appearing on results pages on the Microsoft O&O Properties); (v) Yahoo! will have the option of including Yahoo!-specific content (e.g., Yahoo! Shortcuts) that can be inserted into the page as requested by Yahoo!; (vi) the White Label Solution will allow Yahoo! to add overlays for personal annotation on Results on a Result-by-Result basis (e.g., ajax style); and (vii) the White Label Solution will include all Applications or content that Microsoft is contractually permitted to provide in respect of such a solution (and Microsoft will use commercially reasonable efforts to obtain rights to use such Applications and content in connection with the White Label Solution) except if Yahoo! elects not to include Microsoft Integrated Apps, in which event Yahoo! (and/or the Dedicated Resources as prioritized by Yahoo!) may substitute or develop its own versions of such Applications and provide the constructs to enable Microsoft to create a "mash up" of such Yahoo! Applications for the White Label Solution that use and integrate Yahoo! properties, services or content.

2.4.19 Viruses. Neither party will knowingly transmit to the other party or allow others to transmit to the other party any computer software, code or script (a) that is designed to disrupt, erase, disable, harm, or otherwise impede in any manner the operation of any software, firmware, hardware, computer system, network, or service of the other party; (b) that constitutes a virus, time bomb, trap door, executable file virus, Trojan horse, worm, or any other similar harmful, malicious or hidden procedure, routine or mechanism that would damage or corrupt data, storage media, programs, equipment or communications, or otherwise interfere with the operations of the other party or (c) that constitutes a pixel, beacon or hidden procedure, routine or mechanism that transmits to Microsoft or any third party any data or information regarding or derived from any Yahoo! Property or Syndication Property, end user or client-side device except where (i) the practice is reasonable for Microsoft's implementation of the Services, the Additional Services or Other Platform Services; (ii) the data is collected for use in connection with the Services, the Additional Services or Other Platform Services and remains subject to the provisions of Section 13; (iii) Microsoft provides Yahoo! with transparency about the practice and data collection and use; and (iv) Microsoft's considers in good faith any reasonable concerns that Yahoo! raises regarding the practice or data collection and use.

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2.4.20 Compliance With Export Laws. Each party will comply with the laws of the United States regulating the export of software, technology, services, information and hardware covered under this Agreement (hereinafter referred to as “Items”), including but not limited to the Export Administration Regulations (EAR) and the regulations administered by the Department of the Treasury, Office of Foreign Assets Control. Each party agrees that it will not transfer or provide any Items to: (a) countries and nationals subject to U.S. embargo; (b) entities identified on U.S. Government export exclusion lists, including but not limited to the Denied Persons, Entity, and Specially Designated Nationals Lists; or (c) nuclear, missile, or chemical biological weaponry end users.

(a) Each party agrees that it will not directly or indirectly export, re-export, resell, ship, or divert any Items to any country for which the U.S. Government, any agency thereof, or any other sovereign government, requires an export license or other governmental approval without first obtaining such license or approval. Under the EAR, transfers of certain export-controlled software and technology to foreign nationals are treated as exports to the foreign nationals’ home countries (otherwise known as “deemed exports”) and may require export licenses. Each party will comply with U.S export controls regulating deemed exports, will obtain all export licenses that may be required before releasing export-controlled software and technology to its foreign national personnel, and ensure that no personnel are identified on U.S. Government export exclusion lists.

2.4.21 Service Levels. Microsoft will comply with the Service Level Agreements (the “SLA”) attached as Exhibit B with respect to the Yahoo! Properties and the Syndication Properties in each country.

2.4.22 Capacity Estimates. Throughout the Term, but not more than quarterly, Microsoft may request in writing that Yahoo! provide a non-binding, good faith estimate of its projected capacity needs for the upcoming 12 month period in order for Microsoft to prepare to meet the SLA without causing Microsoft to acquire capacity in excess of actual demand plus capacity buffer and failure reserve required under Section 5.b of the SLA. Any such projection provided pursuant to this Section 2.4.22 is non-binding and does not alter Microsoft’s obligation to meet the capacity requirements specified in Section 5.b of the SLA as calculated using the methodology specified therein.

### 3. OTHER MICROSOFT SERVICES

3.1 Non-Internet Search Uses. Yahoo! may additionally use the Microsoft Paid Search Services and Microsoft Algorithmic Search Services for Non-Internet Search Queries on Yahoo! Properties and Syndication Properties, provided that if Yahoo! uses only Algorithmic Search Services (and not Paid Search Services) to provide Results for such Non-Internet Search Queries, Yahoo! must pay Microsoft’s Covered Marginal Costs of serving such Algorithmic Search Services. No payments from Yahoo! are required for Non-Internet Search Queries (a) by use of Algorithmic Search Services when Yahoo! has also requested (and if returned by Microsoft, is also displaying) Paid Listings from Microsoft’s Paid Search Services (in response to such Non-Internet Search Query) or (b) by use of only Paid Listings from Microsoft’s Paid Search Services (in response to such Non-Internet Search Query).

3.2 Mapping Services. Yahoo! may, at its option, elect to receive Mapping Services from Microsoft at any time during the Term for use on the Yahoo! Properties, the Syndication Properties and Yahoo!’s Mobile Properties in a given country (the “Mapping Option”). If Yahoo! elects to exercise the Mapping Option, the parties will negotiate and enter into an amendment to this Agreement (the “Maps Amendment”) setting forth the terms by which Microsoft will provide Mapping Services to Yahoo!. In

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addition to the general terms and data provisions set forth in Sections 1 and 3 of Exhibit G, (a) if Yahoo! elects to exercise the Mapping Option within [\*] of the Commencement Date, Microsoft will, at minimum and throughout the term of the Maps Amendment, provide Yahoo! with the functionality set forth and referenced in Section 4 of Exhibit G of this Agreement and (b) if Yahoo! elects to exercise the Mapping Option within [\*] of the Commencement Date, then during the term of the Maps Amendment, Microsoft shall provide Mapping Services to Yahoo! consistent with the service levels set forth in Exhibit B of this Agreement. Microsoft will have the right to deliver the Mapping Services through the Microsoft Mapping Services API, and, notwithstanding the foregoing sentence, if at any time Microsoft provides a higher level of functionality and/or service levels than the level of functionality and service levels set forth in Exhibit B and Exhibit G, then Microsoft will make the Mapping Services available to Yahoo! at full parity (including as to service levels) with the most robust implementation of Mapping Services that Microsoft makes available to other Microsoft mapping syndication partner sites (and, at a minimum, with a highly robust (i.e., full featured) implementation in light of Microsoft's available functionality. Yahoo! will reimburse Microsoft for Microsoft's Covered Marginal Costs in providing Mapping Services to Yahoo! unless otherwise agreed by the parties. Promptly after receipt of notice of Yahoo!'s election to exercise the Mapping Option in a given country, the parties will work together in good faith to determine a reasonable implementation schedule for the Mapping Services in such country and a fair and equitable allocation of the foregoing costs. Such costs will be determined following joint review on details of Yahoo!'s mapping usage. Yahoo! and Map Syndication Partners shall have flexibility to customize the look and feel of the Mapping Services at least to the same extent as any other recipient of Mapping Services. [\*].

3.2.1 At Yahoo!'s option, Microsoft will provide and Yahoo! will accept and display to end users Paid Listings from the Services that are part of the Mapping Services. Yahoo! and Microsoft will share the revenues from these Paid Listings from Microsoft according to the then-current Rev Share Rate and otherwise in accordance with [\*]. If the parties mutually agree that Yahoo! will no longer pay the costs described above for Mapping Services on some or all of the Yahoo! Properties and or Maps Syndication Properties, then Yahoo! and Map Syndication Partners, as applicable, shall be required to display the same number of ads as part of the Mapping Services on Yahoo! Properties and Map Syndication Properties that Microsoft displays as part of the Mapping Services on similar Microsoft mapping properties. Microsoft will consult with Yahoo in good faith in connection with Microsoft's consideration of any significant change to the number or type of ads to be displayed in connection with the Mapping Services prior to the implementation of any such change and once any such change is implemented by Microsoft, Microsoft will give Yahoo a reasonable period of time, and in any event, no less than [\*], to implement such change on the Yahoo! mapping properties.

3.2.2 Yahoo!'s use of the Mapping Services may be subject to those limitations that are also imposed on Microsoft by Microsoft's mapping content licensors [\*]. At Yahoo!'s request, Microsoft will disclose such limitations to Yahoo!, subject to third party confidentiality obligations. In negotiating for future mapping content licenses, Microsoft will use commercially reasonable efforts to not accept restrictions that would limit Yahoo!'s use of the Mapping Services.

3.2.3 If Yahoo! has exercised the Mapping Option, and Yahoo! requests that Microsoft provide additional functionality pursuant to the Maps Amendment and Microsoft does not have the data to provide such functionality, Microsoft agrees to use commercially reasonable efforts, upon Yahoo's further request, to negotiate with its then-existing data providers to either (a) obtain the rights and develop the functionality for inclusion in the Mapping Services, or (b) obtain and pass on to Yahoo! the necessary data to enable Yahoo! to develop and provide the requested functionality. Yahoo! will cover the incremental costs incurred in securing such data rights to the extent such data rights are incurred solely on

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Yahoo!'s behalf; provided, however, that if Microsoft uses such data rights to provide functionality to Microsoft O&O Properties or other Microsoft mapping syndication partners, Yahoo! shall only be responsible for its proportionate share of the incremental costs of such data rights, as determined by the parties in good faith following joint review of Yahoo!'s usage of such data rights

3.2.4 Should Yahoo! choose to use the Mapping Services on an exclusive basis (i.e., with Yahoo! using Mapping Services solely from Microsoft) for the Yahoo! Properties in a country (the "Exclusive Mapping Option"), then (a) Microsoft must provide the Microsoft Mapping Services APIs at full parity to those provided to render the results on Microsoft O&O Properties in such country, and (b) Microsoft will be the exclusive provider of mapping services on all Yahoo! Properties in such country for no less than [\*] from the date first implemented on Yahoo! Properties in that country. At any time after [\*], such Mapping Services exclusivity period may be cancelled in that country at Yahoo!'s option with [\*] notice to Microsoft, after which Microsoft must provide the Microsoft Mapping Services APIs at full parity with the most robust implementation of Mapping Services that Microsoft makes available to other Microsoft mapping syndication partner sites (and, at a minimum, with a highly robust (i.e., full featured) implementation in light of Microsoft's available functionality.)

3.3 Mobile. Subject to and in accordance with Exhibit H, Microsoft will make available the Mobile Search Services via its Microsoft Mobile API(s) to Yahoo!, for itself and its Mobile Syndication Partners, and Yahoo! may implement such Mobile Search Services on a non-exclusive basis at any time during the Term in a given country (as set forth in Section 5.1 of Exhibit H) for its Mobile Properties or for any Mobile Syndication Partner. For the avoidance of doubt, Yahoo! may implement these non-exclusive Mobile Search Services on a Mobile Syndication Partner-by-Partner basis within any given country. Microsoft will have the right to deliver these Mobile Search Services through its Microsoft Mobile API(s), but Microsoft will make these Mobile Search Services available to Yahoo! at parity (including with respect to access, use, flexibility and feature set made available through the Microsoft Mobile API(s) with the most robust implementation of Mobile Search Services that Microsoft makes available to other Microsoft Mobile Syndication Partners in such country (or, if no significant Mobile Syndication Partner exists in such country, then with a highly robust implementation in light of Microsoft's available functionality and Yahoo!'s intended use). If Yahoo! elects to implement these non-exclusive Mobile Search Services for any given country (as set forth in Section 5.1 of Exhibit H) or Mobile Syndication Partner, then on a Mobile Query-by-Mobile Query (or call-by-call) basis, Yahoo! must accept and display Mobile Paid Listings where available from Microsoft's Mobile Search Services, but Yahoo! has the option to accept and display (or not accept and display) other portions of the Mobile Search Services (i.e., Mobile Algorithmic Search Services and/or Mapping Services) on a Mobile Query-by-Mobile Query (or call-by-call) basis. Promptly after receipt of Yahoo! notice to implement Mobile Search Services, the parties will work together in good faith to determine a reasonable implementation schedule for the Mobile Search Services.

3.3.1 Yahoo! shall have the non-exclusive right to sell Microsoft's Mobile Paid Listings from the marketplace managed by the Services for mobile, provided that Yahoo! will use Core Platform APIs to complete any sale of these Mobile Paid Listings. For the avoidance of doubt, Microsoft may also continue to sell Mobile Paid Listings to advertisers, agencies, resellers or other third parties, except if Yahoo! has exclusive sales rights pursuant to Section 4 of Exhibit H, and to contract with Mobile Syndication Partners during the Term, provided that the relevant provisions in Section 5 of this Agreement with respect to Premium Direct Advertisers shall apply to migrated advertisers for which Yahoo! has sales exclusivity under Section 4 of Exhibit H. Section 5 of this Agreement shall otherwise be read to apply to Microsoft's non-exclusive provision to Yahoo! of Mobile Search Services under this Agreement, including provisions regarding transition, operational, and support issues. However, in light

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of the fact that Yahoo!'s use of Microsoft's Mobile Search Services is non-exclusive, any provisions in Section 5 that would not be consistent with this non-exclusive relationship shall not apply (including administration of AdSat Surveys, commitments as to marketing spend or staffing levels, sharing marketing plans or RFPs, integration of CRM systems, and any development of mobile-specific Sales Tools, Sales Reporting, Marketplace Tools or Tier 2 Services outside of what Microsoft makes generally available to its mobile advertising customers via the Core Platform) unless the parties agree otherwise, to the extent permitted under law, in the joint transition plan to be mutually agreed as set forth in Section 4 of Exhibit H.

3.3.2 Microsoft will provide and Yahoo! will accept and display to its end users Mobile Paid Listings that are part of the Mobile Search Services in accordance with Exhibit H, provided however, that Yahoo! shall not be required to display more Mobile Paid Listings than Microsoft displays on its own comparable Mobile Properties. Should Yahoo! implement only Mobile Paid Search Services from Microsoft, then Yahoo! shall be entitled to display any number of Mobile Paid Listings it chooses (i.e., one or more).

3.3.3 Yahoo! and Microsoft will share the revenues from Mobile Paid Listings from Microsoft that are displayed on Yahoo!'s Mobile Properties and Yahoo!'s Mobile Syndication Properties under this Section 3.3 according to the then-current Rev Share Rate and otherwise in accordance with [\*].

3.3.4 Should Yahoo! choose to use the Microsoft Mobile Search Services on an exclusive basis for Yahoo!'s Mobile Properties in a country or for any given Mobile Syndication Partner, then (a) Microsoft must provide the Microsoft Mobile Search Services APIs at full parity to those provided to render the results on Microsoft's comparable Mobile Properties in that country or for such Mobile Syndication Partner, and (b) Microsoft will be the exclusive provider of Mobile Search Services on all Yahoo! Mobile Properties in that country or for such Mobile Syndication Partner for no less than [\*]. At any time after [\*] such Mobile Search Services exclusivity period may be cancelled in that country or for such Mobile Syndication Partner at Yahoo!'s option with [\*] notice to Microsoft, after which Microsoft must provide the Microsoft Mobile APIs at full parity with the most robust implementation of Mobile Search Services that Microsoft makes available to other Microsoft Mobile Syndication Partners in such country or for such Microsoft Mobile Syndication Partner (or, if no significant Mobile Syndication Partner exists in such country, then with a highly robust (i.e., full featured) implementation in light of Microsoft's available functionality).

3.3.5 Additional non-exclusive terms agreed to by the parties for Mobile Search Services are set forth in Exhibit H. At Yahoo!'s election, the parties will negotiate in good faith to develop new terms or amendments to the Agreement terms to address exclusive Mobile Search Services terms.

3.3.6 Yahoo! may elect to use Mapping Services for itself and its Mobile Syndication Partners, as part of the Mobile Search Services to be received from Microsoft, and Microsoft shall provide such services to Yahoo! for itself and its Mobile Syndication Partners. A description of Microsoft's Mapping Services is set forth in Section 3.2 and Exhibit G and shall apply to Yahoo!'s use of such services on Mobile Devices under this Agreement if Yahoo! exercises the option to include Mapping Services as part of the Mobile Search Services. Yahoo! can elect to use Mapping Services from Microsoft for Mobile Devices separate from any election to use such services for Personal Computers, subject to the execution of terms and conditions applicable to such Mapping Services that are substantially similar to those that would be set forth in a Maps Amendment.

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3.4 Other Platforms and Devices. At Yahoo!'s request, Microsoft will work with Yahoo! to provide then-available versions of the Services designed for requested platforms and devices other than Personal Computers and Mobile Devices (e.g., televisions) ("Other Platform Services") for Yahoo! and Syndication Partner properties and services designed for such platforms and devices. If Microsoft has Results that are designed for use on such platforms or devices, then at Yahoo!'s request, Microsoft will make available such Results to Yahoo! and, when made available, Yahoo! will use Microsoft's Services on such platforms or devices on an exclusive basis, but otherwise consistent with the terms and conditions of this Agreement as such terms and conditions may need to be modified in light of the nature of the particular platform, differing business models or economic constraints that apply to such different platforms or devices; provided that (a) the parties will act reasonably and work together in good faith to agree on any such modifications and (b) any such modifications will be consistent with the spirit and intent of this Agreement and preserve the parties' relative shares of the ongoing economic benefits of this Agreement. If the parties cannot agree on such modifications, then the parties may escalate to the Executive Steering Committee, and if the Executive Steering Committee is unable to agree, then arbitrate what such modifications should be under an arbitration process comparable to that described in Section 7(b) of the Letter Agreement. To the extent not inconsistent, the remaining terms of Section 17 of this Agreement shall apply. If Microsoft has not developed Results that are designed for use on such platforms, then the parties will work together to adapt the Results provided under this Agreement (e.g., by making reasonable format changes to such Results) for use on such platforms, subject to their agreement on the modifications to the terms and conditions of this Agreement as contemplated in the previous sentence.

#### **4. SYNDICATION PARTNERSHIPS; DOMAIN MATCH AND ERROR CHANNEL**

##### **4.1 Syndication Partners**

4.1.1 Yahoo! shall not assign any Syndication Partnership Agreements to Microsoft, but rather shall continue to be the contracting party and primary partner manager for all of Yahoo!'s existing Syndication Partnership Agreements. Microsoft will work together with Yahoo! and its Syndication Partners to have Queries and Non-Internet Search Queries (subject to Section 3.1) originating from the Syndication Properties be sent to Microsoft (as provided for herein) for processing and to display the Results provided by Microsoft on the Syndication Properties in accordance with the Syndication Partnership Agreements. Within five days after the Commencement Date, Yahoo! shall provide Microsoft with a written list of all of Yahoo!'s current Syndication Partners, and shall provide notice to Microsoft of any changes to such list within five days after any third party becomes, or ceases to be, a Yahoo! Syndication Partner. Microsoft shall provide Yahoo! with all tags and subtags as required by Yahoo! to support and report to the Syndication Partners (at least to the same extent as Yahoo! maintains as of the Letter Agreement Effective Date).

4.1.2 In response to Yahoo!'s reasonable requests taking into account the diversity and complexity of Yahoo!'s syndication business, Microsoft will provide all reasonable assistance to Yahoo! in managing and retaining Yahoo!'s existing Syndication Partner business, including optimization efforts for Syndication Partners, including for those Syndication Partners who have sub-syndication rights. Without limiting the foregoing, Microsoft will provide services related to the Services to Yahoo! for its Syndication Partners at parity with Microsoft's provision of comparable services to its own syndication partners. This Section 4.1.2 does not require Microsoft to provide (a) any business development services to Yahoo!, (b) any services directly to Syndication Partners (including any partner management services for Syndication Partners), (c) services that are contrary to the express terms of this Agreement, or (d) services that do not relate to the Services in this Agreement.

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4.1.3 In response to Yahoo!'s reasonable requests taking into account the diversity and complexity of Yahoo!'s syndication business, Microsoft will provide all reasonable assistance to Yahoo! in providing information or services related to the Services in Yahoo!'s attempt to obtain new Syndication Partners. By way of example, a prospective Syndication Partner may need assistance in [\*], and Microsoft (if requested by Yahoo!) would provide reasonable support to assist Yahoo! with such request to the extent that Yahoo! did not otherwise have access to the data necessary to [\*]. This Section 4.1.3 does not require Microsoft to (a) provide any business development services to Yahoo!, (b) any services directly to Syndication Partners (including any partner management services for Syndication Partners), (c) services that are contrary to the express terms of this Agreement, or (d) services that do not relate to the Services in this Agreement.

4.1.4 [\*].

4.1.5 Microsoft, or any party acting on Microsoft's behalf or at Microsoft's direction or request, will not solicit Existing Yahoo! Syndication Partners to terminate their existing Syndication Partnership Agreements prior to their natural termination date, with the understanding that Microsoft may discuss future syndication opportunities with such Existing Yahoo! Syndication Partners prior to the expiration of their Syndication Partnership Agreements. If Microsoft (or any party on Microsoft's behalf) enters into a direct relationship (whether before or after expiration of the Syndication Partnership Agreement) to provide Paid Search Services to Existing Yahoo! Syndication Partners or to provide Contextual Advertising Services to Existing Yahoo! Syndication Partners, then during the period beginning on the Commencement Date and ending on the [\*] anniversary of the date of the Commencement Date (the "Make Good Period"), Microsoft will pay Yahoo! [\*]. "Existing Yahoo! Syndication Partner" means (i) all Syndication Partners existing as of the Letter Agreement Effective Date plus (ii) Syndication Partners identified by Yahoo! who signed Syndication Partnership Agreements between the Letter Agreement Effective Date and the Commencement Date, provided that the gross billings from such new Syndication Partners are not greater than the sum of (x) [\*] percent of Yahoo!'s total gross billings from Syndication Partners as of the Letter Agreement Effective Date plus (y) the gross billings of Syndication Partners that have left Yahoo! between the Letter Agreement Effective Date and the Commencement Date. [\*].

4.2 Existing Syndication Partnerships Between the Parties. The syndication agreements for Paid Search Services and Contextual Search Services between Yahoo! (and/or its Affiliates) and Microsoft (and/or its Affiliates) existing prior to the date of the Effective Date will be terminated [\*].

4.3 Syndication Partners for Domain Match and Error Channel. At Yahoo!'s election, Yahoo! may license to Microsoft (under the License Agreement) the code and technology used to maintain and run Yahoo!'s Domain Match and/or Error Channel Syndication Partner products for the benefit of Yahoo! and the Syndication Partners who receive such services. Unless and until Yahoo! makes such election, Yahoo! will provide such technology to its Syndication Partners, and Microsoft will provide Results to Yahoo! for display on the Syndication Properties. As part of the transition process, the parties will agree on additional capabilities required to be developed and implemented by Microsoft and Yahoo! in order to provide a quality Domain Match and Error Channel offering to Syndication Partners provided, however, that the foregoing does not obligate Microsoft to match each feature that Yahoo! provided prior to transition. For the avoidance of doubt, such Syndication Properties will be treated as such for revenue sharing purposes, notwithstanding that Microsoft will be providing Results to Yahoo!. In making available such technology to its Syndication Partners, Yahoo! will remain subject to the provisions of Section 7.1.1 such that Yahoo! will not make available Algorithmic Search Services, Paid Search Services, or Contextual Advertising Services from parties other than Microsoft (except as

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otherwise expressly allowed in this Agreement). In the event that Yahoo! makes such election, then after a reasonable transition period, during which Yahoo! will continue to maintain and run Yahoo!'s Domain Match and Error Channel Syndication Partner products, and for the remainder of the Term, Microsoft will provide service of comparable features and quality to that which had been provided by Yahoo! on behalf of such Syndication Partners (with reasonable improvements over time to maintain the competitiveness of such products) at the same service level commitments mutually agreed upon by the parties.

4.4 Additional Domain Match Functionality. In connection with the Domain Match services Microsoft shall provide a mechanism to allow Syndication Partners to request Paid Listings from the relevant country for international users on Domain Match Syndication Properties (provided that the advertising market related to such call has been Migrated for such country).

4.5 [\*].

4.6 Other Future Syndication Partnerships. Yahoo! may enter new Syndication Partnership Agreements and renew existing Syndication Partnership Agreements during the Term.

4.6.1 Yahoo! will clearly inform new Syndication Partners that Microsoft is providing the technology platform for the Algorithmic Search Services and Paid Search Services; and

4.6.2 [\*].

4.7 Syndication Partner APIs. When Yahoo! notifies Microsoft of a new or potentially new Syndication Partner or an existing Syndication Partner requests one or more new feeds for Results, then Microsoft will provide Yahoo! a mechanism or process to provide access to Microsoft APIs for that Syndication Partner, including the ability to make a reasonable number of test queries, within a reasonable period of time under the particular circumstances, not to exceed the time which Microsoft provides comparable feeds of Results to comparable syndication partners. Notwithstanding anything contained in this Agreement to the contrary, at Yahoo!'s option, Yahoo! or the applicable Yahoo! Syndication Partner may implement the Microsoft API such that [\*], Results returned by the Microsoft API in response to a Query or call submitted on a Syndication Property (whether directly from such Syndication Property or through Yahoo!) will be sent [\*].

4.8 Syndication Partner Issues. If a Syndication Partner submits a complaint to Yahoo! related to the Services and Yahoo! contacts Microsoft for assistance in resolving or troubleshooting such complaint then Microsoft agrees to use commercially reasonable efforts to provide Yahoo! with relevant information available to assist Yahoo! in addressing the complaint in a reasonable and timely manner, provided that Yahoo! personnel will become reasonably trained on the Services to provide primary support to the Syndication Partner and Yahoo! uses appropriate diligence in resolving issues without escalation to Microsoft where possible.

4.9 Sub-Syndication. [\*]. To the extent that sub-syndication practices trigger a material decline in traffic quality, product integrity, or monetization rates relative to the Services, Microsoft may escalate the issue to the Executive Steering Committee to consider whether the sub-syndication practices described in this Section 4.9 should be revised or whether there are other solutions to remedy the issues. Additionally, the parties agree to consult with each other on a monthly or quarterly basis (as agreed) to discuss capacity needs relating to Syndication Partners who have sub-syndication rights.

4.10 Syndication Partner Parity. [\*].

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## 5. SALES

### 5.1 Customers.

#### 5.1.1 Advertiser Segments.

(a) The parties will document in writing in the Schedule the initial (i) Spending Threshold and (ii) Advertiser Segments for each country. The initial Spending Threshold will include without limitation, the following Spending Thresholds for the Premium Direct Advertiser Advertiser Segment: [\*] and USD\$[\*] per month for the United States, which amounts the parties have agreed is commercially reasonable in such countries to distinguish accounts that would most benefit from hand selling of Paid Search Services and Contextual Advertising Services from those whose smaller spends make them more suitable customers for self-service, online purchases of Paid Search Services and Contextual Advertising Services in light of the cost associated with hand sales. A substantially similar analysis will be used to set Spending Thresholds in other countries; provided, however, that the Spending Thresholds will be set in such manner that initially they include at least the top [\*] advertisers by average monthly spend on Paid Search Services and Contextual Advertising Services in Canada, Japan, China, Taiwan, India, Germany, Australia, Korea, Brazil, Italy, Hong Kong, and Mexico unless the parties otherwise agree.

(b) Determining whether an advertiser or prospective advertiser that does not satisfy subsection (b) or (c) of the Premium Direct Advertiser definition should be placed in the Premium Direct Advertiser Advertiser Segment in each country will be based upon natural, commercially reasonable criteria, including [\*]. Advertiser Segments and Spending Thresholds will be reviewed on a quarterly basis as set forth in Section 5.12.1 at which time the parties will make any mutually-agreed adjustments to same using the preceding criteria. The parties' overall objective in establishing the Spending Thresholds and the Advertiser Segments is to logically segment advertisers and prospective advertisers to thereby maximize revenue, minimize channel conflict for Paid Search Services and Contextual Advertising Services, minimize cost and minimize operating expense while providing a service level appropriate to the size, value, and potential value of each Paid Search Services and Contextual Advertising Services account.

#### 5.1.2 Resellers.

(a) Yahoo! may select and use third parties such as sales houses, Resellers, advertising agencies, call centers, Yahoo! joint ventures, or other sales agents that Yahoo! reasonably believes are capable of performing its Paid Search Services and Contextual Advertising Services sales functions in accordance with this Agreement. Subject to the terms and conditions set forth in this Agreement, these third parties may supplement Yahoo!'s own sales efforts or may act as Yahoo!'s designated sales force for such countries, in Yahoo!'s discretion.

(b) Except as provided for in Section 9.1.5(s), Yahoo! and Microsoft will not be obligated to assume any debts or payment liabilities of the other party pre-existing each advertiser's Migration Date (i.e., such debts and liabilities will remain with the original party) or defense obligations for liabilities pre-existing each advertiser's Migration Date (i.e., such obligations will remain with the original party) in connection with any advertiser, Reseller, or other third party relationships as a result of a transfer or assignment of an agreement or account to the other party as set forth in this Agreement.

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(c) Microsoft understands and agrees that Yahoo! Resellers, such as newspaper and yellow pages sales forces, by their nature, engage in human-outreach sales to non-Premium Direct Advertisers and that this selling does not violate the terms of this Agreement; provided that the parties will work together to try to minimize any negative impact on Customer experience due to these sales efforts.

## 5.2 Marketing.

5.2.1 Yahoo! and Microsoft will each conduct Marketing independently to their respective Advertiser Segments (Premium Direct Advertisers for Yahoo!, non-Premium Direct Advertisers for Microsoft) but will also ensure that their respective marketing communications for the Microsoft Paid Search Services and Microsoft Contextual Advertising Services to search advertisers, agencies and other industry participants, industry associations, industry experts and industry influencers and positioning in search advertising events are consistent with each party's roles under this Agreement.

5.2.2 Yahoo! and Microsoft will collaborate to establish mutually agreed upon umbrella marketing messaging regarding the capabilities and benefits of their combined marketplace for Paid Search Services and Contextual Advertising Services; provided, however, [\*], Yahoo! and Microsoft will work together to establish [\*] and the marketing messages and value propositions that describe each party's respective role under this Agreement and how they work together for the benefit of advertisers and consumers.

5.2.3 Provided that a party otherwise complies with this Section 5.2.3 and other applicable Sections of this Agreement, Yahoo! is not required to obtain Microsoft's approval in preparing and delivering any form of Marketing to Premium Direct Advertisers and Microsoft is not required to obtain Yahoo!'s approval in preparing and delivering any form of Marketing to non-Premium Direct Advertisers. Yahoo! and Microsoft will market the Microsoft Paid Search Services and Microsoft Contextual Advertising Services within the requirements of their own brand standards and style guides, but will share their respective marketing materials to the extent necessary to ensure consistency of their messages and compliance to their shared objectives. Each party will (a) comply with the other party's generally applicable guidelines for the use of such party's applicable intellectual property (i.e., trademarks, logos, copyrighted material) when creating marketing communications for the Microsoft Paid Search Services and Microsoft Contextual Advertising Services, except to the extent that such guidelines purport to amend or to modify negotiated provisions or rights under this Agreement, and (b) ensure that Marketing accurately describes Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services.

5.2.4 Both parties have the right to conduct Marketing for Microsoft Paid Search Services and Microsoft Contextual Advertising Services consistent with this Agreement and in a manner consistent with such mutually agreed upon marketing message and value proposition; provided, however, that any such marketing efforts by Microsoft shall be consistent with Section 7.2.2.

5.2.5 Subject to and except as otherwise set forth in this Agreement, Yahoo! will be solely responsible for Marketing Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers.

5.2.6 Subject to and except as otherwise set forth in this Agreement, Microsoft will be primarily responsible for Marketing Microsoft Paid Search Services and Microsoft Contextual Advertising Services to non-Premium Direct Advertisers in accordance with the terms and conditions of

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this Agreement. Subject to any confidentiality restrictions, Microsoft will use commercially reasonable efforts to promptly refer to Yahoo! Premium Direct Advertiser leads for Microsoft Paid Search Services and Microsoft Contextual Advertising Services discovered during these Marketing activities.

5.2.7 Except as otherwise set forth and as provided in this Agreement, Microsoft will not conduct Marketing of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers. Recognizing that some Marketing activities target a broader audience that includes Premium Direct Advertisers, Microsoft and Yahoo! will coordinate their marketing messaging and communications at marketing events, trade shows, telemarketing, work with industry consortiums, and other marketing activities in which either party participates and that describe the value propositions of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to advertisers including Premium Direct Advertisers in order to avoid advertiser confusion regarding roles and responsibilities under this Agreement.

5.2.8 Microsoft and Yahoo! will discuss potential opportunities to collaborate in marketing activities for Microsoft Paid Search Services and Microsoft Contextual Advertising Services, including promotions, incentives, advertising, industry events, press activities, and other forms of general marketing to both Premium Direct Advertisers and non-Premium Direct Advertisers. Microsoft and Yahoo! will discuss opportunities to jointly communicate the value of the combined marketplace, educate advertisers about important activities such as the Migration process, win back revenue and engagement from competitors, and build interest in new global markets as the two companies enter them. Microsoft and Yahoo! will discuss potential opportunities for collaborating in budgets and other means for jointly supporting each other's activities. Neither company is required to participate in each other's Marketing activities.

5.2.9 Microsoft will use commercially reasonable efforts to inform Yahoo! prior to Microsoft employees conducting product research directly, or third parties conducting product research on Microsoft's behalf in which Microsoft (or its Affiliate) is identified as the sponsor of such product research, with individual Premium Direct Advertisers in any market where such product research is primarily related to the features or capabilities of the Core Platform that provide Microsoft Paid Search Services and Microsoft Contextual Advertising Services. Microsoft will use commercially reasonable efforts to inform Yahoo! of any Premium Direct Advertiser's significant complaints about Yahoo!'s Paid Search Services and Contextual Advertising Services sales efforts for Microsoft Paid Search Services and Microsoft Contextual Advertising Services that are communicated to Microsoft during such product research and can be communicated without violating confidentiality obligations. Yahoo! will use commercially reasonable efforts to inform Microsoft of any non-Premium Direct Advertiser's significant complaints about Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services that are communicated to Yahoo! during market outreach activities and can be communicated without violating confidentiality obligations.

5.2.10 Any violations by either company of their respective roles in Marketing will first be handled by escalation to the other company's Relationship Manager to seek resolution through mutually agreed upon changes. If resolution is not deemed satisfactory, either party may escalate the issue to the Executive Steering Committee and/or avail itself of the dispute resolution and arbitration provisions of Section 17.

5.2.11 To promote Microsoft Paid Search Services and Microsoft Contextual Advertising Services to non-Premium Direct Advertisers and for customer acquisition and retention marketing of non-Premium Direct Advertisers, Microsoft will spend a minimum of (a) [\*]% of worldwide

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Adjusted Net Revenues from non-Premium Direct Advertisers' use of Microsoft Paid Search Services and Microsoft Contextual Advertising Services on the Microsoft O&O Properties and Yahoo!'s owned and operated Web sites during each 12-month period starting upon completion of the first advertiser's Migration and, of such worldwide spend, (b) [\*]% of Adjusted Net Revenues in each country from Microsoft Paid Search Services and Microsoft Contextual Advertising Services to non-Premium Direct Advertisers on the Microsoft O&O Properties and Yahoo!'s owned and operated Web sites during each 12 month period starting upon completion of Migration for such country. During the first 12 month period after Microsoft makes its Paid Search Services or its Contextual Advertising Services available in a new country pursuant to Section 6.7 below, Microsoft will calculate the marketing spend commitment for such country using estimated Adjusted Net Revenues for that 12 month period from sales to non-Premium Direct Advertisers of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services to non-Premium Direct Advertisers on the Core Platform. This minimum spend requirement will be exclusive of Microsoft's efforts to promote Microsoft's Paid Search and Microsoft's Contextual Advertising Services via Microsoft's own site through designated links or house ads. For clarity, customer acquisition and retention marketing means direct outreach campaigns created and executed with the specific intent of converting non-Premium Direct Advertisers to sign-up, begin spending or continue spending on the Microsoft Paid Search Services and Microsoft Contextual Advertising Services. Microsoft will additionally demonstrate a good faith, continuous commitment to increasing the number of active non-Premium Direct Advertisers utilizing the Microsoft Paid Search Services and Microsoft Contextual Advertising Services in each such country during the Term in which Microsoft provides Paid Search Services and Microsoft Contextual Advertising Services.

5.2.12 Each party will promote Microsoft's Paid Search Services platform on its own site through designated text links at locations determined by each party using the methodologies that the party used to determine how and when to promote paid search placements as of the Letter Agreement Effective Date. Microsoft will describe the benefits of the combined marketplace on its online advertising Web site and will promote human-assisted sales of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services through text links at locations on such Web site determined by Microsoft consistent with the methodologies Microsoft used to determine how and when to promote such placements as of the Letter Agreement Effective Date.

### 5.3 Yahoo!'s Performance Commitments for Premium Direct Advertisers.

5.3.1 During the Term, following the first Migration Date for a Premium Direct Advertiser in each Region, Yahoo! will maintain at least the following sales and account management resources with roles and responsibilities that include sales and servicing for Premium Direct Advertisers to help support human-outreach sales of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services for each Region: North America: [\*] people, Europe: [\*] people, Asia Pacific: [\*] people, Emerging Markets: [\*] people (collectively, the "Regional Commitments" and individually, each a "Regional Commitment"). For the avoidance of doubt, the Regional Commitments specified in the foregoing sentence, represent the aggregate amount of sales and account management resources in each Region that Yahoo! will maintain to support sales and servicing for Premium Direct Advertisers to help support human-outreach sales of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services. Yahoo! is responsible for all sales staffing decisions for country-level sales support; provided, however that Yahoo!'s staffing decisions with respect to a country will reasonably relate to the combined Microsoft and Yahoo! revenue opportunity in such country. For clarity, Yahoo! may adjust the allocation of Regional sales support between Regions and between countries in such Region during the Term as Yahoo! deems reasonably appropriate given emerging Regional opportunities/declines, sales process efficiency improvements, Yahoo! AdSat Levels, and other factors

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relevant to potential opportunities or economic conditions, as long as Yahoo! maintains the Regional Commitments. The Regional Commitments may collectively or individually be lowered by joint agreement, and they will be so lowered if the parties decide to scale back sales activities for Paid Search Services or Contextual Advertising Services to Premium Direct Advertisers in a Region, if economic conditions or competition levels in one or more Regions mitigates the need for maintaining the Regional Commitment(s) there, or if efficiency and productivity gains demonstrate that fewer resources are needed to maintain human outreach sales for a Region. The parties will agree to a reasonable reduction of the relevant Regional Commitment for Yahoo! when Yahoo! is not the exclusive reseller to Premium Direct Advertisers for a country where Microsoft Paid Search Services and Microsoft Contextual Advertising Services are sold in the Region (i.e., Microsoft is the exclusive reseller or neither party is an exclusive reseller in such country).

5.3.2 Yahoo! and Microsoft will mutually agree upon an empirically valid advertiser satisfaction survey methodology that will be used semi-annually (i.e., twice per year) by a mutually agreed-upon third-party research firm to measure advertiser satisfaction among customers of the Microsoft Paid Search Services and Microsoft Contextual Advertising Services by country, by Region, and by category (the "AdSat Survey"). The parties will construct the content of the AdSat Survey, its questions, and the weighting of all factors considered in the survey, so that it fairly, reliably, and consistently measures, evaluates, and distinguishes Yahoo!'s Tier 1 Services support, sales outreach, and Premium Direct Advertiser Advertiser Segment relationships for Microsoft Paid Search Services and Microsoft Contextual Advertising Services ("Yahoo! AdSat Level") from Microsoft's Tier 2 Services support to Premium Direct Advertisers and the non-Premium Direct Advertiser Advertiser Segment, and Microsoft's responsibilities for the Core Platform and Microsoft-developed Tools ("Microsoft AdSat Level" and together with the Yahoo! AdSat Level, "AdSat Levels"). Microsoft will provide Yahoo! with the results, including all underlying data, of the AdSat Survey promptly after they are received by Microsoft. The parties recognize that Premium Direct Advertiser sales satisfaction levels are highly dependent on platform performance and Tier 2 Services support levels, and the third party performing the AdSat Survey will take measures so as not to penalize Yahoo! for any actions or inactions of Microsoft. Microsoft will pay for these joint AdSat Surveys. After execution of this Agreement, [\*] before the first Migration Date, the third-party research firm will use the agreed-upon survey methodology and questions to survey an agreed-upon statistically significant and statistically representative (considering all geographies and market categories of the Microsoft Paid Search and Microsoft Contextual Advertising Services and the Yahoo! Panama Paid Search Services and Yahoo! Panama Contextual Advertising Services) sample of Customers (including Premium Direct Advertisers and non-Premium Direct Advertisers) to measure their satisfaction levels (as relevant to each party) on a semi-annual basis. These satisfaction levels will constitute the "Yahoo! Benchmarks" and the "Microsoft Benchmarks," as applicable. Following the first Migration Date, the third party research firm will repeat the survey on the semi-annual schedule (weighting criteria the same as for the Benchmarks) and will compare the results against the Yahoo! Benchmarks and the Microsoft Benchmarks, taking measures to eliminate bias based upon the other party's performance. An average, then-current AdSat Level performance of a party in the AdSat Survey that is [\*] percent or more unfavorable than the lowest semi-annual measurement during the applicable Benchmarks for [\*] consecutive AdSat Surveys is an "AdSat Escalation Event." For clarity, the performing party is not required to wait [\*] periods before enforcing any other rights and remedies that it may have against the non-performing party's failure to meet performance levels under this Agreement.

5.3.3 Yahoo! will ensure that Yahoo! sales professionals will be available in each Region to handle incoming referrals of Premium Direct Advertisers from Microsoft's digital advertising sales team during ordinary business hours where such Yahoo! sales professionals are located. Yahoo!'s

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sales professionals will respond to Microsoft referrals of potential Premium Direct Advertisers within [\*] of receipt of Microsoft's referral through a commercially reasonable referral mechanism that the parties will agree upon prior to Migration. In the event that a Yahoo! sales professional violates this obligation, the issue will be escalated to a member of Yahoo!'s senior sales management in a manner that is consistent with Yahoo!'s internal policies and such Yahoo! sales executive will take such disciplinary action against such Yahoo! sales employees as Yahoo!'s senior management team deems reasonably appropriate to address the problem.

5.3.4 If either Microsoft or Yahoo! is subject to an AdSat Escalation Event, and the parties are unable to resolve the matter through negotiation under the escalation provisions of Section 17.4 or otherwise, and the matter is submitted to arbitration, the arbitrators may impose commercially reasonable additional staffing requirements commensurate with the parties' objective of optimizing revenue, minimizing cost and operating expense while providing a service level appropriate to the size, value, and potential value of each Microsoft Paid Search Services and Contextual Advertising Services account, require a party to fix its tools, or grant such other relief (other than monetary relief that is claimed for the trigger of an AdSat Escalation Event under Section 5.3.2, but without limiting monetary relief that may be available for the underlying causes of such event) as a party requests or as the arbitrators deem appropriate to cure such AdSat Escalation Event as otherwise set forth in Section 7.2.3(e). No party will be subject to monetary damages for its AdSat Levels per se; provided, however, that the other party is not prevented from seeking such damages (including monetary damages) for the underlying cause of an AdSat Escalation Event, if actionable. Solely to the extent that the third party research firm uses the agreed upon methodology for the AdSat Survey as described in Section 5.3.2, the third party research firm's determination that an AdSat Escalation Event has occurred shall be determinative and any arbitration relating to the AdSat Escalation Event shall focus solely on remedies as set forth in this Section 5.3.4 and Section 7.2.3(e).

#### 5.4 Advertising Roles and Responsibilities.

5.4.1 Starting on the Migration Date for each Premium Direct Advertiser in a country and except as otherwise set forth in Section 7.2.2 and Section 7.2.3 or as otherwise mutually agreed to by the parties on a case-by-case basis, Yahoo! will perform all Paid Search Services and Contextual Advertising Services sales and sales functions, account management and Tier 1 Services (but not Tier 2 Services), in connection with each such Premium Direct Advertiser. For clarity, as used in the preceding sentence and within a country, the Migration Date for a Premium Direct Advertiser who participates in more than one micro-marketplace (e.g., the "flowers" and "trucks" marketplaces) in the Paid Search Services and Contextual Advertising Services is the Migration Date of such Premium Direct Advertiser's first micro-marketplace to Migrate to the Core Platform. Yahoo! will provide Tier 1 Services at least at the same level as the service levels it provides Tier 1 Services to Yahoo!'s field and mid-tier category advertisers, as applicable, as of the Letter Agreement Effective Date.

5.4.2 Microsoft will perform all order facilitation, account management and support functions to Migrated non-Premium Direct Advertisers. Microsoft will provide platform and Tier 2 Services, for all Customers on the Core Platform; provided that Microsoft need not perform these platform and Tier 2 Services for a Premium Direct Advertiser until such Premium Direct Advertiser's Migration Date in a country. For clarity, all communications related to Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services with Premium Direct Advertisers will be by Yahoo!, except for technical and other Tier 2 Services at the request of Yahoo!. Notwithstanding the foregoing, Microsoft may provide system alerts and automated messages regarding an advertiser's account or account activities and Core Platform announcements, provided such communications to Premium Direct

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Advertisers shall not be used to sell the Services, optimize the advertiser's account, or promote other Microsoft advertising, products or services.

5.5 Customer Contracts. Yahoo! will draft, in good faith consultation with Microsoft, locally acceptable and commercially appropriate contract templates for Yahoo!'s sales of the Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers and guidelines for Yahoo!'s sales team to use in connection with sales to Premium Direct Advertisers, which will be consistent with the functionality of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services for the Core Platform and with the parties' understandings regarding their respective risk allocation, roles, invoicing and payment flows, and this Agreement generally. Microsoft will draft, locally acceptable, lawful, and commercially appropriate contract templates for self-serve sales which will be consistent with the functionality of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services for the Core Platform and this Agreement. Yahoo! (or any third party acting as the applicable sales force for Premium Direct Advertisers, as provided in this Agreement) will be the contracting entity for contract templates used in connection with human-oriented sales to Premium Direct Advertisers and Microsoft will be the contracting entity for contract templates used in connection with its online, self-service sales. The parties' contract templates will reflect any applicable mechanism agreed upon by Microsoft and Yahoo! to enforce abuse of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services concerns against advertisers, including the abuse concerns set forth in Section 5.12.3 of this Agreement. The parties will, subject to obtaining any necessary Premium Direct Advertiser consent, Migrate existing Premium Direct Advertisers, where appropriate, to the contract templates created pursuant to this Section 5.5 within the Migration timeline or amend existing agreements consistent with the contract templates and the roles, responsibilities, and exclusivities set forth in this Agreement. In addition, the parties will work together in good faith to deliver the required notices to Yahoo!'s existing non-Premium Direct Advertisers to notify them they are being migrated to Microsoft's contract templates created pursuant to this Section 5.5 within the Migration timeline and consistent with the contract templates and the roles, responsibilities, and exclusivities set forth in this Agreement.

5.6 RFPs. The parties will, subject to any confidentiality obligations, share via online access any response to advertiser RFPs if, and solely to the extent that such RFPs are for Microsoft Paid Search Services and Microsoft's Contextual Advertising Services, and the associated pipeline, and stage of closure. A party may use such RFP-related information in connection with such party's advertising sales efforts as permitted by this Agreement.

5.7 Unsupported Paid Listings. Yahoo! may (a) sell a category of Paid Listings [\*] into the Core Platform in a country that are not permitted by the creative acceptance policy for the Microsoft Network in such country but that otherwise comply with Laws of such country; (b) continue to sell any category of Paid Listings in a country in accordance with its creative acceptance policy in effect as of the Effective Date (under the same terms as Yahoo!'s sales of unsupported Paid Listings in this Section 5.7) for any categories of Paid Listings [\*] where Microsoft and Yahoo! have different creative acceptance policies as of the Effective Date in one or more countries and Yahoo! reasonably believes that there could be a negative revenue impact on Yahoo! of \$[\*] or more per year worldwide if Yahoo! is unable to sell Paid Listings under its prior creative acceptance policy; and (c) sell Paid Listings for categories that are permitted by the creative acceptance policy for the Microsoft Network in such country but where a Yahoo!-proposed change to such creative acceptance policy (i.e., a change that would have permitted the sale of such Paid Listings) has not been accepted pursuant to Section 5.8.2 and Yahoo! reasonably believes that there could be a negative revenue impact on Yahoo! of \$[\*] or more per year worldwide in the absence of the Yahoo!-proposed change. As between Microsoft and Yahoo!, Yahoo! will be responsible for creating the editorial policy for any such Paid Listings and for all liabilities, including the

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cost of performing Editorial review and Editorial compliance, relating to the nature of the content of such Paid Listings. [\*]. For the avoidance of doubt, for categories of Paid Listings that are permitted by the creative acceptance policy for the Microsoft Network, Yahoo! will only sell Microsoft Paid Listings that comply with that network-wide creative acceptance policy except as allowed in (b) and (c) above.

#### 5.8 Services to Yahoo!

5.8.1 Microsoft will provide campaign Editorial review services for advertisements submitted for Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services, including those submitted in accordance with Section 5.7 above, and such services shall be provided in the languages supported by the Core Platform for a country. Microsoft's level, speed and quality of campaign Editorial review services for Yahoo! will be in accordance with Section 5.8.2 below and at least at the level of review, responsiveness, and quality of review, and speed of campaign Editorial review services for Premium Direct Advertisers provided by Microsoft's internal team for Microsoft O&O Properties on the Letter Agreement Effective Date.

5.8.2 Microsoft will be responsible for developing and managing a creative acceptance policy for Paid Listings submitted for Microsoft Paid Search Services and Microsoft Contextual Advertising Services that will apply on a network-wide basis across the Microsoft Network, and for training Yahoo! as to this policy. The creative acceptance policy will not have different standards for Yahoo! Properties and Syndication Properties than for other properties in the Microsoft Network. Yahoo! has accepted legal obligations to restrict the bidding for certain keywords related to Paid Search Services and Contextual Advertising Services and the display of Paid Listings in response to certain Queries permitted to be shown on the Yahoo! Properties and Syndication Properties. In developing the foregoing policy, Microsoft will provide a mechanism that allows Yahoo! to honor any legal obligations with respect to the Paid Listings not permitted to be shown on the Yahoo! Properties and Syndication Properties that may have been imposed on Yahoo! prior to the parties entering into this Agreement which obligations are specified in Exhibit F to this Agreement, [\*]. Yahoo! has the right to propose changes to the creative acceptance policy described in this Section 5.8.2 and Microsoft agrees to consider such changes in good faith. To the extent that Microsoft does not accept such changes, Yahoo! has the right to escalate the matter to the Executive Steering Committee pursuant to Section 17.1 and, if the parties are unable to agree, then Yahoo! may sell such Paid Listings as provided in Section 5.7. The Executive Steering Committee will evaluate the matter based upon factors including (i) the likely revenue impacts for both parties in making or not implementing the policy change; (ii) any potential legal or policy concerns associated with the change; (iii) whether the change could reasonably be implemented only for Paid Listings running on the Yahoo! Properties and the Syndication Properties (under the same terms as Yahoo!'s sales of unsupported Paid Listing categories in Section 5.7) and without unreasonably impacting the parties' shared general desire for the benefits of a combined marketplace for Paid Listings; and (iv) such other factors that the Executive Steering Committee members believe, acting reasonably, are appropriate in light of the proposed change. Microsoft also agrees to provide Yahoo! with reasonable, advance notice where practicable of any changes to the creative acceptance policy.

5.8.3 Tier 2 Services. Microsoft will appropriately staff and manage Tier 2 Services concerning the Core Platform, Core Platform APIs and marketplace issues, Sales Tool issues, traffic quality investigations, and Paid Listing editorial review escalations. Microsoft agrees to resolve issues submitted to the Tier 2 Services customer support team in a commercially reasonable manner and no less quickly than Microsoft resolves similar issues as of the Letter Agreement Effective Date for Customers likely to be categorized as Premium Direct Advertisers.

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5.8.4 Yahoo! will in good faith, appropriately represent the availability of Microsoft Contextual Advertising Services to Premium Direct Advertisers when such Microsoft Contextual Advertising Services are relevant to the needs of a Premium Direct Advertiser. Yahoo! will assist the Microsoft display sales force in answering combined Paid Search Services and/or Contextual Advertising Services/display RFPs by providing Microsoft with a timely response for the Microsoft Paid Search Services and Microsoft Contextual Advertising Services portion of a RFP, including, if applicable, a response that is consistent with the Paid Search Services and Contextual Advertising Services portion of any Yahoo! response to the same RFP.

5.8.5 If a Premium Direct Advertiser submits a complaint to Yahoo! related to the Core Platform, Core Platform APIs, Microsoft Paid Search Services or Microsoft Contextual Advertising Services and Yahoo! contacts Microsoft for assistance in resolving or troubleshooting such complaint then Microsoft agrees to use commercially reasonable efforts to provide Yahoo! with relevant information available to assist Yahoo! in addressing the complaint in a reasonable and timely manner. If a non-Premium Direct Advertiser submits a complaint to Microsoft related to the implementation of its Paid Listings from Microsoft Paid Search Services or Microsoft Contextual Advertising Services, or the content on the Web pages on which these Paid Listings are displayed, on Yahoo! Properties or Syndication Properties and Microsoft contacts Yahoo! for assistance in resolving or troubleshooting such complaint then Yahoo! agrees to use commercially reasonable efforts to provide Microsoft with relevant information available to assist Microsoft in addressing the complaint in a reasonable and timely manner.

#### 5.9 Sales Training and Market Education.

5.9.1 Microsoft will provide Yahoo! with both initial (pre-Migration) and ongoing sales and account optimization training, including “train the trainer” training, on the Core Platform and its capabilities, as well as supporting sales collateral, messaging, and other documentation required to effectively position, represent, and sell Microsoft Paid Search Services and Microsoft Contextual Advertising products to Premium Direct Advertisers.

5.9.2 In connection with Yahoo!’s exclusive sales rights for Premium Direct Advertisers, Microsoft and Yahoo! will educate and train their respective sales’ force regarding (a) the scope of Yahoo!’s exclusive rights relative to Premium Direct Advertisers, (b) appropriate messaging to Premium Direct Advertisers for referring potential Premium Direct Advertisers to Yahoo! (which messaging must be agreed upon between Yahoo! and Microsoft), (c) the Advertiser Segments, and (d) messaging and communications (including the agreed-upon branding of the combined marketplace) consistent with this Agreement.

5.9.3 As soon as permissible by applicable Law, Microsoft and Yahoo! will jointly develop and deliver communications materials to be shared with the advertising industry describing the parties’ relationship under this Agreement, including transparency around the Migration and Contract Transition schedule and process. Yahoo! and Microsoft will, within [\*] after the Commencement Date, jointly communicate with at least the top [\*] global Premium Direct Advertisers by Paid Search Services and Contextual Advertising Services spend as determined by the parties to explain the benefits of this Agreement for advertisers, communicate the scope of each of Yahoo!’s and Microsoft’s advertising sales and support services, answer advertiser questions, and share the jointly developed communications materials. Such process will include a second joint engagement with such agreed Premium Direct Advertisers within [\*] prior to the scheduled Customer Contract Transition or Migration in each country to communicate post-Contract Transition and post-Migration roles and responsibilities. The parties will coordinate their top Customer list for such joint visits and will create a process for reporting the results of

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such joint visits to the Relationship Managers for collective or individual company follow up (as appropriate) on issues that may require clarification.

5.10 Reseller Training. Yahoo! will be responsible for training Resellers; provided that Microsoft is responsible for any Reseller training related to Core Platform APIs. Microsoft will work with Resellers or other Yahoo! sales agents to provide technical integration services and technical training concerning Microsoft Paid Search Services and Microsoft Contextual Advertising Services platform technology, including the use of Core Platform and/or Core Platform APIs and Yahoo! will be responsible for non-technical integration (i.e., account management, sales and Marketing training). To maximize the value of such training and to minimize the demand on such third parties' time, the parties will collaborate in good faith to determine whether it is appropriate to conduct joint or date-coordinated training sessions. Following Migration and Contract Transition, if necessary, in each country, for Resellers of either party that currently, or in the future, sell to both Premium Direct Advertisers and non-Premium Direct Advertisers, Yahoo! will work with such Resellers in connection with sales made through human outreach and Microsoft will work with such Customers in connection with API support and sales made through self-service, online sales.

5.11 Sales Tools: Development; Performance.

5.11.1 As of the Letter Agreement Effective Date, Yahoo! and Microsoft use different Sales Tools to support their respective Paid Search Services and Contextual Advertising Services platforms and sales teams. The parties' rights and obligations with respect to the development and implementation of Sales Tools are as set forth in this Agreement, including without limitation in this Section 5.11 and Exhibit I.

5.11.2 Both parties will continue to support their own independent customer relationship management (CRM) systems, which are not Sales Tools. Microsoft and Yahoo! will create an interface for the efficient and timely exchange of CRM Data between the parties in accordance with the Schedule.

5.11.3 After the Migration and subject to any applicable confidentiality restrictions, as Microsoft identifies human-assisted sales opportunities as part of its Customer Support, Marketing, or other efforts for Microsoft Paid Search Services and Microsoft Contextual Advertising Services as set forth in this Agreement, and information about these opportunities is in its CRM system, then Microsoft will pass these sales opportunities from its CRM system to Yahoo!'s CRM system via the agreed upon interface. For human-assisted sales opportunities not in Microsoft's CRM system, the parties will agree upon other protocols or procedures for Microsoft to pass such opportunities to Yahoo! to pursue, provided, further that any such action will not violate any applicable confidentiality restrictions.

5.11.4 Microsoft Support Tools Obligations. Microsoft will:

(a) Appropriately staff and manage a development team for the Core Platform APIs, the Marketplace Tools, and Tier 2 Customer Support Tools, all as part of the Core Platform as part of Microsoft's obligations under Section 2.4.4.

(b) Develop, deploy, maintain and improve its Sales Tools to support non-Premium Direct Advertisers.

