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

Form 10-Q

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from to

Commission File Number 000-28018

Yahoo! Inc.
(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding at April 30, 2014**
Common Stock, $0.001 par value	1,006,808,134

YAHOO! INC.

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PART I — FINANCIAL INFORMATION

Item 1. ***Condensed Consolidated Financial Statements (unaudited)***

YAHOO! INC.

Condensed Consolidated Balance Sheets

	December 31, 2013	March 31, 2014
	(Unaudited, in thousands except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,077,590	$ 1,198,016
Short-term marketable securities	1,330,304	1,741,494
Accounts receivable, net	979,559	879,992
Prepaid expenses and other current assets	638,404	662,372
Total current assets	5,025,857	4,481,874
Long-term marketable securities	1,589,500	1,631,819
Property and equipment, net	1,488,518	1,479,406
Goodwill	4,679,648	4,699,319
Intangible assets, net	417,808	393,355
Other long-term assets	177,281	178,319
Investments in equity interests	3,426,347	3,728,823
Total assets	$16,804,959	$16,592,915
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 138,031	$ 156,782
Accrued expenses and other current liabilities	907,782	746,828
Deferred revenue	294,499	291,265
Total current liabilities	1,340,312	1,194,875
Convertible notes	1,110,585	1,125,251
Long-term deferred revenue	258,904	222,366
Capital lease and other long-term liabilities	116,605	108,847
Deferred and other long-term tax liabilities	847,956	978,372
Total liabilities	3,674,362	3,629,711
Commitments and contingencies (Note 12)	—	—
Yahoo! Inc. stockholders' equity:		
Common stock, $0.001 par value; 5,000,000 shares authorized; 1,019,812 shares issued and 1,014,338 shares outstanding as of December 31, 2013 and 1,028,144 shares issued and 1,010,730 shares outstanding as of March 31, 2014	1,015	1,023
Additional paid-in capital	8,688,304	8,811,720
Treasury stock at cost, 5,474 shares as of December 31, 2013 and 17,414 shares as of March 31, 2014	(200,228)	(649,806)
Retained earnings	4,267,429	4,579,007
Accumulated other comprehensive income	318,389	163,239
Total Yahoo! Inc. stockholders' equity	13,074,909	12,905,183
Noncontrolling interests	55,688	58,021
Total equity	13,130,597	12,963,204
Total liabilities and equity	$16,804,959	$16,592,915

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

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YAHOO! INC.

Condensed Consolidated Statements of Income

	Three Months Ended	
	March 31, 2013	March 31, 2014
	(Unaudited, in thousands except per share amounts)	
Revenue	$1,140,368	$1,132,730
Operating expenses:		
Cost of revenue — traffic acquisition costs	66,068	45,909
Cost of revenue — other	278,007	280,844
Sales and marketing	257,019	329,846
Product development	219,580	281,632
General and administrative	133,421	136,493
Amortization of intangibles	7,365	18,340
Restructuring (reversals) charges, net	(7,062)	9,487
Total operating expenses	954,398	1,102,551
Income from operations	185,970	30,179
Other income (expense), net	17,072	(13,453)
Income before income taxes and earnings in equity interests	203,042	16,726
Provision for income taxes	(29,736)	(4,217)
Earnings in equity interests	217,588	301,402
Net income	390,894	313,911
Net income attributable to noncontrolling interests	(609)	(2,333)
Net income attributable to Yahoo! Inc.	$ 390,285	$ 311,578
Net income attributable to Yahoo! Inc. common stockholders per share — basic	$ 0.36	$ 0.31
Net income attributable to Yahoo! Inc. common stockholders per share — diluted	$ 0.35	$ 0.29
Shares used in per share calculation — basic	1,094,170	1,009,890
Shares used in per share calculation — diluted	1,108,095	1,031,420
Stock-based compensation expense by function:		
Cost of revenue — other	$ 3,578	$ 22,687
Sales and marketing	16,045	52,638
Product development	8,263	13,927
General and administrative	16,719	19,929

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

YAHOO! INC.

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended	
	March 31, 2013	March 31, 2014
	(Unaudited, in thousands)	
Net income	$ 390,894	$ 313,911
Available-for-sale securities:		
Unrealized gains (losses) on available-for-sale securities, net of taxes of $154 and $(898) for the three months ended March 31, 2013 and 2014, respectively	1,036	6,728
Reclassification adjustment for realized (gains) losses on available-for-sale securities included in net income, net of taxes of $24 and $8 for the three months ended March 31, 2013 and 2014, respectively	(37)	(12)
Net change in unrealized gains on available-for-sale securities, net of tax	999	6,716
Foreign currency translation adjustments (“CTA”):		
Foreign CTA gains (losses), net of taxes of $162 and $236 for the three months ended March 31, 2013 and 2014, respectively	(281,505)	(146,857)
Net investment hedge CTA gains (losses), net of taxes of $(101,296) and $8,432 for the three months ended March 31, 2013 and 2014, respectively	168,714	(14,049)
Net foreign CTA losses, net of tax	(112,791)	(160,906)
Cash flow hedges:		
Unrealized gains (losses) on cash flow hedges, net of taxes of $0 and $304 for the three months ended March 31, 2013 and 2014, respectively	—	(506)
Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of $0 and $273 for the three months ended March 31, 2013 and 2014, respectively	—	(454)
Net change in unrealized losses on cash flow hedges, net of tax	—	(960)
Other comprehensive loss	(111,792)	(155,150)
Comprehensive income	279,102	158,761
Less: comprehensive income attributable to noncontrolling interests	(609)	(2,333)
Comprehensive income attributable to Yahoo! Inc.	$ 278,493	$ 156,428

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

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YAHOO! INC.

Condensed Consolidated Statements of Cash Flows

	Three Months Ended	
	March 31, 2013	March 31, 2014
	(Unaudited, in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 390,894	$ 313,911
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	143,864	123,185
Amortization of intangible assets	18,410	34,349
Accretion of convertible notes discount	—	14,666
Stock-based compensation expense, net	44,605	109,181
Restructuring charges	547	—
Loss from sales of investments, assets, and other, net	11,905	3,550
Earnings in equity interests	(217,588)	(301,402)
Dividend income related to Alibaba Group Preference Shares	(20,251)	—
Tax benefits from stock-based awards	9,537	57,667
Excess tax benefits from stock-based awards	(12,807)	(59,556)
Deferred income taxes	(20,158)	14,488
Dividends received from equity investees	12,000	—
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	57,853	98,404
Prepaid expenses and other	19,707	(9,211)
Accounts payable	(71,135)	19,492
Accrued expenses and other liabilities	(123,472)	(240,175)
Deferred revenue	(25,229)	(39,488)
Net cash provided by operating activities	218,682	139,061
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	(69,581)	(84,655)
Purchases of marketable securities	(1,481,293)	(912,097)
Proceeds from sales of marketable securities	424,347	168,926
Proceeds from maturities of marketable securities	183,100	281,662
Acquisitions, net of cash acquired	(10,147)	(21,661)
Purchases of intangible assets	(1,128)	(1,190)
Proceeds from settlement of derivative hedge contracts	4,100	2,801
Payments for settlement of derivative hedge contracts	—	(600)
Equity investments	—	(10,399)
Other investing activities, net	(278)	(566)
Net cash used in investing activities	(950,880)	(577,779)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock, net	61,108	78,977
Repurchases of common stock	(775,075)	(449,578)
Excess tax benefits from stock-based awards	12,807	59,556
Tax withholdings related to net share settlements of restricted stock units	(43,689)	(125,403)
Other financing activities, net	(1,405)	(3,093)
Net cash used in financing activities	(746,254)	(439,541)
Effect of exchange rate changes on cash and cash equivalents	(14,693)	(1,315)
Net change in cash and cash equivalents	(1,493,145)	(879,574)
Cash and cash equivalents at beginning of period	2,667,778	2,077,590
Cash and cash equivalents at end of period	$ 1,174,633	$1,198,016

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

YAHOO! INC.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo" or the "Company") is focused on making the world's daily habits inspiring and entertaining. By creating highly personalized experiences for its users, the Company keeps people connected to what matters most to them, across devices and around the world. The Company creates value for advertisers with a streamlined, simplified advertising technology stack that leverages Yahoo's data, reach and analytics to connect advertisers with their target audiences. For advertisers, the opportunity to be a part of users' daily habits across products and platforms is a powerful tool to engage audiences and build brand loyalty.

Advertisers can build their businesses through advertising to targeted audiences on the Company's online properties and services, or through a distribution network of third party entities ("Affiliates") who integrate the Company's advertising offerings into their Websites or other offerings. The Company manages and measures its business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific.