(c) Develop, deploy, maintain and improve Tier 2 Customer Support Tools to provide support for Premium Direct Advertisers and non-Premium Direct Advertisers. Prior to

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a Customer's Migration Date, Yahoo! will continue to provide Tier 2 Services customer support for such Customer's accounts, but once such Customer's account is Migrated from the Yahoo! Panama system to the Core Platform Microsoft will provide Tier 2 Services customer support for that Customer on the Core Platform. The initial Tier 2 Customer Support Tools will be based on Microsoft's existing Tier 2 Customer Support Tools. Yahoo! and Microsoft will work together to ensure Microsoft's Tier 2 Customer Support Tools are enhanced (if necessary) into a state in which Microsoft can take full Tier 2 Services customer support. This will involve a multiple step process in which Yahoo! first shares its Tier 2 Customer Support Tools practices with Microsoft, and Microsoft will consider developing potential enhancements to Microsoft's practices as a result. To the extent it is mutually beneficial and feasible (taking into account a reasonable amount of effort), Microsoft agrees to provide Yahoo!'s Tier 1 Services customer support team access to all available applicable Tier 2 Customer Support Tools.

(d) Develop, deploy, maintain and improve the Marketplace Tools and Core Platform APIs as part of the Core Platform. The Marketplace Tools and Core Platform APIs made available to Yahoo! and all third parties selling for Yahoo! under this Agreement will be at all times be the most robust versions of the Marketplace Tools and Core Platform APIs made available for Microsoft's Paid Search Services and Contextual Advertising Services, including, without limitation in terms of user interface, access and visibility into an advertiser's account and all resulting data for advertisements and campaigns managed by Microsoft Paid Search Services and Microsoft Contextual Advertising Services. Yahoo! and all third parties selling for Yahoo! (who agree to Microsoft's commercially reasonable, generally applicable access requirements, which will not conflict with and will not be inconsistent with this Agreement, including the parity provisions, and which will not impose any financial or significant operational obligations) will have the same rights, as are provided for other sales channels, including those internal to Microsoft, with respect to access (including when access is granted) and the ability to utilize, features and functionality of the Marketplace Tools and Core Platform APIs for Services provided to Yahoo!. The prior sentence does not expand or limit Yahoo!'s data rights as otherwise provided under this Agreement.

(e) Develop, deploy, maintain and improve Sales Reporting functionality within the Core Platform to support the combined advertiser marketplace for both Yahoo! and Microsoft. Such Sales Reporting functionality will provide reasonable information to enable Yahoo! to perform its sales and support obligations for Premium Direct Advertisers under this Agreement (at a minimum, the same fields of information available on Microsoft Paid Search Services and Contextual Advertising Services in the Core Platform for Microsoft's own sales and support obligations) as well as comply with its regulatory and legal requirements. Yahoo! will have full ability to access, export, and use all Sales Reporting data from Microsoft to conduct its own custom analysis and reporting should Yahoo! desire to do so. For each of (a), (b), and (c) in the definition of Sales Reporting, Microsoft will endeavor to provide accounts Migrated in the middle of reporting periods with all reporting that they are accustomed to on Yahoo!'s Panama system. After Migration, Microsoft will take over full support of Sales Reporting functionality as part of the Core Platform.

(f) Use commercially reasonable efforts to test and validate all Core Platform APIs in accordance with Microsoft's standard internal processes to ensure increased compatibility with the tools referenced in this Section 5.11.4.

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(g) Provide Yahoo! with reasonable access to appropriate non-production test systems and reasonable test data to allow integration testing with Core Platform APIs;

(h) With respect to the Marketplace Tools, Core Platform APIs, and the Sales Reporting functionality enabled by the Core Platform, Microsoft will provide Yahoo! with the same treatment, the same level of visibility into product roadmaps, and allow Yahoo! to provide the same level of input into the feature prioritization process as described in Section 2.4.11 for the rest of the features of the Services.

(i) Provide, at its own expense, timely in person “train the trainer” and or Web-based training for all geographies and all applicable languages on (i) the Marketplace Tools, Core Platform APIs and Core Platform to Yahoo!’s sales, sales operations, sales support, marketplace, and account management teams of sufficient comprehensiveness to enable them to properly support Premium Direct Advertisers and (ii) the Core Platform APIs, Marketplace Tools, and Core Platform functionalities to Yahoo!’s teams that develop Sales Tools that is of sufficient comprehensiveness to enable such development in accordance with the Schedule.

(j) Develop, maintain, and improve the Core Platform and Core Platform APIs.

5.11.5 Yahoo! Support Tools Obligations. Yahoo! will:

(a) Develop, deploy, and maintain Sales Tools and Tier 1 Customer Support Tools to support Premium Direct Advertisers. Yahoo! will staff its own team to create and maintain the Sales Tools and Tier 1 Customer Support Tools to support Premium Direct Advertisers. Yahoo! will develop its Sales Tools and Tier 1 Customer Support Tools based upon the Core Platform APIs. After Migration, Yahoo! will take over full support of Sales Tools and Tier 1 Customer Support Tools. Microsoft will continue to have full responsibility for the Core Platform APIs that enable programmatic access to the Core Platform.

(b) To perform its sales and account management responsibilities under this Agreement, Yahoo! is dependent upon Microsoft to satisfy its obligations relating to Marketplace Tools, Core Platform APIs, the delivery of Tier 2 Services, and the Core Platform in accordance with the Schedule and the requirements of this Agreement.

## 5.12 Governance.

5.12.1 Following the Commencement Date, Yahoo! and Microsoft will meet in person once per calendar quarter, through mutually agreed upon means at a mutually agreed upon venue to discuss sales, sales and platform operations, and sales relationship management topics relevant to this Agreement. The Relationship Managers from both parties will attend such meetings, as well as such other personnel of both parties as are reasonably required to address topics on the agenda. The topics discussed at such quarterly meetings will include, without limitation, (i) the respective sales services and Tier 1 Services customer support provided by Yahoo! to Premium Direct Advertisers, the Tier 2 Services customer support provided by Microsoft to Yahoo! and Premium Direct Advertisers, and the acquisition, retention, sales and support provided by Microsoft to non-Premium Direct Advertisers in each country; (ii) Yahoo!’s and Microsoft’s then-current sales team staffing levels for managing sales of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to their respective Advertiser Segments in each country and any changes in staffing which may be useful to improve service to such advertisers

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(while preserving the objective of providing service commensurate with an advertiser's spend level); (iii) ensuring that Microsoft personnel who acquire and support non-Premium Direct Advertisers and Yahoo! personnel who acquire and support Premium Direct Advertisers accurately understand the meaning of and delineation of the Advertiser Segments for each such country and that such personnel are acting in accordance with this Agreement; (iv) reviewing spend information related to, and the performance of, Microsoft's and Yahoo!'s Marketing, customer acquisition, and competitive targeting initiatives in connection with the sale of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Customers; (v) identifying actual or potential points of conflict or confusion between the Microsoft and Yahoo! personnel with regards to the Advertiser Segments to resolve such conflict or confusion; (vi) jointly identifying and mutually agreeing upon Customers (if any) that should be reclassified as Premium Direct Advertisers or as non-Premium Direct Advertisers in accordance with the Advertiser Segments methodology and such other methodologies as may be agreed upon by the parties that are reasonably calculated to identify Paid Search Services and Contextual Advertising Services spend potential, such as an advertiser's potential to be positively influenced by human-assisted selling or non-human assisted Marketing e.g., where there is a mutually beneficial opportunity for optimizing advertiser ROI and revenues for the Microsoft Paid Search Services and Microsoft Contextual Advertising Services in a cost-effective and rational manner; (vii) identifying and eliminating sources of marketplace confusion about advertising products, sales processes, and support; (viii) customer feedback and results of AdSat Surveys and how to improve both; (ix) optimization of the marketplace (e.g., matching); (x) discussion of and status of product roadmap and Tools; (xi) process issues related to implementation of this Agreement, such as (without limitation), frequency and quality of interaction between policy and sales teams, and quality of support provided to Customers; and (xii) discussion of Schedule and Migration.

(a) The evaluation process specified in Section 5.12.1(vi) will allow Microsoft and Yahoo! to identify and evaluate Customers serviced in the Premium Direct Advertiser Advertiser Segment and the non-Premium Direct Advertiser Advertiser Segment. Each party will identify Customers who have met, or have not met, the Spending Threshold determined by both parties for each Advertiser Segment. All Advertiser Segment transitions which the parties mutually agree upon will formally move a Customer from one Advertiser Segment to the other effective the [\*]. Microsoft and Yahoo! agree to provide the relevant Customer with written notice of the Advertiser Segment transition no more than [\*] after the beginning of the quarter in which the transition is occurring. In addition, Microsoft and Yahoo! agree to provide each other with any reasonably requested information in order to assist the other party with such transition. For clarity, Resellers, agencies and their Customers will always be classified as Premium Direct Advertisers by virtue of the definition of Premium Direct Advertisers.

5.12.2 Yahoo! will notify Microsoft prior to engaging non-Premium Direct Advertisers who Yahoo! has identified as potential Premium Direct Advertisers.

5.12.3 The parties will define such contractual and operational mechanisms as are commercially reasonable, feasible, and appropriate to enable Yahoo! to identify or take such action, or direct Microsoft to suspend or cancel Premium Direct Advertisers (but only with respect to their account through Yahoo!) who are in default on a payment obligation for human-sold Microsoft Paid Search Services and/or Microsoft Contextual Advertising Services. The parties will define such contractual and operational mechanisms as are commercially reasonable, feasible, and appropriate to enable to enable Microsoft to identify and to take such action as it deems appropriate against advertisers who (a) are suspected of conducting fraudulent acts in connection with such services, or (b) engaging in other

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unlawful or destructive online activities that may materially harm Microsoft O&O Properties. The parties will meet periodically to discuss such other potential contractual and operational mechanisms as are commercially reasonable, feasible, mutually beneficial and appropriate that they may take to facilitate implementation of this Agreement.

5.12.4 Microsoft and Yahoo! will agree on a senior sales management escalation process for their employees, contractors, and agents who repeatedly violate the exclusive rights under this Agreement and who deviate in a material way from the agreed-upon Marketing communications to advertisers, and senior management of each company will take such disciplinary action against such employees, contractors, and agents of such company as such company's senior management team deems reasonably appropriate to address the problem.

## 6. GEOGRAPHIC MARKETS

6.1 Scope of Agreement. Except as provided in the remainder of this Section 6, this Agreement will be global for the parties except in a country, and solely to the extent, where providing a Service or Additional Service or conducting a sale of Paid Listings for Paid Search Services or Contextual Advertising Services or Additional Services is (i) illegal in the country if performed in accordance with this Agreement under applicable Laws (excluding from the scope of any applicable Laws, any third party claims of breach of contract by either party or its Affiliates) or (ii) inconsistent with the parties' obligations under the Global Network Initiative. The Agreement includes geographies where the parties or their Affiliates have joint venture partners, even if the parties or their Affiliates currently provide or receive Services or Additional Services with joint venture partners. Except as otherwise provided in this Section 6, Microsoft will provide Algorithmic Search Services, Paid Search Services and/or Additional Services (to the extent that Yahoo! has elected to receive the same as set forth in this Agreement) to Yahoo! (a) in each country in which Yahoo! or its Affiliates use such a service as of the Commencement Date (as will be scheduled in the Transition Plan — for clarity, Microsoft will provide services to Yahoo! in countries that Yahoo! launches between the Effective Date and the Commencement Date in the ordinary course of business and not for the purpose of avoiding the market qualification metrics and notice requirements in Section 6.7); (b) everywhere that Microsoft operates Services or Additional Services; and (c) in accordance with Section 6.7, in countries Yahoo! enters after the Commencement Date in which Microsoft does not operate such services (provided that, for countries under (b) and (c), Yahoo! will not be obligated to use such Microsoft services until they satisfy mutually agreeable tests for product quality and meet the applicable SLAs). For clarity, in response to a Query originating from a country, regardless of whether or not Yahoo! operates in such country or whether Microsoft provides Services in such country, Microsoft will, at Yahoo!'s request, return relevant Algorithmic Listings to the extent included in the Algorithmic Index based upon the language and/or the source location (as available through the Microsoft API and as of the Effective Date using the "market", "language" and "locale" parameters in the Microsoft API to do so) of the Algorithmic Listings as may be specified by Yahoo! in connection with the Query.

6.2 [\*].

6.3 [\*].

6.4 [\*].

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## 6.5 Korea and Hong Kong Special Provisions.

6.5.1 In Korea and Hong Kong, Yahoo! may continue its practice of displaying pay-for-placement ads (e.g., time-based placements priced on a per time period basis) on Yahoo! Results Pages (“CPP Ads”) so long as, [\*].

6.5.2 [\*].

6.5.3 [\*].

6.6 Yahoo!’s Right to Provide Services in other Territories. Notwithstanding anything in this Agreement to the contrary, for any location in which Yahoo! or any Syndication Partner is not then receiving any or all of the Services or Additional Services from Microsoft as provided for in this Agreement, then Yahoo! shall be entitled to obtain (including on behalf of any unserved Syndication Partner) such services not provided by Microsoft from other sources or to provide such services directly until such time as Microsoft provides the Services or Additional Services (as applicable) and Yahoo! is obligated to take them exclusively under this Agreement.

6.7 New Markets. If Yahoo! desires to receive the Services and/or Additional Services in a new geographic country satisfying the Market Threshold described below, and Microsoft at such time does not provide the Services and/or Additional Services in such country, Yahoo! shall notify Microsoft in writing at least one year in advance of the date that Yahoo! desires to commercially deploy the Services in connection with a Yahoo! Property that is a portal or that presents an Internet Search monetization opportunity similar to a portal. Microsoft shall make the Services available to Yahoo! in such location for mutually agreeable quality testing (including the [\*] standards for Algorithmic Search Services) for product quality and SLA compliance in a timeframe designed to support a launch within [\*] ([\*] for countries with double byte languages) from the date of such notice and Microsoft shall use commercially reasonable efforts to satisfy such tests and meet such SLAs. As used in this Section 6.7 “Market Threshold” means a geographic country that reasonably is capable of generating at least \$[\*] in annual Net Revenues from Microsoft’s Paid Search Services and Contextual Advertising Services (including traffic from the entire Microsoft Network) when at “steady state” in such country. Without limiting any of the foregoing, Microsoft shall use good faith efforts to keep Yahoo! informed of Microsoft’s plans to provide the Services and/or Additional Services in new geographic locations regardless of whether such geographic locations satisfy the Market Threshold so that Yahoo! can plan accordingly.

## 7. EXCLUSIVITY; NON-DISCRIMINATION

### 7.1 Search Services Exclusivity.

7.1.1 Yahoo! Properties. Except as otherwise provided for in this Agreement, Microsoft will be the worldwide, exclusive (including as to Yahoo! and its Affiliates in each country upon the completion of the transition of Yahoo!’s Algorithmic Search Services and Paid Search Services to Microsoft in such country (i.e., prior to such transition, Yahoo! Properties continue to be serviced by Yahoo!’s Algorithmic Search Services and Paid Search Services or, if a Yahoo! Property is serviced by a third party as of the Effective Date, such Yahoo! Property may continue to be serviced by a third party)) provider of Algorithmic Search Services and Paid Search Services for the Yahoo! Properties. The foregoing exclusivity does not include display advertising, contextual advertising, advertising targeted primarily on variables such as geo or behavioral, video advertising, promotional placements associated with Microsoft’s “cashback” program, user profiles, product listings, vertical listings (e.g., shopping,

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travel), content listings (including but not limited to TV, movie, music, and similar listings), personals listings, local directories and listings, classified ads, airline or other travel schedules, business listings or addresses, social networking relationships, ratings and reviews, Wikipedia, and any listings similar to the foregoing, except to the extent any of the foregoing in this sentence are Results sourced from Algorithmic Search Services or Paid Search Services. For clarity, a graphical ad that is displayed on a Yahoo! Results Page otherwise in accordance with this Agreement and that is sold by Yahoo!'s display sales force on the basis of demographic targeting (and not on the basis of the Query that generated the Results Page) does not violate this Section 7.1, while a graphical ad that is a Paid Listing from Google's Paid Search Services would violate this Section 7.1. Similarly, an ad from a vertical service displayed on a Yahoo! Results Page would not violate this Section 7.1 unless it was sourced from Algorithmic Search Services or Paid Search Services. Yahoo! agrees not to take actions that are intentionally designed to circumvent its obligations under Section 7.1, including by outsourcing portions of the Yahoo! Properties for the purpose of enabling third parties to provide Algorithmic Search Services or Paid Search Services on such portions of the Yahoo! Properties. The exclusivity in this Section 7.1.1 and Section 7.1.4 does not apply to:

(a) properties acquired by Yahoo! that are receiving Algorithmic Search Services or Paid Search Services from a third party (and Yahoo! Properties that may utilize such third-party services as otherwise permitted under Sections 6.1, 6.6 and 6.7 of this Agreement) until the expiration of, or the soonest termination opportunity without penalty for, such third-party contracts; provided, that the foregoing does not require Yahoo! to terminate an agreement prior to its then-current expiration date (for agreements that contain an expiration date);

(b) limited portions of the Yahoo! Properties that are outsourced to third parties, excluding the Yahoo! home page, the primary search functionality on the Yahoo! Toolbar or any future Yahoo! Property dedicated primarily to Algorithmic Search Services;

(c) categories of Paid Listings (e.g., gambling ads) that Microsoft does not include within the Services for editorial or other reasons;

(d) any Permitted Offering that (i) while not dedicated primarily to Algorithmic Search Services, provides access to Algorithmic Search Services or Paid Search Services other than Microsoft's and (ii) that is distributed on or from a Yahoo! Property. Yahoo! will not promote the non-Microsoft Algorithmic Search Services or Paid Search Services available through such Permitted Offerings. If any such Permitted Offering is owned by a Major Search Provider, then Yahoo! [\*], then the parties will consult with one another to determine whether further action should be taken, including jointly approaching the developer in an effort to integrate the Services into such application or ceasing (or using reasonable efforts to prevent) the distribution of the Permitted Offering from Yahoo! Properties. For purposes of Sections 7.1.1(d), 7.1.1(e), 7.1.1(f), and [\*], a "Major Search Provider" means, in any country, [\*] or is among the top [\*] search providers measured by search query volume in such country (or if such providers cannot be readily identified in a country, then any of the top [\*] search providers worldwide). For purposes of Sections 7.1.1(d), 7.1.1(f), and [\*], a Third-Party Non-Hosted Web Application and a Third-Party Hosted Web Application is deemed to be distributed from the Web site or application where it is rendered, displayed, or otherwise made available.

(e) any Permitted Offering that (i) is distributed on or from Yahoo! Properties; (ii) is dedicated primarily to Algorithmic Search Services or Paid Search Services; and (iii) is provided, uploaded, posted or exchanged by end users of the Yahoo! Property (e.g., via email, user groups, bulletin boards, etc.) and not by any knowing acts of Yahoo!. Yahoo! will not

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promote such Permitted Offerings or the Algorithmic Search Services or Paid Search Services available through such Permitted Offerings. Yahoo! will not [\*]. In addition, Yahoo! will not be in breach of this Section 7.1 or Section 7.1.4 for such Permitted Offerings distributed on Yahoo! Properties by third-party providers of Algorithmic Search Services or Paid Search Services so long as (i) Yahoo! [\*];

(f) any Internet Web browser (whether from Yahoo!, Microsoft or a third party including Major Search Providers) or any other Permitted Offering (but not other Permitted Offerings from Major Search Providers) (excluding Microsoft) that may be distributed on or from a Yahoo! Property, within or with respect to which users may select a provider of Algorithmic Search Services or Paid Search Services, provided that, in connection with such distribution (i) Yahoo! (or such Yahoo! Affiliate) is set as the default provider of Algorithmic Search Services or Paid Search Services in such Internet Web browser or Permitted Offering; (ii) a Comparable Microsoft Property allows users to select a provider of Algorithmic Search Services or Paid Search Services or such user selection of an Algorithmic Search Services or Paid Search Services provider is standard in the industry for other Internet Web Browsers or Permitted Offerings that are comparable to the one distributed on or from the Yahoo! Property (e.g., as is the case with Web browsers as of the Effective Date) and (iii) Yahoo! or such Yahoo! Affiliate [\*]. “Standard in the industry” as used in the previous sentence and subsection (g) below means that such functionality is then offered by [\*];

(g) any user-customizable Yahoo! functionality in or on any Yahoo! Property that may be dedicated primarily to Algorithmic Search Services or Paid Search Services or any Third-Party Hosted Web Application, within or with respect to which such Yahoo! Property or Third Party-Hosted Web Application users may select a provider of Algorithmic Search Services or Paid Search Services, provided that in connection therewith (i) Yahoo! (or such Yahoo! Affiliate) is set as the default provider of the user selectable service; (ii) user-customizable functionality on any Comparable Microsoft Property allows users to make the same type of selection or, in those countries outside of the United States where Microsoft does not have a significant portal presence, such user selection is standard in the industry for comparable functionality and (iii) Yahoo! or such Yahoo! Affiliate [\*]. In addition, Yahoo! will not be in breach of this Section 7.1 or Section 7.1.4 for any Third-Party Hosted Web Application that violates the foregoing (i)-(iii) so long as (A) Yahoo! adopts terms of use or similar guidelines designed to promote compliance with the foregoing requirements; (B) Yahoo! [\*];

(h) providing links to third-party Web sites from a Yahoo! Property, provided that (i) any search functionality on such Web sites is hosted by a third-party; (ii) any Queries or calls for Algorithmic Search Services, Paid Search Services or Contextual Advertising Services on any such linked sites originate from a third-party URL that a user has navigated to after leaving the Yahoo! Property to via such links on the Yahoo! Property; and (iii) Yahoo! or such Yahoo! Affiliate [\*]. For clarity, in the foregoing (ii), a user navigating to a third-party site that is rendered in a new browser window or tab is deemed to have left the Yahoo! Property (even if the prior window or tab has not been closed); and

(i) any applications or functionality operating on or distributed by or through Web sites that are not owned by Yahoo! or a Yahoo! Affiliate, but that are hosted by Yahoo! or a Yahoo! Affiliate as part of a commercially available, general-purpose Web hosting service (e.g., as of the Effective Date Yahoo Web Hosting described at <http://smallbusiness.yahoo.com/webhosting/>) where Yahoo! does not exercise editorial control

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over the applications or functionality available on such Web sites beyond enforcing compliance with its generally applicable hosting agreements.

(j) If Microsoft is distributing, offering or enabling applications or functionality that enable access to third-party Algorithmic Search Services or Paid Search Services and Yahoo! or a Yahoo! Affiliate is otherwise prohibited from distributing, offering or enabling under this Section 7.1 notwithstanding the exceptions in subsections (d) through (i) above, then upon written notice from Yahoo!, Microsoft will either (i) cease such activity or (ii) allow Yahoo! to engage in such activity with respect to, as applicable (A) comparable applications (in the sense that they are in the same product category or provide equivalent functionality) or (B) comparable functionality that is used in a comparable way (i.e., deployed in a similar context). If Microsoft stops distributing, offering or enabling such applications or functionality and provides notice thereof to Yahoo!, Yahoo! may continue to engage in such activity for a reasonable period of time following such notice.

7.1.2 Syndication Properties. Except as otherwise provided for in this Agreement, Microsoft will be the worldwide, exclusive (including as to Yahoo! upon the completion of the transfer of Yahoo!'s Algorithmic Search Services and Paid Search Services to Microsoft in each country) provider of Algorithmic Search Services and Paid Search Services to Yahoo! for its provision of such services to Syndication Properties. For the avoidance of doubt, the exclusivity does not include display advertising, contextual advertising, advertising targeted primarily on variables such as geo or behavioral, video advertising, promotional placements associated with Microsoft's "cashback" program, user profiles, product listings, vertical listings (e.g., shopping, travel), content listings (including but not limited to TV, movie, music, and similar listings), personals listings, local directories, classified ads, airline or other travel schedules, business listings or addresses, social networking relationships, ratings and reviews, Wikipedia, and any listings similar to the foregoing.

7.1.3 Other Advertisements. Yahoo! may include any advertisements (except as prohibited by this Agreement) on the Yahoo! Results Pages; provided that if Yahoo!'s annual revenue from such advertisements (excluding revenue from "house" ads for Yahoo! products or services) on Yahoo! Results Pages exceeds (a) the greater of [%] and the Adjusted Microsoft Percentage of annual Net Revenues from Yahoo! Results Pages during any of the first [%] following the Commencement Date; or (b) the greater of [%] and the Adjusted Microsoft Percentage of annual Net Revenues from Yahoo! Results Pages during any year thereafter, then Yahoo! shall pay Microsoft [%] of revenues in excess of such amounts. "Adjusted Microsoft Percentage" means the percentage of Microsoft's revenues from [%] relative to Microsoft's Net Revenues [%] from [%] plus [%] percentage points.

7.1.4 Contextual Advertising Services. For a period of [%] from the Commencement Date, Yahoo! shall not use any Contextual Advertising Services from [%] on the Yahoo! Properties (excluding any third-party applications on or distributed from the Yahoo! Properties other than those applications that are Hosted By Yahoo!), regardless of whether Paid Listings from such services are provided directly to Yahoo! or via Yahoo!'s advertising exchange marketplace, provided that such restriction will not apply (a) in any country in which Microsoft does not provide, or is prohibited from providing, Contextual Advertising Services and (b) to any property acquired by Yahoo! during the Term that receives Contextual Advertising Services from [%] until the expiration of, or the soonest termination opportunity without penalty for, the [%] contract for Contextual Advertising Services; provided, that the foregoing does not require Yahoo! to terminate an agreement prior to its then-current expiration date (for agreements that contain an expiration date). Microsoft acknowledges that Yahoo! may not have full control over inventory that may be placed into Yahoo!'s exchange marketplace and, in the event that [%]

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Paid Listings are in such marketplace, Yahoo! will take measures to prevent them from appearing on the Yahoo! Properties.

7.1.5 Microsoft Properties. Beginning on the first Migration Date for each country, Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services are the only Paid Search Services and Contextual Advertising Services (except for categories of ads that the Microsoft's Paid Search Services and Contextual Advertising Services do not support, e.g., [\*]) that will be utilized or displayed on the Microsoft O&O Properties except that (i) NineMSN, MSNBC and ProdigyMSN, may use competing services, (ii) the Microsoft O&O Properties may use and display Contextual Advertising Services from third parties so long as such services are independent of and do not include any Paid Search Services capabilities and (iii) the Microsoft O&O Properties may display Contextual Advertising Services from third parties that include Paid Search Services capabilities up to the same impression percentage as the Yahoo! Properties display Contextual Advertising Services from third parties that include Paid Search Services capabilities. For clarity, a graphical ad that is displayed on a Microsoft O&O Property otherwise in accordance with this Agreement and that is sold by Microsoft's display sales force on the basis of demographic targeting (and not on the basis of the Query that generated the Results Page or on the basis of select keywords) does not violate this Section 7.1.5, while a graphical ad that is a Paid Listing from [\*]'s Paid Search Services would violate this Section 7.1.5. Notwithstanding the above, for a period of [\*] from the Commencement Date, Microsoft shall not use any Contextual Advertising Services from [\*] on the Microsoft O&O Properties.

## 7.2 Sales Exclusivity.

### 7.2.1 Exclusivity for Premium Direct Advertisers.

(a) Yahoo! will be the exclusive (including as to Microsoft and its Affiliates) sales force for human-assisted sales of Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services to Premium Direct Advertisers and the exclusive Tier 1 Services provider for Microsoft's Paid Search Services and Contextual Advertising Services to Premium Direct Advertisers for all countries in the world, except as provided in Section 6 or as otherwise explicitly provided in this Agreement, and such exclusivity for each Premium Direct Advertiser commences on the Migration Date for such Premium Direct Advertiser. The foregoing exclusivity is not intended to limit Microsoft from selling display advertising, advertising targeted primarily on variables such as geo or behavioral, video advertising, promotional placements associated with Microsoft's "cashback" program, user profiles, product listings, vertical listings (e.g., shopping, travel), content listings (including but not limited to TV, movie, music, and similar listings), personals listings, local directories and listings, classified ads, airline or other travel schedules, business listings or addresses, social networking relationships, ratings and reviews, Wikipedia, and any listings similar to the foregoing, except to the extent any of the foregoing in this sentence are sold as Paid Listings for Paid Search Services or Contextual Advertising Services. Yahoo!'s exclusivity shall permit Yahoo! to sell directly and also to empower third parties to sell Microsoft Paid Search Services and Microsoft Contextual Advertising Services as provided in Section 7.2.1(b). The Microsoft Paid Search Services and Microsoft Contextual Advertising Services will be the only Paid Search Services and Contextual Advertising Services owned, represented by, or operated by Microsoft or any Microsoft Affiliate or joint venture during the Term; provided that the existing disclosed Microsoft joint ventures of MSNBC and ProdigyMSN, are excluded from the foregoing restriction, which joint ventures will not be operated or used in a manner intended to frustrate Yahoo!'s rights under this Agreement. Microsoft agrees not to take actions that are intentionally designed to circumvent Yahoo!'s rights

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under this Section 7.2.1. Microsoft and its Affiliates will not own, represent or operate a keyword-based advertising system or service that would frustrate Yahoo!'s exclusivity under this Section 7.2.1 or that creates or would have the effect of creating advertiser confusion regarding such system or service and Microsoft's Contextual Advertising Services.

(b) Notwithstanding Section 7.2.1(a):

(1) If, at any time, Yahoo! exits (other than in favor of a Yahoo! Affiliate, joint venture or sales agency) human-outreach sales for Microsoft Paid Search Services and Microsoft Contextual Advertising Services for Premium Direct Advertisers in a country that is then served by Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services, other than by mutual agreement of the parties to abandon sales in such country, then Yahoo! will select a replacement based upon a replacement candidate's local online inventory sales force for such country, its local sales force's relative and relevant online advertising industry experience generally and in country, sales force size, professional reputation and quality of sales staff, cost of service and commitment level, its familiarity with and its direct experience with Premium Direct Advertisers in that country, and its sales resources in that country. If Microsoft's sales force in such country is substantially similar to or better than (considering all of such factors) the leading third-party candidate, then Yahoo! will select Microsoft as the replacement and Microsoft will become the exclusive sales agent for human-outreach enabled sales of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in such country; provided that Yahoo! is not legally prohibited from selecting Microsoft to perform this function (provided further, however, that Yahoo! will not include as a term in any Reseller contract a provision that precludes Microsoft from becoming Yahoo!'s sales agent). When acting as a selling agent pursuant to this Section 7.2.1(b)(1), the selected sales agent will be bound by the same requirements and limitations that govern Yahoo! when Yahoo! serves as the exclusive sales agent under this Agreement. Yahoo! may elect to resume its exclusive sales responsibilities in such country, upon [\*] written notice to the selected sales agent (effective no sooner than [\*] after the date that the sales agent's sales force first begins to sell for Yahoo! in such country) or upon a shorter notice period agreed upon by Yahoo! and a selected sales agent that is not Microsoft unless Microsoft requested an opportunity to be considered as the exclusive sales agent for such country. Notwithstanding the foregoing, in the event that the selected sales force does not begin to conduct human-outreach sales in such country within a commercially reasonable time after the scheduled date or is failing to perform to the requirements of this Agreement, Yahoo! will provide notice at least [\*] before resuming its exclusive sales responsibility if the selected sales agent is not Microsoft and if the selected sales agent is Microsoft, Yahoo! may immediately escalate to the Executive Steering Committee and avail itself of the dispute resolution and arbitration provisions of Sections 17.4 and 17.5 to either compel Microsoft to commence selling or to restore Yahoo! as the exclusive sales force for Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in such country. When Microsoft is acting as the exclusive sales agent pursuant to this Section 7.2.1(b)(1), Microsoft is bound by the same requirements and limitations that govern Yahoo! when Yahoo! serves as the exclusive sales agent under this Agreement.

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(2) If, as measured over any consecutive [\*] period during which Yahoo! is the exclusive human-outreach seller of Microsoft Paid Search Services and Microsoft Contextual Ad Services to Premium Direct Advertisers in a country, the majority of revenues derived from human-outreach sales of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in such country are sold via a single third party (excluding Yahoo! Affiliates, joint ventures and sales agencies), and Yahoo! has not formally selected that party to outsource all human-outreach enabled Microsoft Paid Search Services and Microsoft Contextual Advertising Services sales revenues from Premium Direct Advertisers in such country pursuant to Section 7.2.1(b)(1) then Microsoft may escalate the situation to the Executive Steering Committee; provided, that for each country in which Yahoo! is not selling Microsoft Paid Search Services and Microsoft Contextual Advertising Services as of the Effective Date, such [\*] measurement period may commence no sooner than [\*] after the date Yahoo! first begins to sell Microsoft Paid Search Services or Microsoft Contextual Advertising Services in such country. If Yahoo! wishes to continue as the exclusive human outreach sales agent for sales of the Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in such country, then the Executive Steering Committee will allow Yahoo! [\*] from the date of escalation (the "[\*] Third Party Cure Period") to ensure that the majority of revenues derived from human-outreach sales of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in such country are no longer sold via a single third party. In the event of non-compliance, Microsoft may not pursue escalation or arbitration pursuant to Section 17 until after expiration of the [\*] Third Party Cure Period. As an alternative, Yahoo! may during the [\*] Third Party Cure Period elect to initiate a process to select a third-party selling entity pursuant to Section 7.2.1(b)(1).

(3) For clarity in this Section 7.2.1, sales referrals to the Core Platform made by Yahoo! through self-service online means do not constitute human-outreach sales. When acting as the exclusive selling agent for Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in a country pursuant to this Agreement, Microsoft will be bound by the same requirements and limitations that govern Yahoo! when Yahoo! serves as that exclusive sales agent under this Agreement; however, Microsoft may not use a third party to sell a majority of Microsoft Paid Search Services and Microsoft Contextual Advertising Services to Premium Direct Advertisers in a country when Microsoft assumes Yahoo!'s sales exclusivity under this Agreement. In such event, without limiting Yahoo!'s rights and remedies, if the parties are unable to resolve the situation through negotiation under the escalation provisions of Section 17.4 or otherwise, and the matter is submitted to arbitration, Yahoo! may seek injunctive relief to prevent Microsoft from using a third party to sell Microsoft Paid Search Services and Microsoft Contextual Advertising Services in such country and to restore Yahoo! as the exclusive sales force for Microsoft Paid Search Services and Microsoft Contextual Advertising Services in such country.

(c) Notwithstanding anything to the contrary in this Agreement, Yahoo! may outsource the operation of one or more Yahoo! Properties (excluding the Yahoo! home page and any Web pages dedicated primarily to Algorithmic Search Services) to third parties who are otherwise contractually bound to use a non-party entity's Paid Search Services, Contextual Advertising Services or Algorithmic Search Services in connection with such Yahoo! Property from a third-party provider, provided that Yahoo! uses good faith efforts to persuade such third

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party to switch to Microsoft's Paid Search Services, Microsoft's Contextual Advertising Services and Microsoft's Algorithmic Search Services as soon as such search advertising agreement expires or is terminable without penalty and further provided that Yahoo! does not deliberately seek out partners with such conflicts for the purpose of intentionally frustrating or circumventing its obligations to Microsoft under this Agreement. For clarity, the use of any competitive Paid Search Services or Algorithmic Search Services for such Yahoo! Properties as described in this Section will not breach Yahoo!'s obligations to use Microsoft's Algorithmic Search Services and Microsoft's Paid Search Services.

(d) If Yahoo! enters into a sales relationship for third party Contextual Advertising Services directly or through a reseller acting at Yahoo's behest in a country (i.e., where such third party is not a Microsoft Affiliate or Microsoft joint venture and where such selling is not through an Ad Network or an exchange) that is effective after Yahoo's transition to Microsoft Contextual Advertising Services in that country, then upon written notice from Microsoft, at Yahoo's election, (i) Yahoo! will promptly cease selling such third party Contextual Advertising Services in such country or (ii) Microsoft and Yahoo! shall both be permitted to sell Microsoft Contextual Advertising Services directly to Premium Direct Advertisers in such country (under the applicable terms set forth in the last two sentences of Section 7.2.3(d) solely as they relate to Microsoft Contextual Advertising Services when both parties are selling in a country) for so long as Yahoo! continues to sell such third party Contextual Advertising Services in such country.

7.2.2 Permitted Microsoft Actions. Yahoo!'s exclusivity under this Section 7.2 does not prevent Microsoft from undertaking the actions described in subsections (a) – (g) below, provided that Microsoft and its agents do not discuss optimization of specific search campaigns with Premium Direct Advertisers. Additionally, under no circumstances will Microsoft engage in human assisted sales or take human assisted orders for Microsoft Paid Search Services or Microsoft Contextual Advertising Services with Premium Direct Advertisers or non-Premium Direct Advertisers.

(a) Providing online chat solutions (including to Premium Direct Advertisers and non-Premium Direct Advertisers) in connection with the Microsoft Paid Search Services and Contextual Advertising Services for the primary purpose of selling and supporting the self-serve, online advertising solution for the Microsoft Paid Search Services and Microsoft Contextual Advertising Services of the Core Platform;

(b) Accepting self-serve, online orders for Microsoft Paid Search Services and Microsoft Contextual Advertising Services from Premium Direct Advertisers and non-Premium Direct Advertisers;

(c) Providing quick launch support (including to Premium Direct Advertisers and non-Premium Direct Advertisers) for Microsoft's self-serve, online Paid Search Services and Contextual Advertising Services for the Core Platform, that is substantially similar to the content and functionality as of the Letter Agreement Effective Date of the site that as of such date provides online assistance in setting up an online, self-services spend at <http://advertising.microsoft.com/search-advertising>;

(d) Marketing the general benefits of the combined marketplace and search (including to Premium Direct Advertisers and non-Premium Direct Advertisers) as part of a portfolio of advertising solutions, provided that Microsoft does not engage in discussions for a

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sale or order with Premium Direct Advertisers for Paid Search Services or Contextual Advertising Services, does not engage in discussions about selling, optimizing, or changing a specific Paid Search Services or Contextual Advertising Services campaign with any Premium Direct Advertiser, and does not provide human (as opposed to automated) customer-specific Paid Search Services or Contextual Advertising Services advice;

(e) Marketing the overall value proposition of the combined search marketplace in conformity with this Agreement; provided that Microsoft does not engage in discussions for a sale or order with Premium Direct Advertisers for Paid Search Services or Contextual Advertising Services, does not engage in discussions about selling, optimizing, or changing a specific Paid Search Services or Contextual Advertising Services campaign with any Premium Direct Advertiser, and does not provide human (as opposed to automated) customer-specific Paid Search Services or Contextual Advertising Services advice;

(f) Telemarketing to potential non-Premium Direct Advertisers (other than Premium Direct Advertisers) to encourage them to buy self-serve Paid Search Services and Contextual Advertising Services, provided that Microsoft will actively manage any potential sales channel conflict (as provided for in this subsection (f)) by using commercially reasonable efforts to avoid calling Premium Direct Advertisers for Paid Search Services and/or Contextual Advertising Services. Yahoo! and Microsoft will develop a process in each country or region (which includes a requirement that each party only market to potential advertisers based on the Spending Thresholds, Advertiser Segments and other additional factors agreed upon by the parties for each country), as the case may be, to avoid Microsoft telemarketing to the same advertisers or potential advertisers to whom Yahoo! and/or its agents are making sales calls or marketing to, before Microsoft initiates such calls. Microsoft will promptly refer to Yahoo! any potential Premium Direct Advertiser leads for Paid Search Services and Contextual Advertising Services discovered during the telemarketing process, and will provide Yahoo! with a monthly copy of its then-current advertiser calling lists. Similarly, Yahoo! will promptly refer to Microsoft's self-service platform any potential non-Premium Direct Advertiser leads for Paid Search Services and Contextual Advertising Services that are provided by the Premium Direct Advertiser Advertiser Segment; and

(g) Selling and supporting advertising services other than Microsoft Paid Search Services and Microsoft Contextual Advertising Services (such as Microsoft's graphical ads) to advertisers.

(h) For clarity, notwithstanding the foregoing, (a) if at any point during the interactions outlined above in Sections 7.2.2(a) through 7.2.2(g) any advertiser expresses an interest in purchasing Paid Search Services or Contextual Advertising Services through direct human assistance, or if the size of the advertiser's campaign or spend or if the advertiser's marketing needs suggest that there is a potential to upsell the advertiser to the spend levels consistent with the Premium Direct Advertiser Advertiser Segment through human advertising sales efforts, Microsoft shall promptly refer the advertiser to Yahoo! and alert Yahoo! of any such potential sales opportunity, (b) Microsoft will provide Yahoo! with electronic access to its advertiser database, including all Premium Direct Advertisers and non-Premium Direct Advertisers, solely in order to identify Premium Direct Advertisers that purchase Paid Search Services or Contextual Advertising Services through the self-serve, online system so that Yahoo! may follow up on any potential opportunities to secure additional spend through human interaction, and (c) Microsoft shall be prohibited from discussing specific search advertising

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performance with Premium Direct Advertisers other than to facilitate the sale of advertising other than Microsoft Paid Search Services and Microsoft Contextual Advertising Services advertising. Additionally, notwithstanding the provisions of Sections 7.2.2(a) through 7.2.2(g) above, Microsoft will (unless otherwise provided for, and solely to the extent and under the circumstances expressly authorized in this Agreement) represent Yahoo! to Premium Direct Advertisers as the exclusive human-assisted sales force for Microsoft Paid Search Services and Microsoft Contextual Advertising Services, and in no event will Microsoft undertake such Yahoo!-exclusive functions.

7.2.3 Microsoft's Right to Terminate Sales Exclusivity for Premium Direct Advertisers; Adjustments to Rev Share Rate.

(a) On the fifth anniversary of the Commencement Date, Microsoft has a one-time option to terminate Yahoo!'s sales exclusivity for Premium Direct Advertisers upon 30 days written notice to Yahoo!. Should Microsoft exercise this option, the Rev Share Rate will increase to 93%, effective as of the fifth anniversary of the Commencement Date.

(b) Should Microsoft elect to terminate Yahoo!'s sales exclusivity for Premium Direct Advertisers pursuant to Section 7.2.3(a), Yahoo! may elect to claim back the sales exclusivity for Premium Direct Advertisers, but the Rev Share Rate will then be reduced to 83% effective as of the fifth anniversary of the Commencement Date. If Yahoo! does not exercise this election within 14 days after receiving Microsoft's written notice, Microsoft's option is effective and the exclusivity terminates at the end of the 30 day notice period.

(c) If Microsoft does not exercise the option under Section 7.2.3(a), the Rev Share Rate will increase to 90%, effective as of the fifth anniversary of the Commencement Date.

(d) For clarification, termination of Yahoo!'s sales exclusivity for Premium Direct Advertisers as set forth in Section 7.2.3(a) does not and will not terminate Yahoo!'s ability to market to, and do hand sales and accept orders (including orders for Microsoft Paid Search Services and Microsoft Contextual Advertising Services) from Premium Direct Advertisers in such country during the non-exclusive sales period. Therefore, Microsoft and Yahoo! each have the right to sell and accept orders for Microsoft Paid Search Services and Microsoft Contextual Advertising Services from Premium Direct Advertisers during any non-exclusive sales period. During any non-exclusive sales period, the parties will work together to develop, policies, procedures and enforcement mechanisms that do not discriminate against or disadvantage either party to ensure that during any such period of non-exclusivity for Premium Direct Advertisers, each of Microsoft's and Yahoo!'s sales forces will be able to compete for sales to Premium Direct Advertisers on an unbiased level playing field. During a period of non-exclusivity, Yahoo!'s sales team for Microsoft Paid Search Services and Microsoft Contextual Advertising Services will be at parity with Microsoft and including (by way of example and not limitation) access to the same services and Advertiser Data, access to and visibility into Microsoft Paid Search Services and Microsoft Contextual Advertising Services accounts and account information, ability to book and reserve inventory, the same tools (including Sales Tools, Sales Reporting tools and Marketplace Tools), Tier 2 Services customer support, and campaign optimization functionalities substantially as set forth for Yahoo!'s exclusivity in this Agreement.

(e) If Yahoo! materially breaches its obligations under Section 5.3.1 in a country, or if Yahoo! is subject to an AdSat Escalation Event, then if such breaches or AdSat

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Escalation Events are continuing after written notice thereof to Yahoo! by Microsoft and a reasonable opportunity to cure (but no less than a 60-day cure period for a breach of Section 5.3.1), and Microsoft is performing to its required AdSat Levels for Tier 1 Services for non-Premium Direct Advertisers and for Tier 2 Services and platform functionality for Premium Direct Advertisers in such country and Microsoft is complying with its Marketing spend obligations in Section 5.2.11. Microsoft will not have a termination right therefor, but may escalate the matter to the Executive Steering Committee, and to arbitration as provided in Section 17. An arbitrator ruling in favor of Microsoft may, among all other options specific to such country only (except money damages in the event of a failure to perform in connection with an AdSat Escalation Event, which shall not be permitted), require Yahoo! to meet staffing levels required by this Agreement, or choose to grant Microsoft the opportunity to be Yahoo!'s exclusive third-party reseller of Microsoft Paid Search Services and Microsoft Contextual Advertising Services solely in that country, with costs of such operations being at Microsoft's expense, provided that (i) Microsoft's local online inventory sales force for such country, Microsoft's local sales force's relative and relevant online advertising industry experience generally and in country, that sales force's size, professional reputation and quality of sales staff, its cost of service and commitment level, its familiarity with and its direct experience with Premium Direct Advertisers in that country, and its sales resources in that country are or reasonably will be substantially similar (considering all of the preceding factors) to other third party sales forces in country within [\*] of the decision date, and (ii) Microsoft is not legally prohibited from performing this function; provided that Yahoo! will not include as a provision in its third-party contracts a term that precludes Yahoo! from engaging Microsoft as a sales agent. Should the arbitrator grant and Microsoft accept such an option, Microsoft will be bound by the same requirements and limitations that governed Yahoo! when serving as the exclusive sales agent under this Agreement. The parties will agree to a reasonable reduction of the relevant Regional Commitment while Microsoft is the exclusive reseller in a country. Yahoo! may reclaim its sales exclusivity in the affected country after [\*] by delivering [\*] notice to Microsoft or any arbitrator-selected reseller at any time before or after the expiration of such [\*] period.

(f) During any period of sales non-exclusivity in a country, either party may be a contracting entity for orders for Microsoft Paid Search Services and Microsoft Contextual Advertising Services from a Premium Direct Advertiser in such country.

7.3 Non-Discrimination. Neither Microsoft nor Yahoo! will knowingly discourage, inhibit or provide any disincentive to advertisers from having their Paid Listings from the Services and the Additional Services (as applicable) displayed on the other party's (or its distribution partners') Web pages. For clarity, these restrictions do not prohibit a party from awarding credits or rebates to such advertiser; provided that (a) neither party will issue a credit or refund for Paid Listings from the Services in order to increase an advertiser's spend outside of the Microsoft Paid Search Services and Microsoft Contextual Advertising Services, and (b) each party's rebates and credits practices will be commercially reasonable. Microsoft shall not provide less favorable treatment (including equal treatment when not merited) to Yahoo! or Syndication Partners than to Microsoft or any Microsoft partner in connection with the delivery or operation of the Services, except when such treatment is transparent and based on reasonable and fair factors that are consistently applied to Microsoft O&O Properties as well. Prior to a Premium Direct Advertiser's Migration Date and subject to applicable confidentiality restrictions, Microsoft shall reasonably cooperate in communicating to Yahoo! contracts with such Premium Direct Advertiser containing significant negotiated terms specific to Microsoft Paid Search Services or Microsoft Contextual Advertising Services obligations, including the substance of the significant negotiated terms.

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## 8. TRANSITION

8.1 Development of Transition & Implementation Plan. As promptly as practicable, the parties will develop a detailed transition and implementation plan and schedule for implementing Microsoft's Algorithmic Search Services and Microsoft's Paid Search Services and Microsoft's Contextual Advertising Services on all Yahoo! Properties and Syndication Properties (the "Transition Plan"). The implementation of the transition of such services shall be completed within a period no longer than 24 months from the Commencement Date (provided however, that this 24-month period may be extended up to a total of three months if the end of the 24-month period occurs in the fourth calendar quarter). The Transition Plan will, among other things, include the Schedule, establish roles and responsibilities in connection with the transition of Yahoo! and the Syndication Partners and the Migration of Customers and substantively in accordance with Exhibit I define the criteria for determining whether such transition and Migration has been completed ("Transition Completion") in a given country. Microsoft and Yahoo! will ensure that Transition Completion for the U.S., UK, Japan and Taiwan (the "Major Markets") occurs within [\*] of the Commencement Date with no single implementation in any market exceeding [\*] from its start date (except that such [\*] period may be extended for up to an additional [\*] period as needed if the completion date would otherwise end during the fourth calendar quarter). Microsoft and Yahoo! shall work together to ensure that the transition period for each country is handled in a professional and expedited manner. The parties will also jointly discuss and, as mutually deemed appropriate, jointly develop, communications regarding this implementation schedule.

8.1.1 Korea Transition. As part of the Transition Plan, the parties will mutually agree on when to transition Paid Search Services in Korea, taking into account the [\*].

### 8.2 Yahoo! Transition Services.

8.2.1 Algorithmic Search Services Transition. Until completion of the transition of Yahoo!'s Algorithmic Search Services to Microsoft in a given country, Yahoo! will continue to operate and maintain such services and associated physical infrastructure of Yahoo! to support the same, including data centers and related hardware, fixtures and other equipment in a manner consistent with Yahoo!'s practices prior to the Commencement Date. Starting on the Commencement Date, Microsoft will reimburse Yahoo! for all of Yahoo!'s costs of running Yahoo!'s Algorithmic Search Services for each country expensed after such date until the completion of the transition to Microsoft's Algorithmic Search Services for such country except (a) as limited by Section 2.1.3 of Exhibit I and Section 8.2.4; (b) [\*]. For avoidance of doubt, the costs set forth in (a) and (c) above will not be reimbursed under this Section 8.2.1, but may be otherwise reimbursable under Section 8.2.5 or elsewhere in this Agreement.

8.2.2 Paid Search Services Transition. Until the completion of the Migration of Yahoo!'s Paid Search Services to Microsoft in a given country, Yahoo! will continue to operate and maintain such services and associated physical infrastructure of Yahoo! to support the same, including data centers and related hardware, fixtures and other equipment in a manner consistent with Yahoo!'s practices prior to the Commencement Date. Starting on the Commencement Date, Microsoft will reimburse Yahoo! for all of Yahoo!'s costs of running Yahoo!'s Paid Search Services for each country expensed after such date until the completion of the Migration to Microsoft's Paid Search Services for such country (a) as limited by Section 8.2.4 and (b) [\*].

8.2.3 Costs of Running. As used in Sections 8.2.1 and 8.2.2, and except as otherwise explicitly limited by Sections 8.2.1, 8.2.2 and 8.2.7, "all of Yahoo!'s costs of running" means [\*]:

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- (i) [\*]
- (ii) [\*]
- (iii) [\*]
- (iv) [\*]
- (v) [\*]
- (vi) [\*]
- (vii) [\*]
- (viii) [\*].

[\*].

8.2.4 Cost Disputes; Annual Cost Limit. If Yahoo! claims in good faith that a cost or expense is reimbursable under Section 8.2.1 or Section 8.2.2 then Microsoft will reimburse Yahoo! for such cost or expense regardless of whether Microsoft agrees that the cost or expense should be reimbursed. Yahoo! will not be acting in “good faith” if Yahoo! makes a claim for a cost or expense that is unambiguously and expressly excluded pursuant to Sections 8.2.1, 8.2.2, 8.2.3 or 8.2.7. If there is ambiguity about whether a cost or expense is reimbursable under Sections 8.2.1, 8.2.2, 8.2.3 or 8.2.7, then the cost or expense is reimbursable. Furthermore, any dispute or controversy regarding whether a Yahoo! cost or expense is reimbursable by Microsoft is not subject to the Dispute resolution process set forth in Section 17.4. The aggregate amount reimbursable by Microsoft pursuant to Sections 8.2.1 and 8.2.2 in each 12 month period starting on the Commencement Date is limited to [\*] (“Annual Cost Limit”). In addition, if a type of cost or expense is reimbursable pursuant to Section 8.2.1 or Section 8.2.2 in the first 12 month period following the Commencement Date (“First Reimbursement Period”) then the same type of cost or expense is reimbursable in future 12 month periods (each a “Reimbursement Period”), subject to the Annual Cost Limit. For each calendar month starting on the Commencement Date and ending when reimbursements under Sections 8.2.1 and 8.2.2 end, Yahoo! will send Microsoft a report detailing all cost or expense amounts that would have been reimbursable for each cost or expense type under Sections 8.2.1 and 8.2.2 [\*].

8.2.5 Other Costs. In addition to reimbursement provided in Sections 8.2.1 and 8.2.2, starting on the Commencement Date, Microsoft will also reimburse Yahoo! on a monthly basis for the following Yahoo! expenses relating to Yahoo!’s Paid Search Services and Algorithmic Search Services and Microsoft’s Paid Search Services and Algorithmic Search Services that are expensed during the applicable period (as set forth below except as provided in Section 8.2.8) to the extent not otherwise reimbursable by Microsoft under this Agreement (including under Sections 8.2.1 and 8.2.2), provided, however, unless otherwise agreed by the parties in writing, (x) if the Commencement Date is after March 20, 2010, or Yahoo! does not provide Microsoft with the Acceleration Notice on or before March 20, 2010, then such reimbursable expenses during the period from the Commencement Date until the start of the first full Annual Period is limited to \$50 million and during each of the immediately following three full Annual Periods is limited to \$50 million per period, until a maximum of \$150 million is reimbursed during the initial period and three full Annual Periods, or (y) if the Commencement Date is on or before March 20, 2010 and Yahoo! provides Microsoft with the Acceleration Notice on or before

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March 20, 2010, then such reimbursable expenses during the period from the Commencement Date through June 30, 2010 is limited to the Acceleration Amount, and during each of the immediately subsequent three full Annual Periods is limited to \$50 million per period, until a maximum of \$150 million less the Acceleration Amount is reimbursed: [\*]. A cost or expense deemed a non-operating expense in accordance with GAAP for Yahoo! and also treated as a non-operating expense in accordance with GAAP for Microsoft is not reimbursable under this Section 8.2.5.

Microsoft's obligation to reimburse Yahoo! for the costs set forth in this Section 8.2.5 shall expire after [\*].

**8.2.6 Cooperation.** Yahoo! and Microsoft agree to use reasonable efforts to seek opportunities to minimize the costs of running multiple and duplicative systems for Algorithmic Search Services and Paid Search Services prior to completion of Migration. For clarity, the preceding sentence in no way limits Microsoft's obligation to reimburse Yahoo! for all of the costs in accordance with Sections 8.2.1, 8.2.2 and 8.2.3 above but may, in practice, reduce the amount of such costs. In the event of an unresolved Dispute regarding this Section 8.2.6, either party may escalate the matter as provided in Section 17.

**8.2.7 Calculation of Costs.** Where reimbursement of depreciation and amortization are permitted by this Section 8.2, the calculation of such amounts will be based on useful lives consistent with Yahoo!'s past practices with respect to financial reporting (e.g., 10K), subject to a minimum of three years as the useful life for computer servers. For the avoidance of doubt, (a) references to "research and development costs" and "sales and marketing expenses" in this Section 8.2 include all costs or expenses considered by Yahoo! as research and development costs and sales and marketing expenses, respectively, as of the most recent calendar year 2009 forecast prior to the Effective Date for internal budgeting purposes; provided, further, that in such forecast no research and development costs or sales and marketing expenses were re-categorized for the purpose of increasing cost reimbursement under this Section 8.2, and (b) all expenses to be reimbursed pursuant to this Section 8.2 are net of any reimbursements from third parties. Notwithstanding Section 9.2.3(f), for reimbursement under this Section 8.2 Yahoo! will submit costs or expenses to Microsoft no later than the end of the calendar month following the calendar month in which the item was expensed by Yahoo!. Yahoo! does not waive its right to claim a type of cost or expense for reimbursement in a future month solely as a result of not claiming this type of cost or expense in any prior month.

**8.2.8 Costs or Expenses Prior to the Commencement Date.** With respect to costs or expenses reimbursable under Section 8.2.5, within 30 days of the Commencement Date only, Yahoo! is permitted to report and claim costs or expenses that were expensed prior to the Commencement Date; provided that such costs or expenses are otherwise eligible for reimbursement under Section 8.2.5. For avoidance of doubt, the foregoing sentence does not increase the cap for any Annual Period (or partial Annual Period) or the aggregate reimbursement cap of \$150 million under Section 8.2.5 or the Acceleration Amount.

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## 9. COMPENSATION AND PAYMENT

### 9.1 Calculation of Payments.

#### 9.1.1 Definitions

(a) “Average Yahoo! TAC Rate” means total Syndication Partner Payments (under Syndication Partner Agreements) divided by total Adjusted Net Revenues, each (i.e., payments and revenues) with respect to Services, and if applicable, Additional Services, provided to Syndication Partners on Syndication Properties. [\*].

(b) The “Rev Share Rate” shall be 88% except as adjusted pursuant to Section 7.2.3.

#### 9.1.2 Services and Additional Services Sold by Yahoo!.

(a) In connection with Paid Listings from Services and Additional Services sold by Yahoo! that appear on Microsoft O&O Properties and Microsoft syndication properties, Yahoo! shall pay to Microsoft [\*]% of the associated Adjusted Net Revenues.

(b) In connection with Paid Listings from Services and Additional Services sold by Yahoo! that appear on Yahoo! Properties, Yahoo! shall pay to Microsoft (i) the product of (x) the associated Net Revenues and (y) (100% - Rev Share Rate) [\*].

(c) In connection with Paid Listings from Services and Additional Services sold by Yahoo! that appear on Syndication Properties, Yahoo! shall pay to Microsoft (i) the product of (x) the associated Net Revenues, (y) (100% - Rev Share Rate) (e.g., initially 100%-88%=12%), and (z) (100% - - Average Yahoo! TAC Rate)) [\*].

#### 9.1.3 Services and Additional Services Sold by Microsoft.

(a) In connection with Paid Listings from Services and Additional Services sold by Microsoft that appear on Microsoft O&O Properties and Microsoft syndication properties, Microsoft shall retain all revenues.

(b) In connection with Paid Listings from Services and Additional Services sold by Microsoft that appear on Yahoo! Properties, Microsoft shall pay to Yahoo! the product of (x) the associated Net Revenues, and (y) Rev Share Rate. By way of example, if there was \$100 in Net Revenues sold by Microsoft for Services displayed on the Yahoo! Properties and an 88% Rev Share Rate, then Microsoft would pay to Yahoo! \$88 (= \$100 x 88%). [\*].

(c) In connection with Paid Listings from Services and Additional Services sold by Microsoft that appear on Syndication Properties, Microsoft shall pay to Yahoo! the product of (x) the associated Net Revenues and (y)  $100\% - ((100\% - \text{Rev Share Rate}) \times (100\% - \text{Average Yahoo! TAC Rate}))$ . By way of example, if there was \$100 in Net Revenues sold by Microsoft for Services displayed on all of the Yahoo! Syndication Properties, an 88% Rev Share Rate and [\*]% Average Yahoo! TAC Rate, then Microsoft would pay to Yahoo!  $\$[*] = (\$100 \times (100\% - ((100\% - 88\%) \times (100\% - [*]\%)))$  (of which the \$[\*] is an estimate of the amount due to the Syndication Partner. [\*].

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9.1.4 Calculation of Guarantee From Microsoft to Yahoo!

- (a) [\*].
- (b) [\*].
- (c) [\*].
- (d) [\*].
- (e) [\*].
- (f) [\*].

9.1.5 Reimbursements and Other Charges.

(a) Serving Costs. [\*]. The reporting provided in Section 9.2.2(g) shall also include the amount due for this Section 9.1.5(a) broken down for Algorithmic Search Services, Paid Search Services and Contextual Advertising Services. [\*].

- (b) [\*].
- (c) [\*].
- (d) [\*].
- (e) [\*].
- (f) [\*].
- (g) [\*].

(h) Dedicated Resources. Yahoo! shall pay to Microsoft the costs for providing excess Dedicated Resources, if applicable, as provided in Section 2.4.11(a).

(i) Non-Internet Search. Yahoo! shall pay to Microsoft the Covered Marginal Costs for Non-Internet Search Services, if applicable, as set forth in Section 3.1.

(j) Mapping Services. Yahoo! shall pay to Microsoft the Covered Marginal Costs for Mapping Services, if applicable, as set forth in Section 3.2.

- (k) [\*].
- (l) [\*].
- (m) [\*].
- (n) [\*].

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(o) Other Ads. Yahoo! shall pay to Microsoft amounts associated with other advertisements, if applicable, on Yahoo! Results Pages as set forth in Section 7.1.3.

(p) Pre-Migration Costs. Microsoft shall pay to Yahoo! the “costs of running” as set forth in Sections 8.2.1 and 8.2.2.

(q) Cost Reimbursement. Microsoft shall pay to Yahoo! the reimbursements provided in Section 8.2.5.

(r) [\*].

(s) Prepay Balance. Upon acceptance of Microsoft’s terms and conditions, Yahoo! shall pay to Microsoft the pre-paid balance for certain (or all) non-Premium Direct Advertisers chosen by Yahoo! in a manner consistent with Section 3.2.3 of Exhibit I, and Microsoft shall credit each such advertiser’s account (i.e., for whom Yahoo! has provided the pre-paid balance to Microsoft) with its applicable credit balance on the Core System as set forth in Section 3.2.3 of Exhibit I.

(t) Panama Platform. Microsoft shall pay to Yahoo! the reimbursements, if applicable, as provided in Section 3.2.7(g) of Exhibit I.

(u) Other. In addition to payments otherwise specified elsewhere in this Section 9, each party shall pay to the other party such amounts as may be otherwise set forth in the Agreement. Except as set forth in Section 9.1.5(s) above, this list of payment obligations in this Section 9.1.5 is not intended to otherwise limit or expand obligations set forth elsewhere in the Agreement.

9.1.6 Other Platform Services. For Other Platform Services, each party shall pay the other party for Other Platform Services as set forth in Section 3.4.

9.1.7 Reseller Commissions. Yahoo! is responsible for all Reseller commissions and fees during the time that Yahoo! has sales exclusivity for Premium Direct Advertisers for a particular country; provided, however that Microsoft shall be responsible for all Reseller commissions and fees when Microsoft has sales exclusivity for Premium Direct Advertisers for a particular country. Further, each party is responsible for Reseller commissions and fees associated with its sales through such Resellers during a period of non-exclusivity with respect to Premium Direct Advertisers. Neither party may deduct such commissions and fees from gross billings received from Premium Direct Advertisers for the purposes of calculating Net Revenues.

9.1.8 No Double Reimbursement. For avoidance of doubt, the payments provided in each paragraph of Sections 9.1.2 through 9.1.6 are intended to be cumulative and are not mutually exclusive. Neither party shall be obligated to pay for, or reimburse, a cost or expense under this Agreement that otherwise already has been paid or reimbursed under this Agreement.

9.1.9 Other Agreements. For avoidance of doubt, this Agreement does not alter or eliminate amounts payable by either party (or its Affiliates) to the other party (or its Affiliates) under other agreements (except for the Letter Agreement) for Paid Search Services and Contextual Advertising Services provided by Yahoo! (i.e., not from the Services) prior to the completion of Migration in each country.

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## 9.2 Payments, Billing, Collections, Reporting.

### 9.2.1 Collections.

(a) Microsoft. For Services sold by Microsoft, Microsoft shall (i) establish the credit and payment terms, (ii) manage the cash collections and applications process, (iii) serve as the primary point of contact for invoicing and billing escalation issues related to the same, (iv) use commercially reasonable efforts to collect money from these advertisers at least to the same extent that Microsoft did as of the Letter Agreement Effective Date and (v) provide technical support for the resolution of billing related issues. For the avoidance of doubt, Microsoft is responsible for all fines and penalties associated with the collection of revenue from Services and Additional Services sold by Microsoft.

(b) Yahoo!. For Services sold by Yahoo!, Yahoo! shall (i) subject to and consistent with Section 9.2.1(e) establish the credit and payment terms, (ii) manage the cash collections and applications process, (iii) serve as the primary point of contact for invoicing and billing escalation issues related to the same and (iv) use commercially reasonable efforts to collect money from these advertisers at least to the same extent that Yahoo! did as of the Letter Agreement Effective Date. For the avoidance of doubt, Yahoo! is responsible for all fines and penalties associated with the collection of revenue from Services and Additional Services sold by Yahoo!.

(c) Cooperation. Upon request by a party, the other party will provide reasonable cooperation in connection with invoicing and billing matters.

(d) Currencies. As provided in Section 9.2.4(c) below, the parties will support invoicing and payments in certain local currencies.

(e) Bad Debt Rate. Solely if the Bad Debt Rate exceeds [\*]% and the percentage growth rate (e.g., the percentage growth rate would be [\*]% if Bad Debt Rate moves from [\*]% to [\*]%) of the Bad Debt Rate as compared to the prior calendar year is in excess of the percentage growth rate of the bad debt rate in the market during the same calendar year ("Market Bad Debt Rate") as measured by the average of the percentage growth rate of the bad debt expense for [\*], then Yahoo! will provide written notice to Microsoft prior to the start of the next calendar year and permit Microsoft to [\*] until any month in which the Bad Debt Rate returns to [\*]% or less or the percentage growth rate of the Bad Debt Rate is less than the percentage growth rate of the Market Bad Debt Rate; provided in no event will any such changes adversely affect Yahoo!'s overall business.

### 9.2.2 Reporting.

The following sets forth the billing and revenue recognition reporting requirements and are in addition to any other reporting requirements (i.e., other than billing and revenue recognition) located in other Sections of this Agreement. In addition to the below, each party will use commercially reasonable efforts to provide in a timely manner information required for the other party to perform its financial reporting and billing activities. In addition, the parties will consider in good faith opportunities to improve the timeliness and robustness of the information provided.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



(a) Revenue Report. To support Yahoo! in revenue recognition and for other purposes, Microsoft will provide to Yahoo! by an agreed upon mechanism within two Business Days after the end of each calendar month a report that provides the following debit (gross revenues excluding taxes) and credits (offsets to gross revenues) revenue information with respect to the sale of Microsoft Paid Search Services and Microsoft Contextual Advertising Services through the Core Platform during the prior calendar month (Pacific Time): (i) Yahoo! sales on Yahoo! Properties, (ii) Yahoo! sales on Syndication Properties, (iii) Yahoo! sales on Microsoft O&O Properties and Microsoft's syndication properties, (iv) Microsoft sales on Yahoo! Properties and (v) Microsoft sales on Syndication Properties. Each of these amounts will be further broken down by country based on the bill-to address of Customers. In addition, Microsoft will provide to Yahoo! the revenue information broken down by Syndication Property.

(b) Invoicing Feed. To enable Yahoo! to invoice its Customers and for other purposes, Microsoft will provide to Yahoo!, within [\*], a detailed invoicing data file covering Yahoo!'s sale to its Customers of the Services and the Additional Services that sets forth the following information for the month just ended for each Customer and each associated campaign: the amount of (i) debits (gross billings excluding taxes), (ii) credits (deductions to gross billings), (iii) billable events (e.g., as of the Effective Date, clicks and/or impressions (net of discarded clicks and/or impressions)) for the month (local time), as well as such additional information as may be mutually agreed.

(c) Syndication and Other Info. To enable Yahoo! to calculate the Average Yahoo! TAC Rate, pay its Syndication Partners, for Yahoo! to report to its Syndication Partners with syndication rights to pay their syndication partners, and for other purposes, Microsoft shall provide to Yahoo!, within [\*], a statement that sets forth revenues (debits and credits), aggregated monthly billable events (e.g., as of the Effective Date, clicks and/or impressions net of discarded clicks and/or impressions) resulting from use of the Services and the Additional Services during the month just ended on Yahoo! Properties and Syndication Properties, and all such information further broken out by (i) publisher (equivalent to what Yahoo! refers to as a tag) and ad unit (equivalent to what Yahoo! refers to as a subtag), (ii) type of service (e.g., Paid Search Services or Contextual Advertising Services) and (iii) seller (i.e., Microsoft or Yahoo!), as well as such additional information as may be mutually agreed.

(d) Yahoo! Report. To enable calculation of amounts owed by Yahoo! to Microsoft with respect to sales by Yahoo! and for other purposes, Yahoo! shall provide to Microsoft, upon the [\*], a statement showing (i) any adjustments required to calculate Net Revenues from gross revenues for each of Sections 9.1.2(a), 9.1.2(b) and 9.1.2(c), (ii) the resulting Net Revenues, and Average Yahoo! TAC Rate and (iii) amounts owed pursuant to each of Sections 9.1.2(a), 9.1.2(b) and 9.1.2(c).

(e) Microsoft Report. To enable calculation of amounts owed by Microsoft to Yahoo! and to enable Yahoo! to recognize revenues, Microsoft shall provide to Yahoo!, within [\*], a statement setting forth with respect to sales by Microsoft (i) any adjustments required to calculate Net Revenues from gross revenues, (ii) the resulting Net Revenues for each of Sections 9.1.3(b) and 9.1.3(c), and (iii) amounts owed pursuant to each of Sections 9.1.3(b) and 9.1.3(c).

(f) Guarantee Reporting. To determine obligations resulting from Section 9.1.4 (Guarantee), Yahoo! will provide to Microsoft, upon the later of [\*], information (if any) required to calculate the Guarantee Amount that is available to Microsoft and otherwise not

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available to Yahoo!, and any other mutually agreed information to be provided by Microsoft in order to calculate the Guarantee Amount, a statement setting forth (i) for the U.S., an estimate of the calculation of the Guarantee Amount and amount payable pursuant to Section 9.1.4, and (ii) for each True-Up Period for a country that ended during such month, the calculation detail for the Guarantee Amount for the True-Up Period and amount payable pursuant to Section 9.2.3(b). Microsoft will pay any such amounts that are not disputed. If the parties are unable to resolve any Dispute with respect to such amounts, the Dispute may be escalated by either party as provided in Section 17.

(g) Reimbursables Report. For obligations pursuant to Sections 9.1.5 (Reimbursements) and 9.1.6 or other provisions of the Agreement not specifically addressed in this Section 9.2.2, each party shall provide to the other party, within [\*], a reasonably detailed statement setting forth any amounts owed by the other party with respect to the month just ended, or where calculation of the amount due requires data from the other party (“second party”), the second party will provide the required information to the first party by the above date, and the first party shall have an additional five Business Days to provide its statement to the second party; provided, however, if a reporting party reasonably believes in good faith that the amount in any particular subparagraph of Section 9.1.5 except Section 9.1.5(a) will, in the aggregate, not exceed \$[\*] during the relevant calendar quarter, then such party may report the amounts in any such category on a quarterly basis instead of on a monthly basis, and any such quarterly statement would be due within 16 days after the end of the relevant calendar quarter.

(h) Discretionary Displays. Within 30 days of each annual anniversary of the Commencement Date, Yahoo! will report to Microsoft the number and percentage of Discretionary Displays for the past year (excluding Discretionary Displays which are not subject to limitation as provided in Section 2.1.2).

(i) Korea and Hong Kong. [\*].

(j) Non-Business Days. Any statement due pursuant to this Section 9.2.2 on a day that is not a Business Day (or falls on a holiday in the locality in which the statement is due) shall instead be due on the following Business Day (or post-holiday day, as applicable).

(k) Pre-Migration. The reporting obligations provided in Sections 9.2.2(a)-9.2.2(i) shall not begin until the commencement of Migration in each country.

(l) [\*].

(m) Legal. Each party shall provide the other party with information in connection with this Agreement (i) as required either by Law or legal process or (ii) reasonably necessary to respond to a mandatory request for information by a governmental or regulatory agency with jurisdiction, including but not limited to, a national stock market or exchange, or the Securities and Exchange Commission or other regulatory agency.

(n) Reporting. In addition to any other reporting otherwise required, each monthly Yahoo! reimbursement resulting from Section 8.2 will be accompanied by a report that sets forth the amount by type of expense for reimbursable expenses. Within 30 days after the Commencement Date and during the first calendar quarter of each calendar year, Yahoo! will provide Microsoft with a non-binding estimate of the amount by type of expense and quarter for

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expenses to be reimbursed pursuant to Section 8.2 for the current Annual Period and next Annual Period, respectively. If the Commencement Date is during the second calendar quarter of 2010, Yahoo! will also provide Microsoft with this information for the next Annual Period.

#### 9.2.3 Payment Timing.

(a) Search Payments. Payments required by Sections 9.1.2 and 9.1.3 shall be paid monthly within [\*] after the last day of the calendar month in which the advertising activity occurred (or the billing adjustment was posted to the advertiser's account in the case of billing adjustments, credits, chargebacks, writeoffs, etc.).

(b) Guarantee Payments. Payments required to be paid pursuant to Section 9.1.4 (Guarantee), subject to any offsets permitted pursuant to Section 9.1.4(b) and 9.1.4(c), shall be paid (or offset) within [\*] after the last day of each calendar month for True-Up Periods that ended during such month.

(c) Reimbursable Payments. Payments required to be paid pursuant to Section 9.1.5 (Reimbursements) and 9.1.6 shall be paid within [\*] after receipt of a statement pursuant to Section 9.2.2(g).

(d) Initial Payments. Prior to the first payment to each party (or a new Affiliate of such party), the payee will provide such compliance documentation (e.g., IRS W-9) as may reasonably be required by the payor. When new or revised payee information is provided, the payor may delay payment for up to 30 days following payor's receipt of the revised compliance documentation. Any payment between the parties required under this Agreement prior to 45 days following the Commencement Date, other than a payment associated with termination of the Agreement or indemnification under the Agreement, shall instead be due 45 days following the Commencement Date.

(e) Non-Business Days. Any payment due under this Agreement that falls on a day that is not a Business Day (or falls on a holiday in the locality in which payment is being made or received) shall be paid on the next Business Day (or post-holiday day, as applicable).

(f) Reporting Delays. In the event that a party is late in providing a statement required by 9.2.2(g), the payment due date for payments resulting from that statement to the party that was late in providing the statement shall be extended by the amount of delay. Similarly, in the event a party has received a timely statement, but is late in issuing an invoice to the other party as provided in Section 9.2.4, the payment due date for payments resulting from that invoice shall be extended. For avoidance of doubt, this Subsection (f) does not permit any delays and the party causing the reporting delay remains responsible for any failure to timely pay the other party. Notwithstanding the foregoing, if a party is less than 30 days late in providing any information required by Section 9.2.2(g), which delay is not the result of the other party's conduct, then the parties agree that the sole remedy for such delay is that the party that is responsible for such delay shall be liable for any resulting interest payments.

#### 9.2.4 Payment Process.

(a) Payments by Microsoft to Yahoo!. For payments by Microsoft to Yahoo! pursuant to this Agreement:

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- (1) At least [\*] before the payment due date provided in Section 9.2.3, Yahoo! shall invoice Microsoft for all amounts due via the Microsoft online invoicing tool at [\*] or such other site designated by Microsoft (which Microsoft shall ensure is operational throughout the Term of this Agreement). By written notice to Yahoo!, Microsoft may waive this invoicing requirement for some or all payments under this Agreement.
- (2) Payments due from Microsoft to Yahoo! will be paid by the Microsoft Affiliate specified below to Yahoo! or the Yahoo! Affiliate specified below:

	Payor	Payee
For payments associated with advertisers whose invoices are delivered in the Americas (U.S., Canada and Latin America)	Microsoft Online Inc., a Nevada corporation	Yahoo!, Inc., a Delaware corporation
For payments associated with advertisers whose invoices are delivered outside of the Americas	Microsoft Online Inc., a Nevada corporation	Yahoo! SARL, a company registered in Switzerland
Costs reimbursement pursuant to Section 8.2.	Microsoft Online Inc., a Nevada corporation	Yahoo! Inc., a Delaware corporation, and/or Yahoo! SARL, a company registered in Switzerland, as designated in writing by Yahoo!
Any other payments including all payments not tied to the invoice location of the advertiser	Microsoft Online Inc., a Nevada corporation	Yahoo! Inc., a Delaware corporation, and/or Yahoo! SARL, a company registered in Switzerland, as designated in writing by Yahoo!

The payment addresses for Yahoo! Inc. and Yahoo! SARL are 701 First Avenue, Sunnyvale CA 94089 and ZA la Piece No.4, Route de l'Etraz, 1180 Rolle, Switzerland, respectively.

- (3) Microsoft will make payment via ACH to Yahoo!'s financial institution pursuant to instructions supplied by Yahoo! on Microsoft's ACH Electronic Payment form as Yahoo! may update from time to time.

(b) Payments by Yahoo! to Microsoft. For payments by Yahoo! to Microsoft pursuant to this Agreement:

- (1) At least [\*] before the payment due date provided in Section 9.2.3, Microsoft shall invoice Yahoo! for all amounts due by sending invoice to: [\*] except for invoices to Yahoo! SARL which shall be directed to [\*], or such other address or location designated by Yahoo!. By written notice to Microsoft, Yahoo! may waive this invoicing requirement for some or all payments under the Agreement. Each such invoice will include the name and address of the applicable Yahoo! Affiliate, provided Yahoo! has provided Microsoft with such information at least 60 days in advance of the invoice date.

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(2) Payments due from Yahoo! to Microsoft will be paid by Yahoo! or the Yahoo! Affiliate specified below to the Microsoft Affiliate specified below:

	Payor	Payee
For payments associated with advertisers whose invoices are delivered in the Americas (U.S., Canada and Latin America), other than those countries in Latin America specified below	Yahoo!, Inc., a Delaware corporation	Microsoft Online Inc., a Nevada corporation
For payments associated with advertisers whose invoices are delivered in (i) Asia, other than those countries in Asia specified below, (ii) Europe (defined as the countries where Yahoo! has portals owned and operated by Yahoo! SARL) and (iii) all other European, Middle Eastern and African countries, other than those countries in the Middle East or Africa specified below	Yahoo! SARL, a company registered in Switzerland	Microsoft Online Inc., a Nevada corporation
For payments associated with advertisers whose invoices are delivered in Brazil, Argentina, Mexico, Taiwan, Korea, Hong Kong, India, Singapore, Dubai, Malaysia, Philippines and Vietnam	Local Yahoo! Affiliates as set forth in Exhibit J	Microsoft Online Inc., a Nevada corporation
Any other payments including all payments not tied to the invoice location of the advertiser	Yahoo! Inc., a Delaware corporation and/or Yahoo! SARL, a company registered in Switzerland, as designated in writing by Yahoo!	Microsoft Online Inc., a Nevada corporation

The payment address for Microsoft Online Inc. will be provided by Microsoft to Yahoo! within thirty (30) days after the Commencement Date.

(c) In the event that either party's billing system does not support invoicing or payment in the currency of the original obligation as provided on the applicable statement, then such party shall be permitted to invoice or pay, as the case may be, such amount in US dollars and any such US dollar obligation shall be calculated using the exchange rate published by the Financial Times and available at <http://markets.ft.com/ft/markets/researchArchive.asp?report=3SPT&cat=CU> (or such other source as the parties may agree) on the last Business Day of calendar month of the period covered by such obligation. At a minimum, starting on the commencement of Migration for the applicable country both parties will support for advertiser bidding and for advertiser payments the following currencies (i.e., as applicable for the local market): [\*].

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(d) Microsoft or Yahoo! may change or modify its payor or payee entities from those provided in Section 9.2.4(a) and 9.2.4(b), from time to time, and in accordance with Section 20.4, to any other Affiliate of such party upon no less than 90 days written notice to the other party. Upon any such change or modification by Microsoft or Yahoo!, the parties will reasonably cooperate with each other to mitigate, reduce or eliminate any resulting additional Transaction Taxes or Withholding Taxes.

9.2.5 Disputed Amounts. Payment of an invoice without asserting a dispute is not a waiver of any claim or right by either party to dispute such amount.

9.2.6 Interest. Late payments by either party shall incur interest at the rate of [\*] percent ([\*]%) per annum, provided, however, each party shall be provided with one interest-free late payment not to exceed 30 days once per 12 calendar months. For the avoidance of doubt, no such interest shall accrue on any payments made on or before an extended due date in accordance with Section 9.2.3(f) so long as the party making such payment is not responsible for the delay that led to the extension of such payment's due date.

### 9.3 Taxes.

#### 9.3.1 Taxes Arising from Transactions with Advertisers.

(a) Microsoft will pay all Taxes imposed by Law on Microsoft arising in connection with any transaction entered into between Microsoft and an advertiser pursuant to this Agreement.

(b) Yahoo! will pay all Taxes imposed by Law on Yahoo! arising in connection with any transaction entered into between Yahoo! and an advertiser pursuant to this Agreement.

9.3.2 Amounts Payable by the Parties do not Include Transaction Taxes. The amounts payable under Section 9.1.2 through Section 9.1.6 by either Microsoft or Yahoo! do not include Transaction Taxes.

#### 9.3.3 Transaction Taxes on Payments between the Parties.

(a) If Microsoft is required by Law to collect from Yahoo! any Transaction Taxes as a result of any transaction between Microsoft and Yahoo! pursuant to this Agreement, Yahoo! will remit such Transaction Taxes to Microsoft upon receipt of an invoice from Microsoft for such Transaction Taxes.

(b) If Yahoo! is required by Law to collect from Microsoft any Transaction Taxes as a result of any transaction between Yahoo! and Microsoft pursuant to this Agreement, Microsoft will remit such Transaction Taxes to Yahoo! upon receipt of an invoice from Yahoo! for such Transaction Taxes.

(c) Notwithstanding any other provision of this Section 9.3.3 to the contrary, neither Microsoft nor Yahoo! will collect any Transaction Taxes if Microsoft or Yahoo!, as the case may be, is provided in a timely manner with a valid exemption or similar certificate by the other party.

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9.3.4 Withholding Taxes on Payments between the Parties.

(a) If Microsoft is required by Law to withhold any Taxes (“Withholding Taxes”) with respect to any payment made to Yahoo! pursuant to this Agreement, Microsoft will (i) withhold such Withholding Taxes and remit such Withholding Taxes to the appropriate Governmental Authority and (ii) remit the remaining portion of such payment to Yahoo!.

(b) If Yahoo! is required by Law to withhold any Withholding Taxes with respect to any payment made to Microsoft pursuant to this Agreement, Yahoo! will (i) withhold such Withholding Taxes and remit such Withholding Taxes to the appropriate Governmental Authority and (ii) remit the remaining portion of such payment to Microsoft.

(c) In the event that either Microsoft or Yahoo! withholds any Withholding Taxes pursuant to this Section 9.3.4, Microsoft or Yahoo!, as the case may be, will deliver in a timely manner to the other party an official receipt for such Withholding Taxes in the United States or any other jurisdiction (and any other documents reasonably requested by the other party for the purpose of claiming a credit for such Withholding Taxes in the United States or any other jurisdiction).

9.3.5 Income Taxes on Payments between the Parties.

(a) Microsoft will pay all Income Taxes imposed by Law on Microsoft arising in connection with any payment received from Yahoo! pursuant to this Agreement.

(b) Yahoo! will pay all Income Taxes imposed by Law on Yahoo! arising in connection with any payment received from Microsoft pursuant to this Agreement.

9.3.6 Cooperation on Tax Matters. Microsoft and Yahoo! will reasonably cooperate with each other to mitigate, reduce or eliminate any Transaction Taxes or Withholding Taxes arising in connection with this Agreement, including by using commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other person as may be necessary to mitigate, reduce or eliminate any such Transaction Taxes or Withholding Taxes.

9.3.7 Tax Information. Microsoft and Yahoo! will make available to each other, in a timely manner, all documents, data, information, and records reasonably requested by the other party for the purpose of calculating and paying any Taxes arising in connection with this Agreement or preparing and filing any return or report with respect to such Taxes.

9.4 Compliance With Anti-Corruption Laws.

9.4.1 Each party will comply with all applicable anti-corruption laws, including those that prohibit the promise, the payment, the authorization of, or the giving directly or indirectly of money or things of value to any person or entity (including, but not limited, to any government official or related party) for the purpose of inducing or rewarding any favorable action or inaction related to the Agreement or one party’s relationship with the other party. Each party will maintain written, complete, and accurate records for the duration of the Agreement relating to any payments it makes to third parties related to the Agreement or its relationship with the other party.

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## 10. AUDIT RIGHTS AND AGREED UPON PROCEDURES

10.1 Right to Audit Compliance with Payment Provisions. During the Term and for a period of [\*] thereafter, either party, through an independent and mutually-acceptable (neither party's acceptance to be withheld or delayed unreasonably), nationally recognized third-party representative, may, upon not less than 30-days' prior written notice, conduct an audit of the other party's relevant financial books and records (including reasonably required electronic records), processes and systems, for the purpose of (a) ensuring the other party's financial books, records, processes and systems meet the reasonable and necessary financial reporting and audit requirements of the other party; (b) reviewing the other party's compliance with the provisions set forth in Section 9; and (c) confirming the accuracy of the reports set forth in Section 9. The results of the audit and all information reviewed during such audit will be deemed the audited party's Confidential Information. The auditor will be precluded from disclosing any Confidential Information of the audited party not related to the results of the auditor's audit to the party requesting the audit without the prior written consent of the audited party. The parties will reasonably comply with the auditors' requests to facilitate the audit. The party requesting the audit shall pay the costs and expenses of any such audit; provided, however that if an audit reveals an underpayment of [\*] percent or more for the audited period, the audited party shall pay for the out-of-pocket costs and expenses of such audit within [\*] of such finding. Unless otherwise agreed by Microsoft and Yahoo!, any such audit shall be conducted during regular business hours, at the audited party's principal place of business, not more frequently than once in any period of [\*] and in a manner that does not unreasonably interfere with the normal course of business. If any audit reveals an overpayment, then the party entitled to payment may elect either to receive a credit in the amount of such overpayment that will be applied only against future amounts payable under this Agreement, or to receive a refund within [\*] after the date of the auditor's report. If any audit reveals an underpayment, then the party obligated to make the payment shall pay the other party the amount of the underpayment, together with interest as provided for in Section 9, within [\*] after the date of the auditor's report.

10.2 [\*]

10.2.1 [\*].

10.2.2 [\*].

10.2.3 [\*].

10.2.4 [\*].

10.2.5 [\*].

10.2.6 [\*].

## 11. JOINT DEVELOPMENT; INTELLECTUAL PROPERTY MATTERS

11.1 Rights to Jointly Developed IP.

11.1.1 Allocated Jointly-Developed Technology. If, during the Term, one or more employees or contractors of Yahoo! (or its Affiliates) and one or more employees or contractors of Microsoft (or its Affiliates) (a) jointly author (as determined under applicable copyright law) any software

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or other works of authorship specifically for incorporation into (including such works constituting modifications to) one party's Solely-Owned Software ("Allocated Jointly-Developed Software"), or (b) are joint inventors on any patents (as determined under applicable patent law) that relate specifically to one party's Solely-Owned Software ("Allocated Jointly-Developed Patents"), then (i) Microsoft shall solely own all such Allocated Jointly-Developed Software (including all copyrights arising out of the joint authoring of such Allocated Jointly-Developed Software, but not including any copyrights in any then-pre-existing or independently developed work, including any then-pre-existing work upon which such Allocated Jointly-Developed Software is based) authored specifically for incorporation into, and all Allocated Jointly-Developed Patents that relate specifically to, any Microsoft Solely-Owned Software ("Microsoft-Owned JDT"), and (ii) Yahoo! shall solely own all such Allocated Jointly-Developed Software (including all copyrights arising out of the authoring of such Allocated Jointly-Developed Software, but not including any copyrights in any then-pre-existing or independently developed work, including any then-pre-existing work upon which such Allocated Jointly-Developed Software is based) authored specifically for incorporation into, and all Allocated Jointly-Developed Patents that relate specifically to, any Yahoo! Solely-Owned Software ("Yahoo!-Owned JDT"). Yahoo! hereby assigns and agrees to assign to Microsoft all right, title and interest of Yahoo! in and to the Microsoft-Owned JDT, and Microsoft hereby assigns and agrees to assign to Yahoo! all right, title and interest of Microsoft in and to the Yahoo!-Owned JDT. Each party shall execute and deliver to the other party such instruments and perform such other acts as may be reasonably necessary to perfect the other party's ownership of Allocated Jointly-Developed Software and Allocated Jointly-Developed Patents.

11.1.2 License to Microsoft Owned JDT. Microsoft (on behalf of itself and its Affiliates) grants to Yahoo! and its Affiliates a worldwide, nonexclusive, perpetual, irrevocable, royalty-free, fully paid up license: (a) under the copyrights and trade secrets embodied in the Allocated Jointly-Developed Software included in the Microsoft-Owned JDT, to reproduce, distribute, create derivative works of, and publicly display and perform such Allocated Jointly-Developed Software, (b) under the Allocated Jointly-Developed Patents included in the Microsoft Owned JDT to make, use, sell, offer to sell and import any products or services, and (c) to sublicense to third parties the foregoing rights (including through multiple levels of sublicensees) with respect to products and services of Yahoo! or its Affiliates. The license granted to Yahoo! under this Section 11.1.2 shall survive expiration or termination of this Agreement for any reason. For avoidance of doubt, the license granted to Yahoo! under this Section 11.1.2 applies only to the Microsoft-Owned JDT and does not extend to any underlying Microsoft Solely-Owned Software or other technology or Intellectual Property Rights. In addition, nothing in this Section 11.1.2 shall constitute or be deemed to grant to Yahoo! or its Affiliates any license, covenant not to sue, or other rights under any patents of Microsoft or its Affiliates other than Allocated Jointly-Developed Patents, whether by implication, estoppel or otherwise.

11.1.3 License to Yahoo! Owned JDT. Yahoo! (on behalf of itself and its Affiliates) grants to Microsoft and its Affiliates a worldwide, nonexclusive, perpetual, irrevocable, royalty-free, fully paid up license: (a) under the copyrights and trade secrets embodied in the Allocated Jointly-Developed Software included in the Yahoo! Owned JDT, to reproduce, distribute, create derivative works of, and publicly display and perform such Allocated Jointly-Developed Software, (b) under the Allocated Jointly-Developed Patents included in the Yahoo! Owned JDT to make, use, sell, offer to sell and import any products or services, and (c) to sublicense to third parties the foregoing rights (including through multiple levels of sublicensees) with respect to products and services of Microsoft! and its Affiliates. The license granted under this Section 11.1.3 shall survive expiration or termination of this Agreement for any reason. For avoidance of doubt, the license granted to Microsoft under this Section 11.1.3 applies only to the Yahoo!-Owned JDT and does not extend to any underlying Yahoo! Solely-Owned Software or other technology or Intellectual Property Rights. In addition, nothing in this Section 11.1.3 shall constitute or

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be deemed to grant to Microsoft or its Affiliates any license, covenant not to sue, or other rights under any patents of Yahoo! or its Affiliates other than Allocated Jointly-Developed Patents, whether by implication, estoppel or otherwise.

11.1.4 Unallocated Jointly-Developed Technology. If, during the Term, one or more employees or contractors of Yahoo! (or its Affiliates) and one or more employees or contractors of Microsoft (or its Affiliates) (a) jointly author (as determined under applicable copyright law) any software or other works of authorship that are not Allocated Jointly-Developed Software (“Unallocated Jointly-Developed Software”), or (b) are joint inventors on any patents (as determined under applicable patent law) that are not Allocated Jointly-Developed Patents (“Unallocated Jointly-Developed Patents”), then the parties’ ownership of and license rights with respect to such Unallocated Jointly-Developed Software and Unallocated Jointly-Developed Patents shall be as agreed in writing by the parties. If the parties do not agree in writing with respect to ownership of and license rights with respect to such Unallocated Jointly-Developed Software and Unallocated Jointly-Developed Patents, then the parties shall jointly own all right, title and interest in and to such Unallocated Jointly-Developed Software and Unallocated Jointly-Developed Patents, and each party shall have the right (i) to reproduce, distribute, create derivative works of, publicly display and perform such Unallocated Jointly-Developed Software, (ii) under the Unallocated Jointly-Developed Patents to make, use, sell, offer to sell and import any products or services, and (iii) to sublicense to third parties the foregoing rights (including through multiple levels of sublicensees), in each of cases (a), (b), and (c) of this Section 11.1.4, without the consent of, and without any duty to account to, the other party.

11.1.5 Solely-Owned Software. Notwithstanding the foregoing, the assignments contained in Section 11.1.1 and the joint ownership described in Section 11.1.4 shall not apply to any (and each party shall retain sole ownership of its) Solely-Owned Software. As used in this Section 11, “Solely-Owned Software,” as to a party, means software, APIs, and other similar materials developed, acquired or owned by such party (or its Affiliates) prior to the Effective Date or otherwise independently by such party or its Affiliates (including as a result of activities of a party or its Affiliates independent from its activities under this Agreement) from activities under this Agreement. As of the Effective Date, (a) the “Microsoft Solely-Owned Software” includes, the [\*]; and (b) the “Yahoo! Solely-Owned Software” includes the [\*].

11.2 Ancillary Materials. The parties will use reasonable efforts and negotiate in good faith to develop a mutually acceptable addendum to this Agreement that addresses APIs, data, suggestions, feedback or incidental software components and other information related to the parties’ collaboration under this Agreement (“Ancillary Materials”) provided by a party (“Providing Party”) to the other party (“Developing Party”) specifically for modification of or use with the Solely-Owned Software of the Developing Party. Such addendum will provide that (a) the Providing Party will retain ownership of such Ancillary Materials and (b) use of such Ancillary Materials as expressly authorized by the Providing Party shall not (unless otherwise agreed by the parties in writing) affect the Developing Party’s rights with respect to its own Solely-Owned Software (which the Developing Party may continue to use and otherwise exploit, and authorize others to use and exploit, for all purposes, whether during or after the Term, notwithstanding such use or incorporation of the Ancillary Materials in the Solely-Owned Software Tools as expressly authorized by the Providing Party). Such addendum is not intended to supersede the License Agreement and, unless otherwise agreed by the parties in writing, shall not apply to software or other technology of either party (all of which shall be licensed, if at all, solely under the License Agreement or other written agreement(s) between the parties), and the addendum shall include provisions to address the relationship between such addendum and the License Agreement. Such addendum is not intended to supersede the License Agreement, and unless otherwise agreed to by the parties in writing,

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shall not apply to software or other technology of either party (except to the extent any APIs or incidental software components are included in Ancillary Materials).

11.3 Brand Features. Each party reserves any and all right, title and interest (including without limitation all Intellectual Property Rights) relating to its own Brand Features. Except to the limited extent expressly provided in Section 11.3.1 of this Agreement, neither party grants, and the other party shall not acquire, any right, title or interest (including any implied license) in or to any of its Brand Features; and all rights not expressly granted herein are deemed withheld. All use by Yahoo! of Microsoft Brand Features (including any goodwill associated therewith) shall inure to the benefit of Microsoft, and all use by Microsoft of Yahoo! Brand Features (if any) (including any goodwill associated therewith) shall inure to the benefit of Yahoo!. No party shall attempt to register or have registered on its behalf Brand Features that are confusingly similar to those of the other party.

11.3.1 Limited License to Brand Features. Subject to the terms and conditions of this Agreement, each party grants to the other party a limited, nonexclusive, nontransferable and nonsublicensable (except sublicenses in connection with Syndication Properties to the extent such sublicenses are expressly permitted herein) license during the Term and the Tail Transition Period (if any) to display those Brand Features expressly authorized for use in this Agreement, solely for the purposes expressly set forth herein; provided, that each party and its permitted sublicensees will comply with the other party's generally applicable guidelines for the use of the other party's applicable Brand Features, which guidelines may be updated from time to time upon reasonable written notice.

11.4 Microsoft Products. It is the parties' intention that Microsoft will deliver the Services, Additional Services and Other Services as contemplated by the Agreement such that Yahoo! and its Affiliates are not required to buy specific Microsoft products (including database software, replication software, reporting, and data access software) as opposed to having the ability to use products of other vendors. If, however, in order for Yahoo! to receive the full benefits of this Agreement, such Microsoft products (other than Microsoft's generally available office productivity products for personal computers such as Microsoft Office or Windows 7) are required and Microsoft is unwilling to waive the fees for such Microsoft products or reimburse the licensing fees for such Microsoft products purchased from third parties, then the parties may escalate the matter to the Executive Steering Committee.

11.5 No Implied Licenses. Nothing in this Agreement or the performance hereof will operate to grant, or be deemed to grant, a party any right, title or interest, implied or otherwise, in or to the Intellectual Property Rights of the other party hereto, other than as expressly set forth in this Agreement or the License Agreement. Each party expressly reserves all Intellectual Property Rights not expressly granted hereunder.

## 12. CONFIDENTIALITY

12.1 Confidentiality. Each party (together with each Affiliate receiving Confidential Information, a "Receiving Party") understands that the other party (together with each Affiliate disclosing Confidential Information, a "Disclosing Party") may disclose to the Receiving Party, or the Receiving Party may otherwise acquire or have access to in the course of its performance under this Agreement, information and materials of a confidential nature including, without limitation, product information, data, pricing, business plans and strategies, employee lists, sales prospect lists, advertiser and partner information, contractual agreements, financial information, end user information, software, specifications, research and development and proprietary algorithms or other information and materials that are (a) clearly and conspicuously marked as "confidential" or with a similar designation; (b) identified by the

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Disclosing Party as confidential and/or proprietary before, during, or promptly after presentation or communication; or (c) disclosed to (or otherwise acquired by) Receiving Party in a manner in which the Disclosing Party reasonably communicated, or the Receiving Party should reasonably have understood under the circumstances or from the nature of the information or data disclosed, that the information or materials should be treated as confidential, whether or not the specific designation “confidential” or any similar designation is used (“Confidential Information”). Without limitation of the foregoing, Confidential Information of Yahoo! includes Yahoo!’s employee lists and any compensation and performance information related to such employees that Yahoo! discloses, Yahoo!’s AdSat Survey results, the terms and conditions of the Syndication Partner Agreements and the specific terms of Yahoo!’s agreements with Premium Direct Advertisers (other than the general contract templates for Premium Direct Advertisers prepared pursuant to Section 5.5) and information about the number of impressions and page views on Yahoo! Properties – all of which may be used and disclosed only as authorized by this Agreement. Without limitation of the foregoing, Confidential Information of Microsoft includes Microsoft employee lists and any compensation and performance information related to such employees that Microsoft discloses, Microsoft’s AdSat Survey results, Microsoft’s product plans furnished pursuant to Section 2.4.11(b), and information about the number of impressions and page views on Microsoft O&O Properties and Microsoft’s syndication partners’ properties – all of which may be used and disclosed only as authorized by this Agreement. For avoidance of doubt, each party’s rights and obligations with respect to Technology (as defined in the License Agreement), including the confidential treatment of Technology, are as set forth in the License Agreement, and the confidentiality provisions of the License Agreement rather than this Section 12 will govern the use and disclosure of all Technology.

12.2 Disclosure and Use. Except as provided in Section 12.4 or below or with the prior written consent of the Disclosing Party, the Receiving Party will not (a) disclose any Confidential Information of the Disclosing Party other than on a need-to-know basis to its own officers, directors, employees, attorneys, accountants, financial advisors, joint ventures (i.e., the entity that is a joint venture of a Receiving Party) and contractors (and for such contractors and joint ventures, solely to the extent and only for the purpose of performing services in furtherance of the Receiving Party’s rights and obligations under this Agreement), who have signed a non-disclosure agreement or are otherwise subject to confidentiality obligations that protect the Disclosing Party’s Confidential Information, which non-disclosure agreement or confidentiality obligations are no less stringent than the terms set forth in this Section 12.2; (b) use Confidential Information, except as permitted under this Agreement or for fulfilling the obligations or exercising the rights of the Receiving Party under this Agreement (including, e.g., (i) when Yahoo! is the Receiving Party, for Yahoo!’s general operation and management of its portals using performance data from the Services and the Additional Services, in connection with formulating proposals to new Syndication Partners related to the Services or Additional Services or evaluating whether or not to exercise optional rights under this Agreement such as in connection with Mapping Services, and (ii) when Microsoft is the Receiving Party, using Yahoo! Search Data for Microsoft’s development and operation of the Services, Additional Services and Other Platform Services); (c) make internal business copies or allow others to make copies of such Confidential Information, except as permitted under this Agreement or for fulfilling the obligations or exercising the rights of the Receiving Party under this Agreement; or (d) remove or export any such Confidential Information from the country of the Receiving Party in violation of Laws. The Receiving Party shall treat the Confidential Information of the Disclosing Party, and will cause its officers, directors, employees, attorneys, accountants, financial advisors, joint ventures and contractors to treat such Confidential Information in accordance with this Section 12 and with at least the same degree of care and protection as it would use with respect to its own Confidential Information of a similar nature, but in no event less than a reasonable standard of care. Each party will ensure that each of its Affiliates that is a Receiving Party complies with its obligations under Section 12.1 and this Section 12.2. The foregoing obligations shall survive for a period of three years

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following the termination or expiration of this Agreement; except that with respect to Yahoo! Search Data, Microsoft PDA Listings Data, source code, algorithms, and Confidential Information related to fraud, security or privacy, such obligations will survive indefinitely. For avoidance of doubt, the obligations set forth in this Section 12 are in addition to, and without limitation of, the provisions of Section 13.

### 12.3 Dedicated Resources and Additional Limitations.

12.3.1 Microsoft Confidential Information. Neither this Section 12 nor any agreement between a Dedicated Resource and Microsoft will restrict the ability of such Dedicated Resource to disclose to Yahoo! in connection with such Dedicated Resource's performance of Yahoo!-defined tasks hereunder, Confidential Information of Microsoft that is related to Yahoo!'s use or implementation of the Services, the Additional Services or the Other Platform Services (including the Microsoft API, the Microsoft API Functions, the Core Platform, the Core Platform APIs, the Sales Tools, Marketing Tools and Publisher Tools). Such Dedicated Resource will disclose Confidential Information (together with any other information) to Yahoo! that is reasonably related to a reasonable request for information within the scope of the foregoing. Any such Confidential Information will remain the Confidential Information of Microsoft and will be used and disclosed by Yahoo! only in accordance with the provisions of this Section 12.

#### 12.3.2 Controlled Disclosures.

(a) Yahoo! Confidential Information. Microsoft acknowledges that the Dedicated Resources, in the course of performing services on behalf of Yahoo!, may be exposed to the Confidential Information of Yahoo!. Any Yahoo! Confidential Information disclosed to any Dedicated Resource is subject to the requirements of Section 12.2; provided that Yahoo! may identify in writing in accordance with the procedures described below certain Confidential Information of Yahoo! that such Dedicated Resource may not further disclose within Microsoft other than to another Dedicated Resource working on the same task (in which event, such Dedicated Resource(s) will not further disclose such Confidential Information absent further instruction from Yahoo! notwithstanding any agreement between a Dedicated Resource and Microsoft or any other obligation or duty that such Dedicated Resource may have with respect to Microsoft). In order for such limitation on further disclosure to apply, Yahoo! must notify Microsoft's Product Management Office in writing (or another group designated by Microsoft) ("PMO") of the general nature of the Confidential Information to be disclosed, the Dedicated Resource to whom such information will be disclosed and the date of the disclosure, which date must be at least one Business Day after Yahoo!'s written notice to Microsoft's PMO.

(b) Microsoft's Confidential Information. Yahoo! acknowledges that Yahoo!'s sales and account management resources, in the course of performing sales or services for Premium Direct Advertisers, may be exposed to Confidential Information of Microsoft. Any Microsoft Confidential Information disclosed to any such resource is subject to the requirements of Section 12.2; provided that Microsoft may identify in writing in accordance with the procedures described below certain Confidential Information of Microsoft that such resource may not further disclose within Yahoo!, other than to another sales or account management resource working on the same Paid Search Services or Contextual Advertising Services accounts (in which event, such resource(s) will not further disclose such Confidential Information absent further instruction from Microsoft notwithstanding any agreement between a resource and Yahoo! or any other obligation or duty that such resource may have with respect to Yahoo!). In order for such

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limitation on further disclosure to apply, Microsoft must notify Yahoo!'s designated Microsoft Relationship Manager in writing (or another person designated by Yahoo!) ("MRM") of the general nature of the Confidential Information to be disclosed, the resource to whom such information will be disclosed and the date of the disclosure, which date must be at least one Business Day after Microsoft's written notice to Yahoo!'s MRM.

12.4 Exceptions; Required Disclosures. Except as provided in Section 18, nothing in this Section 12 prohibits or limits either party's use or disclosure of information (a) previously known to it without obligation of confidence, (b) independently developed by or for it without use of or access to the other party's Confidential Information, (c) acquired by it from a third party which is not under an obligation of confidence to the other party or its Affiliates with respect to such information, or (d) which is or becomes publicly known and generally available to the public through no breach of this Agreement. A Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors may make a disclosure of Confidential Information (i) if required either by Law or legal process (as a result of legal compulsion or in order to advance a defense to a claim), (ii) in response to a request by a governmental or regulatory agency, including but not limited to, a national stock market or exchange, or the Securities and Exchange Commission or other regulatory agency, or (iii) in connection with a proceeding before a court, adversary proceeding, administrative proceeding, governmental or regulatory proceeding, including but not limited to, the rules and regulations of a national stock market or exchange, or the Securities and Exchange Commission or other regulatory agency if, in each case, the Receiving Party only discloses that portion of the Confidential Information reasonably required to be disclosed (on advice of Receiving Party's counsel); and unless prohibited by Law, the Receiving Party provides reasonable written notice to the Disclosing Party in advance of the disclosure so that the Disclosing Party may (x) seek confidential treatment for the Confidential Information, a protective order or other appropriate remedy, relief or reliable assurances that confidential treatment will be afforded the information so disclosed (in which event, the Receiving Party will cooperate with the Disclosing Party to obtain such confidential treatment, orders or other remedy, relief or assurances); or (y) consent in writing to having the Confidential Information so produced or so disclosed (which consent will extend solely to the disclosure and production in question). Disclosure under this Section 12.4, including any authorized disclosure by the Disclosing Party, does not relieve the Receiving Party of its obligations of confidentiality generally under this Agreement. In no event will the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors oppose an action by the Disclosing Party to obtain a protective order or other relief requiring that Confidential Information to be disclosed shall be treated confidentially in connection with a third-party claim, action or proceeding. If the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors, as the case may be, has complied fully with the provisions of this Section 12.4, such disclosure may be made by the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors, as the case may be, without any liability to the Disclosing Party hereunder.

12.4.1 Disclosure to Law Enforcement. User data related to use of the Services, Additional Services and related sales activity shall not be disclosed to law enforcement or third parties except as required by law or otherwise approved in this Agreement. Before either party complies with any government agency demand to disclose such data, to the extent allowed by law, such party should request that the government agency put the demand in writing (although may accept non-written demands in certain circumstances, such as where the law permits verbal demands and in emergency situations, when communications may be oral rather than written) and otherwise follow all steps required by applicable law and consistent with the Global Network Initiative guidelines. Consistent with the companies' obligations under the Global Network Initiative, each party should interpret any such demand narrowly

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and consistent with the law, and if appears to be overbroad should seek clarification or modification of the demand before producing data. Nothing in this section is intended to prevent or restrict initiatives that seek to identify, prevent and limit access to illegal online activity such as child exploitation.

12.5 Confidentiality of Agreement. Each party agrees that the terms and conditions of this Agreement are Confidential Information of the other party and will be disclosed only as set forth in this Section 12 or as otherwise provided in Section 18 or Section 19.4.4, and that any such disclosure shall be limited to the extent possible. The parties acknowledge and agree that notwithstanding anything in this Agreement to the contrary, Yahoo! will be required to file with the Securities and Exchange Commission a Form 8-K summarizing the material terms of this Agreement and a copy of this Agreement as an exhibit to such 8-K or to its next Form 10-K or Form 10-Q, as applicable. Yahoo! will provide a draft of such Form 8-K to Microsoft a reasonable time in advance of the filing in order to allow Microsoft to review, and propose any reasonable changes to, the disclosure contained therein, and Yahoo! will consider in good faith any such proposed changes. In addition, a reasonable time prior to filing this Agreement, Yahoo! will consult in good faith with Microsoft regarding the terms of this Agreement for which either Yahoo! or Microsoft desires to request confidential treatment, will provide Microsoft a copy of any proposed confidential treatment request and will consider in good faith any proposed changes to such confidential treatment request from Microsoft.

12.6 Residuals. Each party (as Disclosing Party) acknowledges that this Section 12 is not intended to limit the professional development or career path of the employees of the other party (as Receiving Party) who have had authorized access to the Confidential Information of the Disclosing Party and whose knowledge and skills may have developed partly as a result of such access. Accordingly, neither party (as Receiving Party) shall be obligated to limit the assignment of employees who had access to the Confidential Information of the other party (as Disclosing Party), and the Receiving Party shall not be liable for trade secret misappropriation or breach of this Section 12 merely because such employees utilize the residual knowledge that such employees obtained through authorized access to Confidential Information of the Disclosing Party, provided that such employees no longer have access to the fixed form (including any written, electronic or other copies) of the Confidential Information of the Disclosing Party to which the residual knowledge pertains. For purposes of the foregoing, "residual knowledge" means the generalized information that employees of the Receiving Party retain incidentally as part of their unaided knowledge and skills where the employees (i) do not identify the information with the Disclosing Party and (ii) have not made any effort to retain or assist their recollection of the information. Notwithstanding the foregoing, nothing in this Section 12.6 shall (a) affect the prohibitions on disclosure of Confidential Information; (b) constitute, or be deemed to result in, a license under any copyrights or patents; or (c) affect any other rights or remedies a party may have under this Agreement or otherwise. Notwithstanding the foregoing, the last sentence of Section 13(a) of the Letter Agreement will continue to apply to Transferred Employees (as defined in the Letter Agreement) in accordance with the terms of the Letter Agreement, and this Section 12.6 will not limit or expand the rights or obligations with respect to Transferred Employees set forth in the last sentence of Section 13(a) of the Letter Agreement.

### **13. DATA; SECURITY**

#### **13.1 Use of Yahoo! Search Data**

13.1.1 Microsoft will be entitled, to the extent consistent with and in accordance with applicable Privacy Laws, and the Microsoft and Yahoo! then-existing privacy policies (which will not be altered for the purpose of frustrating this Agreement), to obtain and use Yahoo! Search Data solely to operate and enhance the Services. For example, but not as a limitation, Microsoft may not use such

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Yahoo! Search Data to develop, enhance, operate, target or personalize any other Web site, product, advertising solution or service (other than the Services provided pursuant to this Agreement), including without limitation Microsoft's display advertising services. Thus, if a user on Yahoo! does a search for "camera" on a Yahoo! Property and Microsoft returns a Paid Listing for such Query, the user then clicks on and purchases the camera, then Microsoft will know that a user clicked on the Paid Listing for such Query (and may even know of the conversion) but Microsoft will not associate such activity to such user for any purpose other than operating and enhancing the Services and will not use the fact that the user is or may be interested in or has purchased a camera to sell or display other advertising (i.e., other than Microsoft's Paid Search Services, Contextual Advertising Services or Additional Services) to that user. The foregoing restrictions do not apply to data, or conclusions or inferences from data, that is received or derived by Microsoft independently of its performance of the Services under this Agreement.

13.1.2 Microsoft and its Affiliates will, to the extent consistent with and in accordance with applicable Privacy Laws, provide to Yahoo! within a reasonable timeframe and in real-time where practicable, and Yahoo! may obtain, use and share with its advertisers, Yahoo! Resellers and agencies and Syndication Partners, all Yahoo! Search Data (and any other data routinely collected by Microsoft or its Affiliates in connection with the delivery of the Services to Yahoo! Properties and Syndication Properties). With respect to data that is not routinely collected by Microsoft and its Affiliates but that is collected, obtained or used by Yahoo! or its Affiliates with respect to its own Algorithmic Search Services, Paid Search Services or Contextual Advertising Services as of the Commencement Date, or that is reasonably requested by Yahoo!, Microsoft and its Affiliates will use commercially reasonable efforts to enable Yahoo! and its Syndication Partners to obtain such data or comparable data within a reasonable timeframe and in real-time where practicable. If Yahoo! chooses to use the White Label Solution described in Section 2.4.18, Microsoft and Yahoo! will instrument the White Label Solution to enable Yahoo! to collect all such data in as comparable a manner as practicable to the collection of such data prior to such election (including scope of data and timeliness).

13.1.3 Both Yahoo! and Microsoft will use reasonable efforts, consistent with and in accordance with applicable Privacy Laws, the Microsoft and Yahoo! then-existing privacy policies (which will not be altered for the purpose of frustrating this Agreement), and self regulatory frameworks, to facilitate the provisions of this Section 13. Such efforts may include appropriate disclosures within the privacy policies of the participants in the Microsoft Network, including Yahoo!, the Syndication Partners, Microsoft, and Microsoft's syndication partners, as necessary.

13.1.4 Any implementation of Additional Services or Other Platform Services shall only be provided by Microsoft to Yahoo! in a manner consistent with Privacy Laws and each party's privacy policies (which will not be altered for the purpose of frustrating this Agreement).

13.1.5 Both Microsoft and Yahoo! will be entitled, consistent with applicable Laws and their pre-existing contractual commitments with such Customer, to have equal access to and use of all Advertiser Data for such Customer. For each Customer that is Migrated, such usage rights will not commence until such Customer has Migrated. To the extent that any data that Yahoo! is required to disclose to Microsoft under this Section 13 is not available in Yahoo!'s online Panama systems but is available in Yahoo!'s offline backup systems, Yahoo! will disclose the existence of such data to Microsoft (including the nature and the age of such data), Microsoft will have the option of having such data retrieved at Microsoft's expense, and Yahoo! will reasonably cooperate in such retrieval process. Yahoo! Resellers, Microsoft Resellers and agencies may access and use Advertiser Data solely as necessary to sell and manage Paid Listings for Microsoft's Paid Search Services, Contextual Advertising Services and Additional Services (if and when Yahoo! is selling Paid Listings for such Additional

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Services) to Customers. Both Yahoo! and Microsoft will make reasonable efforts to effectuate, including inserting appropriate provisions into Customer agreements, the exchange of Advertiser Data contemplated by this Section and to conform their contracts and policies to permit it.

### 13.2 Disclosure.

13.2.1 Disclosure of Yahoo! Search Data. Yahoo! Search Data is Yahoo!'s Confidential Information under the confidentiality provisions of Section 12 and may not be disclosed by Microsoft to any third party except (i) as permitted by the second sentence of Section 12.4; (ii) Microsoft may disclose aggregated data (i.e., aggregate data that includes both Yahoo! Search Data as well as similar search data from Microsoft O&O Properties) so long as such Yahoo! Search Data is not separately identified or identifiable as such; and (iii) Microsoft may provide advertisers with performance data (e.g., impression, clickthrough, and similar analytics information) regarding their advertising campaigns even if such performance data includes Yahoo! Search Data, provided in each case that individual users are neither identified or reasonably identifiable from such aggregated or performance data.