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

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring items, which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles ("GAAP") in the United States ("U.S.") requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to revenue, the useful lives of long-lived assets including property and equipment and intangible assets, investment fair values, stock-based compensation, goodwill, 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.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2013 was derived from the Company's audited financial statements for the year ended December 31, 2013, but does not include all disclosures required by U.S. GAAP. However, the Company believes the disclosures are adequate to make the information presented not misleading.

Note 2 INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

	December 31, 2013			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 538,397	$ 65	$ (101)	$ 538,361
Corporate debt securities, commercial paper, and bank certificates of deposit	2,380,134	2,525	(1,216)	2,381,443
Corporate equity securities	230	153	—	383
Total investments in available-for-sale securities	$2,918,761	$ 2,743	$ (1,317)	$2,920,187

	March 31, 2014			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 566,470	$ 335	$ (188)	$ 566,617
Corporate debt securities, commercial paper, and bank certificates of deposit	2,805,485	2,512	(1,301)	2,806,696
Corporate equity securities	230	249	—	479
Total investments in available-for-sale securities	$3,372,185	$ 3,096	$ (1,489)	$3,373,792

	December 31, 2013	March 31, 2014
Reported as:		
Short-term marketable securities	$1,330,304	$1,741,494
Long-term marketable securities	1,589,500	1,631,819
Other assets	383	479
Total	$2,920,187	$3,373,792

Short-term, highly liquid investments included in cash and cash equivalents on the condensed consolidated balance sheets are not included in the table above as the gross unrealized gains and losses were immaterial as of December 31, 2013 and March 31, 2014 as the carrying value approximates fair value because of the short maturity of those instruments. Realized gains and losses from sales of marketable securities were not material for both the three months ended March 31, 2013 and 2014.

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

	December 31, 2013	March 31, 2014
Due within one year	$1,330,304	$1,741,494
Due after one year through five years	1,589,500	1,631,819
Total available-for-sale marketable securities	$2,919,804	$3,373,313

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, 2013					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$263,514	$ (101)	$ —	$ —	$263,514	$ (101)
Corporate debt securities, commercial paper, and bank certificates of deposit	696,950	(1,214)	3,833	(2)	700,783	(1,216)
Total investments in available-for-sale securities	$960,464	$ (1,315)	$3,833	$ (2)	$964,297	$ (1,317)

	March 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$138,841	$ (181)	$18,762	$ (7)	$ 157,603	$ (188)
Corporate debt securities, commercial paper, and bank certificates of deposit	852,227	(1,141)	37,090	(160)	889,317	(1,301)
Total investments in available-for-sale securities	$991,068	$ (1,322)	$55,852	$ (167)	$1,046,920	$ (1,489)

The Company’s investment portfolio consists of liquid high-quality fixed income government, agency and corporate debt securities, money market funds, and time 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 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 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 the securities in an unrealized loss position. The Company expects to recover up to (or beyond) the initial cost of investment for securities held.

The following table sets forth the financial assets and liabilities, measured at fair value, by level within the fair value hierarchy as of December 31, 2013 (in thousands):

	Fair Value Measurements at Reporting Date Using		
Assets	Level 1	Level 2	Total
Money market funds[1]	$ 936,438	$ —	$ 936,438
Available-for-sale securities:			
Government and agency securities[1]	—	876,197	876,197
Commercial paper and bank certificates of deposit[1]	—	472,080	472,080
Corporate debt securities[1]	—	2,059,159	2,059,159
Time deposits[1]	—	84,443	84,443
Corporate equity securities[2]	370	—	370
Foreign currency derivative contracts[3]	—	214,041	214,041
Financial assets at fair value	$ 936,808	$ 3,705,920	$ 4,642,728
Liabilities			
Foreign currency derivative contracts[3]	—	(1,401)	(1,401)
Total financial assets and liabilities at fair value	$ 936,808	$ 3,704,519	$ 4,641,327

The following table sets forth the financial assets and liabilities, measured at fair value, by level within the fair value hierarchy as of March 31, 2014 (in thousands):

	Fair Value Measurements at Reporting Date Using		
Assets	**Level 1**	**Level 2**	**Total**
Money market funds[1]	$ 392,140	$ —	$ 392,140
Available-for-sale securities:			
Government and agency securities[1]	—	608,619	608,619
Commercial paper and bank certificates of deposit[1]	—	416,835	416,835
Corporate debt securities[1]	—	2,392,063	2,392,063
Time deposits[1]	—	96,711	96,711
Corporate equity securities[2]	479	—	479
Foreign currency derivative contracts[3]	—	187,775	187,775
Financial assets at fair value	$ 392,619	$ 3,702,003	$ 4,094,622
Liabilities			
Foreign currency derivative contracts[3]	—	(1,973)	(1,973)
Total financial assets and liabilities at fair value	$ 392,619	$ 3,700,030	$ 4,092,649

[1] The money market funds, government and agency securities, commercial paper and bank certificates of deposit, corporate debt securities, and time deposits are classified as part of either cash and cash equivalents or investments in marketable securities in the condensed consolidated balance sheets.

[2] The corporate equity securities are classified as part of other long-term assets in the condensed consolidated balance sheets.

[3] Foreign currency derivative contracts are classified as part of either other current assets or other current liabilities in the condensed consolidated balance sheets. The notional amounts of the foreign currency derivative contracts were $1.8 billion, including contracts designated as net investment hedges of $1.3 billion, as of December 31, 2013, and $1.7 billion, including contracts designated as net investment hedges of $1.3 billion, as of March 31, 2014.

The amount of cash and cash equivalents as of December 31, 2013 and March 31, 2014 included $569 million and $665 million, respectively, in cash deposits.

The fair values of the Company’s Level 1 financial assets and liabilities are based on quoted market prices of the identical underlying security. The fair values of the Company’s Level 2 financial assets and liabilities are obtained using quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices, e.g., interest rates and yield curves. The Company utilizes a pricing service to assist in obtaining fair value pricing for the majority of the investment portfolio.

Convertible Senior Notes

In 2013, the Company issued $1.4375 billion aggregate principal amount of 0.00% Convertible Senior Notes due 2018 (the “Notes”). The Notes are carried at their original issuance value, net of unamortized debt discount, and are not marked to market each period. The approximate fair value of the Notes as of both December 31, 2013 and March 31, 2014 was $1.1 billion. The fair value of the Notes was estimated on the basis of quoted market prices observable in the market and is considered Level 2 in the fair value hierarchy. See Note 11—“Convertible Notes” for additional information related to the Notes.

Activity between Levels of the Fair Value Hierarchy. During the year ended December 31, 2013 and the three months ended March 31, 2014, the Company did not make any transfers between Level 1 and Level 2 assets or liabilities.

Note 3 CONSOLIDATED FINANCIAL STATEMENT DETAILS

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income were as follows (in thousands):

	December 31, 2013	March 31, 2014
Unrealized gains on available-for-sale securities, net of tax	$ 15,101	$ 23,229
Unrealized gains (losses) on cash flow hedges, net of tax	1,412	(960)
Foreign currency translation, net of tax	301,876	140,970
Accumulated other comprehensive income	$ 318,389	$163,239

Noncontrolling Interests

Noncontrolling interests were as follows (in thousands):

	December 31, 2013	March 31, 2014
Beginning noncontrolling interests	$ 45,403	$ 55,688
Net income attributable to noncontrolling interests	10,285	2,333
Ending noncontrolling interests	$ 55,688	$ 58,021

Other Income (Expense), Net

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

	Three Months Ended	
	March 31, 2013	March 31, 2014
Interest, dividend and investment income	$ 25,918	$ 5,437
Interest expense	(2,273)	(17,081)
Other expense, net	(6,573)	(1,809)
Total other income (expense), net	$ 17,072	$ (13,453)

Interest, dividend and investment income consists of income earned from cash in bank accounts, investments made in marketable securities and money market funds, and dividend income on the Alibaba Group Preference Shares.

Interest expense is related to the Notes and capital lease obligations for buildings and data centers.

Other expense, net consists of gains and losses from sales or impairments of marketable securities and/or investments in privately-held companies, foreign exchange gains and losses due to re-measurement of monetary assets and liabilities denominated in non-functional currencies, and unrealized and realized foreign currency transaction gains and losses, including gains and losses related to balance sheet hedges.

Reclassifications Out of Accumulated Other Comprehensive Income

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2013 were as follows (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
Realized gains on available-for-sale securities, net of tax	$ (37)	Other income, net
Total reclassifications for the period	$ (37)	

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2014 were as follows (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
Realized gains on cash flow hedges, net of tax	$ (454)	Revenue
Realized gains on available-for-sale securities, net of tax	(12)	Other income, net
Total reclassifications for the period	$ (466)	

Note 4 ACQUISITIONS

During the three months ended March 31, 2013, the Company acquired three companies, all of which were accounted for as business combinations. The total purchase price for these acquisitions was $10 million and consisted entirely of cash consideration, primarily allocated to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

During the three months ended March 31, 2014, the Company acquired five companies, all of which were accounted for as business combinations. The total purchase price for these acquisitions was $23 million less cash acquired of $1 million, which resulted in a net cash outlay of $22 million. The purchase price for the assets and liabilities assumed was allocated based on their estimated fair values as follows: $9 million to amortizable intangibles; $1 million to cash acquired; $3 million to assumed liabilities; and the remainder of $16 million to goodwill.

The Company's business combinations completed during the three months ended March 31, 2013 and 2014 did not have a material impact on the Company's condensed consolidated financial statements.

Note 5 GOODWILL

The Company's goodwill balance was $4.7 billion as of both December 31, 2013 and March 31, 2014, of which $3.8 billion was recorded in the Americas segment, $0.6 billion in the EMEA (Europe, Middle East and Africa) segment, and $0.3 billion in the Asia Pacific segment. The increase in the carrying amount of goodwill of $20 million reflected on the Company's condensed consolidated balance sheets during the three months ended March 31, 2014 was primarily due to foreign currency translation gains of $4 million and additions to goodwill of $16 million related to acquisitions made during the three months ended March 31, 2014.

Note 6 INTANGIBLE ASSETS, NET

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

	December 31, 2013	March 31, 2014		
	Net	Gross Carrying Amount	Accumulated Amortization(*)	Net
Customer, affiliate, and advertiser related relationships	$ 205,818	$ 291,972	$ (100,984)	$190,988
Developed technology and patents	140,499	257,878	(123,699)	134,179
Trade names, trademarks, and domain names	71,491	105,978	(37,790)	68,188
Total intangible assets, net	$ 417,808	$ 655,828	$ (262,473)	$393,355

(*) Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities increased total intangible assets by approximately $19 million as of March 31, 2014.

For the three months ended March 31, 2013 and 2014, the Company recognized amortization expense for intangible assets of $18 million and $34 million, respectively, including $11 million and $16 million in cost of revenue—other for the three months ended March 31, 2013 and 2014, respectively. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for the remainder of 2014 and each of the succeeding years is as follows: nine months ending December 31, 2014: $86 million; 2015: $93 million; 2016: $68 million; 2017: $60 million; 2018: $49 million; and cumulatively thereafter: $20 million.

Note 7 BASIC AND DILUTED NET INCOME ATTRIBUTABLE TO YAHOO! INC. COMMON STOCKHOLDERS PER SHARE

Basic and diluted net income attributable to Yahoo! Inc. common stockholders per share is computed using the weighted average number of common shares outstanding during the period, excluding net income attributable to participating securities (restricted stock units granted under the 1996 Directors' Stock Plan (the "Directors' Plan")). 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 and shares underlying unvested restricted stock units, the incremental common shares issuable upon the exercise of stock options, and shares to be purchased under the 1996 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). 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.

Potentially dilutive securities representing approximately 24 million and 2 million shares of common stock for the three months ended March 31, 2013 and 2014, 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):

	Three Months Ended	
	March 31, 2013	March 31, 2014
Basic:		
Numerator:		
Net income attributable to Yahoo! Inc.	$ 390,285	$ 311,578
Less: Net income allocated to participating securities	(11)	(3)
Net income attributable to Yahoo! Inc. common stockholders—basic	$ 390,274	$ 311,575
Denominator:		
Weighted average common shares	1,094,170	1,009,890
Net income attributable to Yahoo! Inc. common stockholders per share—basic	$ 0.36	$ 0.31
Diluted:		
Numerator:		
Net income attributable to Yahoo! Inc.	$ 390,285	$ 311,578
Less: Net income allocated to participating securities	(11)	(3)
Less: Effect of dilutive securities issued by equity investees	(2,119)	(12,365)
Net income attributable to Yahoo! Inc. common stockholders—diluted	$ 388,155	$ 299,210
Denominator:		
Denominator for basic calculation	1,094,170	1,009,890
Weighted average effect of Yahoo! Inc. dilutive securities:		
Restricted stock units	11,427	15,670
Stock options and employee stock purchase plan	2,498	5,860
Denominator for diluted calculation	1,108,095	1,031,420
Net income attributable to Yahoo! Inc. common stockholders per share—diluted	$ 0.35	$ 0.29

Note 8 INVESTMENTS IN EQUITY INTERESTS

The following table summarizes the Company's investments in equity interests (dollars in thousands):

	December 31, 2013	Percent Ownership	March 31, 2014	Percent Ownership
Alibaba Group	$1,018,126	24%	$1,360,173	24%
Yahoo Japan	2,399,590	35%	2,346,867	36%
Other	8,631	19%	21,783	17%
Total	$3,426,347		$3,728,823	

Equity Investment in Alibaba Group. The investment in Alibaba Group Holding Limited ("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 the investments in equity interests balance on the Company's condensed consolidated balance sheets. The Company's accounting policy is to record its share of the results of Alibaba Group, and any related amortization expense and related tax impact, one quarter in arrears within earnings in equity interests in the condensed consolidated statements of income. As of March 31, 2014, the excess of carrying value of the Company's investment in Alibaba Group and the Company's proportionate share of the net assets of Alibaba Group is largely attributable to goodwill.

Initial Repurchase by Alibaba Group. On September 18, 2012 (the "Repurchase Closing Date"), Alibaba Group repurchased 523 million of the 1,047 million ordinary shares of Alibaba Group (the "Shares") owned by the Company (the "Initial Repurchase"). The Initial Repurchase was made pursuant to the terms of the Share Repurchase and Preference Share Sale Agreement entered into by Yahoo! Inc., Alibaba Group and Yahoo! Hong Kong Holdings Limited, a Hong Kong corporation and wholly-owned subsidiary of Yahoo! Inc. ("YHK"), on May 20, 2012 (as amended on September 11, 2012 and October 14, 2013, the "Repurchase Agreement"). Yahoo received $13.54 per Share, or approximately $7.1 billion in total consideration, for 523 million Shares sold to Alibaba Group. Approximately $6.3 billion of the consideration was received in cash and $800 million was received in Alibaba Group Preference Shares, which Alibaba Group redeemed on May 16, 2013. The Initial Repurchase resulted in a pre-tax gain of approximately $4.6 billion for the year ended December 31, 2012.

The Repurchase Agreement provided that at the time Alibaba Group completes an initial public offering meeting certain specified criteria (a “Qualified IPO”), Yahoo and YHK would sell, at Alibaba Group’s election (either directly to Alibaba Group or in the Qualified IPO), up to 261.5 million of their remaining Shares. This amount was subsequently reduced to 208.0 million by an amendment to the Repurchase Agreement dated as of October 14, 2013. If Shares are sold back to Alibaba Group in the Qualified IPO, the purchase price per Share will be equal to the per share price in the Qualified IPO less specified fees and underwriter discounts.

On the Repurchase Closing Date, the Company and Alibaba Group entered into an amendment of their existing Technology and Intellectual Property License Agreement (the “TIPLA”) pursuant to which Alibaba Group made an initial payment to the Company of $550 million in satisfaction of certain future royalty payments under the existing TIPLA. The Company will recognize this revenue over the remaining four-year term of the TIPLA. For both the three months ended March 31, 2013 and 2014, the Company recognized approximately $34 million in revenue related to the TIPLA.

Alibaba Group will continue making royalty payments until the earlier of the fourth anniversary of the effective date of the amendment and a Qualified IPO. Pursuant to the terms of the TIPLA, the Company also recognized royalty revenue of approximately $35 million and $34 million for the three months ended March 31, 2013 and 2014, respectively.

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

	Three Months Ended	
	December 31, 2012	December 31, 2013
Operating data:		
Revenue	$ 1,840,450	$ 3,057,728
Gross profit(*)	$ 1,377,871	$ 2,377,427
Income from operations(*)	$ 803,087	$ 1,435,687
Net income	$ 649,977	$ 1,363,761
Net income attributable to Alibaba Group	$ 642,173	$ 1,348,932
	September 30, 2013	**December 31, 2013**
Balance sheet data:		
Current assets	$ 7,994,731	$ 11,452,808
Long-term assets	$ 5,959,835	$ 6,106,707
Current liabilities	$ 4,838,510	$ 6,615,917
Long-term liabilities	$ 5,319,113	$ 5,325,255
Convertible preferred shares	$ 1,688,889	$ 1,699,494
Noncontrolling interests	$ 92,127	$ 165,983

(*) Certain prior period amounts have been reclassified to conform to the current period presentation with no effect on previously reported net income or stockholders’ equity.

Equity Investment in Yahoo Japan. The investment in Yahoo Japan Corporation (“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 condensed 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 condensed consolidated statements of income.

The Company makes adjustments to the earnings in equity interests line in the condensed consolidated statements of income for any differences between U.S. GAAP and accounting principles generally accepted in Japan (“Japanese GAAP”), the standards by which Yahoo Japan’s financial statements are prepared.