13.2.2 Disclosure of Personal End User Information. This Section 13 does not authorize or require either party to disclose to the other party personal information regarding an end user of the disclosing party's Web sites. Notwithstanding the foregoing, in passing a Query, Non-Internet Search Query or call to the Microsoft API, Microsoft may require Yahoo! to pass the full IP address from the end user submitting the Query, Non-Internet Search Query or call to Microsoft in order for Microsoft to provide the Services or Additional Services and a Query or Non-Internet Search Query itself may contain personal information. "Covered Data" includes (i) such full IP address information and (ii) any Geo-Location data that Yahoo! elects to pass directly to Microsoft in connection with a Query, non-Internet Search Query or call to Microsoft in connection with the Services or Additional Services but limited to the jurisdictions in which such Geo-Location Data is subject to Privacy Laws that restrict the disclosure of such Geo-Location Data to third parties. Notwithstanding Section 13.1.1, Microsoft may use Covered Data solely for the purposes of providing the Services to Yahoo! (and not to any other member of the Microsoft Network, including Microsoft) under this Agreement. With respect to such Covered Data and any Queries, Non-Internet Search Queries and calls that are passed by Yahoo! in connection with the Services or Additional Services, Microsoft shall employ data retention and data anonymization practices, processes and policies comparable to those practices, processes and policies set forth in Exhibit D attached hereto when collecting comparable data (including without limitation separate time periods for separate uses such as security and fraud protection). If requested by Microsoft, Yahoo! will provide reasonable technical assistance in implementing the practices, processes and policies set forth in Exhibit D. The parties will discuss in good faith any necessary changes to such Yahoo! practices, processes and policies during the Term with the understanding that nothing in this sentence will require Microsoft to implement such changes with respect to data collected on Microsoft's own sites. Finally, as of the Commencement Date with respect to (a) the Covered Data and (b) any Queries that contain personal data collected by Yahoo! and then passed to Microsoft through the Microsoft API, to the extent either (a) or (b) is subject to the European Data Protection Directive (95/46/EC) (the "Directive"), Microsoft and Yahoo! will enter into the mandatory provisions of the Standard Contractual Clauses for Data Processors established in Third Countries approved by the European Commission as set forth in the European Data Protection Directive (95/46/EC) (the "Standard Contractual Clauses"), or such other agreement(s) as the parties may agree are appropriate (including, but not limited to, relying on the "Safe Harbor Principles" as adopted by the United States Department of Commerce on or about July 21, 2000 and agreements consistent with Article 17 of the Directive). To the extent that other jurisdictions require or adopt similar mandates, the parties agree to enter into similar agreements relating to such Covered Data and Queries containing personal data sent by Yahoo! to Microsoft through the Microsoft APIs subject to such

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mandates. For the avoidance of doubt, Yahoo! is and at all times shall remain data controller in respect of Covered Data, and to the extent Microsoft processes such data in accordance with this Section 13.2.2 it does so as data processor on behalf of Yahoo!. The terms “controller”, “personal data”, “processor” and “processes” have the same meanings as given to those terms under the European Data Protection Directive (95/46/EC).

13.2.3 To the extent the parties enter into the Standard Contractual Clauses, the parties recognize that Clauses 4(c), 4(d) and 4(e) of the Standard Contractual Clauses place responsibility on Yahoo! to determine appropriate security policies and protections for the personal data that Microsoft processes on Yahoo!’s behalf as described in Section 13.2.2. Notwithstanding this, Microsoft acknowledges that with respect to the data covered by the Standard Contractual Clauses or such other agreement(s) the parties may agree are appropriate pursuant to Section 13.2.2, Section 13.7 requires Microsoft to take steps that are appropriate to protect personal data against unauthorized or unlawful processing and accidental destruction or loss and to ensure compliance with such measures.

13.3 Microsoft PDA Listings Data. Microsoft will, to the extent consistent with and in accordance with applicable Privacy Laws, provide Yahoo! with Microsoft PDA Listings Data, and Yahoo! may use such Microsoft PDA Listings Data solely in support of sales of Microsoft’s Paid Search Services and Contextual Advertising Services to Premium Direct Advertisers, provided however Microsoft will not be required to provide the Microsoft PDA Listings Data collected from third party sites if it is contractually restricted from disclosing such data to a third party (provided that Microsoft will use commercially reasonable efforts to avoid such contractual restrictions). Microsoft PDA Listings Data is Microsoft’s Confidential Information and may not be disclosed by Yahoo! except (i) as permitted by the second sentence of Section 12.4 and (ii) to the Premium Direct Advertiser associated with the Microsoft PDA Listing in connection with the services provided by Yahoo! to that Premium Direct Advertiser under this Agreement. The foregoing restrictions do not apply to data that is received or derived by Yahoo! independently of its performance of its sales services to Premium Direct Advertisers under Section 5 of this Agreement.

13.4 Analytics. Yahoo! and Microsoft [\*]. Microsoft will endeavor to fully evaluate these options and inform Yahoo! of the outcome promptly after the Commencement Date in connection with the parties’ development of the Transition Plan. Regardless of which of these two approaches Microsoft adopts, Microsoft and Yahoo! will work together to cause the integration of YWA into the Core Platform will be at least as extensive as Microsoft provides to other third-party analytic providers and, as mutually agreed, the parties will work together to more closely integrate the Core Platform and YWA, so as to improve the overall Customer experience.

13.5 Transmission of IP Address and Geo-Location Information. At Microsoft’s request, Yahoo! will pass Microsoft truncated IP address information (with the last octet removed). If Yahoo! elects to provide Geo-Location Data to Microsoft in connection with a Query, Non-Internet Search Query or call to Microsoft, then Yahoo! will, at Microsoft’s request, also pass Microsoft the Geo-Location Data associated with that Query, Non-Internet Search Query or call that has been “up-leveled” such that the Geo-Location Data would no longer be considered personal data, provided however Yahoo! will not be required to provide the up-leveled Geo Location Data if it is contractually restricted from disclosing such data to a third party (provided that Yahoo! will use commercially reasonable efforts to avoid such contractual restrictions). The truncated IP Address and up-leveled Geo Location Data provided to Microsoft under this Section 13.5 may be used by Microsoft solely to operate and enhance the Services consistent with Section 13.1.1 above.

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13.6 Click-Fraud Data. The parties will work together during the Term to explore ways to exchange data relating to invalid and fraudulent clicks in a manner that is consistent with the parties' privacy policies and all applicable Laws.

13.7 Data Security. Each of Yahoo! and Microsoft will comply with the Information Security Agreement attached as Exhibit C.

13.8 Data Audit Rights. Both parties have the right during the Term and for a period of one year thereafter, on reasonable advance written notice to the other, not more than once in any 12-month period, to have a mutually acceptable, independent, auditor that is not a competitor of either party audit the other party and its Affiliates in compliance with applicable Laws to verify that the receiving party is not in material breach of its obligations to the disclosing party respecting the use, storage, retention, anonymization, and unauthorized disclosure of data in this Section 13 (provided, however, that the audit will not apply to Affiliates or discrete business units of the other party that do not receive, store, or utilize any such data). Any such audit by Yahoo! or Microsoft ("auditing party") will be conducted on a confidential basis and initially will be limited to confirming (a) that the other party ("audited party") has established a reasonable process (technological, policy-based, or otherwise) process for providing reasonable assurance that the auditing party's data will not be (and has not been) handled in breach of such obligations and that the audited party has followed such process, and/or (b) if the audited party has not established such a process for all or a portion of the data, that the circumstances of the audited party's use, storage, retention, anonymization, and disclosure are such that such a process is not necessary to provide reasonable assurance that the auditing party's data will not be (and has not been) handled in breach of such obligations. If the auditor reasonably determines that a reasonable process has been established and followed, and/or that such circumstances exist, then the audit shall conclude. If the auditor reasonably determines that a reasonable process has not been established and/or adequately followed, or that such circumstances do not exist (collectively "Audit Issues"), then the auditing party has the right to have the auditor conduct a further reasonable, confidential review during regular business hours, in such a manner so as not to interfere with the normal business activities and relationships of the audited party and its Affiliates, to determine if any material breach of such Section 13 obligations has occurred related to such Audit Issues. The audit shall be at the auditing party's expense, except that the audited party will pay the costs of the audit if a material breach of such obligations is found. If the auditor reasonably determines that any material breach of such audited party's obligations has occurred, then (x) the auditor shall provide a confidential summary report outlining the scope of the material breach to the auditing party (provided that the auditor shall first provide the report to the audited party so that the audited party may review and redact from the report any and all competitively sensitive Confidential Information of the audited party (e.g., source code or financial information) while still allowing the auditor to preserve the substance of the report), and (y) the audited party will promptly cease (and cause its Affiliates, if applicable, to cease) such breach of its obligations or if such breach is disputed, either party may pursue any remedies available to it. Under no circumstances will any Confidential Information of the audited party not already in possession of the auditing party be disclosed or otherwise provided to the auditing party except to the extent included in such summary report after review and redaction by the audited party (and the auditing party shall be subject to the obligations of Section 12 with respect to any such summary and Confidential Information that is disclosed). If the auditor reasonably determines in its report that there is no material breach by the audited party, then the auditing party may not conduct another audit sooner than 18 months after the date of such report. Nothing in the foregoing either implies an obligation to establish a compliance process or affects the parties' obligation to comply with the duty of care and protection set forth in Section 12 with respect to Confidential Information.

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## 14. REPRESENTATIONS AND WARRANTIES

14.1 General Representations and Warranties. Each of the parties hereto represents and warrants to the other as of the Effective Date that (a) it is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (b) it has the corporate power and authority to enter into this Agreement and the transactions contemplated hereby, the execution, delivery and performance of this Agreement and the transactions contemplated hereby, have been duly authorized by all necessary corporate action by such party; and (c) the execution, delivery and performance of this Agreement, and the performance of the transactions contemplated hereby, by such party does not violate any provision of its articles of incorporation, bylaws or other organizational documents.

14.2 Microsoft Representations and Warranties. Microsoft represents and warrants to Yahoo! that as of the Effective Date hereof, in United Kingdom, France, Taiwan, Canada, United States, and Singapore, Microsoft has no exclusive Reseller agreements or other contractual agreements that materially conflict with the exclusive rights and privileges granted to Yahoo! under this Agreement. In all markets, from and after the Letter Agreement Effective Date, Microsoft and its Affiliates and joint ventures (“Microsoft Entities”) have not entered, and will not enter into, renew, or allow to auto-renew, such materially conflicting agreements. If, at any time, the Microsoft Entities do have exclusive reseller arrangements or other contractual arrangements in a country that would materially conflict with the exclusive rights and privileges granted to Yahoo! under this Agreement, then Microsoft will disclose the existence and duration of such reseller arrangements to Yahoo! promptly, and the nature of the conflict, and will collaborate in good faith to move those relationships to Yahoo! or to terminate the conflicting relationship as soon as practicable without penalty.

14.3 Yahoo! Representations and Warranties. Yahoo! represents and warrants to Microsoft that the written information regarding the existing agreements between Yahoo! and Yahoo! Japan provided by Yahoo! to Microsoft does not contain any material misstatements.

## 15. DISCLAIMER

EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES MADE BY THE PARTIES IN THIS AGREEMENT AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, NO PARTY HERETO MAKES ANY OTHER REPRESENTATIONS OR WARRANTIES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND TO THE MAXIMUM EXTENT PERMITTED BY LAW, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY, OR NONINFRINGEMENT OR ARISING FROM COURSE OF PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE. FOR CLARITY, THE DISCLAIMERS CONTAINED IN THIS SECTION 15 ARE NOT INTENDED TO LIMIT THE PARTIES’ OBLIGATIONS OR REMEDIES UNDER THE LICENSE AGREEMENT.

## 16. INDEMNIFICATION

16.1 Microsoft Indemnity of Yahoo!. Microsoft will defend at Microsoft’s cost (with legal counsel selected by Microsoft and approved by Yahoo!, which approval will not be unreasonably withheld) the Yahoo! Indemnified Parties against any Third Party Claim and indemnify the Yahoo! Indemnified Parties from any Covered Amounts resulting from such Third Party Claim, to the extent that the Third Party Claim is based upon:

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16.1.1 an allegation that any Service, Additional Service, Other Platform Service, the Core Platform, the Microsoft Materials (excluding Rendering Code) or any portion or element of any of the foregoing (except to the extent such Third Party Claim is based on improvements, enhancements, modifications, designs, features, functions, processes, methods or other elements that were implemented (a) at the request or under the direction of Yahoo! or any of its Affiliates or as required by Yahoo!'s or its Affiliate's specifications but only to the extent that the implementation of such element cannot be reasonably accomplished without infringing, misappropriating or violating any third-party Intellectual Property Rights; and (b) solely on behalf of Yahoo! and not for Microsoft O&O Properties or any other property within the Microsoft Network), or the underlying technology or business methods used by Microsoft in providing any of the foregoing (except to the extent such Third Party Claim is based on technology provided to Microsoft by Yahoo! or any of its Affiliates) (a) infringes, misappropriates or otherwise violates any third-party Intellectual Property Rights or violates any Law; (b) breaches any third-party rights of publicity or privacy, or (c) is false, deceptive, misleading, unethical, defamatory, libelous, or threatening;

16.1.2 an allegation that any Result provided by Microsoft in the performance of Services, Additional Services or Other Platform Services under this Agreement (excluding any Paid Listings described in Section 5.7) (a) infringes, misappropriates or otherwise violates any third-party Intellectual Property Rights or violates any Law, (b) breaches any third-party rights of publicity or privacy, or (c) is false, deceptive, misleading, unethical, defamatory, libelous, or threatening;

16.1.3 any breach (or any allegation that, if true, would constitute a breach) (a) by Microsoft of any of its representations or warranties, or (b) by Microsoft or any of its Affiliates of any of its covenants or obligations set forth in this Agreement (notwithstanding, in the case of any breach of Microsoft's obligations under Section 13.7, the warranties related to clause 4(c), 4(d) and 4(e) of the Standard Contractual Clauses);

16.1.4 Yahoo!'s adherence to Microsoft's editorial policies, creative acceptance policies or other policies regarding Customers or advertising content;

16.1.5 any breach (or any allegation that, if true, would constitute a breach) by Microsoft of any agreement between Microsoft and any third party, including any Customer or any third-party publisher in the Microsoft Network, except to the extent such breach was caused by a breach of this Agreement by Yahoo! or any of its Affiliates; or

16.1.6 any allegation that the execution, delivery or performance of this Agreement or the consummation of any of the transactions contemplated by this Agreement induce, cause, constitute or result in any violation, breach or impairment of, any default under or any conflict or interference with any agreement, contract, license, promise, commitment, arrangement, option or undertaking, whether written or oral, of Microsoft or any of its Affiliates.

16.2 Yahoo! Indemnity of Microsoft. Yahoo! will defend at Yahoo!'s cost (with legal counsel selected by Yahoo! and approved by Microsoft, which approval will not be unreasonably withheld) the Microsoft Indemnified Parties from and against any Third Party Claim and indemnify each of the Yahoo! Indemnified Parties from all Covered Amounts, to the extent that the Third Party Claim is based upon:

16.2.1 any allegation that (i) content (other than Results or other content provided by or for Microsoft) displayed on Web pages within the Yahoo! Properties or Syndication Properties on which pages Results or other content provided by or for Microsoft or its Affiliates under this Agreement are also

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displayed or (ii) any of the [\*] or any portion or element of any of the foregoing (but for avoidance of doubt not including any [\*]);

16.2.2 any allegation that any Paid Listing described in Section 5.7 [\*];

16.2.3 any breach (or any allegation that, if true, would constitute a breach) (a) by Yahoo! of any of its representations or warranties, or (b) by Yahoo! or any of its Affiliates of any of its covenants or obligations set forth in this Agreement;

16.2.4 any breach (or any allegation which, if true, would constitute a breach) by Yahoo! of any agreement between Yahoo! and any third party, including any Customer or any Syndication Partner, except to the extent such breach was caused by any breach of this Agreement by Microsoft or its Affiliates;

16.2.5 any allegation that the execution, delivery or performance of this Agreement or the consummation of any of the transactions contemplated by this Agreement induce, cause, constitute or result in any violation, breach or impairment of, any default under, or any conflict or interference with any agreement, contract, license, promise, commitment, arrangement, option or undertaking, whether written or oral, of Yahoo! or any of its Affiliates;

16.2.6 any action or inaction that would constitute a breach of Section 2.4.17(b) or Section 2.4.17(c) in the absence of Section 2.4.17(a); or

16.2.7 Yahoo!'s use, reproduction, distribution or other exploitation of the Web Crawl Cache.

16.3 Procedure. The Indemnified Party will promptly notify the Indemnifying Party in writing, of any Third Party Claim for which defense and indemnification is sought, provided that the failure to promptly notify the Indemnifying Party will relieve the Indemnifying Party of its obligations hereunder only to the extent that the Indemnifying Party is prejudiced by such failure. The Indemnified Party will allow the Indemnifying Party or its authorized representative, at the Indemnifying Party's cost and expense to control the defense and settlement of the claim. The Indemnified Party will be entitled to participate reasonably in the defense and settlement of the claim with counsel of its choice at its own expense, and will reasonably cooperate with the Indemnifying Party with respect to such defense and settlement. The Indemnifying Party will not settle any claim without the written consent of the Indemnified Party (which consent will not be unreasonably withheld or delayed).

16.4 Right to Ameliorate Damages. If an Indemnified Party seeks indemnity under this Agreement for a claim for infringement of Intellectual Property Rights, the Indemnifying Party may, in its sole discretion and at its sole expense and without limiting any of its obligations under Section 16.1 or 16.2, as the case may be: (a) obtain the right for the Indemnified Party to continue to use the allegedly infringing service, technology, content or material; or (b) provide a non-infringing substitute with at least the same features, functions and performance as the allegedly infringing service, technology, content or material (a "Non-Infringing Alternative"), in which case the Indemnified Party will use commercially reasonable efforts to implement promptly such Non-Infringing Alternative, provided that the Indemnifying Party agrees to reimburse the Indemnified Party for any out-of-pocket expenses reasonably incurred to implement the Non-Infringing Alternative.

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16.5 Limitations on Indemnity Obligations. Notwithstanding anything to the contrary, neither party will have any obligation to provide any defense or indemnification under this Agreement with respect to any Third Party Claim to the extent arising from any use of the Indemnifying Party's services, technology, content or material in a manner that is prohibited by this Agreement. In addition, notwithstanding anything to the contrary, neither party will have any obligation to provide any defense or indemnification under this Agreement [\*].

16.6 Optional Microsoft Indemnity of Yahoo!. In the event of:

16.6.1 any Third Party Claim based upon [\*]; or

16.6.2 any Third Party Claim based upon an allegation that any Result provided by Microsoft in the performance of Services, Additional Services, or Other Platform Services under this Agreement (i) infringes, misappropriates or otherwise violates any third-party Intellectual Property Rights or violates any Law, (ii) breaches any third-party rights of publicity or privacy, or (iii) is false, deceptive, misleading, unethical, defamatory, libelous, or threatening not within the purview of Microsoft's obligations under Section 16.1 (e.g., a Third Party Claim within any of the exclusions set forth in Section 16.1.1 or limitations set forth in Section 16.5); (any Third Party Claim described in Section 16.6.1 or this Section 16.6.2 above being referred to herein as an "Optional Claim"), then:

(a) Yahoo! will use commercially reasonable efforts to promptly notify Microsoft in writing of the Optional Claim; and

(b) Microsoft may, at its option, assume control over the defense and settlement of an Optional Claim by giving Yahoo! written notice thereof, whereupon: (i) Microsoft will thereafter defend and indemnify the Yahoo! Indemnified Parties with respect to such Optional Claim in the same manner that Microsoft is obligated to defend and indemnify them with respect to Third Party Claims within the purview of Microsoft's obligations under Section 16.1; and (ii) Sections 16.3 and 16.4 will apply to such Optional Claim.

## 17. GOVERNANCE; DISPUTE RESOLUTION; ARBITRATION

17.1 Executive Steering Committee. Senior executives from each party will form a committee (the "Executive Steering Committee") that will meet at least monthly to review progress in achieving the parties' interests under this Agreement. In light of the long term nature of this Agreement, the parties agree that the Executive Steering Committee will consider, among other things and consistent with such interests, mutually acceptable reasonable modifications or additions to this Agreement in light of evolving technologies and platforms, changing industry practices and competitive landscapes, regulatory and legal developments and similar factors. The Executive Steering Committee will have one senior executive who will act as the lead from each of the parties. Each of Microsoft's and Yahoo!'s senior executive(s) on the Executive Steering Committee will have leadership roles within their respective companies directly related to the Services. Each party's senior executive(s) participating in the Executive Steering Committee will have decision-making authority on behalf of their respective company with respect to matters discussed and escalation issues.

17.2 Relationship Managers. Each party will also assign a dedicated Relationship Manager to manage the day-to-day implementations of the collaborations described in this Agreement. The Relationship Managers will also identify key subject matter experts at their respective companies to assist in managing specific workstreams such as paid search, algorithmic search, contextual advertising,

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performance in individual countries or regions, coordinating support for Premium Direct Advertisers, etc. Relationship Managers or their delegates will be available to reach each other on a 24x7 basis. Without limitation of a party's right to seek arbitration in connection with any Dispute as provided for in this Agreement, each Relationship Manager shall be empowered to escalate to the Executive Steering Committee unresolved issues of significance to the relationship such as unusual declines in click-through rate, deteriorations in traffic quality or Results quality or either party's implementation of Results on its respective properties and any potential impacts of such implementation.

17.3 Oversight and Management. Promptly after the Commencement Date, the Executive Steering Committee and Relationship Managers will oversee and manage, respectively, the goals, specific success metrics, implementation schedules, milestones, and the parties' respective project teams specified in this Agreement.

17.4 Dispute Resolution. Each and every dispute, controversy, or claim arising out of or in connection with this Agreement, or regarding the breach, termination or validity of this Agreement, including the validity of this dispute resolution provision (any such dispute, controversy or claim, a "Dispute") shall be resolved by final and binding arbitration. Except as otherwise expressly provided in Section 17.4.2 below, no proceeding as set forth below with respect to any Dispute between the parties may be commenced, nor may a party terminate any portion of this Agreement for a material breach of a material warranty, representation, covenant or obligation of this Agreement, until the parties have first attempted in good faith to resolve the Dispute amicably in accordance with this Section 17.4.

17.4.1 Notice of Dispute. Except for any Dispute that may be submitted directly to the CEOs of each party or to Arbitration pursuant to Section 17.4.2, the party raising the Dispute shall give written notice to the other party's Relationship Manager setting forth the details of the Dispute and any proposed solution or compromise. Any such notice will reference this Section 17.4. As soon as reasonably possible following receipt of such notice, the Relationship Managers will discuss such issue.

17.4.2 Pre-Arbitration Escalation. In the event that the Relationship Managers have not resolved such Dispute within seven days following receipt of written notice thereof pursuant to Section 17.4.1 (the "Relationship Escalation Period"), either Relationship Manager may escalate the issue to the Executive Steering Committee. The Executive Steering Committee will work together in good faith to resolve any such Disputes as soon as practicable but no later than 30 days following receipt of notice thereof from a Relationship Manager (the "Executive Steering Escalation Period"). Notwithstanding anything in this Agreement to the contrary, an Executive Steering Committee member or Relationship Manager may immediately escalate a Dispute to the CEOs of each party and/or a party may bring such Dispute to Arbitration in accordance with Section 17.5 by written notice referencing this Section 17.4.2 if: (a) such Dispute involves any of the following issues: parity treatment under this Agreement, discrimination under Section 7.3 of this Agreement, staffing or resource commitments and SLA performance (unless the SLA expressly provides otherwise); (b) as otherwise expressly provided in this Agreement; (c) the other party's Executive Steering Committee members are not working in good faith to resolve such Dispute; (d) if such Dispute is escalated to the CEOs and they are unable to resolve such dispute within seven days of such escalation or (d) a party seeks emergency injunctive relief.

17.5 Arbitration. Any and all Disputes (including, but not limited to, the validity of this agreement to arbitrate) that are not otherwise resolved pursuant to, or that may be immediately escalated as set forth in, Section 17.4, will be resolved solely and exclusively by final, binding and confidential arbitration to be held and the decision rendered in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"), including the

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Procedures for Large, Complex Commercial Disputes and, with respect to any claim for interim, injunctive or other emergency relief, the Optional Rules for Emergency Measures of Protection and such other rules as the parties may agree in writing. At the request of either party any individual hearing will be held in San Francisco, California. Except with respect to claims for interim, injunctive or emergency relief, where an Emergency Arbitrator will be appointed pursuant to Rule O-1 of the AAA Emergency Measures of Protection, the arbitration will be heard and determined before arbitrators selected in accordance with the remainder of this Section 17.5. The parties agree that the arbitrator is authorized to compel and award interim injunctive or emergency relief. The parties further agree that they may seek and the arbitrator(s) may compel and award specific performance (in addition to any other remedies and including in connection with claims for interim, injunctive or emergency relief), even if such relief could not be awarded or would otherwise be unavailable if the claim were to be adjudicated in a judicial proceeding. Accordingly, in any action for specific performance, the parties waive the defense of adequacy of a remedy at law. Any non-monetary relief will be tailored to preserve, to the greatest extent possible, the scope of Services provided under this Agreement and the parties' intent with respect to such Services.

17.5.1 Smaller Claims. If the Dispute involves a claim for monetary damages only and in an amount equal to or less than \$1,000,000.00, exclusive of legal fees and costs of the arbitration, then the parties will jointly select one arbitrator. The arbitrator will be an independent neutral arbitrator who is an attorney or retired judge experienced and knowledgeable about the Internet industry and about the particular products or services at issue, who is impartial, is not an employee, attorney, agent, consultant or former employee, attorney, agent or consultant of either party or such party's current or former Affiliates and is willing and able to attend any hearing in San Francisco, California (a "Qualified Arbitrator"). If the parties do not agree on the identity of the arbitrator within five Business Days of the commencement of the arbitration, either party may apply to AAA for the appointment of a Qualified Arbitrator from the National Roster in accordance with R-11 of the Commercial Arbitration Rules. If required to act in accordance with this Section to appoint a single arbitrator in lieu of a party, AAA will provide a list of candidates within seven days of the application and will appoint an arbitrator within seven days of receipt of the parties' preference list (the "AAA Appointment Time Periods").

17.5.2 Larger Claims.

(a) For all Disputes not covered by Section 17.5.1, the Dispute will be determined by a panel of three arbitrators. The party initiating the arbitration (the "Claimant") will appoint a Qualified Arbitrator in its request for arbitration, demand for arbitration or notice of claim filed with AAA (the "Demand"). The party responding to the Demand (the "Respondent") will within 15 days appoint a Qualified Arbitrator and notify the AAA and Claimant in writing of the appointment. If within 30 days after receipt of the response by the Respondent, either party has not appointed an arbitrator then, at the request of either party, AAA will appoint a Qualified Arbitrator from its then-current Large, Complex Commercial Case Panel in accordance with the procedure set forth in R-11 of the Commercial Arbitration Rules and pursuant to the AAA Appointment Time Periods.

(b) The first two arbitrators appointed in accordance with this provision will appoint a third arbitrator within 15 days after the Respondent has notified the Claimant of the appointment of the Respondent's arbitrator in writing, or in the event of failure by a party to appoint, within 15 days after AAA will have appointed an arbitrator in lieu of the failing party. When the third arbitrator has accepted the appointment, the two arbitrators making the appointment will promptly notify the parties in writing of the appointment. If the first two

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arbitrators fail to appoint the third arbitrator in the time set forth herein, at the request of either party, AAA will appoint the third Qualified Arbitrator from its then-current Large, Complex Commercial Case Panel in accordance with the procedures set forth in R-11 of the Commercial Arbitration Rules and pursuant to the AAA Appointment Time Periods. The third arbitrator appointed pursuant to this Section will act as the chair of the arbitration panel.

17.5.3 Choice of Law; Jurisdiction, Venue and Waiver. This arbitration provision (including the validity and applicability of the agreement to arbitrate, the conduct of any arbitration of a Dispute, the enforcement of any arbitration award made hereunder and any other questions of arbitration law or procedure arising hereunder) and its interpretation, and any Dispute, shall be governed by and construed in accordance with the internal laws of the State of New York, without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of New York. The parties specifically exclude from application to this Agreement the United Nations Convention on Contracts for the International Sale of Goods and, to the extent not adopted by New York, the Uniform Computer Information Transactions Act. The parties further agree that any claim, cause of action or proceeding relating to any arbitration sought, compelled or performed hereunder will be brought and pursued only in the U.S. District Court for the Southern District of New York or, solely in the case that such federal court does not have jurisdiction, in any New York State court sitting in New York City (collectively, the "New York Courts"). Microsoft and Yahoo! each submit to the exclusive jurisdiction and venue of the New York Courts for such purposes, except that any confirmed arbitration award may be enforced in any court having jurisdiction over a party or, to the extent of any in rem action, any of its assets. The parties further irrevocably waive any objection to the laying of the venue of any such proceeding in the New York Courts, any claim that any such proceeding has been brought in an inconvenient or inappropriate forum and any right to a jury trial with regard to any such proceeding.

17.5.4 Conduct of Arbitration. The arbitration award and decision will be a reasoned decision, and will state with particularity, in writing, the legal and factual basis for the decision. The arbitration award and decision will be final and binding upon the parties and accordingly the parties irrevocably waive any argument that any Dispute should not be submitted to, or resolved by, binding arbitration and any arbitration award will not be subject to review or appeal except on the grounds set forth in the Federal Arbitration Act, 9 U.S.C. § 1 et seq. Each party will pay its own costs and expenses of arbitration as well as the fees and expenses of any party-appointed arbitrator. All remaining administrative costs of arbitration, including the costs of AAA and any arbitrator appointed jointly or by the AAA, will be paid 50% by Microsoft and 50% by Yahoo!. The arbitration panel will be authorized in its discretion or as otherwise authorized by Law, to grant pre- and post-award interest at a rate equal to the weekly average 1-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System. Any additional costs, fees or taxes incident to enforcing the award will be awarded to the prevailing party as otherwise authorized or allowed by law.

17.5.5 Expedited Process. It is the intent of the parties to have any arbitration proceed in an expeditious manner; however, any deadline, time period, or procedure contained herein may be extended or modified by mutual written agreement of the parties and the parties agree that the failure of the arbitrators or the AAA to strictly conform to any deadline, time period, or procedure will not be a basis for seeking to overturn any decision rendered by the arbitration panel.

17.5.6 Confidentiality of Proceedings. The parties agree that any arbitration proceedings hereunder will be treated as the Confidential Information of both parties and that the existence of the proceeding and any element of it (including, but not limited to, any pleadings, briefs or

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other documents submitted or exchanged and any testimony or other oral submissions and awards) will not be disclosed beyond the arbitration panel, except as may lawfully be required in judicial proceedings relating to the arbitration or in accordance with the disclosure provisions of Section 12.

## 18. PUBLIC RELATIONS AND COMMUNICATIONS

18.1 Publicity. No party (or their Affiliates) may issue any press release or make any similar public announcement or public statement, regarding this Agreement or the License Agreement without the other party's prior written approval and consent, except as may be required by Law (including securities laws and regulations) or legal process or by any listing agreement with a national securities exchange, in which case the party proposing to issue such press release or make such public announcement will use its commercially reasonable efforts to consult in good faith with the other party before making any such public announcement. Except as otherwise provided in this Section 18.1, any and all press releases or similar public announcements or public statements relating to this Agreement will be approved in advance of the release, in writing, by both Yahoo! and Microsoft and once released, either party may repeat information so released and any other public statement that has been publicly disclosed in accordance with Section 12.4 or Section 12.5 without further consent of the other party. Additionally the parties' public relations and communications staff shall use reasonable efforts to develop (and update, when appropriate) standard messaging points that may be used to describe the parties' relationships under this Agreement in activities that do not require joint approval under this Section.

## 19. TERM AND TERMINATION

19.1 Term. The term of this Agreement will commence on the Commencement Date and will continue for ten years from the Commencement Date, unless earlier terminated as provided in this Section 19 (the "Term").

19.2 Pre-Commencement Termination. Prior to the Commencement Date, this Agreement may be terminated, and the transactions contemplated hereby abandoned, as set forth in Section 2 of the Letter Agreement.

19.3 Post-Commencement Termination Rights. After the Commencement Date, each party (as "Non-Breaching Party") may terminate this Agreement for repeated uncured material breaches of the other party (as "Breaching Party") (but not breaches by the Syndication Partners) as described in Section 19.3.2 below or certain significant events as described in Section 19.3.1 below. Any termination under this Section 19.3 shall be limited to the individual country or countries in which the event has occurred, except that the entire Agreement may be terminated if the repeated breaches or significant event occurs in the U.S. and otherwise meets the requirements of this Section 19.3 with respect to termination in such country.

### 19.3.1 Termination for Material Events.

(a) Yahoo! may, in addition to all of its other rights and remedies including specific performance, terminate this Agreement, if Microsoft attempts to exit the Business in a country, either by simply ceasing to offer Microsoft's Algorithmic Search Services or Paid Search Services in the relevant country or by selling or transferring or attempting to sell or transfer all or substantially all of either Business of that country, or the assets or the beneficial ownership of either such Business, to an entity other than an Affiliate. In such cases, and without limitation of any of Yahoo!'s other rights and remedies, Microsoft will provide Yahoo! a right of first refusal

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and right of last offer to purchase such Business in the applicable country, as set forth in Section 19.4;

(b) After the Guarantee Term in the United States, Yahoo! may terminate this Agreement if there is a Material Decline; provided however, if Yahoo! provides notice to Microsoft of its desire to terminate under subsection (i) of the definition of “Material Decline” during the first [\*] after the Guarantee Term in the United States due to such Material Decline, then Microsoft has the option (which must be exercised within 30 days of Yahoo!’s notice of desire to terminate) to extend the Guarantee Term in the United States to cover an additional [\*] commencing after the expiration of the original Guarantee Term in which case Yahoo! may not terminate during such [\*] period for a Material Decline under subsection (i) of the definition of “Material Decline” although Yahoo! could still terminate under subsection (ii) of such definition if applicable. Yahoo! will provide sufficient advance notice to Microsoft of its intent to terminate under this Section 19.3.1(b) to allow Microsoft to exercise its rights hereunder. If Microsoft does not extend the US Guarantee Term then Yahoo! shall be entitled to terminate this Agreement;

(c) Either party may terminate the Agreement if a Law would have a significant adverse impact on a primary aspect of the terminating party’s benefit of the bargain where (i) the parties would be unable to revise the terms of this Agreement to fairly restore the terminating party’s benefit of the bargain and (ii) such Law would not apply in such a manner as to prevent the terminating party from entering into an agreement including a similar benefit with a third party.

**19.3.2 Termination for Repeated Material Breach.** A Non-Breaching Party may terminate this Agreement if the Breaching Party has repeatedly materially breached material provisions of this Agreement (including for example and without limitation, provisions regarding the quality of Results, parity, and technical performance) to the extent applicable to the relevant country to such a degree that it is unlikely that the Breaching Party is willing or able to continue to perform its obligations under this Agreement in such country without continuing to materially breach this Agreement.

**19.3.3 Right to Arbitration.** A party must tender a notice of termination prior to termination of this Agreement or any portion thereof. Without limiting any other rights or remedies, and for the avoidance of doubt, following a notice that one party intends to terminate this Agreement under any of the foregoing paragraphs, the non-terminating party may trigger an arbitration under Section 17.5 to have the arbitrator decide whether the standards for termination have been satisfied.

**19.3.4 Other Termination Rights.**

(a) During the 30-day period following the fifth anniversary of the Commencement Date, if the trailing 12-month average of Yahoo!’s RPS for its primary United States Yahoo! Properties is less than [\*]% of Google’s trailing 12-month estimated average RPS then Yahoo! may terminate this Agreement. The parties will make the calculations described in the previous sentence according to the following methodology (the “Relative RPS Formula”): [\*]. The Relative RPS Formula will also include mechanisms designed to normalize, as much as reasonably practicable, changes in Yahoo!’s Web search traffic patterns and UI for the purposes of making relevant comparisons between the Google and Yahoo! Web search experiences. The goal of the test and accompanying normalization is to compare the effectiveness of the two monetization engines at monetizing Web search queries in aggregate, on a similar UI. The parties will work in good faith after the Commencement Date to develop the appropriate mechanisms in

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accordance with the principles described in the previous sentences. Yahoo! will take no action to artificially or nefariously manipulate the number of queries or query mix or monetization rates used to make the calculations for the Relative RPS Formula.

(b) If Yahoo! does not terminate this Agreement pursuant to the procedure in Section 19.3.4(a) above, then at any time after the fifth anniversary of the Commencement Date, if the trailing 12-month average of Yahoo!'s RPS for its primary United States Yahoo! Properties is less than [\*]% of Google's trailing 12-month estimated average RPS in accordance with the Relative RPS Formula, then Yahoo! may terminate this Agreement upon [\*] notice to Microsoft. During such [\*] period, Yahoo! may shorten the termination notice period (i) to [\*], if Microsoft materially breaches this Agreement and (ii) to [\*], if the trailing [\*] average of Yahoo!'s RPS for its primary United States Yahoo! Properties is less than [\*].

#### 19.4 Right of First Refusal.

19.4.1 Notice. From the Commencement Date until the end of the Term, if Microsoft intends to wind up or to sell, spin off or otherwise divest of all or substantially all of a Business to an unaffiliated third party (including, without limitation, by means of an exclusive license of substantially all of the material Intellectual Property Rights used in a Business) in any country (a "Divestiture"), then without limitation of any of Yahoo!'s other rights and remedies under this Agreement, Microsoft shall, prior to entering into any discussions or negotiations with any unaffiliated third party other than Yahoo! regarding a Divestiture, give Yahoo! written notice (the "Divestiture Notice") setting forth Microsoft's intention to initiate or engage in discussions regarding a Divestiture and identifying the Business that is the subject of the Divestiture and the proposed nature, means and other material terms of the Divestiture (if determined).

19.4.2 Right of First Refusal Negotiation Period. Within [\*] after Microsoft gives the Divestiture Notice to Yahoo!, Yahoo! shall give Microsoft written notice of whether it desires to enter into an exclusive negotiation period to be the acquirer in the Divestiture. If Yahoo! elects to enter into an exclusive negotiation period, then for a period of [\*] following the date on which Microsoft gives the Divestiture Notice to Yahoo! (such [\*] period, together with any mutually agreed upon extensions thereof agreed to in writing by Yahoo! and Microsoft, the "Negotiation Period"), Microsoft shall make itself reasonably available to Yahoo! to discuss the terms of the proposed Divestiture and, if Yahoo! so elects, to negotiate a definitive agreement for Yahoo! to be the acquirer in the Divestiture. Microsoft agrees that during the Negotiation Period, Microsoft shall not concurrently negotiate with, provide information to, or enter into an agreement with any unaffiliated third party other than Yahoo! regarding a Divestiture. If at any time during the Negotiation Period, Yahoo! determines it is not interested in being the acquirer in the Divestiture, Yahoo! shall give prompt written notice to Microsoft of such determination and the Negotiation Period shall end on the date such notice is given to Microsoft. At any time prior to the end of the Negotiation Period, Yahoo! may elect to submit a final proposal regarding the Divestiture, which proposal shall include Yahoo!'s proposed purchase price and any other material terms of the proposed Divestiture. If Yahoo! and Microsoft fail to execute definitive agreements by the end of the Negotiation Period for any reason other than the material breach by Microsoft of its obligations contained in this Section 19.4, then, without limiting any of Yahoo!'s other rights and remedies in this Agreement, Microsoft may, if it so desires in its sole discretion, wind up the Business that is the subject of the Divestiture Notice.

#### 19.4.3 Right of Last Offer.

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(a) If Yahoo! and Microsoft fail to execute definitive agreements by the end of the Negotiation Period for any reason other than the material breach by Microsoft of its obligations contained in this Section 19.4, then Microsoft shall have [\*] (the “Alternative Proposal Negotiation Period”) from the end of the Negotiation Period to engage in discussions with any parties regarding the Divestiture that was subject to the Divestiture Notice. If Microsoft is prepared to execute a definitive agreement with an unaffiliated third party regarding a Divestiture (a “Third Party Proposal”), Microsoft shall give written notice to Yahoo! of such Third Party Proposal (a “Proposal Notice”) stating (a) Microsoft’s bona fide intention to enter into a definitive agreement with respect to the Third Party Proposal and (b) the material terms and conditions of the Third Party Proposal, including a copy of the proposed definitive agreement(s) and any related exhibits, annexes or schedules to the definitive agreement(s). Until 11:59 p.m., Pacific time, on the [\*] following the date on which Microsoft gives the Proposal Notice to Yahoo!, Yahoo! shall have the right to elect to acquire the Business on the terms and conditions set forth in the Third Party Proposal by delivering notice to Microsoft setting forth such election, which election shall be binding and irrevocable (the “Election Notice”). If the Third Party Proposal contains obligations on the part of Yahoo! that cannot be agreed to by Yahoo! because (i) such agreement would be prohibited by Law, (ii) Yahoo! does not offer or cannot perform the services agreed to be performed by the third party, or (iii) such agreement contains provisions that, due to the difference in the nature, size or scope of Yahoo!’s business and assets versus those of the third party, are not equivalent in the costs or scope of obligations imposed on Yahoo! (compared to the costs or scope of obligations imposed on the third party) or the benefits conveyed to Microsoft (compared to the benefits conveyed to Microsoft by the third party) (for example, if the third party was a purely local Internet portal in a particular country and the Third Party Proposal included a license to all of the third party’s intellectual property or an agreement to place ads on each of the third party’s web pages or home page) (any such obligations, the “Unperformable Obligations”), then Yahoo! may propose changes to the Unperformable Obligations provided that the proposal by Yahoo! reflecting the Third Party Proposal inclusive of such changes to the Unperformable Obligations (the “Modified Proposal”) is at least as favorable, taken as whole, to Microsoft as the Third Party Proposal. Yahoo! will use its best efforts to identify any Unperformable Obligations and to discuss potential changes to such Unperformable Obligations with Microsoft prior to delivering its Election Notice, if any. Any Unperformable Obligations shall be set forth in reasonable detail in the Election Notice, together with any proposed changes to the Unperformable Obligations which Yahoo! has been able to determine as of the time of delivery of the Election Notice. Notwithstanding the foregoing, to the extent the Third Party Proposal provides for the payment of consideration by the third party to Microsoft of cash, stock or other securities, the obligation to pay such consideration shall in no event constitute an Unperformable Obligation and may not be changed except as set forth in Section 19.4.5.

(b) If Yahoo! gives Microsoft an Election Notice that complies with Section 19.4.3(a), Microsoft shall cease any and all discussions with any other unaffiliated third parties regarding the Divestiture that is the subject of the Proposal Notice and Microsoft and Yahoo! shall for a period of [\*] following the date on which Microsoft gives the Proposal Notice to Yahoo! (such [\*], together with any mutually agreed upon extensions thereof agreed to in writing by Yahoo! and Microsoft, the “Documentation Period”) cooperate in good faith to prepare, negotiate and execute a definitive agreement on the same terms contained in the Proposal Notice (subject to any Modified Proposal and Section 19.4.5).

(c) If Yahoo! does not exercise its right of last offer by giving Microsoft an Election Notice that complies with Section 19.4.3(a) then Microsoft shall have the right during

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

the subsequent [\*] to enter into a definitive agreement relating to such Third Party Proposal in the form presented to Yahoo! in the Proposal Notice relating to such Third Party Proposal. If Yahoo! exercises its right of last offer by giving Microsoft an Election Notice that complies with Section 19.4.3(a), but subsequently (i) does not execute a definitive agreement by the end of the Documentation Period or (ii) if a definitive agreement is executed, does not close the transaction, in each case for any reason other than the material breach by Microsoft of its obligations contained in this Section 19.4 or in the definitive agreement or a failure of the conditions precedent to Yahoo!'s obligations to close the transaction under the definitive agreement to be satisfied, then, without limiting any of Microsoft's other rights and remedies under this Agreement, Yahoo!'s rights of first refusal and last offer under this Section 19.4 shall not be applicable to any Divestiture of the Business that is the subject of the Divestiture Notice for a period of 12 months following the date of the event described in clause (i) or (ii) of this Section 19.4.3(c).

19.4.4 Access to Information. Following receipt of the Divestiture Notice by Yahoo! until the end of the Negotiation Period, Microsoft and its employees shall (a) provide Yahoo! and Yahoo!'s employees, attorneys, accountants and other agents and representatives (collectively, "Representatives") with reasonable access during normal business hours and upon reasonable prior notice to Microsoft's books, records and other materials relating to the business, operations, management, employees and financial condition of the Business to enable Yahoo! to conduct its due diligence investigation in connection with the proposed Divestiture; provided, however, that such access and cooperation shall not unreasonably disrupt the operations of the Business; and provided, further, that Microsoft shall not be required to afford such access to the extent that doing so would result in a violation of Law or the loss of attorney-client privilege and (b) shall cooperate with Yahoo! and Yahoo!'s Representatives in connection with Yahoo!'s due diligence investigation in connection with the proposed Divestiture. During the Alternative Proposal Negotiation Period and during the Documentation Period (if Yahoo! elects to exercise its right of last offer pursuant to Section 19.4.3(a), Microsoft and its employees shall afford Yahoo! and its Representatives the same level of access to Microsoft's books, records and other materials relating to the business, operations, management, employees and financial condition of the Business as it provided to any other unaffiliated third party involved in the proposed Divestiture during the Alternative Proposal Negotiation Period. Yahoo! acknowledges that during any such due diligence investigation, Yahoo! may have access to Microsoft's Confidential Information and Yahoo! agrees to maintain the confidentiality of any such Confidential Information in accordance with the provisions of Section 12, and further agrees that such Confidential Information shall be used solely for the purpose of evaluating a possible transaction between the parties relating to the Divestiture. In addition, each party agrees that, without the prior written consent of the other party, it will not disclose to any other person the fact that such Confidential Information has been exchanged, that discussions or negotiations are or may be taking place concerning a Divestiture involving the parties or any of the terms, conditions or other facts with respect thereto (including the status thereof) unless upon the advice of counsel such disclosure is required by Law (including securities laws and regulations) or legal process or to comply with the rules and regulations of any national securities exchange applicable to the disclosing party; provided, however, that Microsoft may disclose the existence and material terms of this Section 19.4 to any party with whom Microsoft engages in discussions regarding a potential Divestiture.

19.4.5 Definitive Agreement Terms. Each of Yahoo! and Microsoft agree to cooperate and negotiate in good faith during any Negotiation Period or Documentation Period applicable to a Divestiture. Microsoft acknowledges and agrees that any definitive agreement regarding a Divestiture entered into with Yahoo! pursuant to Section 19.4.2 or Section 19.4.3 shall condition the closing of such Divestiture upon receipt of any necessary governmental consents or approvals, and failure to obtain any

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such consents or approvals shall in no way result in Yahoo! having any further obligation or liability to Microsoft. In addition, if the terms of any Third Party Proposal include stock or other securities as consideration, Yahoo! may substitute for such stock component of the Third Party Proposal either cash or shares of common stock of Yahoo! having a “fair market value” equivalent to the fair market value of the stock component of the subject Third Party Proposal. “Fair market value” shall mean, with respect to the stock of any entity (a) that is traded on a nationally recognized exchange, the average of the closing bid or sale price (whichever is applicable) of such stock on the 20 trading days preceding the date prior to the date on which Microsoft gives Yahoo! notice of the Third Party Proposal; (b) which is actively traded over-the-counter, the average of the closing bid or sale prices (whichever is applicable) on the 20 trading days preceding the date prior to the date on which Microsoft gives Yahoo! notice of the Third Party Proposal; and (c) if such stock is not publicly traded, the value assigned to such stock as of the date prior to the date on which Microsoft gives Yahoo! notice of the Third Party Proposal, by a nationally recognized investment advisory or valuation firm designated by the mutual agreement of Microsoft and Yahoo!. The fair market value of any other non-cash consideration shall be determined in the same manner as for such non-publicly traded stock.

19.4.6 Miscellaneous. With respect to any Divestiture Microsoft purports to effect with an unaffiliated third party (other than Yahoo!), (a) if Microsoft fails to give Yahoo! a Divestiture Notice in accordance with Section 19.4.1 with respect such Divestiture or (b) if Microsoft fails to give Yahoo! a Proposal Notice in accordance with Section 19.4.3(a), then any such Divestiture it may purport to effect, shall be void ab initio. Nothing in this Section 19.4 shall obligate Yahoo! to engage in any discussions or negotiations or to enter into any agreement regarding any proposed Divestiture, except as provided in Section 19.4.3(b). Nothing in this Section 19.4 shall obligate Microsoft to enter into any definitive agreement regarding any proposed Divestiture, except as provided in Section 19.4.3(b). Without limiting the foregoing, except as provided in Section 19.4.3(b), Microsoft may, at any time and in its sole discretion, elect to reject any proposal to undertake a Divestiture, including any Third Party Proposal, and, in such case, shall have no obligation to enter into a definitive agreement with respect to such Divestiture with Yahoo! or any other third party, and shall have no liability to Yahoo! or any other third party with respect to such termination.

19.5 Effect of Early Termination. If this Agreement terminates after the Commencement Date and prior to the expiration of the ten-year period defined under Section 19.1 (including pursuant to Section 19.3.4(a)), then

19.5.1 At Yahoo!’s election, Microsoft will continue to provide Services to Yahoo! and the Syndication Partners under the applicable terms and conditions of this Agreement for a period of time not to exceed [\*] (or as long as possible up to [\*] in the event of a termination under Section 19.3.1(b)) from the date of Yahoo!’s election so that Yahoo! may transition from the Services provided by Microsoft to another solution (the “Tail Transition Period”);

19.5.2 During the Tail Transition Period, except as otherwise provided in this Section 19.5, all provisions of this Agreement will apply and the parties will still share revenues according to Section 9;

19.5.3 The sales exclusivity set forth in Section 7.2 will become non-exclusive and the provisions relating to a non-exclusive sales relationship will apply throughout the Tail Transition Period;

19.5.4 The exclusive rights granted by Yahoo! to Microsoft to the Licensed Non-Patent IPR under the License Agreement will become non-exclusive as of the termination date; and

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19.5.5 This Agreement will terminate upon the conclusion of the Tail Transition Period.

19.6 Exclusive Rights to Terminate. The express rights to terminate this Agreement set forth in this Section 19 are exclusive, and neither party will have any additional right or remedy (whether at Law, in equity, under Section 20.7 or otherwise) to terminate this Agreement, in whole or in part.

19.7 Survival. Sections 1.1, 1.3, 2.2.4(c), 2.4.17(d), 5.1.2(b), 5.3.4 (with respect to its provisions regarding monetary damages), 5.7 (with respect to liabilities and payment obligations incurred prior to the effective date of expiration or termination), 5.8.5, [\*] (with respect to [\*] incurred prior to the effective date of termination or expiration), 6.3, [\*] (with respect to [\*] incurred prior to the effective date of expiration or termination), [\*] (with respect to [\*] incurred prior to the effective date of termination or expiration), [\*] (with respect to [\*] incurred prior to the effective date of termination or expiration), 7.1.3 (with respect to obligations to pay incurred prior to the effective date of termination or expiration), 8.1.1 (with respect to any amounts owed through the effective date of termination or expiration), [\*] (with respect to any [\*] through the effective date of termination or expiration), [\*], 9 (other than Section [\*], with respect to [\*] through the effective date of termination or expiration; and Section [\*] in its entirety), [\*], 11.1, 11.3 (but not 11.3.1), 12.1, 12.2 (for the period stated therein), 12.3.2 (with respect to the restrictions on use and disclosure established before the effective date of termination or expiration), 12.4, 12.4.1, 12.5, 12.6, 13.1.1 (as regards the use by Microsoft of Yahoo! Search Data collected prior to expiration or termination, but not the provision to Microsoft, of Yahoo! Search Data generated thereafter), 13.1.5 (but only as regards the use by both parties of Advertiser Data generated in the course of this Agreement), 13.2.1, 13.2.2 (as regards (a) limitations on use of Covered Data and (b) data retention and anonymization practice, processes, and policies for applicable data provided or collected prior to the effective date of termination or expiration), 13.3 (as regards confidentiality and use of Microsoft PDA Listings Data provided prior to the effective date of termination or expiration), 13.8 (as provided therein), 14, 15, 16, 17.5 (except to the extent it requires escalation pursuant to Section 17.4), 18, 19 (provisions of Section 19 generally, as they concern the conditions under which termination is permitted and which must be satisfied after exercise of a termination right), 19.3.3, 19.5, 19.7, 20, Exhibit A, Exhibit B (Section 5.r (with respect to incidents up to and including the effective date of termination or expiration), Section 6), Exhibit D (but only for purposes of construing Section 13.2.2), [\*] will survive expiration or termination of the Term. In addition, all payment (or reimbursement) obligations arising under any other Sections of this Agreement or its Exhibits survive with respect to the amounts owed under such obligations as of the effective date of termination or expiration.

## 20. MISCELLANEOUS

20.1 Rules of Construction. The words “hereof,” “herein” and “hereunder” and other words of similar import refer to this Agreement in its entirety and not to any part hereof unless the context shall otherwise require. All references herein to Sections and Exhibits shall be deemed references to and Sections of, and Exhibits to, this Agreement unless the context shall otherwise require. The word “including,” when used herein is not intended to be exclusive and means “including, but not limited to.” The headings used in this Agreement are inserted for convenience of reference only and do not constitute a part of and will not be utilized in interpreting this Agreement. Except where the context so requires, any reference to a singular noun shall include its plural, the use of the word “all” shall be construed as “any and all,” the word “any” shall be construed as “any and all,” and the word “each” shall be construed as “all and each.” This Agreement has been negotiated by the parties and their respective counsel and will be fairly interpreted in accordance with its terms and conditions pursuant to the governing Law selected by the parties pursuant to Section 17.5.3 without application of any rules of construction relating to which party drafted this Agreement in favor of, or against, either party. Unless otherwise expressly

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provided herein or unless the context shall otherwise require, any references as of any time to any agreement (including this Agreement) or other contract, instrument or document or to any statute or regulation or any specific section or other provision thereof are to it as amended and supplemented through such time (and, in the case of a statute or regulation or specific section or other provision thereof, to any successor of such statute, regulation, section or other provision). Any reference in this Agreement to a “day” or number of “days” (without the explicit qualification of “Business Day”) shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day. Unless otherwise expressly provided herein or unless the context shall otherwise require, any provision of this Agreement using a defined term (by way of example and without limitation, such as “Affiliate”) which is based on a specified characteristic, qualification, feature or status shall, as of any time, refer only to such persons or entities who have the specified characteristic, qualification, feature or status as of that particular time. This contract is written in English and, if it is translated into any other language, the English-language version controls.

20.2 Force Majeure. Neither party or its Affiliates will be in violation of any of the requirements of this Agreement to the extent that its performance is impaired as a result of any delay, failure in performance, or interruption of service, resulting directly or indirectly from acts of God, acts of civil or military authorities, civil disturbances, wars, acts of terrorism, strikes or other labor disputes, fires, transportation contingencies, outages of third party telecommunications networks with whom the non-performing party does not have a direct contractual relationship, failure of suppliers with whom the non-performing party does not have a direct contractual relationship, or other similar occurrences which are beyond such party’s reasonable control; provided, however, that such party has implemented and complied with its Disaster Recovery Plan and any such delay or failure will be remedied by such party as soon as reasonably possible. Upon the occurrence of a force majeure event, the party unable to perform will, if and as soon as possible, provide written notice to the other party indicating that a force majeure event occurred and detailing how such force majeure event impacts the performance of its obligations. Each party will maintain during the Term, appropriate business continuity and disaster recovery plans, procedures, facilities and equipment to restore operation of their respective properties and services within a reasonable period of time under the circumstances (“Disaster Recovery Plan”).

20.3 Amendment or Modification. This Agreement may be amended or modified only by a written agreement that (a) refers to this Agreement; and (b) is executed by an authorized representative of each party.

20.4 Assignment; Delegation. This Agreement and the performance of any duties hereunder may not be assigned, transferred, delegated (except as set forth below), sold or otherwise disposed of by a party other than with the prior written consent of the other party. Notwithstanding the foregoing, either party may delegate its performance to, or exercise its rights through, one or more Affiliates and may subcontract performance of its obligations hereunder in accordance with its practices prior to the Letter Agreement Effective Date or as otherwise expressly permitted herein; provided that in the event of any such delegation, exercise or subcontract, each party will remain liable and fully responsible for its Affiliates’ and subcontractors’ performance of and compliance with such party’s applicable obligations and duties under this Agreement. Any assignment, transfer, delegation, sale or other disposition in violation of this Section 20.4 will be null and void.

20.5 Notices. All notices hereunder shall be deemed given (a) upon receipt when delivered personally, (b) upon written verification of receipt from overnight courier, (c) upon verification of receipt

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of registered or certified mail or (d) upon verification of receipt via facsimile, provided that such notice is also sent via first class mail by no later than the next Business Day after sending via facsimile. All notices shall be in English and in writing and sent to:

If to Microsoft, to:

Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052  
Attention: Chief Executive Officer  
Telephone: (425) 882-8080  
Telecopy: (425) 936-7329

with a copy to:

Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052  
Attention: General Counsel  
Telephone: (425) 882-8080  
Telecopy: (425) 936-7329

If to Yahoo!, to:

Yahoo! Inc.  
701 First Avenue  
Sunnyvale, CA 94089  
Attention: Chief Executive Officer  
Telephone: (408) 349-3300  
Telecopy: (408) 349-3510

with a copy to:

Yahoo! Inc.  
701 First Avenue  
Sunnyvale, CA 94089  
Attention: General Counsel  
Telephone: (408) 349-3300  
Telecopy: (408) 349-3510

A party may change its address for notices by written notice given pursuant to this Section 20.5.

20.6 Waiver. Any of the provisions of this Agreement may be waived by the party entitled to the benefit thereof. No party will be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party, and then only to the extent specifically set forth in such writing. A waiver with reference to one event will not be construed as continuing or as a bar to, or waiver of, any right or remedy as to a subsequent event.

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20.7 Remedies Cumulative. Except as expressly set forth herein, no remedy conferred upon any of the parties by this Agreement is intended to be exclusive of any other remedy, and each and every such remedy will be cumulative and will be in addition to any other remedy given hereunder or now or hereafter existing at Law or in equity. For clarity, this Section does not expand either party's ability to terminate this Agreement beyond the expressly limited provisions of Section 19. Any reference to a party's right to avail itself of the dispute resolution and/or arbitration provisions of Section 17 in the event of breach is without limitation or waiver of a party's right to submit any other Dispute to arbitration pursuant to the terms of Section 17.

20.8 Severability. If the application of any provision or provisions of this Agreement to any particular facts or circumstances is held to be illegal, invalid or unenforceable by any arbitrator, arbitration panel or court of competent jurisdiction, the validity and enforceability of such provision or provisions as applied to any other particular facts or circumstances and the validity of other provisions of this Agreement will not in any way be affected or impaired thereby, and the parties agree that the arbitrator, arbitration panel or court of competent jurisdiction making such determination will have the power to modify the provision in a manner consistent with its objectives such that it is enforceable.

20.9 Independent Contractors. The parties acknowledge and agree that they are dealing with each other as independent contractors. Neither this Agreement nor any terms and conditions contained in this Agreement may be construed to: (a) give any party the power to direct and control the day-to-day activities of any of the other; (b) create or constitute a partnership, joint venture, franchise, employment or agency relationship between or among the parties; or (c) allow any party to create or assume any obligation on behalf of the other party for any purpose whatsoever. No party owes the other party or any third party any compensation for performing the actions contemplated by this Agreement except as expressly set forth in this Agreement. Without limiting the generality of this Section 20.9, each party agrees that, without the prior written consent of the other party, it will not file any Tax election, Tax report, or Tax return (or take any position in any audit, administrative proceeding, or judicial proceeding related to Taxes) that is inconsistent with the parties being treated as independent contractors.

20.10 No Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to or will confer upon any person (other than the parties and their Affiliates hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

20.11 Affiliates. Each party (a) will cause all of its Affiliates to comply with the terms and conditions of this Agreement and (b) irrevocably and unconditionally guarantees the compliance of each of its Affiliates with this Agreement. With respect to any acts or omissions of a party's Affiliate that, if performed or not performed by such party, would constitute a breach of this Agreement, such party shall be jointly and severally liable with its Affiliate to the other party. All remedies available to a party, including the ability to obtain injunctive relief, are enforceable against the other party's Affiliates.

20.12 Entire Agreement. Except with respect to the Letter Agreement (excluding Annexes A and B, and, with respect to this Agreement, but not the Letter Agreement, Annex D), the License Agreement and, except as provided in Section 4.2, the syndication agreements for Paid Search Services and Contextual Advertising Services between Yahoo! (and/or its Affiliates) and Microsoft (and/or its Affiliates), this Agreement supersedes any other prior or collateral agreements, whether oral or written, with respect to the subject matter hereof. This Agreement supersedes Annexes A, B and D of the Letter Agreement with respect to the subject matter of this Agreement. This Agreement, the License Agreement and the Letter Agreement (excluding Annexes A and B and, with respect to this Agreement, but not the Letter Agreement, Annex D) constitute the entire agreement with respect to the subject matter hereof.

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

20.13 Counterparts; Facsimiles. This Agreement may be executed in any number of textually identical counterparts, each of which when so executed and delivered will be deemed an original, and such textually identical counterparts together will constitute one and the same instrument. Each party will receive a duplicate original of the counterpart copy or copies executed by it. For purposes hereof, a facsimile copy of this Agreement, including the signature pages hereto, will be deemed to be an original. Notwithstanding the foregoing, the parties will each deliver original execution copies of this Agreement to one another as soon as practicable following execution thereof.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

IN WITNESS WHEREOF, the parties to this Agreement by their duly authorized representatives have executed this Agreement as of the Effective Date.

**YAHOO! INC.**

By: /s/ Carol Bartz  
Name: Carol Bartz  
Title: Chief Executive Officer

**MICROSOFT CORPORATION**

By: /s/ Steven A. Ballmer  
Name: Steven A. Ballmer  
Title: Chief Executive Officer

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

## EXHIBIT A

### DEFINITIONS

- (1) “AAA” has the meaning set forth in Section 17.5.
- (2) “AAA Appointment Time Periods” has the meaning set forth in Section 17.5.1.
- (3) “Additional Quality Testing” has the meaning set forth in Section 2.1.2 of Exhibit I.
- (4) “Additional Services” means the Mapping Services and the Mobile Search Services.
- (5) “Adjusted Microsoft Percentage” has the meaning set forth in Section 7.1.3.
- (6) “Adjusted Net Revenues” means Net Revenues less bad debt associated with Net Revenues from Yahoo!’s Premium Direct Advertisers, where the bad debt associated with Net Revenues from Yahoo!’s Premium Direct Advertisers is calculated using the Bad Debt Rate.
- (7) “Ad Network” means any entity or network that distributes third-party online advertisements across multiple Websites.
- (8) “AdSat Escalation Event” has the meaning set forth in Section 5.3.2.
- (9) “AdSat Levels” has the meaning set forth in Section 5.3.2.
- (10) “AdSat Survey” has the meaning set forth in Section 5.3.2.
- (11) “Advertiser Data” means all (a) CRM Data, (b) aggregated Paid Search Services and Contextual Advertising Services data related to a Customer’s Paid Search Services and Contextual Advertising Services campaigns and its historical performance, including all such aggregated data in the Core Platform and Panama, (c) marketplace health data (aggregated keyword, impressions, clicks, conversions, prices, etc.), and (d) Customer performance (Customer name, campaigns and aggregated bids, impressions, clicks, conversions, PPC, budgets, etc.). Notwithstanding the foregoing, Advertiser Data does not include (x) information about Customers and their ad campaigns conducted outside of Paid Search Services and Contextual Advertising Services, (y) information (even if captured in their CRMs) regarding how Microsoft or Yahoo! is handling a specific Customer, strategies regarding such Customer, the representatives assigned to such account (including but not limited to account managers, account executives, and sales specialists), and (z) marketing, sales, or other insights derived by either party from its analysis of Advertiser Data internally or through third

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parties, except such aggregate information that is obtainable through each party's Sales Tools.

(12) "Advertiser Segments" means two groups of advertisers for each country—a group of Premium Direct Advertisers and a group of non-Premium Direct Advertisers—created in accordance with the criteria and processes set forth in Section 5.1.1.

(13) "Affiliate" means, with respect to a party, any entity that, at a given time during the Term, directly or indirectly Controls, is Controlled by or is under common Control with, such party.

(14) "Algorithmic Index" means the indices used to draw Results for Microsoft's Algorithmic Search Services.

(15) "Algorithmic Listings" means the results generated by Microsoft's Algorithmic Search Services for a given Query.

(16) "Algorithmic Search Services" means Internet Search services that (a) utilize general indices of a reasonably comprehensive portion of the World Wide Web for (i) Web pages; (ii) images, and (iii) video; and (b) are accessed by users via Queries. Algorithmic Search Services excludes, without limitation, Yahoo! Excluded Services, Microsoft Excluded Services and search services via a search engine that has indexed predominantly a specific topic, or that search closed databases or data feeds, or content located only within a domain or portion thereof.

(17) "Alternative Proposal Negotiation Period" has the meaning set forth in Section 19.4.3(a).

(18) "Applications" means functionality provided on or in connection with a search results page that uses the Microsoft API, but that is not a feature or function of the Microsoft API itself, and that enables an end user to interact with the Algorithmic Search Services Result Page in a manner that either (a) requires user authentication or identification, or (b) provides user-specific functionality that is persistent across multiple Queries. For example, an "email this search" feature or a user search history or search pad feature would be an Application but related searches and categories would not be.

(19) "Attest Report" has the meaning set forth in Section 10.2.1.

(20) [\*].

(21) [\*].

(22) "Block" means the contiguous group of Algorithmic Listings returned by the Microsoft API, in the rank order in which they are provided by the Microsoft API.

(23) "BOSS" means Yahoo!'s Build Your Own Search Service (BOSS) functionality, which provides API access to an algorithmic search index to

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



enable a Web site publisher to manipulate such data in order to create its own search results experience.

(24) “Brand Features” means trade names, trademarks, service marks, logos, domain names, trade dress and other distinctive brand features, including any goodwill represented thereby.

(25) “Breaching Party” has the meaning set forth in Section 19.3.

(26) “Business” means with respect to a country, Microsoft’s Algorithmic Search Services business or Paid Search Services business in that country, or the assets or the beneficial ownership of either such business.

(27) “Business Day” means any day other than a Saturday or Sunday or any day on which the Federal Reserve Bank of New York is closed.

(28) “Combined Queries” means all Queries from Microsoft O&O Properties and Yahoo! Properties in the United States.

(29) “Combined Queries Share” means the market share, expressed as a percentage, of Combined Queries relative to total Queries originating in the United States as measured by Comscore, or if Comscore changes the way it calculates its query share or is no longer in business, then by a mutually agreed substitute.

(30) “Commencement Date” means a date as mutually agreed by the parties, but not more than five Business Days following the satisfaction or waiver of the last to be fulfilled of the conditions to the parties’ respective obligations to commence performance under this Agreement, as set forth in Section 12 of the Letter Agreement.

(31) “Comparable Microsoft Property” means, with reference to another Web site or application, a Microsoft O&O Property and any Microsoft (or majority-owned Microsoft Affiliate) application, product or service that is “comparable” to such other application or Web site in the sense that it is in the same product category and provides similar functionality. By way of example, Microsoft Word would be a Comparable Microsoft Property to a general purpose word processing application, but it would not be a Comparable Microsoft Property to Adobe Acrobat. For clarity, a “comparable” game application need not be of the same genre or style of game play.

(32) “Confidential Information” has the meaning set forth in Section 12.1.

(33) “Contextual Advertising Services” means services by which Paid Listings are (a) sold on the basis of selected keywords (regardless of the pricing method (e.g., auction based or on a CPC or CPM basis)) and (b) displayed in response to a keyword or keywords mapped to, derived from or associated with the content and/or context of the Web Page on which such Paid Listings appear, and not as a result of a Query or Non-Internet Search Query.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(34) “Contract Transition” means the assignment of a Customer contract from one party to the other party, where such assignment is effective on the later of the date specified in the contract or on a Customer’s Migration Date for any Customers who needs to be Migrated.

(35) “Control” means, with respect to an entity, the beneficial ownership, directly or indirectly through or with one or more intermediaries, of equity securities or other ownership interests representing fifty percent (50%) or more of the total equity of such entity.

(36) “Core Platform” means the adCenter advertising platform and database for Paid Search Services and Contextual Advertising Services (and any enhancements and improvements thereto related in the Paid Search Services and Contextual Advertising Services, or if adCenter is no longer the principal platform for Microsoft’s Paid Search Services and Contextual Advertising Services, such substitute platform(s) in addition to adCenter at Yahoo!’s discretion. For avoidance of doubt, modules and enhancements to this system that solely support services other than Paid Search Services and Contextual Advertising Services (e.g., display ad platform functions) are excluded from the Core Platform.

(37) “Core Platform APIs” mean all present and future APIs (and any future enhancements, replacements, successors, and improvements thereto) to enable programmatic access to the Core Platform for Paid Search Services and Contextual Advertising Services and to enable functionality of Publisher Tools, Sales Tools and Marketplace Tools to the extent that such functionality is not wholly contained within the tools themselves and which will be made available to Yahoo!.

(38) “Core Revenues” has the meaning set forth in Section 3.1(b) of Exhibit E.

(39) “Covered Amounts” means any damages, penalties, fines, fees, costs and expenses (including reasonable attorneys’ fees and costs) awarded by a court or administrative, regulatory or other authority of competent jurisdiction in any Third Party Claim or agreed to by the Indemnifying Party in settlement of any Third Party Claim.

(40) “Covered Data” has the meaning set forth in Section 13.2.2.

(41) “Covered Marginal Costs” means direct and reasonable (a) depreciation and amortization for incremental capital costs to meet actual business needs; (b) incremental operating expenses such as people costs (which includes facilities, payroll and payroll taxes, distributed cost pools for infrastructure, worldwide IT distributions, travel and entertainment, freight/supply and benefits/services), [\*]. Depreciation for existing [\*] capital equipment is not a Covered Marginal Cost. The parties recognize that some of the foregoing costs are allocated costs, [\*], and that in the foregoing, “direct” means the allocated costs directly used by the service being provided. [\*].

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(42) “CRM Data” means contact information and related sales pipeline information for Customers who purchase Paid Search Services and Contextual Advertising Services from Microsoft’s Core Platform and Yahoo!’s Panama system.

(43) “Customer” means either a Premium Direct Advertiser or non-Premium Direct Advertiser.

(44) “Dedicated Resources” means [\*] US full time Microsoft employees (or, if reasonable under the circumstances and consistent with what Microsoft would do for its own development projects, their cash equivalent in other human resources, such as contractors, vendors, or non-US FTEs, with such equivalency disclosed to and approved in advance by Yahoo!) dedicated solely to working on Yahoo!-defined projects relating to the Services (including the provision of the Web Crawl Cache), Additional Services and Other Platform Services and such other personnel that may be added as provided in Section 2.4.11(a).

(45) “Destination Page” has the meaning set forth in Section 2.4.17(c)(2).

(46) “Disaster Recovery Plan” has the meaning set forth in Section 20.2.

(47) “Disclosing Party” has the meaning set forth in Section 12.1.

(48) “Discretionary Displays” has the meaning set forth in Section 2.1.2(a).

(49) “Dispute” has the meaning set forth in Section 17.4.

(50) “Divestiture” has the meaning set forth in Section 19.4.1.

(51) “Divestiture Notice” has the meaning set forth in Section 19.4.1.

(52) “Documentation Period” has the meaning set forth in Section 19.4.3(b).

(53) “Domain Match” means services that deliver Paid Listings from Paid Search Services marketplaces in response to keyword terms mapped to a URL or in response to clicks on links appearing on the Web site associated with such mapped URL.

(54) “Editorial” means creation and enforcement of marketplace creative advertisement policies, auditing and removal of non-conforming advertisements based on such advertising policies and this Agreement, management of process and tools needed to provide feedback to sales and account management regarding the removal of non-confirming advertisements.

(55) “Effective Date” has the meaning set forth in the preamble of this Agreement.

(56) “Election Notice” has the meaning set forth in Section 19.4.3(a).

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(57) “Emerging Markets” means a Region comprising (collectively) Latin America, Southeast Asia, Indian Subcontinent, Middle East, Eastern Europe, Africa and any other region not located within North America, Europe or Asia Pacific.

(58) “Error Channel” means services that deliver Paid Listings from Paid Search Services marketplaces in response to keyword terms mapped to non-existent domains or other terms entered by users typing an erroneous URL or keyword into the address bar or clicking on a dead link that, in either case, does not resolve to a registered, live Web site. Such entries or queries may include without limitation keywords in the address bar, erroneous or incomplete URLs, misspellings of top level domains, the wrong number of w’s (e.g., ww, www), wrong capitalization or punctuation (e.g., Xyz.com), or the wrong number of forward slashes (///).

(59) “Executive Steering Committee” has the meaning given in Section 17.1.

(60) “Existing Yahoo! Syndication Partner” has the meaning given in Section 4.1.5.

(61) “Geo-Location Data” means any information indicating the geographical position of a user, specifically: (a) information relating to latitude and longitude obtained by on-board location pinpointing functionality that indicates the current location of the user of the mobile device; (b) other location data which relates to a user who is identifiable from such data.

(62) [\*].

(63) “Governmental Authority” means any United States or non-United States federal, national, provincial, state or local government or other political subdivision thereof, any entity, authority, agency or body exercising executive, legislative, judicial, regulatory or administrative functions of any such government or political subdivision, and any supernational organization of sovereign state exercising such functions for such sovereign states.

(64) “Guarantee Amount” is the amount calculated in accordance with Exhibit E.

(65) “Guarantee Term” means, for any given country, the period set forth in Section 2 of Exhibit E.

(66) “GUID” has the meaning set forth in Section 2.1.3(c).

(67) “Hosted By Yahoo!” means that the primary software code for the application is running on, or served for client-side execution within a browser during the same browsing session by, a computer server operated by or for Yahoo! (or a Yahoo! Affiliate) including the software code used to provide (including providing by making API calls to a third party) Algorithmic Search Services or Paid Search Services in connection with the application.

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(68) "Image Internet Search" means an Internet Search for images.

(69) "Income Taxes" means any Tax primarily based upon, measured by, or calculated with respect to gross income, net income, gross receipts, net receipts, capital or profits, but excluding any Transaction Taxes and Withholding Taxes.

(70) "Indemnified Party" means a Microsoft Indemnified Party or a Yahoo! Indemnified Party entitled to defense and indemnification under Section 16.1 or 16.2, as the case may be.

(71) "Indemnifying Party" means Microsoft or Yahoo!, whichever is obligated to provide defense and indemnification under Section 16.1 or 16.2, as the case may be.

(72) "Initial Implementation Date" means, for any given country, the earlier of (a) the date upon which Yahoo! and Microsoft agree that pre-transition testing with respect to the provision of Paid Listings from Microsoft's Paid Search Services in such country has been completed and that Microsoft is commercially providing Paid Listings from its Paid Search Services in response to Queries from Yahoo! Properties in such country and (b) the date Microsoft first begins to provide Paid Listings from its Paid Search Services in response to ten percent of all Queries originating from Yahoo! Properties in such given country.

(73) "Intellectual Property Rights" means any and all rights existing from time to time under patent law, copyright law, moral rights law, trade secret law, trademark law, whether registered or unregistered, and any and all other similar proprietary rights, as well as any and all applications, renewals, extensions, divisionals, continuations, restorations and re-instatements thereof, now or hereafter in force and effect worldwide.

(74) "Internet Search" means search via a search engine that has indexed a reasonably comprehensive portion of the World Wide Web. For the avoidance of doubt, a search via a search engine that has indexed predominantly a specific topic or category of information (e.g., vertical searches in such categories as shopping or travel) or only a specific site is not an Internet Search.

(75) "Laws" means any Federal, state, provincial, county, municipal or other local laws, rules, regulations, ordinances or judicial decisions enacted or issued by a court or other Governmental Authority of any country, state, province, county, city or other municipality.

(76) "Letter Agreement" has the meaning set forth in the Recitals.

(77) "Letter Agreement Effective Date" has the meaning set forth in the Recitals.

(78) "License Agreement" means the License Agreement between Yahoo! and Microsoft dated December 4, 2009.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(79) “Make Good Period” has the meaning set forth in Section 4.1.5.

(80) “Map Syndication Partner” means a third party who has entered into a contractual agreement with Yahoo! to receive Mapping Services.

(81) “Map Syndication Properties” means all current and future (1) Web site, applications and other online digital properties owned or operated by or on behalf of Map Syndication Partners for use and consumption on personal computers, mobile devices, television or any other platform and (2) software applications developed or distributed by Map Syndication Partners that provide access to or enable Mapping Services.

(82) “Map Syndication Partnership Agreements” means the agreements pursuant to which Yahoo! provides Mapping Services to a Map Syndication Partner.

(83) “Mapping Services” means the services by which Microsoft causes a driving direction, maps, geographic imagery, and/or other maps-related functionalities to be displayed in response to a user query request, and any associated Paid Listings to the extent implemented under Section 3.2.

(84) “Marketing” means customer communications, demand generation, trade events, Web Site content, advertising, and any other form of positioning, communication, and evangelism to existing and prospective search advertising customers. Marketing also includes the messages and content used in sales presentation, sales collateral, and other documentation that describe Paid Search Services and Contextual Advertising Services for the Core Platform as well as external communications such as presentations, media pitches, FAQ documents, social media communications such as Twitter, and other public communications. For clarity Marketing is not sales or reselling, with Marketing being the activities included herein that are usually executed in such a way that they are substantially “one to many” (e.g., a Marketing message is designed for communication to and is usually communicated to multiple advertisers; whereas sales pitches are communicated, by a human, to an Advertiser in a 1:1 manner).

(85) “Marketplace Tools” means all current and future tools supporting Paid Search Services and Contextual Advertising Services for the Core Platform to track, monitor and support incorporated Paid Listings, and the health of the combined marketplace. Examples of functionality that would be included in Marketplace Tools include all available tools that provide visibility into current and future Paid Listing pricing, forecasting, keyword generation, Sales Reporting, marketplace optimization, and selection for Paid Search Services and Contextual Advertising Services on the Core Platform.

(86) “Material Decline” means (i) the Relative RPS Percentage is [\*]% or less when measured on a trailing 12 full calendar month average in the United States or (ii) the Combined Queries Share is [\*]% or less measured on a trailing 12 full calendar month average.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(87) “Microsoft” has the meaning set forth in the preamble of this Agreement.

(88) Microsoft AdSat Level” has the meaning set forth in Section 5.3.2.

(89) “Microsoft API” means all of the application programming interfaces that enable Microsoft and/or third parties to implement, access and use Microsoft’s Algorithmic Search Services, Paid Search Services and Contextual Advertising Services; and receive a feed of data, content and information related to such services (e.g., as of the Effective Date, category links, and related search links); and application programming interfaces that are accessed or used by the Publisher Tools for certain functions.

(90) “Microsoft API Function” means any feature or function of or relating to the Services or Additional Services (excluding Microsoft Applications) that accesses, is accessed by or is available through the Microsoft API, regardless of where such feature or function is rendered by Microsoft on Microsoft Results Pages.

(91) “Microsoft Brand Elements” means the trademark, logos and other unique business identifiers of Microsoft that are displayed on the Microsoft Results Pages.

(92) “Microsoft Excluded Services” means (a) search that is restricted to Microsoft domains or Microsoft properties or a portion thereof (for example Autos, Movies, Shopping, Health, Farecast/Travel, Weather, News & MSNBC, Dating, X-Rank, Powerset, etc.) and, (b) searches of Microsoft’s databases or feeds incidental to the operation, programming, maintenance, or support of non-search Microsoft O&O Properties (for example, queries of Microsoft databases or feeds undertaken to render links to available news content for display on Microsoft O&O Properties or querying stored user preferences and data).

(93) “Microsoft Front End Team” means the engineering, product, business and other teams that are responsible for Microsoft’s front end for the Services as implemented on the Microsoft O&O Properties.

(94) “Microsoft Indemnified Party” means Microsoft, any Affiliate of Microsoft, any successor to all of Microsoft’s rights and obligations under this Agreement permitted under Section 20.4, or any employee, officer, director, representative or agent of any of the foregoing in his, her or its capacity as such. Further, Microsoft’s syndication partners will be Microsoft Indemnified Parties for purposes of the defense and indemnification obligations in Sections 16.2.1, 16.2.2 and 16.2.3, and Microsoft’s advertisers will be Microsoft Indemnified Parties for purposes of the defense and indemnification obligations in Sections 16.2.1 and 16.2.3, in each case, to the extent that Microsoft has agreed to defend and indemnify such syndication partners and advertisers for similar claims.

(95) “Microsoft Integrated Apps” has the meaning set forth in Section 2.4.18(b).

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(96) “Microsoft Mapping Services API” means the application programming interfaces that enable Microsoft and third parties to implement, access and use the Mapping Services.

(97) “Microsoft Materials” means the software and all other materials, including the Microsoft API, the Core Platform APIs, and all documentation, tools, data and test or verification materials, that are provided by Microsoft or its Affiliates to Yahoo! or its Affiliates or joint ventures in connection with this Agreement or the performance hereof, excluding the Web Crawl Cache.

(98) “Microsoft Mobile API(s)” means, collectively, the Microsoft API plus the application programming interfaces that enable Microsoft and third parties to implement, access and use (a) Microsoft’s Mobile Algorithmic Search Services (the current version of which is located at <http://msdn.Microsoft.com/en-us/library/dd251056.aspx>; for purposes of clarity, this is also defined as the Microsoft API in Exhibit A); and (b) Mobile Paid Search Services, for which Microsoft will provide Yahoo! the relevant URL in writing when available (the “Mobile Paid Listings API”). For clarification, Yahoo! may separately access Mapping Services for Mobile Search Services through the API identified in the Mapping Services Section 3.2 and Exhibit G.

(99) “Microsoft Network” means all properties receiving the Services, including Microsoft O&O Properties, Microsoft’s syndication partners’ properties, the Yahoo! Properties and the Syndication Properties.

(100) “Microsoft O&O Properties” means all Web sites owned or operated by or for Microsoft, its Affiliates and its joint venture relationships during the Term.

(101) “Microsoft PDA Listings Data” means the following data or information (plus any additional mutually-agreed upon data or information) to the extent collected by or available to the Microsoft systems used in support of Customers and related to individual Paid Listings of Premium Direct Advertisers displayed in connection with Microsoft’s Paid Search Services or Contextual Advertising Services on the Microsoft Network (other than on the Yahoo! Properties and the Syndication Properties):

(i) [\*]

(A) [\*]

(B) [\*]

(C) [\*]

(D) [\*]

(E) [\*]

(F) [\*]

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



- (G) [\*]
- (H) [\*]
- (I) [\*]
- (J) [\*]
- (K) [\*]
- (L) [\*]
- (M) [\*]
- (N) [\*]
- (ii) [\*]
  - (A) [\*]
  - (B) [\*]
  - (C) [\*]
  - (D) [\*]
  - (E) [\*]
  - (F) [\*]
  - (G) [\*]
  - (H) [\*]
  - (I) [\*]
  - (J) [\*]
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  - (L) [\*]
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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

- (P) [\*]
- (Q) [\*]
- (R) [\*]
- (S) [\*]
- (T) [\*]
- (U) [\*]
- (V) [\*]
- (W) [\*]
- (X) [\*]
- (Y) [\*]
- (Z) [\*]
- (AA) [\*]
- (BB) [\*]
- (CC) [\*]
- (DD) [\*]
- (EE) [\*]
- (FF) [\*]

(iii) [\*]

- (A) [\*]
- (B) [\*]
- (C) [\*]
- (D) [\*]
- (E) [\*]
- (F) [\*]

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(G) [\*]  
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(I) [\*]  
(J) [\*]  
(K) [\*]  
(L) [\*]  
(M) [\*]  
(N) [\*]  
(O) [\*]  
(P) [\*]

(102) “Microsoft Reseller” means a reseller for Microsoft’s Paid Search Services and/or Contextual Advertising Services who manages the placement of orders for Paid Listings for such services via a self-serve Web site or APIs provided by Microsoft.

(103) “Microsoft Results Pages” means all Web pages within the Microsoft O&O Properties on which Microsoft displays Results in response to a Query.

(104) “Migration” or “Migrate” means the process of moving the advertiser accounts and micro-marketplace categories of Paid Search Services and Contextual Advertising Services accounts participating in Yahoo!’s Panama system to the Core Platform.

(105) “Migration Date” means (a) for Paid Search Services and Contextual Advertising Services advertisers who are in both Yahoo!’s Panama system and the Core Platform, or are only in the Panama system, the date on which an advertiser’s account first begins Migration from Panama to the Core Platform, and (b) for Paid Search Services and Contextual Advertising Services advertisers who are only in the Core Platform, the date on which an advertiser’s first micro-marketplace category moves to the Core Platform.

(106) “Mobile Algorithmic Listings” means the results generated by Microsoft’s Mobile Algorithmic Search Services for a given Mobile Query. Mobile Algorithmic Listings are deemed to be a subset of Algorithmic Listings.

(107) “Mobile Algorithmic Search Services” means Microsoft’s Web site Internet Search services designed to return web, video and image results in response to users’ Mobile Queries, which services are accessible via Microsoft Mobile API(s). When and to the extent Microsoft has available for its own use or its Mobile Syndication

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

Partner's use other indices for use and consumption on Mobile Devices including WAP indexes and indexes created through crawling Java script for Web and WAP pages, Microsoft will utilize such indices in the provision of Mobile Algorithmic Search Services to Yahoo! and its Mobile Syndication Partners. Subject in any event to the specific exclusions of Section 1.2 of Exhibit H (to the extent applicable), Microsoft's Mobile Algorithmic Search Services are deemed to be a sub-set of both Mobile Search Services and Additional Services. Mobile Algorithmic Search Services excludes, without limitation, Yahoo! Excluded Services, Microsoft Excluded Services and search services via a search engine that has indexed predominantly a specific topic, or that search closed databases or data feeds, or content located only within a domain or portion thereof.

(108) "Mobile Device" means (a) a mobile telephony device used for any computing, communications or other services, and (b) any other device that Microsoft and Yahoo! either agree in writing are Mobile Devices or both treat as mobile for purposes of rendering the user experience. Examples include, as of the Effective Date, devices such as the [\*], any other similar devices manufactured by other companies and, in the future, any devices that are captured by this definition. From time-to-time the parties shall engage in good faith discussions to modify this definition to take into account then-current trends in mobile consumer electronics and Microsoft and Yahoo!'s implementation of their respective mobile services.

(109) "Mobile Directory Listings" means groupings of Mobile Paid Listings, which advertisers bid on in adCenter using custom keywords supplied to them by the sales teams. Mobile Directory Listings are deemed to be a sub-set of Mobile Paid Search Services and Mobile Paid Listings.

(110) "Mobile Paid Listing" means any advertisement displayed on a Mobile Device for which the review, cataloguing, collection, maintenance, indexing, ranking, or display is paid, regardless of the method by which that payment is counted (whether cost for review, cost per click, cost per action, cost per impression, Paid Inclusion, pay-for-placement, or otherwise). Notwithstanding any language to the contrary in the Agreement, Yahoo! acknowledges that if the Mobile Query sent to the Microsoft Mobile API(s) contains location information (e.g., city and state, or latitude/longitude) then the Mobile Paid Listing returned may be tailored to the user's location data. For the avoidance of doubt, Mobile Paid Listing does not include display advertising, contextual advertising, advertising targeted primarily on variables such as geo or behavioral and not by matching to Mobile Queries, video advertising, promotional placements associated with Microsoft's "cashback" program, user profiles, product listings, vertical listings (e.g., shopping, travel), content listings (including but not limited to TV, movie, music, and similar listings), personals listings, local directories and listings, classified ads, airline or other travel schedules, business listings or addresses, social networking relationships, ratings and reviews, Wikipedia, and any listings similar to the foregoing.

(111) "Mobile Paid Search Services" means services that deliver Mobile Paid Listings in response to a Mobile Query. For the avoidance of doubt, Mobile Paid Search Services includes Mobile Directory Listings and excludes Yahoo! Excluded Services and Microsoft Excluded Services. Subject, in any event, to the specific exclusions described in Section 1.2 of Exhibit H (to the extent applicable), Microsoft's

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

Mobile Paid Search Services are deemed to be a sub-set of both Mobile Search Services and Additional Services.

(112) “Mobile Properties” means all current and future Web sites, applications and other properties which are specifically designed for use and consumption on Mobile Devices.

(113) “Mobile Query” means a single Internet Search request that is submitted by an individual end user from a Mobile Device. As used in the prior sentence, “submission” by an end user includes typed-in submission in a search box, SMS or text message, as well as any act of a user that is an inherent function of a particular search implementation, product or channel, such as clicking on a related search link, voice recognition or, with respect to Domain Match, entering a URL in an address bar of a Web browser on a Mobile Device.

(114) “Mobile Results Pages” means the mobile search engine results page displayed (whether by a party to this Agreement or one of its Mobile Syndication Partners) on an individual Mobile Device in response to a Mobile Query, which may include Mobile Algorithmic Listings, Mobile Paid Listings and any other feeds or listings selected by Yahoo! in accordance with the Agreement and Exhibit H.

(115) “Mobile Search Services” means Microsoft’s Mobile Algorithmic Search Services, Mobile Paid Search Services, and Mapping Services which are designed for use and consumption on a Mobile Device.

(116) “Mobile Syndication Partner” means a third party with whom a party to the Agreement or its Affiliate has contracted to provide or to make available to such third party’s users, Mobile Algorithmic Search Services, Mobile Paid Search Services, Mobile Mapping Services, or any combination thereof. Subject, in any event, to the specific exclusions described in Section 1.2 of Exhibit H (to the extent applicable), Mobile Syndication Partner is deemed to be a subset of Syndication Partner.

(117) “Mobile Syndication Properties” means all current and future (a) Web sites, applications and other online digital properties owned or operated by or on behalf of Mobile Syndication Partners and that are included in Mobile Syndication Partnership agreements, and (b) software applications developed or distributed by Mobile Syndication Partners that provide access to or enable Mobile Algorithmic Search Services or Mobile Paid Search Services or both.

(118) [\*].

(119) “Negotiation Period” has the meaning set forth in Section 19.4.2

(120) “Net Revenues” means [\*].

(121) “Non-Breaching Party” has the meaning set forth in Section 19.3.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

(122) “Non-Infringing Alternative” has the meaning set forth in Section 16.4.

(123) “Non-Internet Search Query” means any single request that is submitted by an individual end user that is not an Internet Search (e.g., a search within a vertical, such as shopping or travel). As used in the prior sentence, “submission” by an end user includes typed-in submission in a search box as well as any affirmative act of a user that is an inherent function of a particular implementation, product or channel, such as clicking on a link.

(124) “Other Allowed Revenues” has the meaning set forth in Section 3.1(c) of Exhibit E.

(125) “Other Platform Services” has the meaning set forth in Section 3.4.

(126) “Paid Inclusion” means a service by which a Web site operator pays an Algorithmic Search Services provider a fee in exchange for ensuring that such Web site is crawled by the provider’s Algorithmic Search Services search engine.

(127) “Paid Listing” means any advertisement for which the review, cataloguing, collection, maintenance, indexing, ranking, or display is paid, regardless of the method by which that payment is counted (whether cost for review, cost per click, cost per action, cost per impression, Paid Inclusion, pay-for-placement, or otherwise).

(128) “Paid Search Services” means services that deliver Paid Listings in response to Queries.

(129) “Patents” means any and all existing and future patents and patent applications owned or licensable by the relevant party, and filed or issued anywhere in the world.

(130) “Peak Rate” has the meaning set forth in Section 5 of Exhibit B.

(131) “Permitted Offerings” means Third-Party Client Applications (other than Internet Web browsers) and Third-Party Non-Hosted Applications.

(132) “Personal Computer” means a general purpose computer, such as a desktop, laptop or netbook, that (a) is not a Mobile Device, and (b) is primarily designed to be used by a single individual or small group of individuals at one time and to perform a multiplicity of general purpose computing functions at the direction of the user through applications.

(133) “Premium Direct Advertisers” means for each country all individuals or entities that satisfy any of the following: (a) all advertisers who meet or exceed the Spending Threshold for such country or are designated as a Premium Direct Advertiser in accordance with this Agreement, (b) all agencies that specialize in search engine marketing in any part of their practice, or that offer search engine marketing as a service, and all of their advertisers in such country, and (c) Resellers and all of their

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advertisers, when such Resellers participate in or express a desire to participate in either party's Paid Search Services or either party's Contextual Advertising Services with assistance from a human being. Advertisers, agencies, and Resellers who are not Premium Direct Advertisers are non-Premium Direct Advertisers.

(134) "Privacy Laws" means those domestic and international laws and regulations relating to data privacy, data protection, or data retention; regulatory statements or enforcement actions that convey guidance concerning appropriate data handling and disclosures; regulatory guidance for industry best practices; governmental frameworks adopted by Microsoft or Yahoo! for extra-territorial transfers of personal data (e.g., the "Safe Harbor Principles" as adopted by the United States Department of Commerce on or about July 21, 2000) and industry based self-regulatory principles to which Microsoft or Yahoo!, respectively, publicly declare its adherence.

(135) "Product Updates" has the meaning set forth in Section 2.4.11(b).

(136) "Property Web Search" means, with respect to Yahoo!, all Web Internet Search Queries submitted on Yahoo! Properties and, with respect to Microsoft, all Web Internet Search Queries submitted on Microsoft O&O Properties.

(137) "Proposal Notice" has the meaning set forth in Section 19.4.3.

(138) "Publisher Tools" means the tools which are part of, or use, the Core Platform and/or the Microsoft API and can be used by Yahoo!, its Affiliates or any Syndication Partner for managing the delivery of the Services and Additional Services for particular Yahoo! Properties or Yahoo! Syndication Properties (e.g., troubleshooting, optimization, analytics, calculating revenues).

(139) "Qualified Arbitrator" has the meaning set forth in Section 17.5.1.

(140) "Query" means a single Internet Search request that is submitted by an individual end user. As used in the prior sentence, "submission" by an end user includes typed-in submission in a search box as well as any affirmative act of a user that is an inherent function of a particular search implementation, product or channel, such as clicking on a related search link or, with respect to Domain Match, entering a URL in an address bar of a Web browser.

(141) "Receiving Party" has the meaning set forth in Section 12.1.

(142) "Regional Commitments" has the meaning set forth in 5.3.1.

(143) "Regions" means North America (the U.S. and Canada), Europe, Asia Pacific, and Emerging Markets.

(144) "Relative RPS Percentage" means [\*].

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(145) “Relative RPS Formula” has the meaning set forth in Section 19.3.4(a).

(146) “Rendering Code” means the code developed by or for Microsoft that processes or enables the display of data from the Microsoft API, but excludes Microsoft Brand Elements and code for Microsoft Applications.

(147) “Resellers” means third parties authorized by Yahoo! or Microsoft to sell to, and provided incentives to acquire, new advertisers for Paid Search Services and/or Contextual Advertising Services.

(148) “Results” means Paid Listings and Algorithmic Listings.

(149) “Results Subset” has the meaning set forth in Section 2.1.3(a).

(150) “Rev Share Rate” means the percentage specified in Section 9.1.1(b).

(151) “RPS” means revenue per search.

(152) “Sales Reporting” means (a) ordinary and customary online advertising industry features for reporting and exporting data on advertiser Paid Search Services and Contextual Advertising Services campaigns including, without limitation, an advertiser’s spend and performance by campaign, country, and region, (b) all reporting and exporting Advertiser Data enabled by the Core Platform as of the Letter Agreement Effective Date and as the same shall be improved over time, and (c) such customized features as are reasonably required for Yahoo! to service Premium Direct Advertisers of the Paid Search and Contextual Advertising Services and as prioritized by Microsoft consistent with Section 2.4.11(c).

(153) “Sales Tools” means the tools to be used by a sales force for the Paid Search Services and Contextual Advertising Services to manage campaign planning, inventory visibility, inventory booking, campaign performance, optimization, campaign analytics (such as customer view, account view, position analysis, etc), and which may extend the base capabilities of the Core Platform.

(154) “Schedule” means a schedule memorializing (a) the features, development schedule and launch schedule of the Marketplace Tools, Sales Tools, Tier 1 and Tier 2 and Core Platform APIs to service accounts upon Migration to the Core Platform, (b) the Migration Dates for accounts in each country to the Core Platform, and (c) a schedule for determining the Advertiser Segments for each country prior to the first Migration Date for any account in such country.

(155) “SearchMonkey” means Yahoo’s “SearchMonkey” system, by which Yahoo! enables Web publishers to make structured data (e.g., a phone number or a physical address) accessible to Yahoo! for its Algorithmic Search Services.

(156) “Senior Technical Program Manager” has the meaning set forth in Section 2.4.11(c).

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(157) "Source" means by tag, subtag and domain.

(158) "Services" means Microsoft's Algorithmic Search Services, Paid Search Services and Contextual Advertising Services.

(159) "Spending Threshold" means an average monthly amount that an advertiser must spend on Paid Search Services and/or Contextual Advertising Services in a given country to qualify for inclusion in the Premium Direct Advertiser Segment in such country on the basis of spend, which will be set in accordance with Section 5.1.1.

(160) "Syndication Partner" means a third party with whom Yahoo! or its Affiliate has contracted to provide Algorithmic Search Services, Paid Search Services, or Contextual Advertising Services, or an Additional Service (or the Yahoo! version of such an Additional Service).

(161) "Syndication Partner Payment" means, with respect to each Syndication Partner, the amount Yahoo! or its Affiliate is obligated to pay to such Syndication Partner for Services pursuant to its Syndication Partnership Agreement.

(162) "Syndication Partnership Agreements" means the agreements pursuant to which Yahoo! or its Affiliate provides any of the Services to a Syndication Partner.

(163) "Syndication Properties" means all current and future (a) Web sites, applications and other online digital properties owned or operated by or on behalf of Syndication Partners and that are included in Syndication Partnership Agreements and (b) software applications developed or distributed by Syndication Partners that provide access to or enable Algorithmic Search Services or Paid Search Services or both. Notwithstanding the foregoing, Syndication Properties do not include Web sites, pages, applications and other online digital properties that are specifically designed for use and consumption by devices which are not Personal Computers. Software applications developed by or on behalf of Yahoo! and distributed by one or more Syndication Partners as of the Effective Date are, with respect to such Syndication Partners only, Yahoo! Properties (including if such applications are distributed pursuant to renewed Syndication Partnership Agreements with such Syndication Partners). Other than the applications identified in the preceding sentence, all Web sites, applications and other online digital properties that are owned or operated by Yahoo! on behalf of, or distributed by, Syndication Partners (e.g., [\*]) are Syndication Properties, but only with respect to such Syndication Partners and only to the extent such Web sites, applications and other online digital properties are owned or operated by Yahoo! on behalf of, or distributed by, such Syndication Partners.

(164) "Systems" means (a) the software, databases structures, all associated data, service delivery and intellectual property and; (b) the processes, personnel, infrastructure, equipment and technology operated by or on behalf of each party respectively necessary to operate elements described in (a), including, but not limited to, asset management, human resource security, physical and environmental security, communication and operations management (including backups/restores), access control, information systems acquisition, development and maintenance,

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information security incident management, business continuity management and compliance.

(165) “Tail Transition Period” has the meaning set forth in Section 19.5.1.

(166) “Tax” means any federal, state, local, or foreign income, profits, capital gains, gross receipts, franchise, net worth, sales, use, value added, goods and services, property, ad valorem, intangible, unitary, transfer, stamp, documentary, payroll, employment, estimated, excise, license, withholding, social security, alternative or add-on minimum, recapture or other taxes of any kind imposed by any Governmental Authority.

(167) “Term” has the meaning set forth in Section 19.1.

(168) “Test Passage Date” has the meaning set forth in Section 2.1.2 of Exhibit I.

(169) “Third Party Claim” means any claim, demand, suit, action, or administrative, regulatory or other proceeding by anyone other than an Indemnified Party in connection therewith.

(170) “Third-Party Client Application” means a third-party client software application (including a third-party module, plug-in, or widget) that (a) runs locally on an end-user’s Personal Computer or (b) is not otherwise Hosted By Yahoo!.

(171) “Third-Party Hosted Web Application” means a third-party online application (including a third-party module, plug-in, or widget) that is (a) accessed via the Internet; (b) used by the user within an Internet Web browser session; (c) rendered in or on a Yahoo! Property; and (d) Hosted By Yahoo!.

(172) “Third-Party Non-Hosted Web Application” means a third-party online application (including a third-party module, plug-in, or widget) that is (a) accessed via the Internet; (b) used by the user within an Internet Web browser session; (c) rendered in or on a Yahoo! Property; and (d) not Hosted By Yahoo!.

(173) “Third Party Proposal” has the meaning set forth in Section 19.4.3(a).

(174) “Tier 1 Customer Support Tools” means tools required by Yahoo! to perform Tier 1 customer support functions utilizing, where needed, the Core Platform APIs or such other access to the Core Platform that Microsoft makes available (which will be at all times will be the most robust version of such other access made available through Microsoft’s tools without limitation in terms of user interface, access and visibility).

(175) “Tier 2 Customer Support Tools” means tools required by Microsoft to perform Tier 2 customer support functions utilizing, where needed, the Core Platform APIs or such other access to the Core Platform that Microsoft makes available.

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(176) “Tier 1 Services” means all account management services related to Paid Search Services, Contextual Advertising Services and Additional Services, and other direct customer-facing functions such as account set-up, account structure, account troubleshooting, booking orders, optimizing campaigns, account termination, creative development, creative optimization, bid management, and strategy. Tier 1 Services do not include Tier 2 Services.

(177) “Tier 2 Services” means backend support services for Paid Search Services, Contextual Advertising Services and Additional Services, including Editorial policy development and enforcement, technical support, click fraud detection and investigations, Core Platform API tool set up, Core Platform API tool management, Core Platform API tool troubleshooting, custom data feed development and platform management impacting Premium Direct Advertisers. Tier 2 Services do not include Tier 1 Services.

(178) “Transaction Tax” means any sales, use, value added, goods and services, or similar Tax.

(179) “Transition Plan” has the meaning set forth in Section 8.1.

(180) “True-Up Period” has the meaning given in Section 2 of Exhibit E.

(181) “UI Normalized RPS” means an RPS measurement mutually agreed by the parties based on a form of results pages that are normalized based on a common footprint of Paid Listings using mechanisms similar to those in the Relative RPS Formula and should be adjusted over time to achieve apples to apples comparison.

(182) “Video Internet Search” means an Internet Search for video content.

(183) “Web Content Derived Metadata” has the meaning set forth in Section 2.1.5(c).

(184) “Web Crawl Cache” has the meaning set forth in Section 2.1.5(a).

(185) “Web Internet Search” means an Internet Search for Web pages (e.g., not image search or video search).

(186) “White Label Solution” has the meaning set forth in Section 2.4.18.

(187) “Withholding Taxes” has the meaning set forth in Section 9.3.4(a).

(188) “Yahoo!” has the meaning set forth in the preamble of this Agreement.

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(189) “Yahoo! AdSat Level” has the meaning set forth in Section 5.3.2.

(190) “Yahoo! Excluded Services” means (a) search that is restricted to one or more Yahoo! domains or Yahoo! Properties or a portion thereof (for example, searches from Yahoo! Properties solely of Yahoo!-branded news, weather, mail, Flickr, Del.icio.us, personals, jobs, or sports sites), (b) searches of Yahoo!’s databases or feeds incidental to the operation, programming, maintenance, or support of Yahoo! Properties (for example, queries of Yahoo! databases or feeds undertaken to render links to available news content for display on a Yahoo! Property, such as links to “related AP stories,” or querying stored user preferences), or (c) for the avoidance of doubt, any other search functionality that is not an Algorithmic Search Service or Paid Search Service.

(191) “Yahoo! Indemnified Party” means Yahoo!, any Affiliate of Yahoo!, , or any successor to all of Yahoo!’s rights and obligations under this Agreement permitted under Section 20.4, or any employee, officer, director, representative or agent of any of the foregoing in his, her or its capacity as such. Further, Yahoo!’s Syndication Partners will be Yahoo! Indemnified Parties for purposes of the defense and indemnification obligations in Sections 16.1.1, 16.1.2 and 16.1.3, and Yahoo!’s Premium Direct Advertisers will be Yahoo! Indemnified Parties for purposes of the defense and indemnification obligations in Sections 16.1.1 and 16.1.3, in each case, to the extent that Yahoo! has agreed to defend and indemnify such Syndication Partners and Premium Direct Advertisers for similar claims.

(192) “Yahoo! Material” means any documentation, text, images, data, software, tools or other materials of any kind that are provided by Yahoo! or its Affiliates, Syndication Partners or joint ventures to Microsoft for use in connection with this Agreement or the performance hereof.

(193) “Yahoo! Properties” means all current and future (1) Web sites, applications and other online digital properties owned or operated by or on behalf of Yahoo!, Yahoo! Affiliates and Yahoo! joint venture relationships and (2) software applications developed or distributed by Yahoo! or Yahoo! Affiliates that provide access to or enable Algorithmic Search Services or Paid Search Services, or both. Notwithstanding the foregoing, Yahoo! Properties do not include Web sites, pages, applications and other online digital properties which are specifically designed for use and consumption by devices that are not Personal Computers. Software applications developed by or on behalf of Yahoo! and distributed by one or more Syndication Partners as of the Effective Date are, with respect to such Syndication Partners only, Yahoo! Properties (including if such applications are distributed pursuant to renewed Syndication Partnership Agreements with such Syndication Partners). Other than the applications identified in the preceding sentence, all Web sites, applications and other online digital properties that are owned or operated by Yahoo! on behalf of, or distributed by, Syndication Partners (e.g., [\*]) are Syndication Properties, but only with respect to such Syndication Partners and only to the extent such Web sites, applications and other online digital properties are owned or operated by Yahoo! on behalf of, or distributed by, such Syndication Partners.

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(194) “Yahoo! Results Pages” means all Web pages within the Yahoo! Properties on which Yahoo! displays Results in response to a Query.

(195) “Yahoo! Search Data” means any data or information collected or derived by Microsoft through or in connection with the Services, Additional Services and Other Platform Services that are implemented on the Yahoo! Properties and the Syndication Properties, and any data or information derived therefrom by Microsoft (except for reports or conclusions derived from combinations of such data with similar data from Microsoft O&O Properties; provided that such data from the Yahoo! Properties and the Syndication Properties is not identified or identifiable as such). Yahoo! Search Data includes both data on end user activities occurring on the Yahoo! Properties and Syndication Properties that is collected directly by Microsoft as well as similar data that is collected by Yahoo! or Syndication Partners and then passed by Yahoo! or Syndication Partners to the Microsoft API and thereby collected indirectly in that manner.

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## EXHIBIT B

### SERVICE LEVEL AGREEMENT

This Service Level Agreement (the “SLA”) sets forth the service level commitments that Microsoft and Yahoo! are obligated to deliver under the Agreement. Capitalized terms not defined herein shall have the same meaning as set forth in the Agreement.

#### 1. DEFINITIONS

- a. **Definitions.** When used in this SLA with the initial letter capitalized, terms have the meanings assigned to them in the Agreement, except for the following terms, which are defined as follows for purposes of this SLA:
- i. **Aggregate Response Time.** The sum of the Internal Microsoft Response Time and the Network Response Time.
  - ii. **Availability.** The percentage of the total Calls for which Microsoft responds (either with a “no results available” response, where that would be a correct response for the Call (i.e., where Microsoft has no appropriate Results in its system), or a response in the form of properly formatted Returned Data), regardless of whether delivered within the Critical Threshold (defined below) or not (i.e., Timeouts are irrelevant to the calculation of Availability to the extent that a response in the form set forth herein is ultimately delivered by Microsoft). In the event that Microsoft is not able to receive Calls or deliver results purely as a result of (a) a failure in third party networks connecting Yahoo! and Microsoft (where those problems could not be reasonably protected against with accepted industry practices such as locating failover systems in alternate geographic regions, having redundant network links or redundant equipment, etc.), or (b) due to a problem purely with Yahoo! systems, then those Calls will not count towards the Availability calculations
  - iii. **BI Systems.** The systems and components that collect search query terms, ad impressions, clicks, conversions, cost and other data to aid in the data analysis, campaign optimization, fraud detection, billing and advertiser and publisher reporting. These systems also aid the collection, collation, querying, and reporting of business metrics required for running the day to day business operations.
  - iv. **Call or Calls.** A properly formatted invocation of the appropriate Microsoft service API or APIs by Yahoo!, Yahoo! Affiliates or Yahoo! Syndication Partners, such as a call to the Microsoft API, to request results of a particular type of record to be returned to Yahoo! by Microsoft, such as Algorithmic Listings or Paid Listings.
  - v. **Catastrophic Problem.** An issue which causes a Production System to become largely unavailable or cease to function substantially correctly and/or that persists for a period of [\*] or more, or that causes a BI System to become largely

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- unavailable or cease to function substantially correctly for a period of [\*] or more.
- vi. “Critical Threshold” has the meaning set forth in Section 5 of this Exhibit B.
  - vii. Data Inquiry. An issue or claim that may have legal and/or financial implications requiring analysis to either dispute or validate and resolve, including traffic discounting or discarding inquires, click-charge complaints, editorial policy disputes, trademark violation disputes, and similar problems.
  - viii. ICMP. An Internet Control Message Protocol used for, among other things, determining whether a particular computer is attached to the Internet and responding properly at the IP level.
  - ix. Internal Microsoft Response Time. The period of time beginning at the time of Microsoft’s receipt of a Call from Yahoo! to the completion of sending the Results Set to Yahoo! by Microsoft, as measured by Microsoft. The measurement methodology must be done in such a way as to accurately measure the request duration, and is subject to approval by Yahoo!. In the event that Microsoft does not receive all Calls due to a fault in Microsoft-controlled or directly contracted-for services or systems, the period of time for each metric will be estimated by Yahoo! using data from the appropriate Yahoo!-recorded log files, using a methodology designed to as accurately as possible calculate the same metric, such methodology subject to approval by Yahoo!.
  - x. Minor Problem. A Minor Problem is (a) a cosmetic display issue that allows the major elements of Returned Data to display in a legible format, but causes textual irregularities (e.g., an umlaut not displaying properly), (b) minor issues that do not have widespread impact to end-users, (c) minor issues with non-production systems, (d) other similar problems which do not need immediate resolution or (e) data or system problems affecting the account of a single advertiser. Once a Minor Problem has been outstanding for more than [\*], either party may escalate the issue for resolution through the Support Personnel table, with notice to the other party. For clarity, an error which causes Returned Data to fail to work, display completely, or to be completely legible will be considered a Moderate Problem, Severe Problem, or Catastrophic Problem, not a Minor Problem.
  - xi. Moderate Problem. An issue with a Service and/or Additional Service which has widespread impact to end-users, advertisers, or publishers or causes unplanned delays in important reports such as those listed in Section 5 of this Exhibit B, but which (a) is not making the Service unusable for more than [\*]% of Calls in one or more of the America, AsiaPac or EMEA regions percentage of Calls or operations, and (b) is not an SLA violation which causes more than [\*]% of Calls in one or more of the America, AsiaPac or EMEA regions to exceed the Critical Threshold. Once a Moderate Problem has been outstanding for more than [\*], either party may, using their judgment, upgrade the issue to a Severe Problem.
  - xii. Network Response Time. The period of time required for an ICMP ping packet to complete a round trip cycle between a Yahoo! data center which will initiate a

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Query, and the Microsoft data center which will respond to that Query. Network Response Time will be measured from each party's data center to the other party's data center, and will follow the same path, to the extent controllable by the parties, that an actual Query will take. It is understood that should the parties use the Internet for connectivity between the data centers in any case, that routing between them will be somewhat indeterminate.

- xiii. NOC. Network Operations Center.
- xiv. Normal Maintenance. Ongoing scheduled maintenance.
- xv. Problem Resolution. A correction, patch, fix, alteration or Temporary Workaround that minimizes the effect of a Minor Problem, Moderate Problem, Severe Problem, or Catastrophic Problem restoring the system to the levels set forth in this SLA within the response times set forth in this SLA.
- xvi. Production System. Delivery systems for Paid Search Services, Contextual Advertising Services, Algorithmic Search Services, image search, and video search, campaign management systems.
- xvii. Regional. All facilities located with [\*] miles of each other.
- xviii. Results Set. A Results Set will consist of the Returned Data required to be delivered pursuant to the Agreement, or a "No Results Available" notification, (where "No Results Available" would be a correct response for the Call were all systems functioning correctly) if applicable, which Results Set is properly formatted in a mutually agreed format.
- xix. Returned Data. Data or content such as a set of ads, abstracts and links, images, videos, etc, which are properly selected by Microsoft and returned to Yahoo! in response to a Call.
- xx. RPS. Revenue per search.
- xxi. Severe Problem. An error, bug, incompatibility, malfunction, corruption, data error or other issue which causes a Service and/or Additional Service not to operate substantially as designed, and/or renders the Returned Data substantially unavailable to or substantially unusable by Yahoo! (and which lasts for [\*] or more), including issues which cause more than [\*]% of Calls in one or more of the America, AsiaPac or EMEA regions to exceed the Critical Threshold; sudden unanticipated changes in core business metric (RPS, coverage, depth, CRR, yield, revenue, etc.); ads not serving or updating for more than [\*] PDAs or from any PDAs in the top [\*]% of spend; or a significant degradation of performance reported by more than [\*] PDAs. For the purposes of clarity, both parties agree that automated systems to detect Severe Problems do not and may not ever exist. Once a Moderate Problem has been outstanding for more than [\*], either party may, using their judgment, upgrade the issue to a Severe Problem. For the purposes of clarity, in the event that an issue with the monitoring infrastructure falsely identifies a problem that does not in truth exist on a large scale, that false

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positive will not be considered a Severe Problem (though the issue with the monitoring infrastructure should be addressed in its own right).

- xxii. Temporary Workaround. A temporary technical solution that restores the system to the levels set forth in this SLA, although there may be ongoing or additional measures until a permanent solution can be implemented.
- xxiii. Timeouts. An action taken by a Yahoo! production server when Results Sets are not received within the maximum Aggregate Response Time referred to as the "Critical Threshold" in Section 5.d below.
- xxiv. Unresolved Catastrophic Problem. A Catastrophic Problem that does not have a Problem Resolution within a total period of [\*] or more.

## 2. PARITY SLA PRINCIPLE

1. Any SLAs specified in this Exhibit B or otherwise agreed to by the parties will at all times be considered a minimum level of service, which will be in effect when no other entity enjoys a more advantageous level of service. In the event that Microsoft delivers a better level of service to any party, including to Microsoft O&O Property customers, of the Services, Additional Services, Sales Tools, Marketplace Tools, Publisher Tools, CRM systems, and related systems, then that higher level of service will be also delivered to Yahoo!. In the event that Microsoft establishes an SLA that is more beneficial to the recipient, including to Microsoft O&O Property customers of the relevant service or system, then Microsoft will notify Yahoo! of such new SLA and, at Yahoo!'s request, that SLA will be established as the new SLA for that service as regards to Yahoo!. For the purposes of clarity, as an example, if this document calls for Algorithmic Listings to be provided to Yahoo! within [\*] of a Call being made, and if Microsoft's SLA for other partners and Microsoft O&O Property customers is only [\*], then Yahoo!'s SLA will be [\*], whereas if Microsoft establishes an SLA with another partner to deliver Algorithmic Listings within a [\*] SLA, then Yahoo!'s SLA would at that point become [\*]. The parties acknowledge that there are many data flows and system service provisions that will not be known until the parties are through the transition phase, and others that will become required throughout the Term, and for those services and data flows the parties agree to work together in good faith to establish appropriate SLAs which will properly support Yahoo!'s business requirements, that in no case will the resulting SLA be less than that provided to Microsoft's O&O Property customers for the same service, and further that the concept of parity with Microsoft O&O Property customers and external third-party partners expressed also applies to these new data flows and services identified and provided throughout the Term.

## 3. CONTACT INFORMATION

1. Both parties will maintain and communicate to the other party updates to the following technical contact lists, which will be used to communicate and coordinate regarding technical problems that may be encountered with the Services and which may be updated from time-to-time by either party upon written notice to the other party. The parties agree that they will evaluate adding appropriate contact charts for issues with Services provided to Yahoo! Japan.