The fair value of the Company’s ownership interest in the common stock of Yahoo Japan, based on the quoted stock price, was approximately $10 billion as of March 31, 2014.

In the first quarter of 2014, the Company sold data center assets and assigned a data center lease to Yahoo Japan for cash proceeds of $11 million and recorded a net gain of approximately $5 million.

The following tables present summarized financial information derived from Yahoo Japan's consolidated financial statements, which are prepared on the basis of Japanese GAAP. The Company has made adjustments to the Yahoo Japan financial information to address differences between Japanese GAAP and U.S. GAAP that materially impact the summarized financial information below. Due to these adjustments, the Yahoo Japan summarized financial information presented below is not materially different than such information presented on the basis of U.S. GAAP.

	Three Months Ended	
	December 31, 2012	December 31, 2013
	(In thousands)	
Operating data:		
Revenue	$ 1,195,869	$ 1,031,656
Gross profit	$ 981,062	$ 843,926
Income from operations	$ 614,492	$ 489,442
Net income	$ 343,414	$ 307,112
Net income attributable to Yahoo Japan	$ 340,550	$ 304,345

	September 30, 2013	December 31, 2013
	(In thousands)	
Balance sheet data:		
Current assets	$ 6,318,156	$ 5,840,384
Long-term assets	$ 1,728,912	$ 1,702,207
Current liabilities	$ 1,992,508	$ 1,784,072
Long-term liabilities	$ 56,762	$ 53,186
Noncontrolling interests	$ 74,754	$ 72,484

Under technology and trademark license and other commercial arrangements with Yahoo Japan, the Company records revenue from Yahoo Japan based on a percentage of advertising revenue earned by Yahoo Japan. The Company recorded revenue from Yahoo Japan of approximately $70 million and $68 million for the three months ended March 31, 2013 and 2014, respectively. As of December 31, 2013 and March 31, 2014, the Company had net receivable balances from Yahoo Japan of approximately $42 million and $47 million, respectively.

Note 9 DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments, primarily forward contracts, to mitigate risk associated with adverse movements in foreign currency exchange rates.

The Company records all derivatives in the condensed consolidated balance sheets at fair value with assets included in prepaid expenses and other current assets and liabilities included in accrued expenses and other current liabilities. The Company's accounting treatment for these instruments is based on whether the instruments are designated as a hedging instrument or not designated as a hedging instrument. The effective portions of net investment hedges are recorded in other comprehensive income as a part of the cumulative translation adjustment. The effective portions of cash flow hedges are recorded in accumulated other comprehensive income until the hedged item is recognized in revenue on the condensed consolidated statements of income when the underlying hedged revenue is recognized. The ineffective portions of net investment hedges and cash flow hedges are recorded in other income, net on the Company's condensed consolidated statements of income. For balance sheet hedges, changes in the fair value are recorded in other income, net on the Company's condensed consolidated statements of income. For forecasted revenue hedges, changes in the fair value are recorded as a component of revenue in the Company's condensed consolidated statements of income.

The Company generally enters into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. The Company presents its derivative assets and liabilities at their gross fair values on the condensed consolidated balance sheets. The Company is not required to pledge, and is not entitled to receive, cash collateral related to these derivative transactions.

Designated as Hedging Instruments

Net Investment Hedges. The Company hedges, on an after-tax basis, a portion of its net investment in Yahoo Japan with forward contracts to reduce the risk that its investment in Yahoo Japan will be adversely affected by foreign currency exchange rate fluctuations. The total of the after-tax net investment hedge was less than the Yahoo Japan investment balance as of both December 31, 2013 and March 31, 2014. As such, the net investment hedge was considered to be effective. See Note 18—"Subsequent Events" for additional information.

Cash Flow Hedges. The Company entered into foreign currency forward contracts designated as cash flow hedges of varying maturities through July 31, 2014. The cash flow hedges were considered to be effective as of December 31, 2013 and March 31, 2014. The Company expects all of the forward contracts designated as cash flow hedges to be reclassified to revenue within fiscal year 2014, as it expects to recognize the hedged forecasted revenue related to these contracts by December 31, 2014.

Not Designated as Hedging Instruments

Balance Sheet Hedges. The Company hedges certain of its net recognized foreign currency assets and liabilities with foreign exchange forward contracts to reduce the risk that its earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These derivative instruments hedge assets and liabilities, including intercompany transactions, which are denominated in foreign currencies.

Forecasted Revenue Hedges. The Company hedges a portion of the forecasted revenue of certain international subsidiaries whose functional currencies are not the U.S dollar. This program attempts to reduce the risk that the Company's revenue denominated in these currencies will be adversely affected by foreign currency exchange rate fluctuations.

Notional amounts of the Company's outstanding forward contracts as of December 31, 2013 and March 31, 2014 (in millions):

	December 31, 2013	March 31, 2014
Derivatives designated as hedging instruments:		
Net investment hedges	$ 1,341	$ 1,341
Cash flow hedges	$ 56	$ 31
Derivatives not designated as hedging instruments:		
Balance sheet hedges	$ 393	$ 335
Forecasted revenue hedges	$ —	$ —

Foreign currency forward contracts activity for the three months ended March 31, 2013 (in millions):

	Beginning Fair Value	Settlement	Gain (Loss) Recorded in Other Income, Net	Gain (Loss) Recorded in Other Comprehensive Income	Ending Fair Value
Derivatives designated as hedging instruments:					
Net investment hedges	$ 3	$ —	$ —	$ 270(*)	$ 273
Derivatives not designated as hedging instruments:					
Balance sheet hedges	(5)	(4)	4	—	(5)

(*) This amount does not reflect the tax impact of $101 million recorded during the three months ended March 31, 2013. The $169 million after tax impact of the gain recorded within other comprehensive income was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

Foreign currency forward contracts activity for the three months ended March 31, 2014 (in millions):

	Beginning Fair Value	Settlement	Gain (Loss) Recorded in Other Income, Net	Gain (Loss) Recorded in Other Comprehensive Income	Gain (Loss) Recorded in Revenue	Ending Fair Value
Derivatives designated as hedging instruments:						
Net investment hedges	$ 209	$ —	$ —	$ (22)[(1)]	$ —	$ 187
Cash flow hedges	4	(1)	(1)	(2)[(2)]	1	1
Derivatives not designated as hedging instruments:						
Balance sheet hedges	—	(1)	(1)	—	—	(2)
Forecasted revenue hedges	—	—	—	—	—	—

(1) This amount does not reflect the tax impact of $8 million recorded during the three months ended March 31, 2014. The $14 million after tax impact of the gain recorded within other comprehensive income was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

(2) This amount does not reflect the tax impact of less than $1 million recorded during the three months ended March 31, 2014. The $1 million after tax impact of the loss was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

Foreign currency forward contracts balance sheet location and ending fair value (in millions):

	Balance Sheet Location	December 31, 2013	March 31, 2014
Derivatives designated as hedging instruments:			
Net investment hedges	Asset	$ 209	$ 187
	Liability	$ —	$ —
Cash flow hedges	Asset	$ 4	$ 1
	Liability	$ —	$ —
Derivatives not designated as hedging instruments:			
Balance sheet hedges	Asset	$ 1	$ —
	Liability	$ (1)	$ (2)
Forecasted revenue hedges	Asset	$ —	$ —
	Liability	$ —	$ —

Note 10 CREDIT AGREEMENT

The Company's credit agreement (the "Credit Agreement") with Citibank, N.A. terminates on October 9, 2014. The Credit Agreement, as amended, provides for a $750 million unsecured revolving credit facility, subject to increase of up to $250 million in accordance with its terms. As of March 31, 2014, the Company was in compliance with the financial covenants in the Credit Agreement and no amounts were outstanding.

Note 11 CONVERTIBLE NOTES

0.00% Convertible Senior Notes

As of March 31, 2014, the Company had $1.4 billion principal amount of Notes outstanding. The Notes are senior unsecured obligations of Yahoo, the Notes do not bear regular interest, and the principal amount of the Notes does not accrete. The Notes mature on December 1, 2018, unless previously purchased or converted in accordance with their terms prior to such date. The Company may not redeem Notes prior to maturity. However, holders of the Notes may convert them at certain times and upon the occurrence of certain events in the future, as outlined in the indenture governing the Notes (the "Indenture"). Holders of the Notes who convert in connection with a "make-whole fundamental change," as defined in the Indenture, may require Yahoo to purchase for cash all or any portion of their Notes at a purchase price equal to 100 percent of the principal amount, plus accrued and unpaid special interest as defined in the Indenture, if any. The Notes are convertible, subject to certain conditions, into shares of Yahoo common stock at an

initial conversion rate of 18.7161 shares per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $53.43 per share), subject to adjustment upon the occurrence of certain events. Upon conversion of the Notes, holders will receive cash, shares of Yahoo's common stock or a combination thereof, at Yahoo's election. The Company's intent is to settle the principal amount of the Notes in cash upon conversion. If the conversion value exceeds the principal amount, the Company would deliver shares of its common stock in respect to the remainder of its conversion obligation in excess of the aggregate principal amount (conversion spread). As of March 31, 2014, none of the conditions allowing holders of the Notes to convert had been met.

The Notes consist of the following (in thousands):

	December 31, 2013	March 31, 2014
Liability component:		
Principal	$ 1,437,500	$ 1,437,500
Less: note discount	(326,915)	(312,249)
Net carrying amount	$ 1,110,585	$ 1,125,251
Equity component (*)	$ 305,569	$ 305,569

(*) Recorded on the condensed consolidated balance sheets within additional paid-in capital.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2014
Accretion of convertible note discount	$ —	$ 14,666

The fair value of the Notes, which was determined based on inputs that are observable in the market (Level 2), and the carrying value of debt instruments (carrying value excludes the equity component of the Notes classified in equity) was as follows (in thousands):

	December 31, 2013		March 31, 2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	$1,111,473	$ 1,110,585	$1,127,393	$ 1,125,251

Note 12 COMMITMENTS AND CONTINGENCIES

Lease Commitments. The Company leases office space and data centers under operating and capital lease agreements with original lease periods of up to 12 years which expire between 2014 and 2025.

A summary of gross and net lease commitments as of March 31, 2014 was as follows (in millions):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Nine months ending December 31, 2014	$ 105	$ (9)	$ 96
Years ending December 31,			
2015	113	(9)	104
2016	76	(2)	74
2017	62	—	62
2018	39	—	39
2019	27	—	27
Due after 5 years	97	—	97
Total gross and net lease commitments	$ 519	$ (20)	$ 499

	Capital Lease Commitment
Nine months ending December 31, 2014	$ 11
Years ending December 31,	
2015	12
2016	9
2017	9
2018	9
2019	4
Due after 5 years	—
Gross lease commitment	$ 54
Less: interest	(13)
Net lease commitment included in capital lease and other long-term liabilities	$ 41

Affiliate Commitments. The Company is obligated to make payments, which represent traffic acquisition costs ("TAC"), to its Affiliates. As of March 31, 2014, these commitments totaled $216 million, of which $10 million will be payable in the remainder of 2014, $205 million will be payable in 2015, and $1 million will be payable in 2016.

Intellectual Property Rights. The Company is committed to make certain payments under various intellectual property arrangements of up to $23 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, lease, or assignment 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 the Company's condensed consolidated financial statements.

As of March 31, 2014, 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. Accordingly, 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.

See Note 17 — "Search Agreement with Microsoft Corporation" for a description of the Company's Search and Advertising Services and Sales Agreement (the "Search Agreement") and License Agreement with Microsoft Corporation ("Microsoft").

Legal Contingencies

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

Stockholder and Securities Matters. Since May 31, 2011, several related stockholder derivative suits were filed in the Santa Clara County Superior Court ("California Derivative Litigation") and the U.S. District Court for the Northern District of California ("Federal Derivative Litigation") purportedly on behalf of the Company against certain officers and directors of the Company and

third parties. The California Derivative Litigation was filed by plaintiffs Cinotto, Lassoff, Zucker, and Koo, and consolidated under the caption *In re Yahoo! Inc. Derivative Shareholder Litigation* on June 24, 2011 and September 12, 2011. The Federal Derivative Litigation was filed by plaintiffs Salzman, Tawila, and Iron Workers Mid-South Pension Fund and consolidated under the caption *In re Yahoo! Inc. Shareholder Derivative Litigation* on October 3, 2011. The plaintiffs allege breaches of fiduciary duties, corporate waste, mismanagement, abuse of control, unjust enrichment, misappropriation of corporate assets, or contribution and seek damages, equitable relief, disgorgement and corporate governance changes in connection with Alibaba Group's restructuring of its subsidiary Alipay.com Co., Ltd. ("Alipay") and related disclosures. On June 7, 2012, the courts approved stipulations staying the California Derivative Litigation pending resolution of the Federal Derivative Litigation, and deferring the Federal Derivative Litigation pending a ruling on the motion to dismiss filed by the defendants in the related stockholder class actions, which are discussed below. On December 16, 2013, the U.S. District Court for the Northern District of California granted the Company's motion to stay the Federal Derivative Litigation pending resolution of the appeal filed by the plaintiffs in the related stockholder class actions.

Since June 6, 2011, two purported stockholder class actions were filed in the U.S. District Court for the Northern District of California against the Company and certain officers and directors of the Company by plaintiffs Bonato and the Twin Cities Pipe Trades Pension Trust. In October 2011, the District Court consolidated the two actions under the caption *In re Yahoo! Inc. Securities Litigation* and appointed the Pension Trust Fund for Operating Engineers as lead plaintiff. In a consolidated amended complaint filed December 15, 2011, the lead plaintiff purports to represent a class of investors who purchased the Company's common stock between April 19, 2011 and July 29, 2011, and alleges that during that class period, defendants issued statements that were materially false or misleading because they did not disclose information relating to Alibaba Group's restructuring of Alipay. The complaint purports to assert claims for relief for violation of Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and for violation of Rule 10b-5 thereunder, and seeks unspecified damages, injunctive and equitable relief, fees, and costs. On August 10, 2012, the court granted defendants' motion to dismiss the consolidated amended complaint. Plaintiffs have appealed.

On July 30, 2013, a stockholder derivative action captioned *Zucker v. Loeb, et al.* was filed in the Supreme Court of New York for the County of New York against current and former members of the Company's board of directors (the "Board"), Third Point LLC, and entities related to Third Point LLC. The complaint filed by the plaintiff asserts claims for alleged breach of fiduciary duty, waste, and unjust enrichment in connection with the Company's repurchase of 40 million shares of Company common stock beneficially owned by Third Point LLC. The complaint seeks a judgment declaring that the defendants breached their fiduciary duties, an award of restitution, and corporate governance changes. The Company has filed a motion to dismiss the action.

On March 14, 2014, a shareholder derivative action captioned Hughes Trust v. de Castro, et al. was filed in the Delaware Court of Chancery purportedly on behalf of Yahoo against current and former members of the Board and our former chief operating officer, Henrique de Castro. The plaintiff alleges that the directors who approved Mr. de Castro's employment agreement in 2012 wasted corporate assets and breached their fiduciary duties by failing to adequately inform themselves about how much compensation Mr. de Castro would be entitled to receive. The plaintiff further alleges that the directors failed to provide adequate disclosure regarding Mr. de Castro's compensation. The plaintiff asserts a claim against Mr. de Castro for unjust enrichment. Plaintiff seeks unspecified damages and restitution in favor of Yahoo, an order directing Yahoo to reform its corporate governance and internal procedures, and attorneys' fees and costs. The Company intends to file a motion to dismiss the action.

Mexico Matter. On November 16, 2011, plaintiffs Worldwide Directories, S.A. de C.V. ("WWD"), and Ideas Interactivas, S.A. de C.V. ("Ideas") filed an action in the 49th Civil Court of Mexico against the Company, Yahoo! de Mexico, S.A. de C.V. ("Yahoo! Mexico"), Yahoo International Subsidiary Holdings, Inc., and Yahoo Hispanic Americas LLC. The complaint alleged claims of breach of contract, breach of promise, and lost profits in connection with various commercial contracts entered into among the parties between 2002 and 2004, relating to a business listings service, and alleged total damages of approximately $2.75 billion. On December 7, 2011, Yahoo! Mexico filed a counterclaim against WWD for payments of approximately $2.6 million owed to Yahoo! Mexico for services rendered. On April 10, 2012, plaintiffs withdrew their claim filed against Yahoo International Subsidiary Holdings, Inc. and Yahoo Hispanic Americas LLC.

On November 28, 2012, the 49th Civil Court of Mexico entered a non-final judgment against the Company and Yahoo! Mexico in the amount of USD $2.75 billion and a non-final judgment in favor of Yahoo! Mexico on its counterclaim against WWD in the amount of $2.6 million. The judgment against the Company and Yahoo! Mexico purported to leave open for determination in future proceedings certain other alleged damages that were not quantified in the judgment. The judgment was issued by a law clerk to the trial court judge who presided over the entire case during the trial court proceedings but stepped down from his position shortly before the judgment was entered.

On December 12, 2012 and December 13, 2012, respectively, Yahoo! Mexico and the Company appealed the judgment to a three-magistrate panel of the Superior Court of Justice for the Federal District (the "Superior Court"). On May 15, 2013, the Superior Court reversed the judgment, overturned all monetary awards against the Company and reduced the monetary award against Yahoo! Mexico to $172,500. The Superior Court affirmed the award of $2.6 million in favor of Yahoo! Mexico on its counterclaim.