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i. Yahoo! Contact List

<b>Name</b>	<b>Role/Responsibility</b>	<b>Email Address</b>	<b>Office Phone</b>	<b>Mobile Phone</b>
[*]	NOC Operations Center Primary systems contact	[*]@Yahoo!-inc.com	[*]	[*]
[*]	NOC Manager	[*]@Yahoo!-inc.com	[*]	[*]
[*]	Director, Global Operations Centers	[*]@Yahoo!-inc.com	[*]	[*]
[*]	Sr. Director, Search Operations	[*]@Yahoo!-inc.com	[*]	[*]
[*]	V.P. Operations	[*]@Yahoo!-inc.com	[*]	[*]
[*]	VP Global Service Engineering	[*]@Yahoo!-inc.com	[*]	[*]
[*]	SVP Engineering Operations	[*]@Yahoo!-inc.com	[*]	[*]
[*]	EVP Service Engineering & Operations	[*]@Yahoo!-inc.com	[*]	[*]

ii. Microsoft Contact List

<b>Name</b>	<b>Role/Responsibility</b>	<b>Email Address</b>	<b>Office Phone</b>	<b>Mobile Phone</b>
[*]	Microsoft Operations Center	[*]@microsoft.com	[*]	[*]
[*]	MOC Manager	[*]@microsoft.com	[*]	[*]
[*]	MOC Director	[*]@microsoft.com	[*]	[*]
[*]	Director Search & Ads	[*]@microsoft.com	[*]	[*]
[*]	GM Search & Ads	[*]@microsoft.com	[*]	[*]

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[*]	VP of Search	[*]@microsoft.com	[*]	[*]
[*]	VP of Ads	[*]@microsoft.com	[*]	[*]
[*]	SVP of Search & Ads	[*]@microsoft.com	[*]	[*]

4. SUPPORT PROCEDURES

a. Support Procedures.

- i. Microsoft will provide Yahoo! with technical support in the English language with respect to all Services and Additional Services, and systems in the case of sales and other tools, as set forth herein, 24 hours a day, 365 days a year. The parties agree to discuss in good faith the possibility of Microsoft additionally providing support in languages other than English.
- ii. Microsoft and Yahoo! will establish and maintain a dedicated video-conferencing system directly between their respective NOCs to enable rapid and continuous communication in the event of a major issue.
- iii. All Moderate Problems, Severe Problems, and Catastrophic Problems reported by either party must be submitted to the other party, as appropriate, via the technical support telephone number, the dedicated video-conferencing system, or via e-mail to the contact information set forth in the appropriate Contact List, and each such Moderate Problem, Severe Problem and Catastrophic Problem will be given a unique reference number by the receiving party.
- iv. The responsible party will inform the other party’s technical support personnel of ongoing efforts to provide a Problem Resolution concerning Severe Problems, and Catastrophic Problems at the frequency defined in the Response Times table in subsection “e” below.
- v. Microsoft and Yahoo! will agree on and implement a single issue-tracking system which both NOCs will use to track issues and resolutions, or they will agree on and implement in a timely fashion a mechanism for linking their respective issue-tracking systems to enable automated syncing of new issues, status changes and updates, etc. related to the Agreement.

- b. Microsoft Response. Upon receiving notification of an issue from Yahoo!, Microsoft will promptly determine whether the issue is a Minor Problem, a Moderate Problem, a Severe Problem, or a Catastrophic Problem or none of the above according to the definitions set forth above. If it is determined by the parties that the issue is Microsoft’s responsibility, then Microsoft will respond to the notice within the response times set forth in this SLA and will use all commercially reasonable efforts to resolve the Minor Problem, Moderate Problem, Severe Problem or Catastrophic Problem as rapidly as possible, and in accordance with this SLA. If the parties agree that a Minor Problem, Moderate Problem, Severe Problem, or Catastrophic Problem is not Microsoft’s

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responsibility, then Microsoft will reasonably cooperate with Yahoo! to provide a Problem Resolution.

- c. **Yahoo! Response.** Upon receiving notification of an issue from Microsoft, Yahoo! will promptly determine whether the issue is a Minor Problem, a Moderate Problem, a Severe Problem, or a Catastrophic Problem or none of the above, according to the definitions set forth above. If it is determined by the parties in accordance with the procedures set forth in this SLA that the issue is Yahoo!’s responsibility, then Yahoo! will respond to the notice within the response times set forth in this SLA and will use all commercially reasonable efforts to resolve the Minor Problem, Moderate Problem, Severe Problem, or Catastrophic Problem in accordance with this SLA. If the parties agree that a Minor Problem, Moderate Problem, Severe Problem, or a Catastrophic Problem is not Yahoo!’s responsibility, then Microsoft will resolve the problem and Yahoo! will reasonably cooperate with Microsoft to provide a Problem Resolution.
- d. **Indeterminate Responsibility.** If the parties disagree which party bears responsibility for a Moderate Problem, Severe Problem or Catastrophic Problem then both parties will without delay form a resolution team comprised of at least a technical contact representing each party. Any continuing disagreement regarding responsibility or any failure by either party to effect a Problem Resolution within the times indicated will result in escalation using the escalation process set forth in subsection (f)(iii) below.
- e. **Response Times.** When either party is made aware of an issue by the other party, it will respond to the reporting party within the time indicated in the Initial Response Target time column, and provide status updates according to, the following table:

Priority Description	Initial Response Target	Status Updates	Target for Workaround or Fix
Catastrophic Problem	[*]	[*]	[*]
Severe Problem	[*]	[*]	[*]
Moderate Problem	[*]	[*]	[*]
Minor Problem	[*]	[*]	[*]
Data Inquiry	[*]	[*]	[*]

- f. **Escalation Process.**
  - i. Each party hereby agrees to notify the other party of a Minor Problem when practical, to notify the other party’s NOC within [\*] of detecting any Moderate Problem, and to notify the other party’s NOC within [\*] of detecting any Severe Problem or Catastrophic.
  - ii. In the event that either party does not respond to the other party within the Initial Response Target time from receipt of communication or detection of a Moderate

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Problem, Severe Problem, or Catastrophic Problem, then each party may escalate through the chain specified in the appropriate Support Personnel table.

- iii. If a Severe Problem or Catastrophic Problem remains unresolved for an extended period, Yahoo! and Microsoft will make available any necessary personnel to discuss the issue and to effect a resolution, with an immediate conference call according to the following schedule, with the call to happen within [\*] of the trigger time below:

<u>Time Problem Outstanding</u>	<u>Yahoo! Contact</u>	<u>Microsoft Contact</u>
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

- iv. If a Severe Problem or Catastrophic problem remains unresolved beyond 72 hours, either party may escalate the issue to immediate arbitration pursuant to Section 17.5 of the Agreement.

5. OPERATIONAL METRICS.

- a. Availability. Microsoft will maintain Availability according to the following table for the respective product, where each column represents the Availability averaged over the specified period, as measured by Yahoo!’s production query logs, verified by Keynote Systems agents, Gomez Inc. agents, or other mutually agreed means of third party verification, with at least [\*] intervals and reported daily. In the event of discrepancies between these two sources, the parties will work together to determine the root cause of such discrepancies. Failure to resolve the discrepancy will trigger an escalation process under Section 4.f. of this Exhibit B. If Availability falls below the specified level, Microsoft will effect a Problem Resolution. Microsoft will provide to Yahoo! reasonable technical specifications for redirecting traffic in case of temporary unavailability of a Microsoft data center to a Microsoft data center which is capable of providing the Services.

<u>Component</u>	<u>SLA Year</u>	<u>SLA Month</u>	<u>SLA Day</u>
Algorithmic, Images, Video, Paid Listings	[*]%	[*]%	[*]%
Campaign Management	[*]%	[*]%	[*]%
BI Systems	[*]%	[*]%	N/A

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- b. Capacity. Microsoft must maintain sufficient server capacity such that even while experiencing a single Regional datacenter failure (i.e., a failure that causes a Regional serving cluster of datacenters, or any portion thereof, to become unusable in servicing Yahoo! Calls) Microsoft will still be able to correctly support a peak Call rate of [\*]% above the maximum Calls per second actually sent by Yahoo! to Microsoft during the preceding [\*], measured in [\*] intervals, (the "Peak Rate"). Microsoft will communicate to Yahoo! the Peak Rate, as Microsoft has calculated it, on a monthly basis, and at the request of either party, the parties will meet to discuss Call trends and demand forecasts. In the event of a datacenter failure, Microsoft may slightly degrade the quality of the results returned in an effort to maintain other service levels. For the purposes of clarity, Microsoft is not required to maintain reserve capacity to sustain serving more than one simultaneous Regional datacenter failure, but should such failures occur, it does not excuse Microsoft from its obligation to provide service within the SLAs. In the event that Yahoo! reasonably anticipates a sudden increase in Call volume that will be sent to Microsoft (due to extraordinary events such as signing a new distribution partner, Yahoo! changing its algorithms affecting call volumes, advertising or other promotions, etc.) which Yahoo! anticipates could cause the normal means of calculating the Peak Capacity required to meet the SLAs to exceed the standard past volume + [\*]% formula, then Yahoo! will use commercially reasonable efforts to notify the SVP of Search & Ads contact at Microsoft, in writing, of the anticipated volume increase [\*] prior to the projected increase date (the "Inflection Point"), or as soon as practical prior to the Inflection Point if [\*] is reasonably impractical, with both the Inflection Point and such anticipated maximum capacity calculated by Yahoo! in good faith using commercially reasonable methods of estimation and then adding the standard [\*]% reserve. If Yahoo! has provided Microsoft with such a projection(s) pursuant to the previous sentence with at least [\*] notice prior to the Inflection Point, then the most recent of such projections + reserve constitutes the Peak Rate for the [\*] following the Inflection Point of such projection. The provisions governing Response Times and Critical Thresholds under this Exhibit B do not apply when the number of Calls sent by Yahoo! to Microsoft exceeds the Peak Rate.
- c. Peak Times. "Peak Times" means, for any Service, the period during which the number of Calls being sent to Microsoft from Yahoo!, not including Test Queries or malicious traffic (such as denial of service attacks), is greater than or equal to [\*] percent of the then-current Peak Rate. For the purpose of establishing the initial Peak Time for each Service, the parties will plot the Call rate of Yahoo! queries sent to Microsoft averaged over each [\*] period (starting at 00:00 each day) for one entire calendar week mutually chosen by the parties, to determine the consecutive period each day which stretches from the first [\*] interval reaching [\*]% or higher to the last such period, which will be considered the Peak Times. In the event that in one or more of the days of the week there is more than one period where load exceeds [\*]% but then subsides below [\*]% for more than [\*], that day shall have multiple Peak Times as appropriate. The resulting Peak Times for each day of the week (Sunday through Saturday) will be communicated by Microsoft to Yahoo!, and will be effective until such time as either Party requests that the

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Peak Time be reviewed based on the aforementioned methodology and reset, if applicable.

- d. **Site Monitoring.** Microsoft will monitor the performance of its obligations under the Agreement using automated tools/utilities developed and/or configured by Microsoft, or contracted with external third parties, to validate the Availability and Call Response Times. If Microsoft detects fault, it will respond as specified in this SLA agreement. Microsoft will share the results of any such monitoring and tests with Yahoo! on a daily basis. Microsoft will also monitor the performance of its delivery of Services to Microsoft O&O Property customers of those services, and will share on a monthly basis the results of that monitoring for the purposes of demonstrating to Yahoo! that the service levels provided to Yahoo! are at the same or better level as those same service levels provided to Microsoft's Microsoft O&O Property customers. The level of detail and thoroughness of the site monitoring (and the reporting of the monitored data) will be sufficient for both parties to ensure that the SLAs are being met, and to ensure that the levels are equal to or better than those provided to Microsoft O&O Property customers.
- e. **Call Response Times.** With respect to the Services, Microsoft will comply with the following Internal Microsoft Response Time maximum latency averages, as averaged for all Calls of that type sent by Yahoo! to Microsoft over each and every consecutive [\*] period starting at midnight [\*]:

<u>Service</u>	<u>Average over 24 hours</u>	<u>Average over one hour</u>	<u>Average over 5 minutes</u>
Algorithmic Search Services Calls (including Mobile Calls)	[*]	[*]	[*]
Contextual Advertising Services Calls	[*]	[*]	[*]
Image Calls	[*]	[*]	[*]
Maps and Map image Calls	[*]	[*]	[*]
Maps – Geocoding area feature Calls (e.g., city, state, zip)	[*]	[*]	[*]
Maps – Geocoding address or intersection Calls	[*]	[*]	[*]
Maps – Driving directions Calls < 50 miles	[*]	[*]	[*]
Maps – Driving directions Calls > 50 miles	[*]	[*]	[*]
Maps – Geocoding batch	[*]	[*]	[*]
Paid Search Services Calls	[*]	[*]	[*]
Streaming of video content to first frame of video	[*]	[*]	[*]
Video Calls (not including streaming)	[*]	[*]	[*]
GUID Normalization Batch Interface [*]	[*]	[*]	[*]

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

- Notwithstanding the foregoing, upon the Commencement Date and for up to [\*] thereafter, all Paid Search Services Calls (except for Paid Search Services Calls [\*]) will comply with the Call response times specified above for Algorithmic Search Services rather than for Paid Search Services. As soon as Microsoft is able to provide a solution (but no later than two years after the Commencement Date), all Paid Search Services Calls will comply with the Call response times specified above for Paid Search Services Calls. In the event that such solution results in a degradation of relevancy or RPS relative to the provision of Paid Listings with longer response times and/or the provision of Paid Listings with Algorithmic Listings, Microsoft will work with Yahoo! to allow Yahoo! to understand such differences.
- In the event that Yahoo! chooses to make a Call which requests both Algorithmic Listings and Paid Listings in the same Call, the effective Call Response Time shall be the Algorithmic Search Services averages for such Call, from the above chart.
- In the event that Yahoo! calls the same Microsoft API for Mobile as is used for other Yahoo! Properties, the normal SLAs for Availability and Call Response Times for the applicable Service type will also apply to such Mobile Calls.
- The Aggregate Response Time for each Call type above, from each Yahoo! data center performing that Call type, will not exceed the Internal Microsoft Response Time plus the following Network Response Times: (a) [\*] in the USA and Canada, (b) [\*] in Japan, (c) [\*] in Europe, (d) [\*] in Taiwan, (e) [\*] in Korea, (f) [\*] in Hong Kong, (g) [\*] in India, (h) [\*] in China, and (d) [\*] for the rest of the world (unless otherwise agreed), as averaged for all Calls of that type sent by Yahoo! to Microsoft over each and every consecutive [\*] period starting at midnight [\*] from each requesting data center (the Aggregate Response Time). The parties agree that they will work together in good faith to establish appropriate Aggregate Response Times for additional countries and/or regions not listed in the preceding as Yahoo! and/or Microsoft establish new datacenters throughout the Term. Both parties will continually monitor the Network Response Time between each Yahoo! data center requesting Calls and the appropriate Microsoft data center which is responding to those Calls, and in the event that average Network Response Time exceeds the above numbers, the parties will consider it a Severe Problem.
- Response Time Enhancement. The parties mutually agree that they will employ reasonable efforts to work together over time to provide average Internal Microsoft Response Times that are lower than the stated number in this SLA.
- Aggregate Response Times that are greater than [\*] (or, for Maps-Driving Direction calls greater than 50 miles, greater than [\*]), will result in Timeouts (the “Critical Threshold”). In the event that, for any Call, the Aggregate Response Time exceeds the Critical Threshold, then notwithstanding anything else in this Agreement, Yahoo! will have no obligation to display any of the Returned Data from the Call, and may at its sole discretion opt to display alternate content in any location, choosing to not display any Returned Data,

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choosing to wait for the Returned Data and ultimately display them, displaying a portion of the Returned Data, or any combination thereof.

f. Advertiser System Response Times.

For administration of the adCenter system, it is understood that Microsoft will maintain operation of the system such that response times for all functions are approximately on par with the equivalent functions in the leading competing systems available in the industry. For certain functions, listed below, Microsoft will be expected to provide a tool to be used by Yahoo! to simulate transactions for the purposes of testing to measure availability and performance of each transaction type. The SLA will be no worse than the response times listed for each transaction flow, for the US and Canada. For other parts of the world, the parties agree to work together to establish SLAs for these transaction flows which are appropriate to offer a highly-competitive service in those markets.

Transaction Description	Maximum Transactional Response Times
1. Login	[*]
2. Update Category, Ad Group, Keywords	
3. View Inline Report	
4. View Financial Report	
5. View Analytics	
6. View Alerts	
7. Logout	
1. Login	[*]
2. View Task List	
3. Process Term Only Task	
4. Logout	
1. Self-Serve Signup Lander	[*]
2. Time Zone Selection	
3. Geo Targeting	
4. Keyword Submission	
5. Budgeting	
6. Ad Creation	
7. Activation	

g. Quality. The parties acknowledge that for each of the Services and Additional Services, even when results are being returned quickly and reliably, it is possible for the results to be of poor quality, either due to problems with the algorithms employed, or due to problems in the hardware and software systems supplying them. Microsoft and Yahoo! will attempt to measure quality of results using mutually-agreed methods on an ongoing basis, and will consider a significant drop in quality as an SLA violation, as follows for each service type:

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- i. Contextual Advertising Services Calls: Microsoft will continually monitor the average RPS, and if in any given [\*] interval the RPS in a week-over-week comparison drops by more than [\*] standard deviations, this issue will be considered to be a Severe Problem.
  - ii. Paid Search Services Calls: Microsoft will continually monitor the average RPS, and if in any given [\*] interval the RPS in a week-over-week comparison drops by more than [\*] standard deviations, this issue will be considered to be a Severe Problem.
  - iii. Microsoft will ensure that at all times, at least [\*]% of the potential documents in each of the tiers in the Microsoft index are available for selection by the Microsoft ranking algorithms. In the event that Microsoft experiences hardware, software, network, or other issues which take any of the tiers below this threshold in clusters which are actively being used to service Yahoo! Calls, Microsoft will consider this to be a Severe Problem, will promptly notify Yahoo!, and will use commercially reasonable efforts to rectify this deficiency as soon as is practical.
- h. **Advertiser Reporting Requirements.** Microsoft will generate and make available to Yahoo! the data specified in Tables 5.h (1), (2) and (3) below, to the extent that Microsoft has such data and Yahoo! is entitled to receive such data under the Agreement, regarding the Services, Additional Services (but only to the extent Yahoo! is receiving the same) and Other Platform Services (but only to the extent Yahoo! is receiving the same) at the frequency (e.g., hourly or daily) specified in such tables. All financial data elements and measures provided in these tables [\*] to produce the official financial reporting provided under Section [\*] of the Agreement. In addition, during the Term the parties will work together in good faith to add to and optimize delivery of the data that Microsoft makes available to Yahoo! in order to meet Yahoo!'s reasonable business requirements. Specifically, the parties acknowledge that the following data tables do not represent a complete list of all data required, that additional data elements will need to be added to the data feeds and reporting during the transition phase and during the term, aggregation levels may need to be adjusted to meet Yahoo!'s reasonable business requirements, and SLAs for the additional data elements will need to be added to the following tables. In the event of data errors or omissions discovered in the data provided, Microsoft will make commercially reasonable efforts to correct the error as per the SLA through reprocessing or other steps Microsoft deems necessary to remediate the issue.

Table 5.h (1) – Advertiser Business Intelligence. The following data elements will be processed, refreshed, and provided by Microsoft [\*] with a latency of [\*] from the end of the [\*] window in which events occur until they are represented in the data feeds and/or reports, and with a granularity, as follows:

<b>Data Elements</b>	<b>Granularity</b>
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

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**Measures**

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Table 5.h (2) – Publisher Business Intelligence. The following data elements will be processed, refreshed, and provided by Microsoft [\*] with a latency of [\*] from the end of the [\*] window in which events occur until they are represented in the data feeds and/or reports, and with a granularity, as follows:

<u>Data Elements</u>	<u>Granularity</u>
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



<u>DATA ELEMENT</u>	<u>GRANULARITY</u>	<u>DEFINITION</u>
[*]	[*]	[*]
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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



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- i. Yahoo! Search Data. The Parties have agreed that Microsoft will provide Yahoo! Search Data, as defined in the Agreement, with the technical implementation of the data transfer mechanism to be determined and completed at a later date, but it is agreed that such solution will meet the following high-level SLAs:
  - i. When such data is collected by Microsoft but not by Yahoo! directly (such as conversion data, data emanating from the White Label Solution, etc.) the unprocessed event data such as click events, beacons, etc., will be made available to Yahoo! on a real time basis when commercially feasible, but in no event with a latency greater than [\*]
  - ii. Processed data for the previous day will be available to Yahoo! at the same time that it is made available to the Microsoft teams which utilize the processed data or no longer than [\*] from the close of the capture window, whichever is sooner. Capture windows will not exceed [\*] in duration.
  
- j. Microsoft PDA Listings Data. The Parties have agreed that Microsoft will provide Microsoft PDA Listings Data, as defined in the Agreement, with the technical implementation of the data transfer mechanism to be determined and completed at a later date, but it is agreed that such solution will meet the following high-level SLAs:

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- i. Processed data for the previous day will be available to Yahoo! at the same time that it is made available to the Microsoft teams which utilize the processed data or no longer than [\*] from the close of the capture window, whichever is sooner. Capture windows will not exceed [\*] in duration
- k. Web Crawl. The parties have agreed that Microsoft will develop functionality which will enable Yahoo! to have a copy of Microsoft's currently active Web Crawl Cache. Although the technical implementation of this crawl data transfer mechanism will be determined and completed at a later date, it is agreed that the solution will meet the following high-level SLAs:
  - i. In the event that Yahoo! needs to create a new copy of the data from scratch, Microsoft will provide sufficient capacity in its systems to allow Yahoo! to create such copy within [\*].
  - ii. After the initial copy is complete as per (i) above, Microsoft will provide a continuous repository of the Web crawl and feed data to which Yahoo! is entitled under this Agreement, and an ordered change-log, at the same rate performed by Microsoft in the normal course of business, understanding that various portions of the Web are normally crawled at varying rates (e.g., "superfresh", "big z", etc.)
  - iii. The systems will be designed to ensure that the Yahoo! copy is, in aggregate, refreshed at the same rate as the Microsoft copy, within practical technical limits. As of the effective date of the Letter Agreement, the aggregate time for refresh of the entire Web Crawl Cache was approximately [\*], with some sections refreshed daily, but the parties understand that these times may change over the course of the agreement, in either direction.
  - iv. Microsoft will maintain sufficient network bandwidth and throughput within the data center infrastructure and content system in order to support transfer to Yahoo! in this near-real time fashion at Microsoft's expense, and Yahoo! will maintain at its expense, or otherwise reimburse Microsoft, for the cost of the connectivity required to transfer the data once it leaves the Microsoft data center for transmission to the Yahoo! data center.
  - v. The maximum latency between a crawled or feed-supplied document being available to be served from the Microsoft index and the same data being made available to Yahoo! will be [\*] under normal operating circumstances. In the event that connectivity is disrupted, then Microsoft will buffer the data for up to [\*] to allow Yahoo! to catch up when connectivity is restored.
- l. Meta-data Transfer. The parties have agreed that Yahoo! may develop functionality which will enable Microsoft to receive a copy of meta-data generated from Microsoft's Web crawl data which would potentially be useful to add to Microsoft's general Web index. Although the technical implementation of this data transfer mechanism will be determined and completed at a later date, it is agreed that when Yahoo! generates meta- data which Microsoft has chosen to receive and make available through the Microsoft API, the solution will meet the following high-level SLAs:

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



- i. In the event that Microsoft needs to create a new copy of the data from scratch, Yahoo! will provide sufficient capacity in its systems to allow Microsoft to create such copy within [\*].
- ii. After the initial copy is complete as per (i) above, Yahoo! will provide a continuous repository of the meta-data, at the same rate performed by Yahoo! in the normal course of business.
- iii. The systems will be designed to ensure that the Microsoft copy is, in aggregate, refreshed at the same rate as the Yahoo! copy, within practical technical limits.
- iv. Yahoo! will maintain sufficient network bandwidth and throughput within the data center infrastructure and content system in order to support transfer to Yahoo! in this near-real time fashion at Yahoo!'s expense, and Microsoft will maintain at its expense, or otherwise reimburse Yahoo!, for the cost of the connectivity required to transfer the data once it leaves the Yahoo! data center for transmission to the Microsoft data center.
- v. The maximum latency between new meta-data being generated by Yahoo! and inserted into the Yahoo! live serving repository for such meta-data and the same data being made available to Microsoft will be [\*] under normal operating circumstances. In the event that connectivity is disrupted, then Yahoo! will buffer the data for up to [\*] to allow Microsoft to catch up when connectivity is restored.
- vi. Once Microsoft has received such data from Yahoo!, Microsoft will make such data queryable from the Microsoft API within [\*] of receipt.
- m. Resolution Period. Once the responsible party is identified for a Minor Problem, Moderate Problem, or Severe Problem, the responsible party will identify and communicate a Problem Resolution or plan and will implement that plan as required by this SLA.
- n. DNS. Microsoft uses DNS-based global load balancing to direct search traffic to one of the several facilities that serve Yahoo!'s traffic. Yahoo! will be directed to have its servers adhere to the TTL in the Microsoft name server resolution response with a TTL of no more than [\*], periodically querying the Microsoft DNS servers to determine the IP address of the Microsoft site where the Yahoo! servers in any individual data center should direct their Call traffic. Microsoft will not be responsible for satisfying SLA requirements if Yahoo! does not respect Microsoft's TTL or DNS-based load balancing.
- o. Maintenance Requirements. Microsoft will use commercially reasonable efforts to notify Yahoo! at least [\*] before any scheduled maintenance is performed on its systems if (a) the maintenance is reasonably expected to cause any service degradation or service availability problem for Yahoo!, or (b) if the proposed maintenance would occur during a Yahoo! change-embargo period (such list of embargo periods to be provided in writing to Microsoft by Yahoo!), in which case Yahoo! must agree to the maintenance and to the timing of said maintenance. Specifically for the adCenter account management functions, BI systems, Campaign Management, Sales Tools, and CRM systems (not

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including the live ad serving systems), scheduled maintenance may occur with notification but without agreement from Yahoo!, and will not be counted in the determination of Availability and Response Times, but such scheduled maintenance may not exceed [\*] in any calendar month without prior written agreement from Yahoo!.

- p. Reporting. Both parties will make available daily, in a format mutually agreed by both parties, such agreement not to be unreasonably withheld, a report showing Availability, Internal Microsoft Response Times and Aggregate Response Times, and Network Response Times as measured under this SLA. In the event that there are material discrepancies between the numbers calculated by either of the parties and the other party, then the parties agree to use commercially reasonable efforts to work together to determine the reason for the discrepancies and to correct for such discrepancies going forward.
- q. Monitoring Servers. In addition to the Yahoo!'s servers monitoring Transaction and Network Response Times, Yahoo! may at its option place a monitoring server (or servers, one for each Microsoft data center which responds to any of the Call types) proximal to the Microsoft production network to aid in the resolution of connectivity and Network Response Time problems. Microsoft may, at its option, place a monitoring server (or servers, one for each Yahoo! data center which performs Calls) proximal to the Yahoo! production network, also to aid in the resolution of connectivity and Network Response Time problems. Monitoring Servers will conform to the reasonable security specifications of the data center in which they are installed.
- r. [\*].
- s. Management System SLAs. Microsoft will maintain tools, APIs, or a human service desk which will effect the following functions within the specified time frame:
  - i. New Customer record (with first campaign) will be active in the system within [\*] of submission to Microsoft, on average, subject to such campaigns passing the editorial guidelines, specified pursuant to Section 5.8.2 of the Agreement.
  - ii. New campaigns (with existing Customers) will be live in the system within [\*], subject to such campaigns passing the applicable editorial guidelines, specified pursuant to Section 5.8.2 of the Agreement.
  - iii. Modifications of existing Customer campaigns will be live within the system within [\*], subject to such campaigns passing the editorial guidelines specified pursuant to Section 5.8.2 of the Agreement.
  - iv. Modifications to existing Customer records must be live in both parties' CRM systems within [\*].
  - v. Updates to account status must be visible in both CRM systems within [\*] of the event.
  - vi. Deactivation of Syndication Partner Sources requested by Yahoo! will be effective in less than [\*] (to deactivate their tags and stop serving results).

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

- vii. To the extent that such approval is necessary under the terms of this Agreement, Microsoft will use commercially reasonable efforts to approve (if appropriate), and if approved, to activate new syndication partners and sub-syndication rights for new partners as soon as possible.
- t. Sales Function SLAs. Microsoft will maintain system APIs, tools, and/or reporting capabilities which make it possible for a skilled human operator to achieve the following tasks in the average times listed with the task:

	TASK	DESCRIPTION	SIZE AND TIMING
1	[*]	[*]	[*]
2	[*]	[*]	[*]
3	[*]	[*]	[*]
4	[*]	[*]	[*]
5	[*]	[*]	[*]
6	[*]	[*]	[*]
7	[*]	[*]	[*]
8	[*]	[*]	[*]
9	[*]	[*]	[*]
10	[*]	[*]	[*]
11	[*]	[*]	[*]
12	[*]	[*]	[*]
13	[*]	[*]	[*]

6. FORCE MAJEURE.

Microsoft will not be in violation of any of the requirements of this SLA to the extent that its performance is impaired as a result of any delay, failure in performance, or interruption of service, resulting directly or indirectly from acts of God, acts of civil or military authorities, civil disturbances, wars, acts of terrorism, strikes or other labor disputes, fires, transportation contingencies, outages of third party telecommunications networks with whom Microsoft does not have a direct contractual relationship, failure of suppliers with whom Microsoft does not have a direct contractual relationship, or other similar occurrences which are beyond Microsoft’s reasonable control. In such event, Microsoft will use commercially reasonable efforts to overcome such problems and restore service within the SLAs as soon as possible, notwithstanding anything else in the agreement to the contrary, and shall use commercially reasonable efforts to ensure that Yahoo! Properties are treated at parity with Microsoft O&O Properties, and that Yahoo! Syndication Partners are treated at parity with Microsoft Syndication Partners. For clarity, Distributed Denial of Service Attacks (“DDOS”) will normally not be considered legitimate Force Majeure events, but the parties agree that an extraordinarily large DDOS event affecting all or substantially all of the “Microsoft Network” shall be considered Force Majeure, but not more than twice a year, and only if Microsoft has used commercially reasonable efforts to prevent such an attack from affecting the Services and Additional Services used by Yahoo! and Yahoo!’s Affiliates.

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

## EXHIBIT C

### INFORMATION SECURITY AGREEMENT

1. JITSAG. Yahoo! and Microsoft shall establish a joint information technology security advisory group (“JITSAG”) comprised of two persons from each Party who will jointly identify, recommend, review, coordinate, and monitor the Parties’ information technology security controls that relate to the Parties’ performance under the Agreement. Additionally, each Party will provide the other with access to a dedicated security support contact or team that is available to be reached with security questions or concerns twenty-four (24) hours a day, seven (7) days a week. Either Party can change the contact information for this dedicated security support contact by providing written notice to the security support contact of the other Party.
2. Initial Security Coordination. Prior to implementation of the Agreement, the JITSAG will have an initial meeting as described in Section 1 above. Remediation of any issue identified as necessary for launch will be addressed through: (A) good faith consideration to issues raised by either Party; (B) good faith efforts to, in a commercially reasonable timeframe, remediate those issues that the Parties agree require remediation; and (C) notification to the other Party of the nature of those efforts (which notice will be Confidential Information of the disclosing Party), to ensure security considerations have been adequately addressed prior to launch.
3. Incident Notification. Each Party agrees to notify the other of any known or suspected security incidents or breaches that can be reasonably expected to affect systems, facilities or data owned, operated, or provided by, or on behalf of, a Party that are involved in substantive performance of Party’s obligations under the Agreement as soon as reasonably possible, and to work with the other Party to resolve any such issues to that Party’s reasonable satisfaction.
4. Remediation. If a known or reasonably suspected security issue has not been resolved through the JITSAG process to the reasonable satisfaction of either Party, either Party may request a third party audit (“Validation Audit”) be conducted of the systems or facilities directly related to the known or reasonably suspected security issue. The third party will be selected by the requesting Party, subject to approval by the other Party, and such approval will not be unreasonably withheld or delayed. The requesting Party will pay for the audit to be conducted. The audited Party will provide sufficient access to its facilities, personnel, and records as required for the audit during the audited Party’s regular business hours, and will otherwise support and cooperate with the audit in accordance with the requirements in Table 1 below. The Validation Audit report will be provided contemporaneously to both parties by the third-party auditor. If an audit report identifies any aspect of the systems or of the facilities as having a security issue that could compromise the integrity of the systems, facilities, or data of either Party, the audited Party will: (A) give good faith consideration to issues raised in such report; (B) make good faith efforts to, in a commercially reasonable timeframe, remediate those issues that it agrees require remediation; and (C) notify the other Party of the nature of those efforts (which notice will be Confidential Information of the disclosing Party).

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**Table 1 – Validation Audit Requirements**

- A party will request an audit, in writing and in advance, and the requesting party will identify, in the request: (i) the proposed date and time for the audit to begin; (ii) all participants who will be attending; and (iii) the specific intent, in detail, of the audit;
- The parties will discuss the audit request in good faith and will mutually agree on a date and time when the audit will begin, which will be no earlier than three weeks after the parties reach agreement;
- The audit will be conducted on business days, during business hours, at the applicable facilities;
- The audit duration may be no more than two business days and will be limited in scope to the subject matter identified in requesting party's audit request;
- Personnel of the requesting party or third-party representatives must be escorted by designated personnel of the audited party at all times while present at the facility to be audited and must abide by all rules applicable to visitors to the facility;
- Inspection of any intellectual property or confidential information of any third party is strictly prohibited, except where a third party performs any function that is required for the audited Party's performance under this Agreement;
- Personnel of the auditing party or their auditor may, on advance request, view a printout of applicable secure VPN network interface(s) and related security ACL configuration, which information will not leave the audited party's facilities;
- The audit will not involve any access to any Systems (e.g., port scanning, intrusion testing, and penetration testing are not allowed) without the express written permission of the party being audited (in each case and in advance). Any request to access any Systems will be included in requesting party's initial audit request;
- The audit will not involve any access to any Personally Identifiable Information on or through any Systems, except if, and solely to the extent that, such access is limited solely to Personally Identifiable Information of the audited party's end users, such information is physically segregated from other information not related to the audited party's end users, and the auditing party will defend, indemnify, and hold the audited party harmless from all damages and other claims or amounts related to the auditing party's access to Personally Identifiable Information during such audit;
- Cable room access is strictly prohibited; and
- The auditing party will comply with all policies and procedures of the audited party while on site at the facilities being audited, including the audited party's confidentiality and security policies and procedures (which may require personnel of the auditing party or third-party representatives to execute a separate non-disclosure agreement, sign in to the facilities, wear a badge, be escorted, etc.).

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## EXHIBIT D

### Covered Data Retention and Anonymization Procedures

Section 13.2.2 of the Agreement requires Microsoft to employ data retention and anonymization policies and procedures comparable to Yahoo!'s with respect to Covered Data and search queries passed by Yahoo! to Microsoft in connection with the Services. By the first date Microsoft receives Covered Data or search queries from Yahoo! in connection with the Services (including pre-production testing), Microsoft will implement data retention and anonymization procedures with respect to the Covered Data and search queries that are comparable to those deployed by Yahoo! as of the Commencement Date.

For planning purposes, Yahoo! has a good faith belief that it will have implemented the policies and procedures outlined in this Exhibit D with respect to this data as of [\*]. Yahoo! will provide Microsoft with written notice if any portion of the policies or procedures outlined in this Exhibit D is not or will not be implemented by Yahoo! as of [\*].

“Security Systems” are defined as systems used specifically to detect and defend against fraud, abuse, and security attacks and generally compliant with the requirements set out in Exhibit C.

The procedures outlined below describe Yahoo!'s planned implementation of its relevant data retention and anonymization policies as of [\*]. [\*]. They are included here for illustrative purposes only:

[\*]

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**EXHIBIT E**

**RPS GUARANTEE**

1. Definitions.

- (a) “Adjusted Control RPS” is defined in Section 3.1(a)(2) of this Exhibit E.
- (b) “Allowed Percentage” is defined in Section 3.1(c)(3) of this Exhibit E.
- (c) “Control Bucket” means a random sample of the Eligible Traffic from Yahoo! Property Web Search that will be controlled in each country throughout the Reference Period and the Guarantee Term. For the US, the Control Bucket will be statistically representative to measure RPS at a Partition level. Randomization of Eligible Traffic is based on browser cookies (e.g., all cookies ending in a ‘F’). The products and settings used for matching (e.g., advanced match feature), ranking, pricing, etc other than placement and prominence in the Control Bucket should be representative of those used in production releases. In non-U.S. countries, the Control Bucket will be no more than [\*]% of total Eligible Traffic from Yahoo! Property Web Search for the [\*], and no more than [\*]% of the total Eligible Traffic from Yahoo! Property Web Search for [\*]. To the maximum extent possible, during each True-Up Period, Yahoo! will maintain the Control Bucket with the Same Average Advertisement Placement (as such term is defined below) and same average advertisement prominence including, bolding of matched terms, total number of text characters per line in the ad creative, total number of lines per ad, size of the fonts, background color, clickable area, etc., as existed in the applicable Reference Period. During the Reference Period, the Control Bucket may include elements such as labels (such as geo, etc.), rich ads and “Favicons” that may not be offered by Microsoft, and if so, the parties will mutually agree to the appropriate adjustment to eliminate the click through rate bias, if any, resulting from these items. Paid Listings from Paid Search Services displayed to users when they click on or mouse over a link (e.g., “hotspots” or “linkspots”) will be tracked in the “aggregate” Partition described in Section 3.1(a)(2) below and not within the set of Partitions representing [\*]% of U.S. Yahoo! Property Revenues from Property Web Search. For the avoidance of doubt, the preceding sentence does not include links that are generated based on a user’s intent when conducting or refining a Web Internet Search, (e.g., Yahoo!’s “Search Assist” or “Also Try” features). As used in this definition, “Same Average Advertisement Placement” means, in comparison to the Reference Period, [\*].

If the average relevance of the Paid Listings returned during the associated True-Up Period does not meet the average relevance during the Reference Period, then the parties will work in good faith to address the underlying issue.

- (d) “Eligible Traffic” means all Queries from Yahoo! Properties other than non-monetizable Queries (e.g., traffic from robots, traffic with 3rd party restrictions, internal test traffic) and excludes traffic that does not result in a Yahoo! Results Page for Web Internet Search. Yahoo! will count and report to Microsoft during each Reference Period and True-Up Period for purposes of calculating the Guarantee Adjustor the number of Queries from Eligible Traffic for each Control Bucket and Partition (using the same methodologies, technologies and practices that Yahoo! uses as of the end of the first

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quarter of 2010 to filter non-monetizable Queries, provided to the extent such methodologies, technologies and practices vary from those in effect as of the Effective Date, any changes will not be designed to bias any calculations in Yahoo!'s favor under the guarantee) Yahoo! will apply these methodologies and practices to count Queries during the Reference Periods and True-Up Periods.

- (e) "GDP Adjusted Reference RPS" is defined in Section 3.1(a)(1) of this Exhibit E.
- (f) "GDP Adjustment" means the amount computed in accordance with Section 3.1(a)(1)(B) of this Exhibit E.
- (g) "Guarantee Adjustor" is defined in Section 3.1(a) of this Exhibit E.
- (h) "Partition" means (i) in the U.S., a segment of Eligible Traffic originating from each of the named search entry points named in Section 3.1(a)(2) of this Exhibit E, which, when combined with the "aggregate" Partition, represent all Eligible Traffic and (ii) in each other country, all Eligible Traffic for such country in aggregate (regardless of the named search entry point).
- (i) "Prior Core Revenues" is defined in Section 3.1(b)(1) of this Exhibit E.
- (j) "Prior Other Revenues" is defined in Section 3.1(c)(2) of this Exhibit E.
- (k) "Reference Period" is defined as the time period that has the same beginning and end dates as the True-Up Period and occurs during the 12-month period immediately prior to the Initial Implementation Date in the applicable country. For example, [\*].
- (l) "Reference RPS" is defined in Section 3.1(a)(1)(A) of this Exhibit E.
- (m) "Yahoo! Property Revenues" means the sum of (a) Net Revenues from Microsoft's Paid Search Services and (b) gross revenues earned from Paid Search Services other than Microsoft's Paid Search Services (e.g., Panama) on Yahoo! Properties, less the following as such relate to such gross revenues (i) advertiser refunds, credits and chargebacks, (ii) billings of fraudulent clicks and (iii) agency fees, referral fees, and other commissions payable to third parties.

2. True-Up Periods. For each applicable country, there will be [\*] consecutive "True-Up Periods" of [\*] each starting on the Initial Implementation Date in such country. The "Guarantee Term" for each country refers to each applicable country's [\*] True-Up Periods collectively.

3. Guarantee Amount. The Guarantee Amount will be calculated for each country [\*] for each applicable True-Up Period in the billing currency for such country. If Yahoo! does not [\*], then the guarantee will apply in such country and the parties will amend this Exhibit E to reasonably reflect the addition.

3.1. Subject to adjustment as described in this Exhibit E, the "Guarantee Amount" for each country for each True-Up Period is calculated as follows:  
Guarantee Amount = Guarantee Adjustor \* (Core Revenues + Other Allowed Revenues), where:

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(a) “Guarantee Adjustor” is designed to reflect relative changes in monetization net of inflationary price changes, and is calculated as the quotient of (i) GDP Adjusted Reference RPS and (ii) Adjusted Control RPS.

(1) “GDP Adjusted Reference RPS” is the product of (i) Reference RPS and (ii) GDP Adjustment.

(A) “Reference RPS” is the [\*] weighted average RPS for the Control Bucket during the applicable Reference Period. The Reference RPS calculation is provided below as the weighted average RPS across all Partitions, with such weighting (referred to below as ‘wRi’ where ‘i’ is an index referring to a given Partition) equal to the percentage of Queries in a given Partition during the applicable Reference Period, and the Partition RPS is the actual RPS for the Partition (referred to below as ‘RPSRi’ where ‘i’ is an index referring to a given Partition) during the Reference Period. (For clarity, in non-U.S. countries, there will be no weighting because the Eligible Traffic and the Control Bucket will be tracked as a single Partition.)

$$\text{Reference RPS} = (wR1 * RPSR1 + wR2 * RPSR2 + \dots);$$

(B) “GDP Adjustment” is equal to [\*] plus the percentage change in nominal GDP/capita from the Reference Period to the corresponding True-Up Period in that country, except for the [\*] True-Up Period, where the GDP Adjustment is measured as the change in nominal GDP/capita from the first Reference Period (the start and end dates of which are [\*] preceding the True-Up Period) to the [\*] True-Up Period in that country. For example, [\*]. The suggested data sources listed in the table below shall be used in determining the “percentage change in nominal GDP/capita” (or such substitute sources as the parties may agree if the suggested data sources are not available):

Country	Suggested Data Source
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

(C) Further, the version of the data to use shall be the most current version of quarterly data available as of the end of each True Up Period, and subject to retroactive revision in the subsequent True Up Periods for the country until the [\*] and final True Up Period at which time no further revision shall be undertaken, except for the United States only, there shall be one final true-up using data available as of [\*] after the end of the Guarantee Term for the United States. If quarterly data for a country is not reported or available, semi-annual data shall be used, or if semi-annual data is not available, then the annual version shall be used.

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(D) Control Buckets will be run in the following countries: [\*]. For all other countries, the parties agree to instead use the Guarantee Adjustor of the following mapped country:

Country	Mapped Country to Use
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

(2) “Adjusted Control RPS” is the [\*] weighted average RPS for the Control Bucket during the applicable True-Up Period. The Adjusted Control RPS calculation is provided below as the weighted average RPS across all Partitions, with such weighting (referred to below as ‘wRi’ where ‘i’ is an index referring to a given Partition in both the applicable Reference Period and True-Up Period) equal to the percentage of Queries in the Control Bucket from each Partition during the applicable Reference Period, and the Partition’s RPS is the actual RPS for the Partition (referred to below as ‘RPSGi’ where ‘i’ is an index referring to a given Partition) during the True-Up Period. (For clarity, in non-U.S. countries, there will be no weighting because the Eligible Traffic and the Control Bucket will be tracked as a single Partition.)

$$\text{Adjusted Control RPS} = (wR1 * RPSG1 + wR2 * RPSG2 + \dots)$$

For purposes of determining the Adjusted Control RPS and Reference RPS in the U.S., the Eligible Traffic from Yahoo!’s U.S. Property Web Search will be partitioned based on the following named search entry points: [\*], each of which will be tracked as a separate Partition and shall in total be no less than [\*]% of Yahoo! Property Revenues from U.S. Property Web Search and [\*]% of Yahoo!’s total (worldwide) Yahoo! Property Revenues from Property Web Search. The remainder of U.S. Eligible Traffic from Yahoo! Property Web Search shall be tracked as an “aggregate” Partition.

The percentage of Queries in the Control Bucket from each Partition should be statistically representative of the percentage of that Partition’s volume relative to total U.S. Yahoo! Eligible Traffic. Each Partition’s RPS (calculated using only the data for that Partition in the Control Bucket) should be statistically representative of the RPS for that Partition (calculated using all Eligible Traffic in that Partition) if the placement and prominence of Paid Listings were the same in the Control Bucket and in all Eligible Traffic.

The parties will mutually agree how to handle edge cases in the event that one of the named search entry point Partitions drops below statistical representativeness without voiding the guarantee, e.g., Yahoo! sells one of the named search entry point Partitions. If before or during the Guarantee Term for a country, Yahoo! Property Revenues from Property Web Search captured by the named search entry point Partitions fall below [\*]%, the parties will mutually agree how to modify the methodology (or to adjust the named entry points) to ensure at least [\*]% of total Yahoo! Property Revenues from Property Web Search are captured in a statistically representative manner. Yahoo! will use commercially reasonable efforts to ensure all the named search entry points are captured in the Control Bucket and that the testing instrumentation is setup for the Reference Period. Further, Yahoo! will also use commercially reasonable efforts to ensure Control Buckets are run in the non-U.S. benchmark countries for purposes of determining

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Guarantee Adjustor during the Reference Period. If, however, during the Reference Period, Yahoo! is unable to fully instrument its Control Buckets to capture all of the named search entry points or Partitions, or not all non-U.S. countries have the Control Buckets setup for the entire Reference Period, then Microsoft and Yahoo! will mutually agree how to modify the methodology to approximate the weights and RPS of the un-instrumented Partitions to compute Reference RPS in a manner that eliminates selection bias resulting from Partitions that were not fully instrumented, provided, further, Yahoo! will not instrument or not instrument Partitions in a manner intended to frustrate the intended measurement provided in this section. In the event the RPS in one or more non-U.S. countries materially declines during the Guarantee Term as a result of a material change in the mix of searches by search entry points (including entry points similar to those in the “aggregate category” with respect to the U.S. market) on such properties, then the parties will work in good faith to address the underlying cause of the decline.

(b) “Core Revenues” is Yahoo! Property Revenues from [\*] during the True-Up Period for the country, excluding revenues that are excluded pursuant to Section 3.3.1 of this Exhibit E or that are included in Other Revenues.

(1) “Prior Core Revenues” is Yahoo! Property Revenues from [\*] during the [\*] period immediately preceding the Initial Implementation Date for the country, excluding revenues excluded pursuant to Section 3.3.1 of this Exhibit E or that are included in Prior Other Revenues.

(c) “Other Allowed Revenues” is Other Revenues subject to a maximum increase of [\*] percentage points in the proportion of such revenues relative to Core Revenues and Other Revenues during the [\*] period immediately preceding the Initial Implementation Date for a country, as more fully defined and calculated as follows:

- (1) “Other Revenues” means Yahoo! Property Revenues [\*].
- (2) “Prior Other Revenues” means Yahoo! Property Revenues during the [\*] period immediately preceding the Initial Implementation Date for the country from [\*].
- (3) “Allowed Percentage” =  $[*] + (\text{Prior Other Revenues} / (\text{Prior Other Revenues} + \text{Prior Core Revenues}))$ . Yahoo! will advise Microsoft of this value within four weeks following the Initial Implementation Date for each country. For example, if Prior Other Revenues in a country was [\*]% of the combined Prior Other Revenues and Prior Core Revenues, then the Allowed percentage would be [\*].
- (4) “Other Allowed Revenues” = lesser of (x) Other Revenues and (y)  $(\text{Core Revenues} + \text{Other Revenues}) * \text{Allowed Percentage}$

### 3.2. Example Computation.

The following is an example using only four Partitions (recognizing that there may be more partitions in the U.S.) and assuming no vertical searches: [\*]:

### 3.3. Other Provisions.

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3.3.1. Except as expressly agreed by the parties on a case-by-case basis, the guarantee will not apply to Paid Listings displayed on (a) Yahoo! Properties of companies or businesses acquired by Yahoo! after the Letter Agreement Effective Date (b) Yahoo! Properties launched after the Letter Agreement Effective Date (e.g., newyahooproperty.com) and (c) Yahoo! verticals that are launched after the Letter Agreement Effective Date (for example, a new vertical targeting teens would be excluded, but the guarantee would apply in connection with new pages regarding teen finance within the existing Yahoo! Finance vertical). Neither the Queries performed on, nor the associated revenues from, Queries on such properties will be included in making the Guarantee Amount calculations. As and to the extent set forth in this Exhibit E, the guarantee applies to revenues generated by Paid Listings from Paid Search Services on the Yahoo! Properties, i.e., excluding revenues and Queries from Syndication Properties and Contextual Advertising Services. Any revenues associated with Yahoo!'s paid inclusion services (e.g., Yahoo! Search Submit) will not be included in the calculations in this Exhibit E.

3.3.2. Neither party will take any action to artificially or nefariously manipulate the number of Queries or Query mix or monetization rates used to calculate the Adjusted Control RPS in any Partition, the Reference RPS, or the RPS computed over the True-Up Period for the purpose of increasing or decreasing Microsoft's payments due to Yahoo! under Section 9.1.4 of the Agreement.

3.3.3 Notwithstanding anything in this Exhibit E to the contrary, if Yahoo! does not fully satisfy the requirements of this Exhibit E, such failure to so comply with one or more requirements is not a breach of this Agreement and does not excuse Microsoft from its obligation to pay Yahoo! the Guarantee Amount. Instead the parties agree to work together in good faith to determine an equitable adjustment (which shall be Microsoft's sole remedy in the event of such failure to comply with one or more requirements in this Exhibit E) to the Guarantee Amount to adequately account for the failure to comply with the relevant requirement(s). For example, since Yahoo! is required to use the same methodologies, technologies and practices in the True-Up Period that it uses in the Reference Period to filter non-monetizable Queries in the calculation of Eligible Traffic, if there is any difference between the methodologies, technologies and practices used in such calculation, then the parties will determine if the difference in methodologies, technologies and practices impacts the calculation of the Guarantee Amount and if so, also determine an equitable adjustment to the Guarantee Amount. The parties will not make any adjustments for immaterial discrepancies.

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**EXHIBIT F**  
**LEGAL OBLIGATIONS**

Categories of Legal Obligations:

- 1. [\*]
- 2. [\*]
- 3. [\*]
- 4. [\*]
- 5. [\*]
- 6. [\*]
- 7. [\*]
- [\*]

<u>Country</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category 4</u>	<u>Category 5</u>	<u>Category 6</u>	<u>Category 7</u>
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]
[*]						[*]	
[*]						[*]	
[*]						[*]	
[*]						[*]	
[*]	[*]						

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## EXHIBIT G

### BASELINE TERMS FOR MAPS AMENDMENT

If Yahoo! exercises the Mapping Option, the parties will negotiate and enter into the Maps Amendment setting forth the terms by which Microsoft will provide Mapping Services to Yahoo!. The terms of the Maps Amendment, together with the terms of the Agreement, shall govern the relationship of the Parties with respect to the Mapping Services.

**1. GENERAL TERMS.** In addition to the provisions set forth in Section 3.2 of the Agreement, the Maps Amendment will provide that:

a) The Mapping Services shall include use of the Microsoft Mapping Services APIs by Yahoo! and Maps Syndication Partners on Yahoo! Properties and Map Syndication Properties for map rendering, traffic data (real time and incidence), routing, geocoding and satellite imagery and access to Microsoft's full online mapping product suite and technology for mapping services (i) to the extent provided by Microsoft to other mapping syndication partners or (ii) to the extent provided by Microsoft to Microsoft O&O Properties if Yahoo! exercises the Exclusive Mapping Option.

b) If content is included in Microsoft's Mapping Services, it will be made available to Yahoo! and the Map Syndication Partners at full parity with (i) the most robust content offering made available to other Microsoft mapping syndication partners, in the event that Yahoo! elects to use Microsoft's Mapping Services on a non-exclusive basis or (ii) the content included in Microsoft's Mapping Services on Microsoft's O&O Properties, if Yahoo! has chosen the Exclusive Mapping Option.

c) Yahoo! shall have the same opportunity as Microsoft's other mapping syndication partners to participate in beta testing of any new product features and functionalities related to the Mapping Services on the same terms as Microsoft's other mapping syndication partners.

d) Yahoo! shall have the right to show the location of entities and objects (i.e., object tracking) and other content on a map, as well as to create and display graphical display ads that integrate the Mapping Services.

e) Yahoo! shall have the right to wrap the Microsoft Mapping Services API in Yahoo! owned and operated platform APIs.

f) Yahoo! acknowledges that Microsoft's ability to provide certain data to Yahoo! as part of the Mapping Services is subject to Microsoft's license rights from its third party data providers; provided, however, that Microsoft shall use commercially reasonable efforts to negotiate with Microsoft data providers so that Yahoo! and the Map Syndication Partners shall have the right to integrate and distribute the Mapping Services on and off the Yahoo! network without limitation (e.g., developer APIs) and to integrate and distribute the Mapping Services on any device including, without limitation, mobile, digital home, in-car, and television devices.

g) Yahoo! shall be free to engage with external partners to integrate the Mapping Services:

(i) on websites within the Yahoo! domain including properties built for third-party partners such as the development of a micro-site on behalf of an advertiser that is hosted on the Yahoo! domain (e.g., [www.southwest.yahoo.com](http://www.southwest.yahoo.com));

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(ii) in advertisements from sources other than Microsoft, and

(iii) on Web sites outside of the Yahoo! domain if (a) Yahoo! does not license or authorize use of the Mapping Services on such websites to include use of store locator or fleet management applications or data analysis functionality that enables customers of the Mapping Services to analyze or model their internal business operations (provided that in no event will Yahoo! be prevented from using the Mapping Services in accordance with the terms of the Agreement and the Maps Amendment), (b) the Mapping Services are provided by Yahoo! without charge and (c) the services provided do not exceed the greater of (1) [\*] API transactions per year, or [\*] user sessions per year, or (2) the then current number of API transactions allowed in the Bing Maps API terms of use for commercial use; provided, however that Yahoo! shall not be liable if one of Yahoo!'s partners breaches the terms of use governing its use of the Mapping Services by exceeding the foregoing number of permitted transactions if Yahoo! has not authorized such breach. The parties agree that they will work together to promptly remedy any such third-party breach. With respect to third-party developers within the Yahoo! Developer Network whose actual use of mapping services from Yahoo!, as of the date that Yahoo! exercises the Mapping Option, exceeds the transaction or session limit described above but is otherwise consistent with this paragraph (iii), the parties will work together in good faith to develop a solution to make the Mapping Services available to such third-part developers without payment of additional fees to Microsoft.

h) Microsoft will provide Mapping Services for all countries in which Microsoft provides mapping services to consumers subject to Yahoo!'s exercise of the Mapping Option for each such country. The Microsoft Mapping Services will also support all languages (including English, French, Italian, Spanish and German) in which Microsoft provides mapping services to consumers.

i) Microsoft will have an advisory committee (the "Advisory Committee") that meets quarterly to discuss the maps product roadmap. Yahoo! shall have the right to participate as a member of the Advisory Committee and shall be entitled to request product updates (including requests from Yahoo! for Yahoo!-specific functions in the Microsoft Mapping Services API or changes to the Microsoft Mapping Services API). Microsoft shall review such product update requests fairly and shall assign at least equal if not greater weight to such requests as compared to requests received from Microsoft's next biggest mapping syndication partner. In addition, Microsoft will consult with Yahoo! regarding planned changes to the functionality (including data sources, to the extent permissible under Microsoft's confidentiality obligations to its data suppliers) and service levels of the Mapping Services and will reasonably consider Yahoo!'s input regarding any such changes.

j) Upon execution of the Maps Amendment the parties will use commercially reasonable efforts to develop mutually agreed-upon terms of use for the Mapping Services, which shall be effective no later than [\*] after execution of the Maps Amendment. Such terms of use will take into consideration Yahoo!'s then-current terms of use at the time the parties enter into the Maps Amendment.

**2. SERVICE LEVEL AGREEMENT.** In providing the Mapping Services to Yahoo!, if Yahoo! elects to exercise the Mapping Option within [\*] of the Commencement Date, Microsoft will comply with the Service Level Agreement attached as Exhibit B to the Agreement. Notwithstanding the foregoing, if at the time the parties enter into the Maps Amendment, Microsoft provides higher response times, reliability and security service levels to any third-party or the Microsoft O&O Properties then Microsoft shall provide the Mapping Services at the most robust service levels with respect to performance, throughput and general availability that Microsoft makes available to any third-party who receives

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mapping services from Microsoft or, if Yahoo! has chosen the Exclusive Mapping Option, the most robust service levels that Microsoft makes available to the Microsoft O&O Properties.

**3. DATA.** The depth, breadth and accuracy of data provided by Microsoft shall be at full parity (a) with the most robust data offering that Microsoft makes available to other Microsoft mapping syndication partners, in the event that Yahoo! elects to use Microsoft's Mapping Services on a non-exclusive basis or (b) with the data that Microsoft makes available for the Microsoft O&O Properties in the event that Yahoo! chooses the Exclusive Mapping Option; [\*].

**4. TECHNOLOGY AND FUNCTIONALITY.** In addition to the provisions set forth in Section 3.2 of the Agreement, if Yahoo! elects to exercise the Mapping Option within [\*] after the Commencement Date, the Mapping Services provided pursuant to the Maps Amendment shall, at a minimum, provide the technology and features set forth below:

- 4.1 [\*].
  - 4.1.1 [\*].
  - 4.1.2 [\*]:
    - (a) [\*];
    - (b) [\*];
    - (c) [\*];
    - (d) [\*];
    - (e) [\*];
    - (f) [\*];
    - (g) [\*];
    - (h) [\*];
    - (i) [\*];
    - (j) [\*]; and
    - (k) [\*].
- 4.2 [\*]:
  - (a) [\*];
  - (b) [\*];
  - (c) [\*];

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- (d) [\*]; and
  - (e) [\*].
- 4.3 [\*]:
- (a) [\*].
- 4.4 [\*].
- 4.4.1 [\*]:
- (a) [\*]; and
  - (b) [\*].
- 4.4.2 [\*].
- 4.5 [\*]:
- (a) [\*];
  - (b) [\*];
  - (c) [\*];
  - (d) [\*];
  - (e) [\*];
  - (f) [\*];
  - (g) [\*];
  - (h) [\*]; and
  - (i) [\*].
- 4.6 [\*].
- 4.6.1 [\*]:
- (a) [\*];
  - (b) [\*].
  - (c) [\*].
- 4.6.2 [\*].

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- 
- 4.7 [\*]:
- (a) [\*]; and
  - (b) [\*].
- 4.8 [\*]:
- (a) [\*];
  - (b) [\*].
  - (c) [\*];
  - (d) [\*];
  - (e) [\*]
  - (f) [\*];
  - (g) [\*];
  - (h) [\*];
  - (i) [\*];
  - (j) [\*];
  - (k) [\*];
  - (l) [\*]; and
  - (m) [\*].

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## EXHIBIT H

### MOBILE NON-EXCLUSIVE TERMS

#### 1. INTRODUCTION

1.1 Purpose. Microsoft's non-exclusive provision of Mobile Search Services to Yahoo!, for itself and its Mobile Syndication Partners, will be governed by the Agreement, including as applicable Section 3.3 thereof, and all rights and requirements contained therein shall extend to the Mobile Search Services, unless, solely in the case of Mobile Search Services, modified and superseded by this Exhibit H – Mobile Non-Exclusive Terms Exhibit (this "Exhibit"). In the event of any conflict, ambiguity or inconsistency between or among the terms and conditions of the Agreement or any other schedule, exhibit or attachment to the Agreement, on the one hand, and this Exhibit, on the other hand, then priority shall be given to the conflicting terms and conditions in this Exhibit solely as applied to Mobile Search Services. In the event of any conflict between Section 3.3 and other sections of the Agreement, priority shall be given to the conflicting terms and conditions in Section 3.3 solely as applied to Mobile Search Services.

1.2 Specific Exclusions. Notwithstanding anything else to the contrary in the Agreement or this Exhibit, the following Sections of the Agreement shall in no event apply to the Mobile Search Services: Sections 2.1.5, 2.2.4, 2.4.4, 2.4.8 through 2.4.13, 2.4.18, 3.1, 3.4, 4.6.2 and 7.1.

#### 2. MICROSOFT MOBILE SEARCH SERVICES

2.1 Mobile Algorithmic Search Services. For purposes of the Mobile Algorithmic Search Services only, Section 2.1.2(e) is added, and Section 2.1.1 of the Agreement, without otherwise affecting this existing Section's applicability outside of Mobile Algorithmic Search Services, is superseded by the following (for the avoidance of doubt, except as specified in Section 1.2 of this Exhibit, the remaining sections of Section 2.1 shall remain in effect):

2.1.1 Scope of Microsoft Mobile Algorithmic Search Services. Microsoft will enable the Mobile Algorithmic Search Services which may be accessed via the Microsoft Mobile API(s) for use by Yahoo! and its Mobile Syndication Partners in the geographies described in Section 5 of this Exhibit. Yahoo! shall ensure that user click-thru data for Results (generated by Microsoft Mobile API(s)) displayed on Yahoo!'s Mobile Properties or from Yahoo!'s Mobile Syndication Properties will be passed to Microsoft in accordance with this Agreement.

2.1.2(e) Mobile Implementation. During the Term and in accordance with the terms and conditions of the Agreement and this Exhibit, in response to a Mobile Query, Yahoo!, for itself and its Mobile Syndication Partners, shall have the right (but not the obligation) to display the Mobile Algorithmic Listings returned by the Microsoft Mobile API in the Mobile Results Pages in accordance with Section 2.1.2(a) – (d) of the Agreement. Yahoo! further has the right to determine whether to show any distinct content category of Mobile Algorithmic Listings (e.g., web, image, video) and reorder any such content category on the Mobile Results Page (provided that Mobile Algorithmic Listings are not re-ordered within a content category). Yahoo! may adaptively render the display of the Mobile Algorithmic Listings on the Mobile Results Pages to optimize the results for the targeted Mobile Devices, provided that such adaptive rendering is limited to only resizing or changing the file format to enable such results to be consumed on Mobile Devices and does not include editorial rights in addition to those set forth elsewhere in the

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Agreement. Yahoo! may also make such additional changes to the display of the Mobile Algorithmic Listings on the Mobile Results Pages generally as Yahoo! deems reasonably necessary to optimize the rendering of such results of the Mobile Device in question (including substitution of quicklinks for full links) or to otherwise fulfill its Mobile Syndication Partner contractual requirements as relevant (such as inserting interstitial links required by carriers) provided that Yahoo! and its Mobile Syndication Partners may not modify or alter the rank, titles or links (except for quicklinks) of Mobile Algorithmic Listings returned by the Microsoft Mobile API(s).

2.2 Microsoft Mobile Paid Search Services. For purposes of Mobile Paid Search Services only, Sections 2.2.1, 2.2.2, and 2.2.3(a) of the Agreement, without otherwise affecting these Sections' applicability outside of Mobile Paid Search Services, are superseded by the following (for the avoidance of doubt, except as specified in Section 1.2 of this Exhibit, the remaining sections of Section 2.2 shall remain in effect):

2.2.1 Scope of Microsoft Mobile Paid Search Services. Microsoft will enable the Mobile Paid Search Services which may be accessed via the Microsoft Mobile API(s) for use by Yahoo! and its Mobile Syndication Partners in the geographies described in Section 5 of this Exhibit. Yahoo! shall ensure that all relevant user click-through data in response to Results (generated by Microsoft Mobile API(s)) on Yahoo!'s Mobile Properties or from Yahoo!'s Mobile Syndication Properties will be passed to Microsoft in accordance with this Agreement.

2.2.2 Mobile Implementation. During the Term and in accordance with the terms and conditions of the Agreement and this Exhibit, in response to a Mobile Query, if Yahoo! elects to receive Mobile Algorithmic Search Services or Mobile Paid Search Services from Microsoft, Yahoo! will display at least one Microsoft Mobile Paid Listing returned by the Microsoft Mobile API(s) as set forth in Section 3.3.2 of the Agreement. Yahoo! has the right to display the Mobile Paid Listings for itself and its Mobile Syndication Partners. Yahoo! shall request the number of Microsoft Mobile Paid Listings determined by Yahoo! to be displayed in a given block of Mobile Paid Listings on the Mobile Results Pages for the specific Mobile Device and Microsoft shall return that number of Mobile Paid Listings. Yahoo! may include, in any block of Mobile Paid Listings, Mobile Paid Listings that Yahoo! sells itself or obtains from any source. Yahoo! has the right to display Microsoft's Mobile Paid Listings anywhere on a Mobile Results Page at its sole discretion, except that Yahoo! will be required to display Microsoft's Mobile Paid Listing(s) in the preferred position for Mobile Paid Listings on a Mobile Results Page if such Microsoft Mobile Paid Listings are the highest monetizing Mobile Paid Listings(s) for Yahoo! for a Mobile Query. [\*]. Yahoo! shall display Mobile Paid Listings in the order returned by Microsoft. Yahoo! may adaptively render the display of the Mobile Algorithmic Listings on the Mobile Results Pages to optimize the results for the targeted Mobile Devices, provided that such adaptive rendering is limited to only resizing or changing the file format to enable such results to be consumed on Mobile Devices and does not include editorial rights in addition to those set forth elsewhere in the Agreement. Yahoo! may display Mobile Paid Listings returned by the Microsoft Mobile API(s) in multiple blocks of one or more Mobile Paid Listings in different locations on a page, and may repeat Mobile Paid Listings from the prior pages. Yahoo! may also make such additional changes to the display of the Mobile Paid Listings on the Mobile Results Pages generally as Yahoo! deems reasonably necessary to optimize the rendering of such results of the Mobile Device in question (including substitution of quicklinks for full links) or to otherwise fulfill its Mobile Syndication Partner requirements as relevant (such as inserting interstitial links required by carriers), provided that Yahoo! and its Mobile Syndication Partners may not modify any of the text, titles or links (except for quicklinks) of Mobile Paid Listings returned by the Microsoft Mobile API(s).

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### 2.2.3 Paid Search Parity.

(a) Recommendations for Ad Placement. When and to the extent Microsoft has available for its own use or its Mobile Syndication Partner's use recommendations for Ad Placement on Mobile Devices, Microsoft will make such recommendations available for Yahoo! for Mobile Paid Listings it delivers -to Yahoo! and Yahoo!'s Mobile Syndication Partners.

2.3 Microsoft Mobile Contextual Advertising Services. If during the Term, Microsoft develops or acquires mobile contextual advertising services, Yahoo! shall have the option to obtain access to such services on substantially the same terms that Microsoft makes such services available to itself and its Mobile Syndication Partners.

2.4 Mobile General. For purposes of Mobile Search Services only, Sections 2.4.1, 2.4.5, 2.4.6, and 2.4.13(b) of the Agreement are superseded, without otherwise affecting these existing Sections' applicability outside of Mobile Search Services, by the following (for the avoidance of doubt, except as specified in Section 1.2 of this Exhibit, the remaining sections of Section 2.4 shall remain in effect):

2.4.1. Provision of Services. Subject to the terms and conditions of the Agreement and this Exhibit, Microsoft will provide and Yahoo! will implement Microsoft's Mobile Algorithmic Search Services and Mobile Paid Search Services for Yahoo! Mobile Properties via the Microsoft Mobile API(s).

2.4.5 Microsoft Mobile API(s). Microsoft will enable Yahoo! and its Mobile Syndication Partners to access Microsoft's Mobile Search Services and Mobile Paid Search Services via the Microsoft Mobile API(s). The available Microsoft Mobile API(s) will be on parity with the API(s) provided by Microsoft to Microsoft's Mobile Properties. Microsoft will provide to Yahoo! standard documentation associated with its Microsoft Mobile API(s). Nothing in this Section 2.4.4 shall be deemed to supersede Section 3.3 of the Agreement.

2.4.6 API Calls. For each Mobile Query from any of the Yahoo! Mobile Properties and Mobile Syndication Properties, Yahoo! will have the right to submit separate calls to each component of the Microsoft Mobile APIs for Mobile Algorithmic Listings (including a single call requesting one or multiple content categories) and Mobile Paid Listings and otherwise in accordance with Section 2.4.6.

#### 2.4.13 General Implementation.

(b) Branding. [\*].

### 3. MOBILE SYNDICATION PARTNERSHIPS

3.1 Mobile Syndication Partners. For purposes of Mobile Search Services, Sections 4.1.1 and 4.1.2 of the Agreement, without otherwise affecting these existing Sections' applicability outside of Mobile Search Services, are superseded by the following (for the avoidance of doubt, except as specified in Section 1.2 of this Exhibit, the remaining sections of Section 4.1 shall remain in effect):

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4.1.1 Yahoo! will not assign any Mobile Syndication Partnership Agreements to Microsoft, but rather shall continue to be the contracting party and primary partner manager for all of Yahoo!'s existing and future Mobile Syndication Partnership Agreements. Likewise, nothing in this Agreement or Exhibit requires Microsoft to transfer responsibility for its existing and future Mobile Syndication Partnership Agreements. At Yahoo!'s election, Microsoft will work together with Yahoo! and its Mobile Syndication Partners to have Mobile Queries originating from the Mobile Syndication Properties be sent to Microsoft for processing via the Microsoft Mobile API(s) and to return the Mobile Algorithmic Listing and Mobile Paid Listing Results to the Mobile Syndication Properties in accordance with Section 3.3 of the Agreement and this Exhibit. Within five days after Yahoo! elects to use one or more of the Mobile Search Services for a Mobile Syndication Partner, Yahoo! shall provide Microsoft with a written list of the relevant Mobile Syndication Partner(s), and shall provide notice to Microsoft of any changes to such list within five days after any third party becomes, or ceases to be, a Yahoo! Mobile Syndication Partner. Microsoft shall provide Yahoo! with mutually agreed tags and subtags as required by Yahoo! to support and report to the Mobile Syndication Partners.

4.1.2 Microsoft will assist Yahoo! in providing appropriate access to and documentation of Microsoft Mobile API(s) to Yahoo!'s existing Mobile Syndication Partners, including for those Mobile Syndication Partners who have sub-syndication rights.

#### **4. SALES**

Yahoo! shall have the right to migrate any mobile advertisers, agencies, resellers, and like advertisers from Yahoo!'s Panama system to the Core Platform. At Yahoo!'s request, the parties will cooperate to create a joint transition plan to support any such migration to the Core Platform within a mutually-agreed time period. Following transition, Yahoo! will service those customers exclusively through adCenter for purposes of Mobile Paid Listings. Any advertiser (but not agencies or resellers) migrated by Yahoo! that was not previously on the Core Platform shall be deemed to be a "Premium Direct Advertiser" for sales of Mobile Paid Listings only under the Agreement, including with respect to the sales exclusivity provisions of Section 7.2 of the Agreement. For the avoidance of doubt, Microsoft may also continue to sell Mobile Paid Listings to advertisers, agencies, resellers or other third parties, except if Yahoo! has exclusive sales rights to an advertiser pursuant to this Section.

#### **5. AVAILABILITY OF MICROSOFT'S MOBILE SEARCH SERVICES**

5.1 Geographic Availability. It is Microsoft's intent that Microsoft's Mobile Search Services be available in the same geographies where the Core Platform is available. For geographies where Microsoft does not offer the Core Platform, including for mobile, Yahoo! may request Mobile Algorithmic Listings and shall not be required to display any Microsoft Mobile Paid Listings, provided that (a) [\*], and (b) in this case, Yahoo! can display Mobile Paid Listings at its own election and from any source. Once Microsoft offers Mobile Paid Search Services in such a geography, Yahoo! shall display Microsoft's Mobile Paid Listings as required in Section 3.3 and this Exhibit, as applicable and the foregoing sentence shall not apply.

5.2 Service Level Agreement. Microsoft will comply with the Service Level Agreements (the "SLA") attached as Exhibit B with respect to Yahoo!'s use of the Microsoft API in connection with Microsoft's Mobile Algorithmic Listings on Yahoo! Mobile Properties and Yahoo!'s Mobile Syndication Partner Properties. A separate service level agreement for the Mobile Paid Listings API, or any other API

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provided by Microsoft as a substitute for the Microsoft API, will be mutually agreed by the parties following the Effective Date, and such SLA may be different or lower than the SLA attached as Exhibit B, provided that such SLA will be equivalent to or better than the SLA that Microsoft gives to its Mobile Syndication Partners, including [\*].

5.3 Rendering Code. Microsoft will not provide rendering code to Yahoo! in connection with Mobile Search Services.

5.4 API Implementation. Microsoft will provide Yahoo! with the same Microsoft Mobile API(s) and implementation flexibility that Microsoft provides to its other Mobile Syndication Partners. For context, while [\*] Microsoft Mobile API(s) that are being used for Mobile Search Services under this Agreement. Microsoft will not provide Yahoo! with any clients, private SDKs (e.g., customizations created by Microsoft that can be used only for specific carrier's platforms or devices) or Applications, but Yahoo! may independently develop clients or Applications that access the Microsoft Mobile API(s).

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**EXHIBIT I**

**TRANSITION SERVICES**

**INTRODUCTION**

The Transition Plan will take into account the need to deliver a positive experience to Customers, users and Syndication Partners during and after Migration, the need to efficiently and effectively transition services to enable the parties to realize the synergies that are foundational to this Agreement, and the need to develop and operate Algorithmic Search Services, Paid Search Services and Contextual Advertising Services that are of high quality and competitive in the marketplace for the Yahoo! Properties, the Syndication Properties and the entire Microsoft Network. Each party will make such transition a top priority for its respective engineering team responsible for Algorithmic Search Services, Paid Search Services and Contextual Advertising Services (prioritized only behind site up, preexisting customer commitments, and revenue initiatives that are business-critical), and each party is responsible for staffing the resources reasonably required to deliver on its portions of the plan, so as to achieve the transition in the timeframes and with the levels of quality agreed to by the parties in the Transition Plan and as otherwise required under this Agreement.

Each party will be responsible for its own costs in handling the transition. The transition, including any changes to the Microsoft API and Core Platform APIs, will be designed both to minimize the total work across both parties. The parties will work together to identify when work can be shifted in order to reduce the total overall costs across both companies. For example, new Sales Tools may require improvements in the API by Microsoft and in the Sales Tools by Yahoo! and together the companies will determine where to best balance individual API and application work in a way that minimizes the total overall cost

To “transition” or “Migrate” with “quality” includes the following responsibilities:

- The parties to agree on a global plan and deliver on such plan to effectuate moving Algorithmic Search Services from Yahoo!’s Algorithmic Search Services to Microsoft’s Algorithmic Search Services, Paid Search Services and Contextual Advertising Services from Yahoo!’s Panama system to Microsoft’s adCenter, global Migration of hundreds of thousands of advertisers and transition of publishers from their current Yahoo! accounts, campaigns, and infrastructure to their corresponding Microsoft accounts;
- In order to deliver a quality transition from Yahoo!’s products to Microsoft’s products, in accordance with the mutually acceptable Transition Plan Microsoft will continue to improve its Algorithmic Search Services and Paid Search Services and Contextual Advertising Services, including the Microsoft API, the Core Platform APIs, and other supporting tools, reports, and infrastructure. These improvements will enable Yahoo! to deliver a quality experience to Yahoo!’s users, Customers and Syndication Partners and to the users and Sub-Syndication Partners of Syndication Partners. Many of these product improvements to accomplish this requirement are set forth throughout this Agreement;
- In order to support this quality transition, Yahoo! will also need to update, improve or develop new, tools, processes, and products that will use Microsoft’s products in order to support this transition and migration with quality;
- The Yahoo! sales force that will be assuming responsibilities for Premium Direct Advertisers for the combined marketplace will update its existing policies and procedures, if necessary, to deliver a high quality Migration experience for Customers that does not unreasonably restrict the Microsoft sales

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force, taking into account the construct of this Agreement, from selling other advertising products to those Premium Direct Advertisers;

- Yahoo! and Microsoft will mutually agree upon a Transition Plan, quality metrics and what product improvements and business processes are needed to transition and Migrate with “quality”, and the parties will execute together on such plan;
- In executing on all of the foregoing, the parties recognize that a Migration and transition with quality does not necessarily require feature-matching or backwards compatibility with legacy systems and that, in some cases, such efforts would detract from the parties’ overall goals. Instead, the parties intend to focus the Migration and transition on developing a high quality and competitive set of services for their owned and operated properties, Customers, end-users, and other publishers (including Syndication Partners).
- Without limitation of Section 17 of the Agreement, the Transition Plan will include clear governance and escalation procedures to ensure that the commitment to transition with quality is maintained.

## 1. APIS FOR TRANSITION

1.1 The Microsoft API and Core Platform APIs will be made available to Yahoo! in a timeframe that allows a reasonable amount of time for Yahoo! development and integration testing in light of the overall transition timelines for the Algorithmic Search Services, Paid Search Services, Contextual Advertising Services and Domain Match and Error Channel transition.

1.2 As described in Section 2.4.9 of the Agreement, Microsoft will provide documentation, support and developer training for the Microsoft API and Core Platform APIs required by Yahoo! in a timeframe sufficient for Yahoo! to develop and deploy tools to support the transition schedule. Microsoft will also provide reasonable access to test environments with test data reasonably necessary to allow Yahoo! and Microsoft to complete integration testing.

1.3 Microsoft will use commercially reasonable efforts to respond with timely bug fixes for the Microsoft API, the Core Platform and Core Platform APIs and other needed enhancements for the Microsoft API, the Core Platform and Core Platform APIs required to support a quality transition, consistent with the severity of the bug or issue necessitating the enhancement.

## 2. ALGORITHMIC SEARCH SERVICES TRANSITION

### 2.1 Quality Testing.

2.1.1 As promptly as practicable, Microsoft and Yahoo! will work together to define fair, representative and unbiased (a) methodologies and standards for calculating [\*] and [\*] scores for the primary Microsoft and Yahoo! Algorithmic Search Services (using their primary Web sites, e.g., bing.com and yahoo.com) in each of the [\*] Countries (as defined below) taking into account Yahoo! data sets and (b) similar methodologies and standards for measuring quality for Image Internet Search and Video Internet Search ((a) and (b) collectively, the “Mutual Quality Standards”). Microsoft will also document and share with Yahoo! Microsoft’s own methodology and standards for calculating [\*] and [\*] scores (which methodologies and standards will be fair, representative and unbiased using Microsoft’s data sets) for the primary Microsoft and Yahoo! Algorithmic Search Services in the [\*] Countries (the “[\*] Transition Standards”). The “[\*] Countries” are the following countries: [\*]. As promptly as practicable, Microsoft and Yahoo! will equally fund and begin to measure (or jointly select and pay for a

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third party to measure) against the Mutual Quality Standards and the [\*] Transition Standards for the Microsoft and Yahoo! Algorithmic Search Services in the [\*] Countries.

2.1.2 In connection with the transition to Microsoft's Algorithmic Search Services in each [\*] Country, Microsoft will notify Yahoo! when it is capable of meeting the SLA and demonstrates that Microsoft's Algorithmic Search Services' [\*] scores are [\*] than Yahoo!'s [\*] scores (when such scores are measured on a [\*]) in such country using the [\*] Transition Standards. For all countries other than the [\*] Countries ("[\*] Countries"), the parties will mutually agree on the quality metrics (e.g., user abandonment and aggregate click-through rate) required to transition Algorithmic Search Services for Web Internet Search, Image Internet Search and Video Internet Search ("[\*] Transition Standards"). For any country, following the date that Microsoft demonstrates that it has satisfied each applicable test (i.e., the [\*] Transition Standards for [\*] Countries and the applicable [\*] Transition Standards for each [\*] Country) and is capable of meeting the SLA within such country (the "Test Passage Date") and prior to switching to Microsoft's Algorithmic Search Services in such country, Yahoo! may conduct testing to measure the quality of the user experience in such country (e.g., user abandonment and aggregate click-through rate) and the quality of the parties' respective Algorithmic Search Services for Web Internet Search, Image Internet Search and Video Internet Search ("Additional Quality Testing"). Microsoft will cooperate with Yahoo! in such Additional Quality Testing and Microsoft will use commercially reasonable efforts to improve each of the Algorithmic Search Services in an expedient timeframe (with the goal of meeting the Mutual Quality Standards in [\*] in [\*] Countries).

2.1.3 If Yahoo! has not switched to Microsoft's Algorithmic Search Services for Web Internet Search, Image Internet Search and Video Internet Search within [\*] after the Test Passage Date (the "[\*] Date"), then Yahoo! must either (a) switch to Microsoft's Algorithmic Search Services or (b) continue providing at its own expense its own Algorithmic Search Services for Web Internet Search, Image Internet Search and Video Internet Search in such country (in which case, Microsoft will no longer have to reimburse Yahoo!'s cost of running Algorithmic Search Services as described in Section 8.2.1 of the Agreement) and continue Additional Quality Testing until Yahoo! is satisfied with the user experience provided by the Microsoft Algorithmic Search Services. If Yahoo! has not switched to Microsoft's Algorithmic Search Services following the [\*] Date as provided for above, then Microsoft will continue to use commercially reasonable efforts to meet the Mutual Quality Standards. For clarity, Yahoo! may elect to transition Web Internet Search, Image Internet Search and Video Internet Search to Microsoft in any country separately at any time.

2.1.4 Notwithstanding anything to the contrary above in this Section 2.1 of Exhibit I, and provided that Microsoft has used commercially reasonable efforts to meet the applicable Mutual Quality Standards or [\*] Transitions Standards for the remaining non-transitioned countries, once countries that represent collectively [\*]% of the total worldwide revenues earned by Yahoo! and its Affiliates from Paid Search Services in connection with Algorithmic Search Services have transitioned to Microsoft, then (a) all of the remaining [\*] Countries will transition to Microsoft's Algorithmic Search Services within [\*] thereafter unless, at Yahoo!'s option, Yahoo! wants to provide its own Algorithmic Search Services or continuing to use third parties in such countries (or any of them on a country-by-country basis) at Yahoo!'s sole expense (in which case, Microsoft will no longer have to reimburse Yahoo!'s cost of running Algorithmic Search Services as described in Section 8.2.1 of the Agreement for such [\*] Countries) and (b) Microsoft will continue to use commercially reasonable efforts to have the versions of Microsoft's Algorithmic Search Services in such countries satisfy the applicable [\*] Transition Standards, if they do not already satisfy the same.

2.2 Operations, Infrastructure and Network Transition. The parties will work together to develop the technical requirements and specifications necessary for implementing Microsoft's

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Algorithmic Search Services, Web Crawl Cache, SearchMonkey, and all supporting systems to operate within the defined SLAs and within the reasonable business requirements of each of the parties within the scope of this Agreement, including necessary network equipment and links, server hardware and storage, data transfer mechanisms, system linkages, failover control, communications mechanisms, and other necessary capabilities. Without changing the parties' obligations under Section 8 of the Agreement or Section 2.1 of Exhibit I, the parties will then mutually plan and execute on the implementation of these systems, along with appropriate test and monitoring capabilities, with sufficient lead time to ensure the proper functioning of Microsoft's Algorithmic Search Services (but not necessarily the Web Crawl Cache and Search Monkey) and supporting systems prior to transition from Yahoo!'s Algorithmic Search Services to Microsoft's Algorithmic Search Services.

2.2.1 Web Crawl Cache Transition. Without changing Microsoft's obligations under Section 2.4.12 of the Agreement, as promptly as practicable and prior to the transition of Algorithmic Search Services in any market, the parties will develop a detailed transition and implementation plan and schedule for Microsoft to make available to Yahoo! a copy of the entire Web Crawl Cache.

2.2.2 SearchMonkey Transition. At Yahoo!'s request and without changing Microsoft's obligations or Yahoo!'s rights under Section 2.1.7 of the Agreement, as promptly as practicable and prior to the transition of Algorithmic Search Services in any market, the parties will develop a detailed transition and implementation plan, including a customer communications plan, to transition SearchMonkey. This migration will be performed by the Dedicated Resources so that Yahoo! can prioritize this work, relative to other work, as Yahoo! determines.

2.2.3 Algorithmic Transition Tools and Testing. The parties will work together to develop the appropriate transition tools to schedule and execute the timely and effective switchover of Algorithmic Search Services for each given country with quality (e.g., in a manner that satisfies the [\*] metrics above and SLA requirements). The parties will mutually plan and execute tests that verify in advance that the switchover for each country in accordance with such quality standard will be effective.

2.2.4 Algorithmic Rollback. The parties will work together to develop [\*] that the switchover of Algorithmic Search Services for a given country causes severe enough problems that it should be halted and rolled back in order for the parties to mutually address the issues. The parties will mutually identify the situations and severity that would result in a rollback and the approval requirements for the parties to mutually authorize such event. [\*].

2.3 Paid Inclusion Transition. Microsoft will determine the capabilities that Customers need to achieve desired levels of comprehensiveness and freshness within Microsoft's Algorithmic Index, including reporting and other capabilities. Prior to Algorithmic Search Services transition [\*], Microsoft will provide such Microsoft-determined capabilities in its Algorithmic Search management tools (Webmaster Center). Both parties will cooperate to minimize the amount of work Customers must do to switch from Yahoo!'s capabilities to use Microsoft's Webmaster Center tools. Any additional features requested by Yahoo! above those Microsoft-determined capabilities may be prioritized by Yahoo! using its Dedicated Resources.

### **3. PAID SEARCH SERVICES TRANSITION**

3.1 Operations, Infrastructure and Network Transition. The parties will work together to develop the technical requirements and specifications necessary for implementing Microsoft's Paid Search Services, Contextual Advertising Services and all supporting systems to operate within the defined SLAs and within the reasonable business requirements of each of the parties within the scope of this

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Agreement, including necessary network equipment and links, server hardware and storage, data transfer mechanisms, system linkages, failover control, communications mechanisms, and other necessary capabilities. The parties will then mutually plan and execute on the implementation of these systems, along with appropriate test and monitoring capabilities, with sufficient lead time to ensure the proper functioning of Microsoft's Paid Search Services and Contextual Advertising Services and supporting systems prior to the transition to such services.

### 3.2 Paid Services Transition Principles.

#### 3.2.1 Continued Development and Operations.

(a) Panama Support. [\*], Yahoo! and Microsoft will continue to support the global development of Panama until Migration is completed and Microsoft Paid Search Services are launched in all applicable countries. During such period, Panama roadmap development will be optimized to maintain both the quality of the user, Customer and marketplace experience and RPS. [\*].

(b) Microsoft Services. In connection with the transition of Yahoo!'s Paid Search Services and Contextual Services, Microsoft will continue to develop and launch versions of the Microsoft Paid Search Services and Contextual Advertising Services in countries where Yahoo! operates as of the Commencement Date, including without limitation in countries other than the five markets where Microsoft operates as of the Letter Agreement Effective Date. For all markets where Yahoo! operates but where Microsoft does not offer Paid Search Services or Contextual Advertising Services, the parties will agree upon an appropriate work-back schedule of their respective tasks and deliverables so as to enable Migration with quality from Panama to the Core Platform within the overall timetable specified in the Transition Plan described in Section 8.1 of the Agreement.

3.2.2 Customers and Publishers Migrate Efficiently. The Transition Plan will include a mutually-agreed approach for individual Customers to follow a Migration process that moves them from their Yahoo! Paid Search Services and Contextual Advertising Services accounts to their corresponding Microsoft accounts. Similarly, the Transition Plan will include a mutually-agreed approach for Yahoo! and the Syndication Partners to move to Microsoft's Paid Search Services and Contextual Search Services in a single Migration process (i.e., traffic from Syndication Properties will be treated the same as traffic from Yahoo! Properties).

3.2.3 Payment Methods and Balances. In connection with Section 9.1.5(s) of the Agreement, Microsoft and Yahoo! will agree on a mechanism for transferring account balances from Yahoo!'s Paid Search Services and Contextual Advertising Services accounts to Microsoft's Paid Search Services in a way that is focused on retaining the greatest number of advertisers, preserving advertiser spend and minimizing risk for both parties and will be made available on an opt-out or an opt-in basis as the parties may determine. The mechanism may include processes for establishing and winding down account balances, establishing and winding down a reserve fund for costs that may accrue after the payment relationship has been transferred (i.e., chargebacks and refunds), handling chargebacks, migrating payment information, correlating refunds to the correct payment method and handling customer billing inquiries during the transition. The mechanism will follow, and will be subject to, all applicable regulations in each country in which Microsoft and Yahoo! service advertisers.

#### 3.2.4 Paid Services Migration Prerequisites.

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(a) The Schedule will take into account development and testing of the required APIs, tools and planning necessary to Migrate with quality.

(b) The Transition Plan will include mutually-agreed requirements and metrics to ensure that the Paid Search Services, Contextual Advertising Services and the Domain Match and Error Channel services, and that all necessary prerequisites to deploy such services, including but not limited to Sales Tools, Marketplace Tools and Publisher Tools can be Migrated concurrently and with quality for Yahoo!, Customers and Syndication Partners. Microsoft will update the Microsoft API and Core Platform APIs sufficiently to enable migration in accordance with such metrics and in such timeframe that enables Yahoo! to build the necessary tools as required herein to meet the Schedule. Similarly, Yahoo! will build the necessary tools in accordance with such mutually-agreed upon requirements and metrics and timeframes to enable a timely migration with quality. No Migration or transition of Paid Search Services or Contextual Advertising Services will occur until the mutually-agreed upon requirements and metrics have been met, the Microsoft API and Core Platform APIs has been updated, all essential Migration dashboard and tools, Marketplace Tools, Sales Tools, and Tier 1 and Tier 2 Customer Support Tools required to service the account have been tested and are fully functional and necessary training for all applicable employees, Customers and Syndication Partners has been accomplished.

(c) Each party shall cooperate with the other party in good faith to effectuate a smooth, timely Migration that seeks to minimize impact on participation and spend in the combined marketplace, fairly resolves Migration conflicts and addresses the parties', Customers' and Syndication Partners' needs during Migration (e.g., replicate accounts and make required changes between adCenter and Panama).

(d) Prior to the first Migration Date and as a component of transitioning with quality, the parties will determine how to provide Yahoo! with equivalent reporting, tagging, and performance review capabilities it has as of the Effective Date and as set forth in the Agreement (including in Sections 2.4.14(c) and 9.2.2(c) of the Agreement), which may also require Microsoft to aggregate relevant data by various levels of Sources.

3.2.5 Key Customers. The parties will agree on how to provide a quality customer experience for advertisers during the transition, taking into account the special needs of large advertisers and those who primarily advertise via API integrations.

3.2.6 Overall Migration Schedule. The Migration Dates in the Schedule will be set so as not to disadvantage Premium Direct Advertisers or Yahoo!, and with the goal of Migrating all accounts as expeditiously, smoothly and evenly as possible consistent with the Schedule and with the goal of implementing Yahoo!'s sales exclusivity under this Agreement as soon as practicable.

3.2.7 Migration Dashboard and Tools. The parties will work together to create a Migration dashboard, Migration tools, and other capabilities necessary to effectively and efficiently transition Customers, Yahoo! and Syndication Partners from Yahoo!'s Services to Microsoft's Services. Yahoo! and Microsoft will jointly develop the Migration dashboard using the Microsoft API and Core Platform APIs. Yahoo! and Microsoft will jointly develop other Migration tools that are mutually identified as being required to achieve Migration with quality. Microsoft will update the Microsoft API and Core Platform APIs, and Yahoo! will update the corresponding Panama APIs, sufficiently to enable this dashboard and other related tools to be built in a timeframe required to support the Schedule. For example:

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(a) Microsoft and Yahoo! will work together to determine what data should be passed from Yahoo!'s Panama system into the Core Platform and the commercially reasonable schema for such data.

(b) Both parties will jointly develop a mechanism to convert the data from the Panama system to the Core Platform schema.

(c) Microsoft and Yahoo! will be responsible, for Customers with existing adCenter accounts, providing mechanisms that combine and reconcile the data between Panama and the Core Platform for Customers that have accounts in both systems.

(d) The parties will work together to define and implement the internal tools required to manage the Migration including, for example, monitoring of account status, selection and activation of accounts for Migration, triggering read-only status for accounts, etc.

(e) The parties will agree on the approach for Migrating different tiers of Customers including what tools and support will be necessary (or not) for a smooth migration of each Customer tier.

(f) Microsoft will be responsible for validating that the resulting Customer data is compliant with the Core Platform scheme and is properly loaded into the Core Platform.

(g) At Microsoft's request, Yahoo! will be responsible for implementing read-only access of up to [\*] of historical data in Panama in each country for a period of time not to exceed [\*] following the completion of Migration in such country. In such event, the parties will jointly define what data needs to remain available (for example, campaign performance data) for read-only access in Panama. Microsoft will reimburse Yahoo! for the costs, if any, necessary to provide such data to the extent such costs are not otherwise reimbursed by Microsoft under this Agreement.

3.2.8 Micro Marketplace Migrations. The parties will mutually agree upon the governance of the Migration effectuated by the Migration dashboard. In accordance with the mutually agreed upon governance decisions, the parties will determine which party will operate the Migration dashboard and the individual micro-marketplace Migrations that move individual Customers. In setting overall Migration Dates and in operating the micro-marketplace Migrations, Microsoft and Yahoo! will take into account:

(a) Whether the affected Customers can reasonably be informed about its Migration Date sufficiently in advance so that it can perform, prepare and such that its business is not unduly interrupted or burdened;

(b) Whether Migration on a particular date would adversely interfere with, or cause undue disruption to, an active campaign or the account generally of the Customer on Yahoo!'s Panama system for Paid Search Services and Contextual Advertising Services;

(c) The current and prospective value of each micro-market category and account (with a view toward migrating the most valuable accounts (evaluated according to spend on Paid Search and Contextual Advertising Services) and micro-market categories earlier than less valuable accounts and categories); and

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(d) Seasonality for each micro-market category and related Customer accounts.

3.2.9 Assessing Quality and Addressing Issues that Delay Migration. Throughout Migration and following the Migration of each micro-marketplace, the parties will cooperate to monitor and share with each other on a confidential basis, and in accordance with this Agreement, all relevant information regarding the quality of the Migration, including the quality of the results, the RPS or eCPM of the Migrated micro-marketplaces and accounts, and the maintenance/increase of Customer budget and spend for use on the combined marketplace's Paid Search Services and Contextual Advertising Services following Migration. The parties will collaborate in good faith to promptly address issues with this performance and any other issues relating to the Migration and the Migration Schedule.

3.2.10 Contract Transition. In connection with Migration, Microsoft may require each Migrating Customer to accept online terms and conditions, which terms and conditions will be determined in accordance with Section 5.5 of the Agreement, the first time any Customer logs into the Core Platform following the Migration of such Customer's micro-marketplace category. These terms and conditions will be determined in accordance with Section 5.5 of the Agreement, the first time any Customer logs into the Core Platform following the Migration of such Customer's micro-marketplace category. For Premium Direct Advertisers and (as regards Resellers and Sales Agencies that are Premium Direct Advertisers) their Customers that have existing non-self-service online agreements for Paid Search Services or Contextual Advertiser Services with Microsoft but not with Yahoo!, Microsoft and Yahoo! will work with such Premium Direct Advertisers, Resellers and their Customers to complete the Contract Transition to Yahoo! for Paid Search Services and Contextual Advertising Services for all of these Customers prior to or on the date on which the first micro-marketplace to which Customer belongs is Migrated, allowing (where contractually permitted and subject to Section 7.3 of the Agreement) sufficient prior disclosure of contract provisions to allow Yahoo! to be informed of and to meet associated contractual obligations immediately upon Contract Transition.

3.2.11 Advertiser Data. Prior to the Migration of a Customer, Yahoo! shall make such Customer's Advertiser Data accessible to Microsoft in a timely fashion in order to facilitate a timely Migration. Prior to the Migration of such Customer, Microsoft agrees to use Advertiser Data supplied by Yahoo! for such Customer for the sole purpose of planning and executing the Migration of such Customer.

3.2.12 Advertiser Analytics. Prior to the Migration of a Customer, Microsoft shall have complied with the requirements of Section 13.4 of the Agreement enabling Web analytics.

3.2.13 Paid Search Services Rollback. The parties will work together to develop a rollback plan for transition of Paid Search Services, Contextual Advertising Services, and Domain Match and Error Channel for a reasonable period of time after transition (i.e. weeks, not months) to handle the unlikely but possible case that transition of a country or micromarket causes severe enough impact to advertisers, publishers, or the resulting combined marketplace to require transition to be halted and rolled back in order for the parties to mutually address the issues. The parties will mutually identify the situations and severity that would result in a rollback, the approval requirements for each party to authorize such event, and the mechanisms and approach to complete the rollback. [\*].

3.3 Contextual Advertising Services Transition. The parties will transition Contextual Advertising Services in accordance with the same timeline as the Paid Search Services transition for a given country and follow the same principles of country-by-country Migration performed at the level of micro-markets within each region. Without limiting Microsoft's obligations to enable the methodologies

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described in Section 2.3 of the Agreement, the parties will mutually agree upon which methodologies described in Section 2.3 of the Agreement to use to enable the delivery of Microsoft's Contextual Advertising Services to Yahoo! Properties and Syndication Properties.

#### 3.4 Domain Match and Error Channel Transition.

3.4.1 Transition Timing. The parties will transition Domain Match and Error Channel services in accordance with the same timeline as the Paid Search Services transition for a given country and follow the same principles of country-by-country migration performed at the level of micro-markets within each region.

3.4.2 Subject to Yahoo!'s option in Section 4.3 of the Agreement, Yahoo! will continue to support the Domain Match Front End. The "Domain Match Front End" includes all domain-related processing such as: cleaning and tokenizing domains, front end filtering, international heuristics, term suggestion, formatting results from paid search and then sending XML results back to the Syndication Partner.

3.5 Premium Direct Advertiser Sales Tools Transition. The parties will work together to create Sales Tools to effectively support Premium Direct Advertisers. Together, the parties will thoroughly review each of Microsoft's and Yahoo!'s current Sales Tools to determine a baseline of the capabilities that will most effectively support PDAs. Microsoft will provide access to any of its existing Microsoft Sales Tools that specifically relate to the Services for such purposes. The parties will agree on what features are needed at time of Migration, where such functionality should reside (i.e., within the Core Platform or within the Sales Tools functionality), the plan for roll-out of remaining features and what features are not required to be implemented. Microsoft will be responsible for developing Sales Tool functionality in or available through the Core Platform and the Core Platform APIs and Yahoo! will be responsible for developing the Sales Tools themselves for tools not included in the Core Platform.

3.5.1 Microsoft and Yahoo! will define the interface for exchanging CRM Data between the respective Microsoft and Yahoo! CRM systems, including a customer ID mapping mechanism, and each party will be responsible for implementing functionality within its own systems accordingly.

3.5.2 Microsoft and Yahoo! will work together to de-duplicate and clean up their combined customer data in their respective CRM systems, allowing both companies to work off of consistent and accurate customer information between their respective systems.

3.5.3 As individual accounts are Migrated, Microsoft and Yahoo! will share their CRM data for the account so that adCenter, the CRM system used by sales (Yahoo! CRM), and the CRM system used by customer support (Microsoft CRM) have consistent and accurate account information

3.5.4 The parties will work together to define and implement other key Sales Tools, and Tier 1 and Tier 2 Customer Support Tools and processes, including:

(a) Jointly define interfaces between billing and invoicing systems required to support Premium Direct Advertiser invoicing, billing, collection, and disputes.

(b) Reconciliation of discrepancies in editorial policies between the two paid search marketplaces. In addition, Microsoft will take into account Yahoo!'s existing datasets (e.g., blacklists) that could be incorporated in the Core Platform.

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(c) Review discrepancies in discounting and traffic protection to assess the best ways to leverage combined rules to drive overall marketplace health.

(d) A common integration and handoff mechanism between their Tier 1 Support and Tier 2 Support systems per the parties' respective responsibilities outlined in Sections 5.11.4 and 5.11.5 of the Agreement and to ensure that all necessary Tier 1 Customer Support Tools and Tier 2 Customer Support Tools are finished and properly operational before any Migration date.

3.6 Publisher Tools Transition. The parties will work together to provide tools for Yahoo! and Syndication Partners referenced in Section 2.4.14(e) of the Agreement. Together the parties will review the publisher capabilities offered by both Microsoft and Yahoo! to determine which capabilities are required to transition Yahoo! and Syndication partners with quality, where such functionality should reside (i.e., within the Core Platform or within the Publisher Tools functionality), which capabilities can follow transition, and which capabilities are not required. Microsoft will be responsible for developing the publisher capabilities that should be native to the Core Platform. Yahoo! will be responsible for developing additional capabilities for Publisher Tools based on Microsoft APIs and Core Platform APIs provided by Microsoft.

3.7 Marketplace Tools Transition. Microsoft will provide Yahoo! with Marketplace Tools referenced in Section 5.11.4(d) of the Agreement. Prior to transition for any country, Microsoft will provide tools or data necessary for Yahoo! to manage and optimize yield on its and its Syndication Partners' Results Pages in that country, both during transition and on an ongoing basis.

### 3.8 Mobile Paid Search Transition.

3.8.1 Should Yahoo! elect to transition mobile advertisers to the Core Platform or transition Mobile Syndication Partners to Microsoft's Mobile Search Services, the transition would occur on a country-by-country basis, independent from transition of Paid Search Services, as soon as practicable relative to the overall transition Timeline, but not to exceed [\*] after Yahoo! makes such election. The transition will follow the same approach and prerequisites as outlined in Exhibit I for Paid Search Services Transition unless both parties agree to make changes in the approach to minimize transition work across the parties or expedite the transition for mobile advertisers or Mobile Syndication Partners

3.8.2 Advertiser Accounts. If Yahoo! elects to migrate a mobile advertiser to the Core Platform and that advertiser already has an existing Core Platform account, both parties will make commercially reasonable efforts to merge the accounts so the mobile advertiser continues to have a single account on the Core Platform.

3.8.3 Syndication Partner Migration: Microsoft will provide documentation and access to testing environments to assist Yahoo!'s migration of Mobile Paid Search Syndication Partners to the Microsoft Mobile API.

3.9 Yahoo! Syndication Partner Transition. Microsoft will be responsible for providing tools to assist Yahoo! in transitioning its Syndication Partners. No transition in a country will take place until the Yahoo! Properties and Syndication Properties in such country have had a sufficient opportunity to be re-tagged and all reporting as described in Section 2.4.14(c) of the Agreement is in place. The parties will collaborate in good faith to promptly address issues related to Yahoo!'s or a Syndication Partner's transition. The parties will jointly define and monitor Syndication Partner performance before, during and after transition and will take required corrective action to address performance issues.

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3.9.1 Prior to Migration, (a) all Publisher Tools required to support Yahoo! and Syndication Partners will have been tested and will be functional and (b) Yahoo! will have received required training on transition from Microsoft.

3.9.2 The parties will work together to minimize, and the Transition Plan will take into consideration, the potential impact on the transition on the effective RPS realized by the Syndication Partners.

3.10 Reporting Transition. The parties will work together to implement the reporting requirements identified for in Section 2.4.14(c) of the Agreement to support Yahoo!, Customers and Syndication Partners. Together the parties will review the reporting capabilities offered by both Microsoft and Yahoo! to determine which reports and data are required in order to transition with quality, including which online reporting is required as of the first Migration Date in each country and the different reports required to support Yahoo!'s Operations Finance, Marketplace, Sales, and Corporate Finance groups, as well as advertisers and Syndication Partners. Both parties will work together to support specific, temporary, data and reporting requirements that are solely for the purpose of supporting Customers and the business operations of the parties during the Migration period. These requirements will include reports about the Migration itself. Microsoft and Yahoo! will work together to determine which data and reports should be implemented by Microsoft and which reports should be implemented by Yahoo! using data provided by Microsoft. Microsoft and Yahoo! will each be responsible for implementing its respective portion of this work.

#### **4. PLANNING**

To the extent practicable and permissible by applicable law, the parties shall use reasonable efforts promptly after the Effective Date to identify means and mechanisms to pursue more detailed discussions and planning on the activities above in order to effectuate a timely and quality transition.

#### **5. DEPENDENCIES**

Both parties recognize that each party's ability to complete the tasks assigned to it under Section 8 of the Agreement this Exhibit I are dependent upon the parties' close cooperation in the activities described in this Exhibit as well as the other party's timely completion of its associated tasks. As a result, neither party will be liable for its failure to timely complete any task under Section 8 of the Agreement and this Exhibit I to the extent that such failure is caused by the other party's failure to cooperate or complete an associated task upon which its performance is dependent.

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**EXHIBIT J**

**PAYOR AFFILIATES FOR YAHOO!**

Yahoo de Mexico, SA de CV  
Yahoo India Private Limited  
Yahoo! de Argentina SRL  
Yahoo! do Brasil Internet Ltda  
Yahoo! Korea Yuhan Hoesa  
Yahoo! Philippines Services Inc.  
Yahoo! Taiwan Inc.  
Yahoo! Southeast Asia PTE Ltd.  
Yahoo! Emerging Markets (Singapore) Pte. Ltd. (fka Yahoo! Emerging Markets Pty. Ltd.)  
Yahoo! Hong Kong Limited  
Yahoo! Vietnam Company Limited  
Maktoob.com Inc., TECOM Branch

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## LICENSE AGREEMENT

This License Agreement (the “**License Agreement**”) is entered into and effective as of December 4, 2009 (“**Effective Date**”) by and between Yahoo! Inc., a Delaware corporation (“**Yahoo!**”), and Microsoft Corporation, a Washington corporation (“**Microsoft**”). Yahoo! and Microsoft are sometimes referred to in this License Agreement individually as a “**party**” and collectively as the “**parties**.”

**A.** Yahoo! and Microsoft have entered into that certain Letter Agreement dated July 29, 2009 (the “**Letter Agreement**”), pursuant to which the parties have agreed to enter into this License Agreement as well as that certain Search and Advertising Services and Sales Agreement of even date herewith (the “**Search Agreement**”).

**B.** Pursuant to the terms and conditions of this License Agreement, (i) Yahoo! wishes to grant to Microsoft, and Microsoft wishes to receive, a license to certain of Yahoo!’s search and advertising assets, and (ii) the parties wish to grant and receive certain other licenses (or options with respect to licenses), in each case as further described herein.

**THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### Section 1 DEFINITIONS

1.1 “**Adjusted Fair Market Value**” has the meaning set forth in Section 2.3(a).

1.2 “**Affiliate**” has the meaning set forth in the Search Agreement.

1.3 “**Authorized Affiliates**” means (a) with respect to Microsoft, Microsoft’s Subsidiaries, and (b) with respect to Yahoo!, Yahoo!’s Subsidiaries and Yahoo! joint ventures that receive services from Microsoft under the Search Agreement. Neither this definition of “Authorized Affiliates” or the reference in this definition to joint ventures nor any other provision in this License Agreement (or either party’s conduct in connection with the License Agreement) is intended or will be deemed to have any bearing on [\*].

1.4 “**Algorithmic Search Services**” has the meaning set forth in the Search Agreement.

1.5 [\*].

1.6 “**Business Day**” has the meaning set forth in the Search Agreement.

1.7 “**Commencement Date**” has the meaning set forth in the Search Agreement.

1.8 “**Contextual Advertising Services**” has the meaning set forth in the Search Agreement.

1.9 “**Control**” (including “**Controlled**” and “**common Control**”) means, with respect to an entity, the ownership, directly or indirectly through or with one or more intermediaries, of more than fifty percent (50%) of (a) the outstanding shares of the entity representing the right to vote for members of its board of directors or other managing officers, or (b) for an entity that does not have such outstanding shares, the ownership interest of the entity representing the right to make decisions for the entity.

1.10 “**Copyleft Software**” means Open Source Software that is distributed under a license (such as the GNU General Public License (“**GPL**”), LGPL, Affero GPL, Mozilla Public License and Common Public License) providing that the licensee may further distribute or use such Open Source

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Software or derivative works thereof only if (a) such licensee distributes, or offers to provide access to, the source code for such Open Source Software or such derivative works of such Open Source Software (collectively or individually, “**Affected Software**”) to any further licensees or other recipients of such Affected Software, (b) such further licensees or other recipients have the right (without payment of royalties or other monetary consideration) to prepare derivative works of and further distribute such Affected Software, and (c) such further licensees are required to be subject to the same license that is applicable to such Affected Software.

1.11 “**Defensive Termination**” has the meaning set forth in Section 2.6.

1.12 [\*].

1.13 [\*].

1.14 “**Expanded Field of Use**” means [\*].

1.15 “**Exploit**” has the meaning set forth in Section 2.1(a).

1.16 “**Field of Use**” means [\*].

1.17 “**FMV Dispute**” has the meaning set forth in Section 2.3(c).

1.18 “**Governmental Authority**” has the meaning set forth in the Search Agreement.

1.19 “**Income Tax**” has the meaning set forth in the Search Agreement.

1.20 “**Laws**” has the meaning set forth in the Search Agreement.

1.21 “**License Price**” has the meaning set forth in Section 2.3(a).

1.22 “**License-Related Terms**” means Section 2.1(b) (only with respect to the Technology License), Section 2.1(d) (only with respect to the Technology License), Section 2.5, Section 2.6 (only with respect to the Optional Patent License and the Limited Technology Patent License), Section 2.9, Section 8.2, Section 8.3, Section 8.13 and Section 8.14.

1.23 “**Limited Patent Cross Licenses**” has the meaning set forth in Section 2.2(c).

1.24 “**Limited Technology Patent License**” has the meaning set forth in Section 2.4.

1.25 “**Microsoft Patents**” means all Patents that, at any time during the Term, are owned or otherwise licensable by Microsoft or its Subsidiaries. If an entity ceases to be a Microsoft Subsidiary during the Term, Patents owned or licensable by such entity when it was a Subsidiary shall remain Microsoft Patents. Notwithstanding the foregoing, Microsoft Patents shall include Sublicensable Third Party Patents only to the extent set forth in Section 2.11.

1.26 “**MS Licensed Non-Patent IPR**” means the copyrights and trade secrets embodied in and specific to the MS Technology to the extent owned or otherwise licensable by Microsoft or its Subsidiaries.

1.27 “**MS Technology**” means any software, documentation, specifications and other technology, if any, that Microsoft provides to Yahoo! under this License Agreement or the Search Agreement. For the avoidance of doubt, MS Technology does not include any software, documentation, specifications or other technology to the extent such technology is licensed or otherwise provided to Yahoo! (a) under any separate agreement and (b) not under this License Agreement or the Search Agreement.

1.28 “**MS Technology License**” has the meaning set forth in Section 2.1(c).

1.29 “**New Non-Wholly Owned Subsidiary**” means, with respect to each party, an entity that (a) becomes a Subsidiary of such party after the Effective Date, (b) is not wholly owned by such

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party, (c) the party does not have the right to grant patent licenses on behalf of such entity, (d) was not created or acquired for the primary purpose of avoiding the obligation to grant licenses under this License Agreement, and (e) was not formed as a patent holding company for patents of such party.

1.30 “**Open Source Software**” means software (including software developed by or for a party) that is distributed under an open source license (such as the GNU General Public License or other licenses approved as of the Effective Date by the Open Source Initiative as meeting its Open Source Definition ([www.opensource.org/licenses](http://www.opensource.org/licenses))) that imposes obligations or restrictions on the use or distribution of such software.

1.31 “**Optional Patent License**” has the meaning set forth in Section 2.3.

1.32 “**Paid Listings**” has the meaning set forth in the Search Agreement.

1.33 “**Paid Search Services**” has the meaning set forth in the Search Agreement.

1.34 “**Patents**” means any and all existing and future patents and patent applications anywhere in the world.

1.35 “**Personal Computer**” has the meaning set forth in the Search Agreement.

1.36 “**Search Business**” means Yahoo!’s business of providing Algorithmic Search Services, Paid Search Services and Contextual Advertising Services.

1.37 “**Sublicensable Third Party Patents**” means any Patent which is [\*].

1.38 “**Subsidiary**” means, with respect to a party, any corporation, limited liability company, or other entity which is Controlled by such party; provided, however, a Subsidiary shall not include a New Non-Wholly Owned Subsidiary. An entity shall be deemed a Subsidiary only so long as such Control continues to exist.

1.39 “**Tax**” has the meaning set forth in the Search Agreement.

1.40 “**Technology**” means the MS Technology or the Yahoo! Technology.

1.41 “**Term**” means the term of the Search Agreement as set forth therein.

1.42 “**Termination Date**” has the meaning set forth in the Letter Agreement.

1.43 “**Third Party Technology**” means any software, documentation, specifications and other technology owned or controlled by a party other than Yahoo! and Microsoft and their Authorized Affiliates.

1.44 “**Transaction Taxes**” has the meaning set forth in the Search Agreement.

1.45 “**Yahoo! Excluded Services**” has the meaning set forth in the Search Agreement.

1.46 “**Yahoo! Licensed Non-Patent IPR**” means the copyrights and trade secrets embodied in and specific to the Yahoo! Technology to the extent owned or otherwise licensable by Yahoo! or its Subsidiaries.

1.47 “**Yahoo! Patents**” means all Patents that, at any time during the Term, are owned or otherwise licensable by Yahoo! or its Subsidiaries. If an entity ceases to be a Yahoo! Subsidiary during the Term, Patents owned or licensable by such entity when it was a Subsidiary shall remain Yahoo! Patents. Notwithstanding the foregoing, Yahoo! Patents shall include Sublicensable Third Party Patents only to the extent set forth in Section 2.11.

1.48 “**Yahoo! Technology**” means the software, documentation, specifications and other technology listed in Exhibit A to the extent owned or licensable by Yahoo! or its Subsidiaries.

1.49 “**Yahoo! Technology License**” has the meaning set forth in Section 2.1(a).

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

## Section 2 LICENSES

### 2.1 Technology Licenses

(a) **License to Microsoft.** Subject to the License-Related Terms, Yahoo! hereby grants to Microsoft, effective as of the Commencement Date, a worldwide, non-sublicensable (except as set forth in Section 2.5), license under the Yahoo! Licensed Non-Patent IPR to reproduce, modify, display, create derivative works of, use and otherwise exploit (“**Exploit**”) the Yahoo! Technology and such derivative works in connection with providing services in the Field of Use and any Expanded Field of Use (the “**Yahoo! Technology License**”). The Yahoo! Technology License shall survive any expiration or termination of the Term.

(b) **Scope of Exclusivity.** The Yahoo! Technology License with respect to the Yahoo! Technology is exclusive (even as to Yahoo!) for Algorithmic Search Services and Paid Search Services which are specifically designed for use and consumption by Personal Computers in the Field of Use during the Term as follows: The scope of exclusivity of the Yahoo! Technology License for the Yahoo! Technology is co-extensive with, but in no case broader than, the scope of the commercial activities for Algorithmic Search Services and Paid Search Services for Personal Computers in the Field of Use that Yahoo! is expressly prohibited by the Search Agreement from performing (but only if and to the extent Yahoo! is so prohibited), provided that prohibitions added to the Search Agreement after the Effective Date (including any prohibitions resulting from Yahoo!’s election after the Effective Date to receive services from Microsoft on an exclusive basis) shall not broaden the exclusivity of the Technology License. In any event, the Yahoo! Technology License (including the exclusivity thereof) shall not prevent Yahoo! from engaging in, or from authorizing others to engage in, any activities not expressly prohibited by the Search Agreement, and shall not provide Microsoft with additional rights or remedies against Yahoo! or any other person (other than rights and remedies for breach of contract against Yahoo! for breach of this License Agreement). As examples, and without limitation, the parties acknowledge that the Search Agreement (i) imposes no prohibitions on Yahoo! Exploiting the Yahoo! Technology, or authorizing others to Exploit the Yahoo! Technology, for Contextual Advertising Services and that, accordingly, the Yahoo! Technology License with respect to Contextual Advertising Services is non-exclusive, both as to Yahoo! and its other licensees, (ii) imposes no prohibitions on Yahoo! Exploiting the Yahoo! Technology to the extent that, as of the Commencement Date or at any time during the Term thereafter, Microsoft does not provide certain categories of Paid Listings (e.g., adult or gambling ads) and that, accordingly, the Yahoo! Technology License with respect to such categories of content will be non-exclusive, both as to Yahoo! and its other licensees, and (iii) does not prohibit Yahoo! from providing, or using third parties to provide, Algorithmic Search Services and Paid Search Services specifically designed for use and consumption in any country in which Yahoo! does not receive Algorithmic Search Services and Paid Search Services from Microsoft and that, accordingly, the Yahoo! Technology License with respect to such country will be non-exclusive. Upon expiration or termination of the Term, the Yahoo! Technology License shall become nonexclusive.