Plaintiffs have appealed the Superior Court's decision to the Mexican Federal Civil Collegiate Court for the First Circuit ("Civil Collegiate Court"). The Company has appealed the Superior Court's decision not to award it statutory costs in the underlying

proceeding. Yahoo! Mexico has appealed the Superior Court's award of $172,500, the Superior Court's decision not to award it additional moneys beyond the $2.6 million award on its counterclaims, and the Superior Court's decision not to award it statutory costs. In the pending appeals, review is limited to whether the Superior Court's decision is unconstitutional, unlawful, or both.

The Company believes the plaintiffs' claims are without legal or factual merit. First, the plaintiffs' claims are based on agreements that were either terminated by agreement with releases or had expired or terminated in accordance with their terms, a non-binding letter of intent pursuant to which no definitive agreements were ever entered into by the parties, and correspondence that did not constitute agreements. Second, the loss of profits of the type claimed by plaintiffs are not awardable under Mexico law because they were not a direct and immediate consequence of a breach of contract. Of the $2.75 billion in total damages alleged by plaintiffs, more than $2.4 billion were for loss of profits. Third, the plaintiffs' alleged damages and loss of profits were further precluded by the agreements at issue through, among other things, contractual and legal limitations of liability. Fourth, the plaintiffs' pleadings in the complaint, as well as documentary evidence filed by the plaintiffs in support of their allegations, were generally deficient to support or establish plaintiffs' claims. Fifth, the decision failed to consider substantially all of the defenses asserted by the Company and Yahoo! Mexico. Finally, the Company believes that the law clerk who entered the judgment lacked the requisite authority to issue the judgment.

The Company has not recorded an accrual for the judgment, which was reversed, as explained above. The Company cannot assure the ultimate outcome of the pending or further appeals.

The Company has determined, based on current knowledge, that the amount or range of reasonably possible losses, including reasonably possible losses in excess of amounts already accrued, is not reasonably estimable with respect to certain matters described above. The Company has also determined, based on current knowledge, that the aggregate amount or range of losses that are estimable with respect to the Company's legal proceedings, including the matters described above other than the Mexico matter, would not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows. Amounts accrued as of December 31, 2013 and March 31, 2014 were not material. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty. In the event of a determination adverse to Yahoo, its subsidiaries, directors, or officers in these matters, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these events could have a material adverse effect on the Company's financial position, results of operations, or cash flows. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against these claims.

Note 13 STOCKHOLDERS' EQUITY AND EMPLOYEE BENEFITS

Employee Stock Purchase Plan. As of March 31, 2014, there was $1 million of unamortized stock-based compensation expense related to the Company's Employee Stock Purchase Plan, which will be recognized over a weighted average period of 0.1 years.

Stock Options. The Company's 1995 Stock Plan, the Directors' Plan, and stock-based awards assumed through acquisitions (including stock-based commitments related to continued service of acquired employees, such as the holdback by Yahoo of shares of Yahoo common stock issued to Tumblr's founder in connection with the Company's acquisition of Tumblr in June 2013) are collectively referred to as the "Plans." Stock option activity under the Company's Plans for the three months ended March 31, 2014 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2013	20,968	$ 20.43
Options granted	10	$ 35.90
Options assumed in acquisitions	—	$ —
Options exercised(*)	(2,478)	$ 38.43
Options expired	(651)	$ 20.01
Options cancelled/forfeited	(1,967)	$ 18.67
Outstanding at March 31, 2014	15,882	$ 17.87

(*) The Company issued new shares to satisfy stock option exercises.

As of March 31, 2014, there was $36 million of unamortized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 1.0 year.

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

	Stock Options		Purchase Plan(*)	
	Three Months Ended		Three Months Ended	
	March 31, 2013	March 31, 2014	March 31, 2013	March 31, 2014
Expected dividend yield	0.0%	0.0%	0.0%	0.0%
Risk-free interest rate	0.6%	1.5%	0.1%	0.1%
Expected volatility	30.9%	36.2%	29.5%	38.7%
Expected life (in years)	4.00	4.00	0.24	0.24

(*) Assumptions for the Employee Stock Purchase Plan relate to the annual average of the enrollment periods. Enrollment is permitted in February, May, August, and November of each year.

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock unit activity under the Plans for the three months ended March 31, 2014 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value Per Share
Awarded and unvested at December 31, 2013(*)	49,584	$ 24.20
Granted(*)	7,332	$ 38.72
Assumed in acquisitions	277	$ 40.85
Vested	(8,512)	$ 18.83
Forfeited	(2,144)	$ 20.63
Awarded and unvested at March 31, 2014(*)	46,537	$ 27.73

(*) Includes the maximum number of shares issuable under the Company's performance-based restricted stock unit awards (including future-year tranches for which goals have not been set).

As of March 31, 2014, there was $750 million of unamortized stock-based compensation expense related to unvested restricted stock awards and restricted stock units, which is expected to be recognized over a weighted average period of 2.8 years.

During the three months ended March 31, 2013 and 2014, 5.6 million shares and 8.5 million shares, respectively, that were subject to previously granted restricted stock awards and restricted stock units vested. These vested restricted stock awards and restricted stock units were net share settled. During the three months ended March 31, 2013 and 2014, the Company withheld 2.1 million shares and 3.3 million shares, respectively, 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 cash to the appropriate taxing authorities.

Total payments for the employees' tax obligations to the relevant taxing authorities were $44 million and $125 million, respectively, for the three months ended March 31, 2013 and 2014 and are reflected as a financing activity within the condensed consolidated statements of cash flows. The payments were used for tax withholdings related to the net share settlements of restricted stock units and tax withholding related to the reacquisition of shares of restricted stock. The payments had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued on the vesting date and were recorded as a reduction of additional paid-in capital.

Performance-Based Executive Incentive Equity Awards.

Performance Options. The financial performance stock options awarded by the Company in November 2012 to Ms. Mayer and Mr. Goldman include multiple performance periods. The number of stock options that ultimately vest for each performance period will range from 0 percent to 100 percent of the target amount for such period stated in each executive's award agreement based on the Company's performance relative to goals. The financial performance goals are established at the beginning of each performance period and the portion (or "tranche") of the award related to each performance period is treated as a separate grant for accounting purposes. In February 2014, the Compensation and Leadership Development Committee of the Board (the "Compensation Committee") established performance goals under these stock options for the 2014 performance year. The 2014 financial performance metrics (and their weightings) under the performance options are GAAP revenue (70 percent) and Adjusted EBITDA (30 percent). The grant date fair value of the 2014 tranche of the November 2012 financial performance stock options was $38 million, and is being recognized over the twelve month service period. The Company began recording stock-based compensation expense for this tranche in February 2014, when the financial performance goals were established.

Performance RSUs. In February 2014, the Compensation Committee approved additional annual financial performance-based restricted stock unit ("RSU") awards to Ms. Mayer and other senior officers, and established the 2014 annual performance goals for these awards as well as for the similar performance-based RSUs granted in February 2013. The 2013 and 2014 performance-based RSU awards are generally eligible to vest in equal annual tranches over four years (three years for Ms. Mayer) based on the Company's attainment of annual financial performance goals as well as the executive's continued employment through each vesting date. The number of shares that ultimately vest each year will range from 0 percent to 200 percent of the annual target amount, based on the Company's performance. Annual financial performance metrics and goals are established for these awards at the beginning of each year and the tranche of each award related to that year's performance goal is treated as a separate annual grant for accounting purposes. The 2014 financial performance metrics (and their weightings) established for the performance RSUs are: GAAP revenue (70 percent) and adjusted EBITDA (30 percent). The grant date fair value of the first tranche of the February 2014 performance RSUs was $9 million, and the grant date fair value of the second tranche of the February 2013 performance RSUs was $17 million. These values are being recognized over the tranches' twelve-month service periods. The Company began recording stock-based compensation expense for these tranches in February 2014, when the financial performance goals were established.

Stock Repurchases. In May 2012, the Board authorized a stock repurchase program allowing the Company to repurchase up to $5 billion of its outstanding shares of common stock from time to time. That repurchase program, which by its terms would have expired in June 2015, was exhausted during the first quarter of 2014. In November 2013, the Board authorized an additional stock repurchase program with an authorized level of $5 billion. The November 2013 program, according to its terms, will expire in December 2016. The aggregate amount available under the November 2013 repurchase program was approximately $4.6 billion at March 31, 2014. Repurchases under the repurchase programs may take place in the open market or in privately negotiated transactions, including structured and derivative transactions such as accelerated share repurchase transactions, and may be made under a Rule 10b5-1 plan. During the three months ended March 31, 2014, the Company repurchased approximately 12 million shares of its common stock under its stock repurchase programs at an average price of $37.65 per share for a total of $450 million.