(c) **License to Yahoo!.** Subject to the License-Related Terms, Microsoft hereby grants to Yahoo!, effective as of the Commencement Date, a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license during the Term, under the MS Licensed Non-Patent IPR, to Exploit the MS Technology solely to utilize the services provided by Microsoft under the Search Agreement (the “MS Technology License”). The MS Technology License shall end upon expiration or termination of the Term.

(d) **License Restrictions.** Microsoft and Yahoo! shall not (and shall not authorize any Authorized Affiliate or other third party to): (i) distribute or disclose any Technology of the other party, in whole or in part, to any third party, except (A) to sublicensees to the extent

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expressly permitted by Section 2.5, and (B) to individual subcontractors working on behalf of the licensee party (and not, at the same time, for any third party) to the extent such subcontractors need such Technology to perform such work, and provided that such subcontractors are bound in writing to terms at least as protective of the Technology of the other party as those set forth in this License Agreement (including confidentiality terms), and provided further that the licensee party shall be liable for any unauthorized Exploitation of such Technology by such subcontractors but only to the extent that such licensee party would be liable for such unauthorized Exploitation if performed by such licensee party; (ii) remove or alter any copyright, confidentiality or other similar proprietary notices (collectively, “**Notices**”) appearing on or in copies of any Technology of the other party or any portion thereof, provided the foregoing does not require either party to display any such Notices to third parties while providing or using services based on the other party’s Technology; (iii) assign or otherwise transfer any Technology of the other party; or (iv) Exploit all or any portion of any Technology of the other party (including any derivative work of the Technology or any trade secrets embodied in the Technology) other than as authorized by this License Agreement. Notwithstanding anything in this License Agreement to the contrary, no license limitations, restrictions or obligations (including non-disclosure obligations) set forth in this License Agreement shall limit any rights that either party may have under any separate agreement with a third party with respect to any Third Party Technology or Open Source Software, whether or not any of the foregoing are included in the Technology.

## 2.2 Limited Patent Cross License.

(a) **License to Microsoft.** Subject to the License-Related Terms, Yahoo! hereby grants to Microsoft, effective as of the Commencement Date, a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license during the Term under any Yahoo! Patents solely for Microsoft to implement services for, and provide services to, Yahoo! and its Authorized Affiliates (and not for or to any other third parties) under the Search Agreement within the Field of Use and any Expanded Field of Use.

(b) **License to Yahoo!.** Subject to the License-Related Terms, Microsoft hereby grants to Yahoo!, effective as of the Commencement Date, a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license during the Term under any Microsoft Patents solely for Yahoo! to implement and use the services provided by Microsoft under the Search Agreement within the Field of Use and any Expanded Field of Use.

(c) The licenses granted to each party in this Section 2.2 are referred to herein as the “**Limited Patent Cross Licenses.**”

(d) The Limited Patent Cross Licenses shall end upon expiration or termination of the Term.

## 2.3 Optional Patent License.

(a) **Option.** Microsoft shall have an option to obtain from Yahoo!, for Adjusted Fair Market Value (as described below) and subject to the License-Related Terms, a worldwide, non-exclusive, non-sublicensable (except as set forth in Section 2.5), license during the Term under any Yahoo! Patents for Microsoft to implement online services for, and provide online services in, the Field of Use with respect to both Web sites owned and/or operated by Microsoft and Web sites owned and/or operated by third parties (the “**Optional Patent License**”). For purposes of the Optional Patent License, “**Adjusted Fair Market Value**” means the fair market value of the Optional Patent License less an adjustment equal to [\*] percent ([\*]%) of such fair market value (the “**License Price**”). This adjustment to fair market value is provided to Microsoft in consideration of Microsoft’s entry into the Search Agreement and the ongoing and valuable business relationship between the parties created

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thereby. The Optional Patent License, if acquired by Microsoft, shall begin on the Commencement Date, and any fair market value calculation shall take into account any period between the Commencement Date and the date on which the option is exercised (e.g., the calculation shall consider any appropriate costs or credits should the Commencement Date occur prior to or after the date on which Microsoft exercises its option). Microsoft may choose to have the Optional Patent License apply to the entire Field of Use or to any of the three subfields listed on Exhibit B (rather than to the entire Field of Use). If Microsoft elects to have the Optional Patent License apply only to certain subfields, Microsoft shall pay Adjusted Fair Market Value for the Patent License only with respect to such subfields, the Patent License shall apply only to such subfields, and no other license or rights shall be implied. Microsoft may exercise its option with respect to the Optional Patent License only once, by providing written notice to Yahoo! indicating exercise of the option prior to the Option Expiration Date, and the option is irrevocable once exercised. The option shall expire on July 29, 2011, unless the Commencement Date occurs prior to July 29, 2011, in which case the option shall expire six (6) months after the Commencement Date (the “**Option Expiration Date**”).

(b) **No Release; Tolling.** The option and Optional Patent License, if acquired by Microsoft, shall not release or waive any rights or claims Yahoo! or its Subsidiaries may have with respect to the period before the Optional Patent License becomes effective (or the period before the Option Expiration Date, if Microsoft does not elect to acquire the Optional Patent License before such date) (the “**Pre-License Period**”). In addition, the running of any statute of limitations with respect to any patent infringement action by Yahoo! or its Subsidiaries against Microsoft or its Subsidiaries with respect to any activities within the Field of Use during the Pre-License Period shall be tolled commencing on the Effective Date and continuing for the remainder of the Pre-License Period (the “**Initial Tolling Period**”). If Microsoft elects to acquire the Optional Patent License, and if Yahoo! does not First Sue Microsoft, then such running of such statute of limitations shall be further tolled with respect to the Pre-License Period (but in no event for more than [\*] of such period) through the duration of the Optional Patent License (the “**Additional Tolling Period**”) (the Initial Tolling Period and the Additional Tolling Period, if any, are together referred to herein as the “**Tolling Period**”). Microsoft and its Subsidiaries shall not assert or rely upon the Initial Tolling Period (and, if Yahoo! does not First Sue Microsoft, the Additional Tolling Period) in any way in computing the running of time under any statute of limitation or by way of laches or other time limitation (whether statutory, contractual or otherwise) with respect to any such action. Yahoo! shall be deemed to “**First Sue Microsoft**” if Yahoo! or its Authorized Affiliates [\*].

(c) **Disputes Regarding Fair Market Value.** Any dispute or controversy between Microsoft and Yahoo! arising out of or otherwise relating to the determination of the Adjusted Fair Market Value for the Optional Patent License (“**FMV Dispute**”) shall be settled, if possible, through good faith negotiations between the relevant representatives of the parties. If the parties are unable to agree on the License Price within thirty (30) days after Microsoft provides the written notice of its exercise of the Optional Patent License to Yahoo! in Section 2.3(a), such FMV Dispute shall, at either party’s request, be resolved solely and exclusively by final, binding and confidential arbitration to be filed and the decision rendered in New York, New York (with hearings at the request of either party to be held in San Francisco, California or other mutually agreeable place convenient for the parties) in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“**AAA**”), including as supplemented by the Procedures for Large, Complex Commercial Disputes. The arbitration shall be conducted, and the FMV Dispute shall be resolved, by a panel of three (3) arbitrators who shall be selected within thirty (30) days following either party’s request for arbitration (or as soon thereafter as possible) in accordance with the applicable rules of the AAA. Each arbitrator shall have at least fifteen (15) years of experience in intellectual property matters (including substantial experience with respect to the valuation of intellectual property). The arbitration panel’s award and decision shall be a reasoned decision and shall state with particularity,

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in writing, the legal and factual basis for the decision. The arbitration panel's decision (i) shall be final and binding on the parties; (ii) shall not be subject to review or appeal except on the grounds set forth in the Federal Arbitration Act, 9 U.S.C. §1 et seq.; and (iii) any confirmed judgment on the award may be entered in any court having jurisdiction therefore. Each party shall bear its own costs. All remaining administrative costs of arbitration, including the costs of the AAA and the arbitrators' fees and expenses, shall be paid fifty percent (50%) by Microsoft and fifty percent (50%) by Yahoo!. The parties agree that any arbitration proceeding hereunder will be treated as Confidential Information of both parties and that the existence of the proceeding and any element of it (including, but not limited to, any pleadings, briefs or other documents submitted or exchanged and any testimony or other oral submissions and awards) will not be disclosed beyond the arbitration panel, except as may lawfully be required in judicial proceedings relating to the arbitration or in accordance with the disclosure provisions of Section 6.

**2.4 Limited Technology Patent License.** Subject to the License Related Terms, Yahoo! hereby grants to Microsoft, effective as of the Commencement Date, a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license under any Yahoo! Patents for Microsoft to Exploit the Yahoo! Technology to implement and provide [\*] as required by Yahoo! to be provided to Yahoo! under [\*], provided that such license shall also apply to the same [\*] using such Yahoo! Technology that Microsoft provides to third parties to the extent such [\*] are as and in the form provided to Yahoo! as contemplated in the Search Agreement (the "**Limited Technology Patent License**"). Such Limited Technology Patent License shall continue for the Term or for such shorter period as Microsoft continues to Exploit the Yahoo! Technology to provide such [\*] to Yahoo!. Additionally, should Yahoo! elect to license to Microsoft any code and technology related to Yahoo!'s [\*] (pursuant to [\*]) and require Microsoft to provide [\*] on behalf of Yahoo!, Yahoo! shall grant to Microsoft, effective as of the Commencement Date (or, if later, the date that Yahoo! makes such election and provides such code and technology), a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license under the Yahoo! Patents for Microsoft to Exploit such code and technology to provide such [\*] as required by Yahoo! to be provided under the [\*], provided that such license shall also apply, beginning three (3) years from the Commencement Date, to the same [\*] provided to third parties using such code and technology to the extent such services are as and in the form provided to Yahoo! as contemplated in the Search Agreement, which license (if granted) shall be considered part of the Limited Technology Patent License. The Limited Technology Patent License, as applicable to [\*] as described in the preceding sentence, shall continue with respect to such [\*] for the Term or for such shorter period as Microsoft continues to Exploit such code and technology to provide such [\*] to Yahoo!. Also, should Yahoo! elect to license to Microsoft any code and technology related to Yahoo!'s [\*] (pursuant to [\*]) and require Microsoft to provide [\*] on behalf of Yahoo!, Yahoo! shall grant to Microsoft, effective as of the Commencement Date (or, if later, the date that Yahoo! makes such election and provides such code and technology), a worldwide, non-sublicensable (except as set forth in Section 2.5), non-exclusive license under the Yahoo! Patents for Microsoft to Exploit such code and technology to provide such [\*] as required by Yahoo! to be provided under the Search Agreement, provided that such license shall also apply, beginning three (3) years from the Commencement Date, to the same [\*] provided to third parties using such code and technology to the extent such services are as and in the form provided to Yahoo! as contemplated in the Search Agreement, which license (if granted) shall be considered part of the Limited Technology Patent License. The Limited Technology Patent License, as applicable to [\*] as described in the preceding sentence, shall continue with respect to such [\*] for the Term or for such shorter period as Microsoft continues to Exploit such code and technology to provide such [\*] to Yahoo!.

**2.5 Sublicensing.** Neither party shall have the right to grant sublicenses with respect to the licenses granted to such party under this License Agreement, except that either party may grant sublicenses of such licenses to such party's Authorized Affiliates, provided that all such Authorized

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

Affiliates agree to be, and are, bound by this License Agreement to the same extent as such party. In addition, the exclusion of and prohibition on sublicensing set forth in this License Agreement shall not imply any limitation on the immunity that customers or end users have under applicable law in their capacity as users of the parties' services.

**2.6 Defensive Termination.** The Limited Technology Patent License (except with respect to Microsoft's implementing services for, and providing services to, Yahoo! and its Authorized Affiliates) and the Optional Patent License (if it is acquired by Microsoft) are conditioned on Microsoft and its Affiliates not filing any judicial or administrative action for patent infringement against [\*]. In the event of such an action, Yahoo! has the right to terminate the Optional Patent License and the Limited Technology Patent License ("**Defensive Termination**"). Upon any such Defensive Termination, and notwithstanding the licenses granted in Sections 2.3 and 2.4, Yahoo! shall have the same rights and remedies as Microsoft with respect to any patent infringement claim, including the right to seek damages for past infringement. Defensive Termination by Yahoo! shall not affect the Search Agreement or the performance or obligations of Microsoft thereunder.

**2.7 Improvements Patent License.** Subject to the License Related Terms, to the extent Microsoft makes improvements to the Yahoo! Patents or Technology in the Field of Use, Microsoft grants to Yahoo! during the Term a non-exclusive, paid-up, non-sublicensable (except as set forth in Section 2.5) license under the Microsoft Patents covering those improvements to implement and provide services, except that such license shall not apply to services of Yahoo! to the extent Yahoo! is expressly prohibited from providing (and only for so long as Yahoo! is expressly prohibited from providing) such services pursuant to the Search Agreement.

**2.8 Delivery of Improvements.** For avoidance of doubt, neither party is obligated to deliver to the other party any derivative works of or improvements to the Technology that such party develops after the Commencement Date.

**2.9 Reservation of Rights; No Implied Licenses.** Each party and their Subsidiaries shall retain ownership and all of their right, title and interest in and to their respective Patents, technologies and intellectual property rights related thereto. Subject only to the specific licenses granted herein, Yahoo! expressly reserves all rights with respect to the Yahoo! Patents and Yahoo! Technology, and Microsoft expressly reserves all rights with respect to the Microsoft Patents and MS Technology, and no other licenses shall be implied. Without limitation of the generality of the foregoing, the Yahoo! Technology License and MS Technology License apply only to, respectively, the Yahoo! Licensed Non-Patent IPR and MS Licensed Non-Patent IPR. Other than the Limited Patent Cross License, the Limited Technology Patent License, the Improvement Patent License and (if acquired by Microsoft) the Optional Patent License, no other patent license or other patent rights (or authorization under any Patents) are granted to Microsoft or Yahoo! hereunder. The Yahoo! Technology License and MS Technology License expressly exclude any license or other rights under any Patents (whether by implication, estoppel or otherwise). The parties acknowledge and agree that they have negotiated for the above exclusions, that the consideration and other terms and conditions hereof are based in part on such exclusions, that such exclusions do not derogate from the licenses expressly granted hereunder, and the parties shall not make any assertion to the contrary.

**2.10. Audit Rights.** Yahoo! shall have the right, on reasonable advance written notice and not more than once in any twelve (12) month period, to have a mutually acceptable, independent, auditor conduct an audit of Microsoft and its Authorized Affiliates to verify that they are not in material breach of their obligations in Section 2.1(d)(i) or 2.1(d)(iv) with respect to Exploiting the Yahoo! Technology (provided, however, that the audit will not apply to Authorized Affiliates or discrete business units of Microsoft that do not receive any Yahoo! Technology). Microsoft shall have the right, on reasonable advance written notice and not more than once in any twelve (12) month period, to have a mutually acceptable, independent, auditor conduct an audit of Yahoo! and its Authorized

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Affiliates to verify that they are not in material breach of their obligations in Section 2.1(d)(i) or 2.1(d)(iv) with respect to Exploiting the MS Technology (provided, however, that the audit will not apply to Authorized Affiliates or discrete business units of Yahoo! that do not receive any MS Technology). Any such audit by Yahoo! or Microsoft (“auditing party”) shall initially be limited to confirming (a) that the other party (“audited party”) has established a reasonable process (technological, policy-based, or otherwise) for providing reasonable assurance that the auditing party’s Technology will not be (and has not been) Exploited in breach of such obligations and that the audited party has followed such process, and/or (b) if the audited party has not established such a process for all or a portion of the Technology, that the circumstances of the audited party’s Exploitation of the Technology (including the nature of such Technology) are such that such a process is not necessary to provide reasonable assurance that the auditing party’s Technology will not be (and has not been) Exploited in breach of such obligations. If the auditor reasonably determines that a reasonable process has been established and followed, and/or that such circumstances exist, then the audit shall be concluded. If the auditor reasonably determines that a reasonable process has not been established and/or adequately followed, or that such circumstances do not exist, (collectively “**Audit Issues**”), then the auditing party shall have the right to have the auditor conduct a further reasonable review during regular business hours, in such a manner so as not to interfere with the normal business activities of the audited party and its sublicensed Authorized Affiliates, to determine if any material breach of such obligations has occurred related to such Audit Issues. The audit shall be at the auditing party’s expense, except that the audited party will pay the costs of the audit if a material breach of such obligations is found. If the auditor reasonably determines that any material breach of such audited party’s obligations has occurred, then (x) the auditor shall provide a confidential summary report outlining the scope of the material breach to the auditing party (provided that the auditor shall first provide the report to the audited party so that the audited party may review and redact from the report any competitively sensitive Confidential Information of the audited party (e.g., source code or financial information) while still allowing the auditor to preserve the substance of the report), and (y) the audited party shall promptly cease (and cause its Subsidiaries, if applicable, to cease) such breach of its obligations or if such breach is disputed, either party may pursue any remedies available to it. Under no circumstances shall any Confidential Information of the audited party not already in possession of the auditing party be disclosed or otherwise provided to the auditing party except to the extent included in such summary report after review and any redaction by the audited party (and the auditing party shall be subject to the obligations of Section 6 with respect to any such summary and Confidential Information that is disclosed). If the auditor reasonably determines in its report that there is no material breach by the audited party, then the auditing party may not conduct another audit sooner than eighteen (18) months after the date of such report. Nothing in the foregoing shall either imply an obligation to establish a compliance process or affect the parties’ obligation to comply with the duty of care and protection set forth in Section 6.2 with respect to confidentiality of the other parties’ Technology.

**2.11 Sublicensable Third Party Patents.** Subject to the License-Related Terms, each party as Grantor agrees that, upon written request of the other party as Grantee, Grantor shall grant, on behalf of itself and its Subsidiaries, to Grantee non-sublicensable (except as set forth in Section 2.5) sublicenses under any Sublicensable Third Party Patents of the broadest scope that Grantor has the right to grant but of no greater scope than the scope of the licenses granted herein with respect to Grantor’s own Patents, in each case to the extent and subject to the terms and conditions under which Grantor has the right to grant such sublicenses. Such sublicenses granted under any Sublicensable Third Party Patents shall be memorialized in a document separate from this License Agreement, and if Grantee elects to obtain such sublicense, Grantor shall (to the extent and subject to the terms and conditions of Grantor’s rights under its then-existing agreements with the applicable third parties) minimize any required license fees, royalties or other consideration to the fullest extent possible,

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

Grantee shall [\*]. Each party shall confirm whether individual identified Patent(s) are Sublicensable Third Party Patents in response to any reasonable requests by the other party.

2.12 **Effect of Acquisition.** In the event of an acquisition of Yahoo! by a third party (“Acquirer”), [\*]; and (b) the licenses granted by Yahoo! to Microsoft under this License Agreement shall not apply or extend to the Patents or other intellectual property of the Acquirer or its subsidiaries (and shall apply only to the Patents or other intellectual property that constituted the Yahoo! Patents (including continuations thereof) or Yahoo! Technology at any time prior to such acquisition).

### **Section 3 CONSIDERATION; TAXES**

3.1 **Consideration.** The parties agree that the consideration for the License Agreement includes, as to each party, [\*]. Should Microsoft exercise the option for the Optional Patent License, Microsoft shall pay Yahoo! (as additional consideration therefor) the License Price as may be agreed to or determined as described above.

#### **3.2 Taxes.**

(a) If Microsoft is required by Law to collect from Yahoo! any Transaction Taxes as a result of any transaction between Microsoft and Yahoo! pursuant to this License Agreement, Yahoo! will remit such Transaction Taxes to Microsoft upon receipt of an invoice from Microsoft for such Transaction Taxes. If Yahoo! is required by Law to collect from Microsoft any Transaction Taxes as a result of any transaction between Yahoo! and Microsoft pursuant to this License Agreement, Microsoft will remit such Transaction Taxes to Yahoo! upon receipt of an invoice from Yahoo! for such Transaction Taxes. Notwithstanding any other provision of this Section 3.2(a) to the contrary, neither Microsoft nor Yahoo! will collect any Transaction Taxes if Microsoft or Yahoo!, as the case may be, is provided timely with a valid exemption or similar certificate by the other party.

(b) If Microsoft is required by Law to withhold any Taxes (“**Withholding Taxes**”) with respect to any payment made to Yahoo! pursuant to this License Agreement, Microsoft will (i) withhold such Withholding Taxes and remit such Withholding Taxes to the appropriate Governmental Authority and (ii) remit the remaining portion of such payment to Yahoo!. If Yahoo! is required by Law to withhold any Withholding Taxes with respect to any payment made to Microsoft pursuant to this License Agreement, Yahoo! will (i) withhold such Withholding Taxes and remit such Withholding Taxes to the appropriate Governmental Authority and (ii) remit the remaining portion of such payment to Microsoft. In the event that either Microsoft or Yahoo! withholds any Withholding Taxes pursuant to this Section 3.2(b), Microsoft or Yahoo!, as the case may be, will deliver timely to the other party an official receipt for such Withholding Taxes (and any other documents reasonably requested by the other party for the purpose of claiming a credit for such Withholding Taxes in the United States or any other jurisdiction).

(c) Microsoft will pay all Income Taxes imposed by Law on Microsoft arising in connection with any payment received from Yahoo! pursuant to this License Agreement. Yahoo! will pay all Income Taxes imposed by Law on Yahoo! arising in connection with any payment received from Microsoft pursuant to this License Agreement.

### **Section 4 ADDITIONAL COVENANTS**

#### **4.1 Third Party Technology; Open Source Software.**

(a) As reasonably practicable after the Commencement Date, Yahoo! agrees to use reasonable efforts to identify and disclose to Microsoft [\*]. Microsoft acknowledges that such

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information [\*] may be subject to confidentiality or other obligations to third parties and that nothing in the foregoing will require the disclosure of information in breach of such obligations (provided that Yahoo! shall disclose such information as it determines it can disclose, and shall work with Microsoft in good faith to resolve any issues related to Yahoo!'s inability to provide information). Yahoo! and Microsoft shall cooperate to mitigate any risks identified by Microsoft with respect to any [\*].

(b) Yahoo! shall make commercially reasonable efforts to grant to Microsoft a royalty-free sublicense to any Third Party Technology included in the Yahoo! Technology (or any third party non-patent intellectual property rights embodied in such Third Party Technology) as broad in scope as the Yahoo! Technology License. To the extent Yahoo! is unable to grant such a sublicense, Yahoo! shall grant as broad a sublicense as it has the right to grant (if any). To the extent Yahoo! is required to pay any license fees, royalties or other consideration to any third party in order to grant (or for Microsoft to exercise rights under) a sublicense to Microsoft with respect to any Third Party Technology, (i) Yahoo! shall only grant such sublicense and make such payment upon Microsoft's written request, (ii) Yahoo! shall (to the extent and subject to the terms and conditions of Yahoo!'s rights under its then-existing agreements with the applicable third parties) minimize such payment to the fullest extent possible, (iii) Microsoft shall reimburse Yahoo! for such payment, and (iv) if Yahoo! receives any compensation or other monetary consideration for such payment then Yahoo! shall reimburse Microsoft for the full amount of any such compensation or monetary consideration. If Microsoft does not reimburse Yahoo! for (or pay directly) all such license fees, royalties or other consideration, then the applicable Third Party Technology shall not be included in the Technology License (and Microsoft shall receive no license hereunder with respect to such applicable Third Party Technology).

**4.2 Delivery of Yahoo! Technology.** Yahoo! shall deliver the Yahoo! Technology to Microsoft (including the source code for the software included in the Technology) within ninety (90) days after the Commencement Date.

**4.3 Delivery of Microsoft Technology.** Microsoft shall deliver the MS Technology to Yahoo! as provided for in the Search Agreement.

**4.4 Third Party Claims.** As reasonably practicable after the Commencement Date, and [\*].

**4.5 Prevention of Unauthorized Use and Disclosure.** In addition to the requirements of Section 6, Yahoo! and Microsoft shall each use reasonable efforts to prevent the unauthorized use or disclosure of the other party's Technology, including the unauthorized disclosure or use of Confidential Information of the other party within the Technology.

## **Section 5 WARRANTY; DISCLAIMER; LIMITATION OF LIABILITY**

**5.1 Warranty.** Each party represents and warrants to the other party that it has the power to enter into this License Agreement, to bind its Subsidiaries to the terms of this License Agreement, and to grant the licenses granted by such party herein.

**5.2 Disclaimer.** EXCEPT FOR THE EXPRESS REPRESENTATIONS AND WARRANTIES SET FORTH IN SECTION 5.1 AND TO THE MAXIMUM EXTENT PERMITTED BY LAW NO PARTY HERETO MAKES ANY OTHER REPRESENTATIONS OR WARRANTIES UNDER THIS LICENSE AGREEMENT, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING ANY TECHNOLOGY, PATENTS AND OTHER INTELLECTUAL PROPERTY. EXCEPT AS EXPRESSLY SET FORTH IN THIS LICENSE AGREEMENT AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY, OR NON-INFRINGEMENT, AND ANY WARRANTIES THAT MAY ARISE FROM COURSE OF

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PERFORMANCE, COURSE OF DEALING OR USAGE OF TRADE. WITHOUT LIMITATION OF THE GENERALITY OF THE FOREGOING, THIS LICENSE AGREEMENT DOES NOT AND SHALL NOT BE INTERPRETED OR CONSTRUED TO INCLUDE: (a) ANY WARRANTY OR REPRESENTATION AS TO THE VALIDITY, ENFORCEABILITY, OR SCOPE OF ANY PATENT; (b) ANY WARRANTY OR REPRESENTATION THAT EXPLOITATION OF ANY TECHNOLOGY OR THE MANUFACTURE, SALE, USE OR OTHER DISPOSITION OF ANY PRODUCT OR SERVICE IN CONNECTION WITH ANY PATENT IS OR SHALL BE FREE FROM INFRINGEMENT OF PATENTS OR OTHER INTANGIBLE RIGHTS; (c) ANY REQUIREMENT TO FILE ANY PATENT APPLICATION, OR SECURE OR MAINTAIN ANY PATENT; OR (d) ANY OBLIGATION TO BRING OR PROSECUTE ANY ACTION FOR INFRINGEMENT OF ANY PATENT.

**5.3 Limitation of Liability.** TO THE EXTENT PERMITTED BY APPLICABLE LAW AND NOTWITHSTANDING ANY FAILURE OF ESSENTIAL PURPOSE OF ANY LIMITED REMEDY OR LIMITATION OF LIABILITY, EXCEPT FOR BREACH OF SECTION 2.1(d) OR 6, OR THE PRACTICE OF TECHNOLOGY, PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS, NEITHER PARTY SHALL BE LIABLE FOR ANY INDIRECT, EXEMPLARY, SPECIAL, CONSEQUENTIAL OR INCIDENTAL DAMAGES OF ANY KIND, OR FOR ANY DAMAGES RESULTING FROM LOSS OF BUSINESS OR LOST PROFITS, ARISING OUT OF OR RELATING TO THIS LICENSE AGREEMENT, HOWEVER CAUSED, EVEN IF SUCH PARTY HAS BEEN ADVISED OF OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES.

**5.4 Scope of Disclaimer and Limitation of Liability.** For avoidance of doubt, the parties acknowledge and agree that the disclaimer of warranty and limitation of liability set forth in this Section 5 apply only with respect to this License Agreement, and shall not limit or otherwise affect the parties' representations and warranties, covenants, liability or other obligations under the Search Agreement.

## **Section 6 CONFIDENTIALITY**

**6.1 Confidential Information.** By virtue of this License Agreement, each party and/or its Authorized Affiliates (the "**Receiving Party**") may have access to information that is confidential to the other party and/or its Authorized Affiliates (the "**Disclosing Party**") (or the Disclosing Party's suppliers, service providers, customers or end users). For purposes of this License Agreement, "**Confidential Information**" means information and materials disclosed by the Disclosing Party (or its suppliers, service providers, customers or end users) to the Receiving Party under this License Agreement after the Effective Date (whether orally, in writing or otherwise) that are (a) clearly and conspicuously marked as "confidential" or with a similar designation; (b) identified by the Disclosing Party as confidential and/or proprietary before, during, or promptly after presentation or communication; or (c) disclosed to (or otherwise acquired by) Receiving Party in a manner in which the Disclosing Party reasonably communicated, or the Receiving Party should reasonably have understood under the circumstances or from the nature of the information or data disclosed, that the information or materials should be treated as confidential, whether or not the specific designation "confidential" or any similar designation is used. Notwithstanding the foregoing, Confidential Information of Yahoo! includes the Yahoo! Technology and other non-public information and materials relating to the Yahoo! Technology, and Confidential Information of Microsoft includes the Microsoft Technology and other non-public information and materials relating to the Microsoft Technology (provided that any software included in either party's Technology that is or has been distributed publicly as Open Source Software shall not be deemed Confidential Information of either party). However, "Confidential Information" shall not include any information and materials that (w)

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were previously known to the Receiving Party without obligation of confidence; (x) are independently developed by or for the Receiving Party without the use of or access to the Disclosing Party's Confidential Information; (y) are acquired by the Receiving Party from a third party which is not under an obligation of confidence to the other party or its Affiliates with respect to such information; or (z) are or become publicly known and generally available to the public through no breach of this License Agreement.

**6.2 Restrictions on Use and Disclosure.** Except as expressly provided in Section 6.3 and 6.4, the Receiving Party shall not use or disclose the Confidential Information of the Disclosing Party for any purpose other than to exercise its rights or perform its obligations under this License Agreement or the Search Agreement. The Receiving Party shall not disclose Confidential Information of the Disclosing Party to any third parties except to its officers, directors, employees, attorneys, accountants, financial advisors or contractors who have a need to know such Confidential Information to exercise the Receiving Party's rights or to perform the Receiving Party's obligations under this License Agreement or the Search Agreement and who are bound by confidentiality provisions (including provisions relating to nonuse and nondisclosure) no less stringent than those set forth in this License Agreement. The Receiving Party shall protect the Confidential Information of the Disclosing Party with at least the same degree of care and protection it uses to protect its own information of a similar nature or sensitivity, but in any event with no less than reasonable care.

**6.3 Exclusions.** Notwithstanding the foregoing, a Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors may make a disclosure of Confidential Information (a) if required either by Law or legal process (as a result of legal compulsion or in order to advance a defense to a claim), (b) in response to a request by a governmental or regulatory agency, including but not limited to, a national stock market or exchange, or the Securities and Exchange Commission or other regulatory agency, or (c) in connection with a proceeding before a court, adversary proceeding, administrative proceeding, governmental or regulatory proceeding, including but not limited to, the rules and regulations of a national stock market or exchange, or the Securities and Exchange Commission or other regulatory agency if, in each case, the Receiving Party only discloses that portion of the Confidential Information reasonably required to be disclosed (on advice of Receiving Party's counsel); and unless prohibited by Law, the Receiving Party provides reasonable written notice to the Disclosing Party in advance of the disclosure so that the Disclosing Party may (x) seek confidential treatment for the Confidential Information, a protective order or other appropriate remedy, relief or reliable assurances that confidential treatment will be afforded the information so disclosed (in which event, the Receiving Party will cooperate with the Disclosing Party to obtain such confidential treatment, orders or other remedy, relief or assurances); or (y) consent in writing to having the Confidential Information so produced or so disclosed (which consent will extend solely to the disclosure and production in question). Disclosure under this paragraph, including any authorized disclosure by the Disclosing Party, does not relieve the Receiving Party of its obligations of confidentiality generally under this License Agreement. In no event will the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors oppose an action by the Disclosing Party to obtain a protective order or other relief requiring that Confidential Information to be disclosed shall be treated confidentially in connection with a third-party claim, action or proceeding. If the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors, as the case may be, has complied fully with the provisions of this paragraph, such disclosure may be made by the Receiving Party or its officers, directors, employees, attorneys, accountants, financial advisors or contractors, as the case may be, without any liability to the Disclosing Party hereunder.

**6.4 Residuals.** Each party (as Disclosing Party) acknowledges that this Section 6 (Confidentiality) is not intended to limit the professional development or career path of the employees of the other party (as Receiving Party) who have had authorized access to the Confidential

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Information of the Disclosing Party and whose knowledge and skills may have developed partly as a result of such access. Accordingly, neither party (as Receiving Party) shall be obligated to limit the assignment of employees who had access to the Confidential Information of the other party (as Disclosing Party), and the Receiving Party shall not be liable for trade secret misappropriation or breach of this Section 6 (Confidentiality) merely because such employees utilize the residual knowledge that such employees obtained through authorized access to Confidential Information of the Disclosing Party, provided that such employees no longer have access to the fixed form (including any written, electronic or other copies) of any Confidential Information of the Disclosing Party. For purposes of the foregoing, “**residual knowledge**” means the generalized information that employees of the Receiving Party retain incidentally as part of their unaided knowledge and skills where the employees (a) do not identify the information with the Disclosing Party and (b) have not made any effort to retain or assist their recollection of the information. Notwithstanding the foregoing, nothing in this Section 6.4 shall (x) affect the prohibitions on disclosure of Confidential Information; (y) constitute, or be deemed to result in, a license under any copyrights or patents; or (z) affect any other rights or remedies a party may have under this License Agreement or otherwise.

## Section 7 TERM AND TERMINATION

7.1 **Term.** This License Agreement shall commence on the Effective Date and shall continue until the expiration or termination of the Term. The parties acknowledge that the licenses, and option to license, contemplated by this License Agreement will be of no effect if the Commencement Date does not occur.

7.2 **Material Breach.** If either party or any of its Subsidiaries materially breaches its obligations under Section 2.1(d)(i) or 2.1(d)(iv) (the “**Breaching Party**”) and fails to remedy the breach within sixty (60) days following written notice specifying such breach (the “**Cure Period**”), then: (a) if Microsoft is the Breaching Party, Yahoo! may by notice to Microsoft terminate (subject to Section 7.3), effective as of the end of the Cure Period, the Limited Technology Patent License (except with respect to Microsoft’s implementing services for, and providing services to, Yahoo! and its Authorized Affiliates) and the Optional Patent License (if it is acquired by Microsoft), and terminate the exclusivity of the Technology License (in which case the Technology License shall continue on a non-exclusive basis), and (b) if Yahoo! is the Breaching Party, Microsoft may by notice to Yahoo! terminate (subject to Section 7.3) and effective as of the end of the Cure Period, the Improvements Patent License (collectively “**Additional Remedies**”); provided, however, no such Additional Remedies shall apply if [\*].

7.3 **Escalation.** If, following receipt of notice of breach from the other party pursuant to Section 7.2, the Breaching Party disputes reasonably and in good faith whether it has materially breached such obligations (a “**Good Faith Dispute**”), the Breaching Party may give the other party (the “**Non-Breaching Party**”) written notice of such Good Faith Dispute and of the Breaching Party’s intention to invoke the Escalation Procedures described in this Section 7.3 (a “**Good Faith Dispute Notice**”). Within seven (7) days of receipt of such Good Faith Dispute Notice, the parties’ Relationship Managers shall meet and work together in good faith to resolve the Good Faith Dispute. In the event that the Relationship Managers have not resolved such Good Faith Dispute within seven (7) days of their first meeting, the Relationship Managers shall escalate the issue to the Executive Steering Committee. The Executive Steering Committee shall work together in good faith to resolve such Good Faith Dispute as soon as reasonably practicable and, in any event, within fourteen (14) days following notice of escalation from the Relationship Managers; provided, however, that any Executive Steering Committee member or Relationship Manager may immediately escalate a Good Faith Dispute to the CEOs (or, at the CEOs’ option, their respective designees at the senior vice president level or above) of each party at any time during such fourteen (14) day period and, if so

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escalated, the CEOs (or such designees) of the parties shall work together in good faith to resolve such Good Faith Dispute prior to the end of such fourteen (14) day period (the “**Escalation Procedure**”). During the pendency of such Escalation Procedure, the Cure Period shall be tolled and the Non-Breaching Party shall not have the right to enforce any Additional Remedies until the Escalation Procedure has been completed and the Cure Period (taking into consideration such tolling) has expired. In the event that, following completion of the Escalation Procedures and the expiration of the Cure Period, the Good Faith Dispute at issue remains unresolved, the Non-Breaching Party may enforce its Additional Remedies under Section 7.2 and seek any other remedies available to it.

**7.4 Other Remedies.** Either party’s enforcement of Additional Remedies pursuant to Section 7.2 shall be without prejudice to any other remedies that it may have at law or in equity, and shall not relieve either party of liability for breaches occurring prior to the effective date of the enforcement of the Additional Remedies. Neither party shall be liable to the other for damages of any kind solely as a result of any valid enforcement of Additional Remedies in accordance with the terms hereof.

**7.5 Survival.** In the event of any expiration or termination of the Term, the following provisions of this License Agreement shall survive: Section 1, [\*], Section 5.3, Section 5.4, Section 6, Section 7.4, Section 7.5, and Section 8.

## **Section 8 MISCELLANEOUS**

**8.1 Confidentiality of Agreement.** Each party agrees that the terms and conditions of this License Agreement are Confidential Information of the other party and will be disclosed only as set forth in this Section 8.1 or as otherwise provided in Section 6, and that any such disclosure shall be limited to the extent possible. The parties acknowledge and agree that notwithstanding anything in this License Agreement to the contrary, Yahoo! will be required to file with the Securities and Exchange Commission a Form 8-K summarizing the material terms of this License Agreement and a copy of this License Agreement as an exhibit to such 8-K or to its next Form 10-K or Form 10-Q, as applicable. Yahoo! will provide a draft of such Form 8 K to Microsoft a reasonable time in advance of the filing in order to allow Microsoft to review, and propose any reasonable changes to, the disclosure contained therein, and Yahoo! will consider in good faith any such proposed changes. In addition, a reasonable time prior to filing this License Agreement, Yahoo! will consult in good faith with Microsoft regarding the terms of this License Agreement for which either Yahoo! or Microsoft desires to request confidential treatment, will provide Microsoft a copy of any proposed confidential treatment request and will consider in good faith any proposed changes to such confidential treatment request from Microsoft. No party may make any public announcement or external communication or issue any press release about this License Agreement without the other party’s prior written approval and consent, except to the extent the parties agree to include a reference to this License Agreement in the publicity with respect to the Search Agreement as described in Section 18.1 of the Search Agreement.

**8.2 Assignment.** Neither party shall, and shall have no right to, assign, delegate or otherwise transfer this License Agreement or any right or obligation herein (including any license), in whole or in part, whether by agreement, operation of law or otherwise, without the express prior written consent of the other party, except that Yahoo! may assign this License Agreement, together with its rights and obligations herein (including the licenses), without Microsoft’s consent in connection with an assignment of the Search Agreement in accordance with the terms of that agreement. Any attempt to assign, delegate or otherwise transfer this License Agreement by Microsoft, including any license or other rights or obligations hereunder, without such consent shall be void and of no effect. Subject to the foregoing, this License Agreement shall be binding on the parties and their respective successors and assigns. For avoidance of doubt, (a) subject only to Microsoft’s exclusivity as set forth

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in Section 2.1(b), nothing in this License Agreement shall prevent or restrict Yahoo! from licensing, assigning, or otherwise transferring or disposing of any Technology to any third party, provided that no such license, assignment or other transfer or disposition shall affect the Technology License, (b) nothing in this License Agreement shall prevent or restrict either party from licensing, assigning, or otherwise transferring or disposing of any of its Patents to any third party, provided that no such license, assignment or other transfer or disposition shall affect any of the Patent licenses granted by either party to the other party hereunder prior to the date of such license, assignment or other transfer or disposition, and (c) upon any exclusive license, assignment or other transfer or disposition by Yahoo! of any applicable Patents to any third party, Microsoft's option to acquire the Optional Patent License as set forth in Section 2.3 (if not exercised prior to such exclusive license, assignment or other transfer or disposition) shall terminate with respect to such Patents.

**8.3 Rules of Construction.** The words "hereof," "herein" and "hereunder" and other words of similar import refer to this License Agreement in its entirety and not to any part hereof unless the context shall otherwise require. All references herein to Sections and Exhibits shall be deemed references to and Sections of, and Exhibits to, this License Agreement unless the context shall otherwise require. The word "including," when used herein is not intended to be exclusive and means "including, but not limited to." The headings used in this License Agreement are inserted for convenience of reference only and do not constitute a part of and will not be utilized in interpreting this License Agreement. Except where the context so requires, any reference to a singular noun shall include its plural, the use of the word "all" shall be construed as "any and all," the word "any" shall be construed as "any and all," and the word "each" shall be construed as "all and each." This License Agreement has been negotiated by the parties and their respective counsel and will be fairly interpreted in accordance with its terms and conditions pursuant to the governing Law selected by the parties pursuant to Section 8.13 without application of any rules of construction relating to which party drafted this License Agreement in favor of, or against, either party. Unless otherwise expressly provided herein or unless the context shall otherwise require, any references as of any time to any agreement (including this License Agreement) or other contract, instrument or document or to any statute or regulation or any specific section or other provision thereof are to it as amended and supplemented through such time (and, in the case of a statute or regulation or specific section or other provision thereof, to any successor of such statute, regulation, section or other provision). Any reference in this License Agreement to a "day" or number of "days" (without the explicit qualification of "Business Day") shall be interpreted as a reference to a calendar day or number of calendar days. If any action or notice is to be taken or given on or by a particular calendar day, and such calendar day is not a Business Day, then such action or notice shall be deferred until, or may be taken or given on, the next Business Day. Unless otherwise expressly provided herein or unless the context shall otherwise require, any provision of this License Agreement using a defined term (by way of example and without limitation, such as "Affiliate") which is based on a specified characteristic, qualification, feature or status shall, as of any time, refer only to such persons or entities who have the specified characteristic, qualification, feature or status as of that particular time. This contract is written in English and, if it is translated into any other language, the English-language version controls.

**8.4 Force Majeure.** No party shall be liable for, or considered to be in breach of this License Agreement on account of, any failure or delay in performance of any of its obligations hereunder (except for the payment of money) if such failure or delay is due to acts of God, fires, flood, storm, explosions, earthquakes, general Internet outages, acts of war or terrorism, riots, insurrection or intervention of any government or authority; provided, however, that any such delay or failure shall be remedied by such party as soon as reasonably possible. Upon the occurrence of a force majeure event, the party unable to perform shall, if and as soon as possible, provide written notice to the other parties indicating that a force majeure event occurred and detailing how such force majeure event impacts the performance of its obligations.

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**8.5 Amendment or Modification.** This License Agreement may be amended or modified only by a written agreement that (a) refers to this License Agreement; and (b) is executed by an authorized representative of each party.

**8.6 Notices.** All notices hereunder shall be deemed given (a) upon receipt when delivered personally, (b) upon written verification of receipt from overnight courier, (c) upon verification of receipt of registered or certified mail, or (d) upon verification of receipt via facsimile, provided that such notice is also sent via first class mail by no later than the next Business Day after sending via facsimile. All notices shall be in English and in writing and sent to:

If to Microsoft, to:

Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052  
Attention: Chief Executive Officer  
Telephone: (425) 882-8080  
Telecopy: (425) 936-7329

with a copy to:

Microsoft Corporation  
One Microsoft Way  
Redmond, WA 98052  
Attention: General Counsel  
Telephone: (425) 882-8080  
Telecopy: (425) 936-7329

If to Yahoo!, to:

Yahoo! Inc.  
701 First Avenue  
Sunnyvale, CA 94089  
Attention: Chief Executive Officer  
Telephone: (408) 349-3300  
Telecopy: (408) 349-3510

with a copy to:

Yahoo! Inc.  
701 First Avenue  
Sunnyvale, CA 94089  
Attention: General Counsel  
Telephone: (408) 349-3300  
Telecopy: (408) 349-3510

A party may change its address for notices by written notice given pursuant to this Section 8.6.

**8.7 Waiver.** Any of the provisions of this License Agreement may be waived by the party entitled to the benefit thereof. No party shall be deemed, by any act or omission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the waiving party,

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and then only to the extent specifically set forth in such writing. A waiver with reference to one event shall not be construed as continuing or as a bar to, or waiver of, any right or remedy as to a subsequent event.

**8.8 Remedies Cumulative.** Except as expressly set forth herein, no remedy conferred upon either of the parties by this License Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under this License Agreement or now or hereafter existing at Law or in equity. For clarity, this Section does not expand either party's ability to terminate this License Agreement beyond the provisions of Section 7.

**8.9 Severability.** If the application of any provision or provisions of this License Agreement to any particular facts or circumstances is held to be illegal, invalid or unenforceable by any arbitrator, arbitration panel or court of competent jurisdiction, the validity and enforceability of such provision or provisions as applied to any other particular facts or circumstances and the validity of other provisions of this License Agreement shall not in any way be affected or impaired thereby, and the parties agree that an arbitration panel or court of competent jurisdiction (if any) making such determination shall have the power to modify the provision in a manner consistent with its objectives such that it is valid and enforceable.

**8.10 Independent Contractors.** The parties acknowledge and agree that they are dealing with each other as independent contractors. Neither this License Agreement nor any terms and conditions contained in this License Agreement may be construed to: (a) give any party the power to direct and control the day-to-day activities of the other party; (b) create or constitute a partnership, joint venture, franchise, employment or agency relationship between the parties; or (c) allow any party to create or assume any obligation on behalf of the other party for any purpose whatsoever. No party owes the other party or any third party any compensation for performing the actions contemplated by this License Agreement except as expressly set forth in this License Agreement.

**8.11 Entire Agreement.** Except with respect to the Letter Agreement (excluding Annexes B and D) and the Search Agreement, this License Agreement supersedes any other prior or collateral agreements, whether oral or written, with respect to the subject matter hereof. This License Agreement supersedes Annexes B and D of the Letter Agreement with respect to the subject matter of this License Agreement. Further, Yahoo! is not required, and will not be required, to accept any additional license agreement (beyond this License Agreement or the Search Agreement) to download, to use, or to implement any MS Technology, or to the extent that there is an additional license agreement, any conflicting or additional provisions are non-binding as to Yahoo! unless Yahoo! expressly agrees (a) in a writing that references this License Agreement and the Search Agreement and (b) not via any automated or electronic means. Yahoo! will not unreasonably withhold its agreement to additional, reasonable license terms that do not conflict and are not inconsistent with this License Agreement and the Search Agreement (including the parity requirements of the Search Agreement) and that do not impose any financial or significant operational obligation. This License Agreement, the Search Agreement and the Letter Agreement (excluding Annexes B and, with respect to this License Agreement, but not the Letter Agreement, Annex D) constitute the entire agreement with respect to the subject matter hereof. In the event of any conflict between this License Agreement and the Search Agreement or the Letter Agreement (or any ambiguity resulting from the relationship between such agreements), this License Agreement shall prevail (and shall resolve any such ambiguity).

**8.12 Counterparts; Facsimiles.** This License Agreement may be executed in any number of textually identical counterparts, each of which when so executed and delivered shall be deemed an original, and such textually identical counterparts together shall constitute one and the same instrument. Each party shall receive a duplicate original of the counterpart copy or copies executed by

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it. For purposes hereof, a facsimile copy of this License Agreement, including the signature pages hereto, shall be deemed to be an original. Notwithstanding the foregoing, the parties shall each deliver original execution copies of this License Agreement to one another as soon as practicable following execution thereof.

**8.13 Governing Law, Jurisdiction, Venue and Waiver.** This License Agreement shall be governed by and construed in accordance with the internal laws of the State of New York and the federal laws of the United States (to the extent the matter is governed by federal law), without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of New York and the federal laws of the United States. The parties specifically exclude from application to this License Agreement the United Nations Convention on Contracts for the International Sale of Goods and the Uniform Computer Information Transactions Act. Other than any FMV Dispute which shall be exclusively submitted to arbitration pursuant to Section 2.3(c), the parties further agree that any claim, cause of action or proceeding (“**Dispute**”) relating to this License Agreement will be brought and pursued only in the U.S. District Court for the Southern District of New York or, solely in the case that such federal court does not have jurisdiction, in any New York State court sitting in New York City (collectively, the “**New York Courts**”). Microsoft and Yahoo! each submit to the exclusive jurisdiction and venue of the New York Courts for such Disputes, except that any arbitration award may be enforced in any court having jurisdiction over a party or any of its assets. The parties further irrevocably waive any objection to the laying of the venue of any such proceeding in the New York Courts, any claim that any such proceeding has been brought in an inconvenient or inappropriate forum and any right to a jury trial with regard to any such proceeding.

**8.14 No Third Party Beneficiaries.** Nothing in this License Agreement, express or implied, is intended to or shall confer upon any person (other than the parties hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this License Agreement.

**8.15 Injunctive Relief.** Notwithstanding anything to the contrary in this License Agreement, each party as licensee acknowledges and agrees that its Exploitation of the other party’s Technology or Confidential Information outside the scope of the licenses granted hereunder or otherwise in violation of this License Agreement may cause significant injury to the other party, the extent of which may be difficult to ascertain and for which there may be no adequate remedy at law, and, accordingly, such Exploitation is rebuttably presumed to cause irreparable harm to the other party. Accordingly, each party as licensee agrees that the other party as licensor, in addition to any other available remedies, shall have the right to seek (and to use such presumption in seeking) an immediate injunction and other equitable relief enjoining any such Exploitation in violation of this License Agreement. Each party may seek such equitable relief on an expedited basis even during the pendency of the Escalation Procedure set forth in Section 7.3 if such party reasonably believes that irreparable harm will result from a delay.

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IN WITNESS WHEREOF, the parties to this License Agreement by their duly authorized representatives have executed this License Agreement as of the date first above written.

**YAHOO! INC.**

By: /s/ Carol Bartz  
Signature

Name: Carol Bartz  
Print or Type

Title: CEO

**MICROSOFT CORPORATION**

By: /s/ Qi Lu  
Signature

Name: Qi Lu  
Print or Type

Title: President, Online Services Division

To the extent that Yahoo! SARL, a company registered in Switzerland (“SARL”) and a Subsidiary of Yahoo! Inc., holds any rights with respect to the Yahoo! Patents or Yahoo! Technology (or any intellectual property therein), SARL hereby consents to Yahoo!’s grant of the licenses granted to Microsoft under this License Agreement with respect to such Yahoo! Patents, Yahoo! Technology and/or intellectual property.

**YAHOO! SARL**

By: /s/ Richard J. Riley  
Signature

Name: Richard J. Riley  
Print or Type

Title: SVP, Europe

[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.

**Exhibit A**  
**Yahoo! Technology**

The following is a list of technology that Yahoo! has identified as used by Yahoo! solely and exclusively for Algorithmic Search Services and Paid Search Services for Personal Computers, and not utilized by Yahoo! in any other parts of Yahoo!'s business, as of the Effective Date:

[\*]

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The parties agree to supplement this list of Yahoo! Technology if within six (6) months after the Effective Date the parties discover additional Specified Technology that was used by Yahoo! solely and exclusively for Algorithmic Search Services and Paid Search Services for Personal Computers, and not utilized by Yahoo! in any other parts of Yahoo!'s business, as of the Effective Date.

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[\*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to omitted portions.



**Exhibit B**  
**Subfields for Optional Patent License**

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Exhibit B - 1

## Subsidiaries of Yahoo! Inc.

<u>Name of Entity</u>	<u>Jurisdiction of Formation</u>	<u>Economic Interest (if not 100%)</u>
Actionality Deutschland GmbH	Germany	
Actionality Hong Kong Limited	Hong Kong	
Actionality, Inc.	Delaware	
Alta Vista Internet Holdings Limited	Ireland	
Alta Vista Internet Operations Limited	Ireland	
Alta Vista Internet Solutions Limited	Ireland	
Blue Lithium UK Limited	UK	
BlueLithium France Sarl	France	
BlueLithium, Inc.	Delaware	
Farechase Israel Ltd.	Israel	
Farechase, Inc.	Delaware	
HotJobs.com, Ltd.	Delaware	
JBS Sports, Inc.	Delaware	
Kenet Works AB	Sweden	
Kimo.com (Cayman) Corporation	Cayman Islands	
Launch Media Inc.	Delaware	
LudiCorp Research and Development Ltd.	Canada	
Maktoob.com Egypt	Egypt	
Maktoob.com Inc.	British Virgin Islands	
Overture Asia-Pac Services K.K.	Japan	
Overture Korea Yuhan Hoesa	Korea	
Overture Marketing Services Limited	Ireland	
Overture Search Services (Asia) Limited	Ireland	
Overture Search Services (Ireland) Limited	Ireland	
Overture Search Services Holdco (Ireland) Limited	Cayman Islands	
Overture Services Europe, Ltd.	Cayman Islands	
Overture Services Limited	UK	
Overture Spain S.L.	Spain	
PT Yahoo Indonesia	Indonesia	
Right Media LLC	Delaware	
Right Media UK Limited	UK	
Where@Risk Limited	UK	
Whereonearth Limited	UK	
Whereonearth.com Limited	UK	
WOE Old GDC Limited	UK	
Xoopit Inc.	Delaware	
Yahoo de Mexico, SA de CV	Mexico	
Yahoo Hungary Labs Kft.	Hungary	
Yahoo Software Research and Development (Beijing) Co., Ltd.	China	
Yahoo! 350 SAS	France	
Yahoo! 390 GmbH	Germany	
Yahoo! Arabia PSC	Jordan	
Yahoo! Asia Holdings Limited	Hong Kong	
Yahoo! Australia & NZ (Holdings) Pty Limited	Australia	50%
Yahoo!7 Pty Limited	Australia	50%
Yahoo! Digital Media (Content) Pty Limited	Australia	50%
Yahoo!7 Communications Australia Pty Limited	Australia	50%
Yahoo!7 Travel Pty Limited	Australia	50%

<u>Name of Entity</u>	<u>Jurisdiction of Formation</u>	<u>Economic Interest (if not 100%)</u>
TotalTravel.com Pty Limited	Australia	50%
TotalTravel.com Ltd	UK	50%
TotalTravel.com International Limited	UK	50%
Yahoo!Xtra New Zealand Limited	New Zealand	25.5%
Yahoo! Canada Co.	Canada	
Yahoo! Cayman Asia Holdings Limited	Cayman Islands	
Yahoo! Communications Europe, Ltd.	Ireland	
Yahoo! CV, LLC	Delaware	
Yahoo! de Argentina SRL	Argentina	
Yahoo! Deutschland Services GmbH	Germany	
Yahoo! Deutschland GmbH	Germany	
Yahoo! do Brasil Internet Ltda	Brazil	
Yahoo! Emerging Markets (Singapore) Pte. Ltd.	Singapore	
Yahoo! Europe Limited	UK	
Yahoo! France Holdings SAS	France	
Yahoo! France SAS	France	
Yahoo! Hispanic Americas, LLC	Delaware	
Yahoo! Holdings Limited	UK	
Yahoo! Hong Kong Limited	Hong Kong	
Yahoo! Iberia S.L.	Spain	
Yahoo! India Private Limited	India	
Yahoo! Internet Communications India Private Limited	India	
Yahoo! Ireland Services Limited	Ireland	
Yahoo! Israel Labs Ltd.	Israel	
Yahoo! Italia SRL	Italy	
Yahoo! Korea Yuhan Hoesa	Korea	
Yahoo! Netherlands B.V.	Netherlands	
Yahoo! Netherlands Holdings C. V.	Netherlands	
Yahoo! Philippines Services Inc.	Philippines	
Yahoo! Realty Inc.	California	
Yahoo! Sàrl	Switzerland	
Yahoo! SEA Holdings, LLC	Delaware	
Yahoo! Search Marketing Australia Pty Limited	Australia	
Yahoo! Software Development India Private Limited	India	
Yahoo! Southeast Asia PTE Ltd.	Singapore	
Yahoo! Switzerland Server Services Sàrl	Switzerland	
Yahoo! Taiwan Holdings Limited	Hong Kong	
Yahoo! Taiwan Inc.	Taiwan	
Yahoo! Technologies Norway AS	Norway	
Yahoo! UK Limited	UK	
Yahoo! UK Services Limited	UK	
Yahoo! Vietnam Company Limited	Vietnam	
Zimbra Europe Limited	UK	
Zimbra Software Asia Pacific Private Limited	India	

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-163853, No. 333-161808, No. 333-161806, No. 333-149417, No. 333-149416, No. 333-147125, No. 333-147124, No. 333-145046, No. 333-145044, No. 333-140917, No. 333-138422, No. 333-132226, No. 333-127322, No. 333-126581, No. 333-120999, No. 333-118093, No. 333-118088, No. 333-118067, No. 333-112596, No. 333-109914, No. 333-104137, No. 333-89948, No. 333-83770, No. 333-60828, No. 333-54426, No. 333-46492, No. 333-93497, No. 333-80227, No. 333-81635, No. 333-76995, No. 333-79675, No. 333-66067, No. 333-56781, No. 333-39105), and the Registration Statement on Form S-4 (No. 333-62694) of Yahoo! Inc. of our report dated February 26, 2010 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
San Jose, California  
February 26, 2010

**Certification of Chief Executive Officer Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Carol Bartz, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2010

By: \_\_\_\_\_ /s/ CAROL BARTZ  
Carol Bartz  
Chief Executive Officer

**Certification of Chief Financial Officer Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Timothy R. Morse, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 26, 2010

By: \_\_\_\_\_ /s/ TIMOTHY R. MORSE  
Timothy R. Morse  
Chief Financial Officer

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to  
18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K of Yahoo! Inc. (the "Company") for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carol Bartz, as Chief Executive Officer of the Company, and Timothy R. Morse, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of her and his knowledge, respectively, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ CAROL BARTZ

**Name:** \_\_\_\_\_  
**Title:** Carol Bartz  
**Dated:** Chief Executive Officer  
February 26, 2010

/s/ TIMOTHY R. MORSE

**Name:** \_\_\_\_\_  
**Title:** Timothy R. Morse  
**Dated:** Chief Financial Officer  
February 26, 2010

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.