Note 14 RESTRUCTURING (REVERSALS) CHARGES, NET

Restructuring (reversals) charges, net was comprised of the following (in thousands):

	Three Months Ended March 31, 2013			
	Restructuring Plans Prior to 2012	Q2'12 Restructuring Plan	Q4'12 Korea Business Closure	Total
Employee severance pay and related costs	$ (3)	$ (10,265)	$ (103)	$(10,371)
Non-cancelable lease, contract terminations, and other charges	2,811	65	(114)	2,762
Other non-cash charges, net	—	—	547	547
Restructuring (reversals) charges, net	$ 2,808	$ (10,200)	$ 330	$ (7,062)

	Three Months Ended March 31, 2014					
	Restructuring Plans Prior to 2012	Q2'12 Restructuring Plan	Q4'12 Korea Business Closure	Q4'13 Restructuring Plan	Q1'14 Restructuring Plan	Total
Employee severance pay and related costs (reversals)	$ —	$ (94)	$ —	$ 98	$ 3,212	$3,216
Non-cancelable lease, contract terminations, and other charges	6,438	35	(202)	—	—	6,271
Restructuring (reversals) charges, net	$ 6,438	$ (59)	$ (202)	$ 98	$ 3,212	$9,487

Although the Company does not allocate restructuring charges to its segments, the amounts of the restructuring charges relating to each segment are presented below.

Restructuring Plans Prior to 2012. Prior to 2012, the Company implemented workforce reductions, a strategic realignment, and consolidation of certain real estate facilities and data centers to reduce its cost structure, align resources with its product strategy and improve efficiency. During the three months ended March 31, 2013, the Company recorded net pre-tax cash charges of $3 million in severance, facility and other related costs, the majority of which related to the Americas segment. During the three months ended March 31, 2014, the Company recorded net pre-tax charges of $6 million in facility and other related costs, consisting of $5 million related to the Americas segment and $1 million related to the EMEA segment.

Q2'12 Restructuring Plan. During the second quarter of 2012, the Company began implementing the Q2'12 Restructuring Plan to reduce its worldwide workforce by approximately 2,000 employees and to consolidate certain real estate and data center facilities. During the three months ended March 31, 2013, the Company recorded total pre-tax cash charges of $6 million in severance and facility related costs. The total pre-tax cash charges were offset by a credit of $16 million for severance-related costs due to changes to original estimates and redeployments and voluntary resignations of employees prior to their planned severance dates. Of the $10 million credit in restructuring charges, net, recorded in the three months ended March 31, 2013, $6 million related to the Americas segment and $4 million related to the EMEA segment. During the three months ended March 31, 2014, the Company recorded immaterial net reversals for adjustments to original estimates in severance and facility related costs, the majority of which related to the Americas segment.

Q4'12 Korea Business Closure. During the fourth quarter of 2012, the Company decided to close its Korea business by the end of 2012 to streamline its operations and focus its resources. During the three months ended March 31, 2013, the Company recorded net pre-tax charges of less than $1 million in severance, facility and contract termination costs related to the Asia Pacific segment. During the three months ended March 31, 2014, the Company recorded immaterial reversals for adjustments to original estimates of contract termination costs related to the Asia Pacific segment.

Q4'13 Restructuring Plan. During the fourth quarter of 2013, the Company started the process of closing its Cairo, Egypt and Rolle, Switzerland offices as part of its continued efforts to streamline its operations and focus its resources. During the three months ended March 31, 2014, the Company recorded immaterial pre-tax cash charges in severance and other related costs, which all related to the EMEA segment.

Q1'14 Restructuring Plan. During the first quarter of 2014, the Company implemented a strategic plan to align resources with its product strategy and improve efficiency. During the three months ended March 31, 2014, the Company recorded total pre-tax cash charges of $3 million in severance and other related costs, which all related to the EMEA segment.

Restructuring Accruals. The $29 million restructuring liability as of March 31, 2014 consisted of $4 million for employee severance pay expenses, which the Company expects to pay out by the end of the third quarter of 2014, and $25 million relating to non-cancelable lease costs, which the Company expects to pay over the terms of the related obligations which extend to the fourth quarter of 2021.

The Company's restructuring accrual activity for the three months ended March 31, 2014 is summarized as follows (in thousands):

	Restructuring Plans Prior to 2012	Q2'12 Restructuring Plan	Q4'12 Korea Business Closure	Q4'13 Restructuring Plan	Q1'14 Restructuring Plan	Total
Balance as of January 1, 2014	$ 22,349	$ 2,765	$ 337	$ 4,645	$ —	$ 30,096
Employee severance pay and related costs	—	28	—	351	3,212	3,591
Non-cancelable lease, contract termination, and other charges	6,496	35	1	—	—	6,532
Changes in estimates and reversals of previous charges	(58)	(122)	(203)	(253)	—	(636)
Restructuring (reversals) charges, net for the three months ended March 31, 2014	$ 6,438	$ (59)	$ (202)	$ 98	$ 3,212	$ 9,487
Cash paid	(5,120)	(378)	(135)	(2,171)	(2,538)	(10,342)
Foreign currency	18	11	—	(17)	3	15
Balance as of March 31, 2014	$ 23,685	$ 2,339	$ —	$ 2,555	$ 677	$ 29,256

Restructuring accruals by segment consisted of the following (in thousands):

	December 31, 2013	March 31, 2014
Americas	$ 18,078	$ 20,170
EMEA	11,284	8,666
Asia Pacific	734	420
Total restructuring accruals	$ 30,096	$ 29,256

Note 15 INCOME TAXES

The Company's effective tax rate is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Historically, the Company's provision for income taxes has differed from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense and adjustments to unrecognized tax benefits.

The effective tax rate reported for the three months ended March 31, 2014 was 25 percent compared to 15 percent for the same period in 2013. The rates in both periods were lower than the U.S. federal statutory rate primarily due to the reductions of tax reserves that were recorded based on new information received during interactions with the tax authorities. The income tax expense reported for the three months ended March 31, 2014 does not include any benefit from the federal research and development tax credit as that provision expired on December 31, 2013.

As of March 31, 2014, the Company does not anticipate repatriating its undistributed foreign earnings of approximately $2.8 billion. Those earnings are principally related to its equity method investment in Yahoo Japan. If those earnings were to be repatriated in the future, the Company may 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 is in various stages of examination and appeal in connection with its taxes both in the U.S. and in foreign jurisdictions. Those audits generally span tax years 2005 through 2012. The IRS Appeals division is currently finalizing the Company's protest of the 2007 and 2008 audit results, while the 2009 and 2010 U.S. federal income tax returns are currently under examination. The Company has protested the proposed California Franchise Tax Board's adjustments to the 2005 and 2006 returns, but no conclusions have been reached to date. The 2007 and 2008 California tax returns are currently under examination.

The Company's gross amount of unrecognized tax benefits as of March 31, 2014 was $691 million, of which $603 million is recorded on the condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2014 decreased by $4 million from the recorded balance as of December 31, 2013. It is difficult to determine when the examinations will be settled or what their final outcome will be. The Company believes, however, that it has adequately provided for any reasonably foreseeable adjustment and that any settlement will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

The Company may have additional tax liabilities in China related to the sale to Alibaba Group of 523 million of Alibaba Group Shares that took place during the year ended December 31, 2012. Any taxes assessed and paid in China are expected to be ultimately offset and recovered in the U.S.

During the year ended December 31, 2012, tax authorities from the Brazilian State of Sao Paulo assessed certain indirect taxes against the Company's Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment totaling approximately $85 million is for calendar years 2008 and 2009. The Company currently believes the assessment is without merit. The Company believes the risk of loss is remote and has not recorded an accrual for the assessment.

Note 16 SEGMENTS

The Company continues to manage its business geographically. The primary areas of measurement and decision-making are Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. Management relies on an internal reporting process that provides revenue ex-TAC, which is defined as revenue less TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, the Company's segments.

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

	Three Months Ended	
	March 31, 2013	March 31, 2014
Revenue by segment:		
Americas	$ 842,195	$ 866,928
EMEA	94,824	91,570
Asia Pacific	203,349	174,232
Total Revenue	$1,140,368	$1,132,730
TAC by segment:		
Americas	$ 37,522	$ 34,094
EMEA	11,536	9,193
Asia Pacific	17,010	2,622
Total TAC	$ 66,068	$ 45,909
Revenue ex-TAC by segment:		
Americas	$ 804,673	$ 832,834
EMEA	83,288	82,377
Asia Pacific	186,339	171,610
Total Revenue ex-TAC	1,074,300	1,086,821
Direct costs by segment[(1)] :		
Americas	176,393	177,355
EMEA	38,545	39,726
Asia Pacific	54,954	44,314
Global operating costs[(2)(3)]	418,803	519,045
Depreciation and amortization	162,092	157,534
Stock-based compensation expense	44,605	109,181
Restructuring (reversals) charges, net	(7,062)	9,487
Income from operations	$ 185,970	$ 30,179

(1) Direct costs for each segment include cost of revenue—other as well as other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding stock-based compensation expense), local sales and marketing expenses, and facilities expenses.

(2) Global operating costs include product development, service engineering and operations, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any segment.

(3) The net cost reimbursements from Microsoft pursuant to the Search Agreement are primarily included in global operating costs.

	Three Months Ended	
	March 31, 2013	March 31, 2014
Capital expenditures, net:		
Americas	$ 65,416	$ 63,977
EMEA	2,907	15,762
Asia Pacific	1,258	4,916
Total capital expenditures, net	$ 69,581	$ 84,655

	December 31, 2013	March 31, 2014
Property and equipment, net:		
Americas:		
U.S.	$1,346,889	$1,336,609
Other	1,183	1,003
Total Americas	$1,348,072	$1,337,612
EMEA	44,976	53,654
Asia Pacific	95,470	88,140
Total property and equipment, net	$1,488,518	$1,479,406

See Note 14 —"Restructuring (Reversals) Charges, Net" for additional information regarding segments.

Enterprise Wide Disclosures:

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

	Three Months Ended	
	March 31, 2013	March 31, 2014
Display	$ 455,071	$ 453,224
Search	424,687	444,767
Other	260,610	234,739
Total revenue	$1,140,368	$1,132,730

	Three Months Ended	
	March 31, 2013	March 31, 2014
Revenue:		
U.S.	$ 804,753	$ 833,658
International	335,615	299,072
Total revenue	$1,140,368	$1,132,730

Revenue is attributed to individual countries according to the online property that generated the revenue. No single foreign country was material to revenue for the three months ended March 31, 2013 and 2014.

Note 17 SEARCH AGREEMENT WITH MICROSOFT CORPORATION

By the end of 2013, the Company had substantially completed the transition of paid search to the Microsoft platform. In the transitioned markets, the Company reports as revenue the 88 percent revenue share it receives from Microsoft under the Search Agreement as the Company is not the primary obligor in the arrangement with the advertisers and publishers. The underlying search advertising services are provided by Microsoft. Approximately 30 percent and 36 percent of the Company's revenue for the three months ended March 31, 2013 and 2014, respectively, was attributable to the Search Agreement.

Under the Search Agreement Microsoft continues to be obligated to guarantee Yahoo's revenue per search ("RPS Guarantee") on Yahoo Properties in Taiwan and Hong Kong for 18 months after the transition of paid search services to Microsoft's platform in those markets, which was completed during the fourth quarter of 2013. In all other markets, Microsoft's obligation to pay an RPS Guarantee or fixed quarterly payments in lieu of the RPS Guarantee terminated on or prior to March 31, 2014.

The Company's results for the three months ended March 31, 2013 and 2014 reflect $13 million and less than $1 million, respectively, in search operating cost reimbursements from Microsoft under the Search Agreement. As of December 31, 2013 and March 31, 2014, the Company had collected total amounts of $21 million and $18 million, respectively, on behalf of Microsoft and Affiliates, which was included in cash and cash equivalents with a corresponding liability in accrued expenses and other current liabilities. The Company's uncollected 88 percent share in connection with the Search Agreement was $305 million and $294 million, which is included in accounts receivable, net, as of December 31, 2013 and March 31, 2014, respectively. The total reimbursements not yet received from Microsoft of $5 million were classified as part of prepaid expenses and other current assets on the Company's condensed consolidated balance sheets as of December 31, 2013. There were no amounts classified as a part of prepaid expenses and other current assets on our condensed consolidated balance sheet as of March 31, 2014 related to reimbursements not yet received from Microsoft.

Note 18 SUBSEQUENT EVENTS

Stock Repurchase Transactions. From April 1, 2014 through May 8, 2014, the Company repurchased approximately 9 million shares of its common stock at an average price of $35.45 per share, for a total of $325 million.

Net Investment Hedge. The Company also entered into new forward and option contracts with notional values of approximately $1.7 billion, with maturities ranging from six months to two years.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

In addition to current and historical information, this Quarterly Report on Form 10-Q (“Report”) 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 Report includes, among others, forward-looking statements regarding our:

- expectations about revenue, including display, search, and other revenue;
- expectations about growth in users;
- expectations about changes in our earnings in equity interests;
- expectations about changes in operating expenses;
- anticipated capital expenditures;
- expectations about our share repurchase activity;
- expectations about the financial and operational impacts of our Search Agreement with Microsoft;
- impact of recent acquisitions on our business and evaluation of, and expectations for, possible acquisitions of, or investments in, businesses, products, intangible assets, and technologies;
- expectations about the growth of, and the opportunities for monetization in, the mobile industry;
- projections and estimates with respect to our restructuring activities and changes to our organizational structure;
- expectations about the amount of unrecognized tax benefits, the outcome of tax assessment appeals, the adequacy of our existing tax reserves, future tax expenditures, and tax rates;
- expectations about positive cash flow generation and existing cash, cash equivalents, and investments being sufficient to meet normal operating requirements; and
- expectations regarding the outcome of legal proceedings in which we are involved, including the outcome of our efforts to sustain the reversal of judgment entered against us and one of our subsidiaries in a proceeding in Mexico.

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. You are urged to carefully review the disclosures made concerning risks and uncertainties that may affect our business or operating results, which include, among others, those listed in Part II, Item 1A. “Risk Factors” of this Report. We do not intend, and undertake no obligation, to update or revise any of our forward-looking statements after the date of this Report to reflect new information, actual results or future events or circumstances.

Overview

Yahoo! Inc., together with its consolidated subsidiaries (“Yahoo,” the “Company,” “we,” or “us”) is focused on making the world’s daily habits inspiring and entertaining. By creating highly personalized experiences for our users, we keep people connected to what matters most to them, across devices and around the world. We create value for advertisers with a streamlined, simplified advertising technology stack that leverages Yahoo’s data, reach and analytics to connect advertisers with their target audiences. For advertisers, the opportunity to be a part of users’ daily habits across products and platforms is a powerful tool to engage audiences and build brand loyalty.

Advertisers can build their businesses through advertising to targeted audiences on our online properties and services (“Yahoo Properties”) or through a distribution network of third party entities (“Affiliates”) who integrate our advertising offerings into their Websites or other offerings (“Affiliate sites”). Our revenue is generated principally from display and search advertising.

We continue to manage and measure our business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific.

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In the following Management's Discussion and Analysis, we provide information regarding the following areas:

- Key Financial Metrics;
- Non-GAAP Financial Measures;
- Significant Transactions;
- Results of Operations;
- Liquidity and Capital Resources; and
- Critical Accounting Policies and Estimates.

Key Financial Metrics

The key financial metrics we use are as follows: revenue; revenue less traffic acquisition costs ("TAC"), or revenue ex-TAC; income from operations; adjusted EBITDA; net income attributable to Yahoo! Inc.; net cash provided by operating activities; and free cash flow. Revenue ex-TAC, adjusted EBITDA, and free cash flow are financial measures that are not defined in accordance with U.S. generally accepted accounting principles ("GAAP") in the United States ("U.S."). We use these non-GAAP financial measures for internal managerial purposes and to facilitate period-to-period comparisons. See "Non-GAAP Financial Measures" below for a description of each of these non-GAAP financial measures.

	Three Months Ended March 31, (dollars in thousands)	
	2013	2014
Revenue	$ 1,140,368	$ 1,132,730
Revenue ex-TAC	$ 1,074,300	$ 1,086,821
Income from operations(*)	$ 185,970	$ 30,179
Adjusted EBITDA	$ 385,605	$ 306,381
Net income attributable to Yahoo! Inc.	$ 390,285	$ 311,578
Net cash provided by operating activities	$ 218,682	$ 139,061
Free cash flow	$ 149,908	$ 113,962

(*) Includes:

	2013	2014
Stock-based compensation expense	$ 44,605	$ 109,181
Restructuring (reversals) charges, net	$ (7,062)	$ 9,487

Revenue ex-TAC (a Non-GAAP Financial Measure)

	Three Months Ended March 31, (dollars in thousands)		2013-2014 % Change
	2013	2014	
Revenue	$ 1,140,368	$ 1,132,730	(1)%
Less: TAC	66,068	45,909	(31)%
Revenue ex-TAC	$ 1,074,300	$ 1,086,821	1%

For the three months ended March 31, 2014, revenue ex-TAC increased $13 million, or 1 percent, compared to the same period of 2013, due to an increase in search and display revenue ex-TAC partially offset by a decline in other revenue ex-TAC.

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Adjusted EBITDA (a Non-GAAP Financial Measure)

	Three Months Ended March 31,		2013-2014 % Change
	2013	2014	
	(dollars in thousands)		
Net income attributable to Yahoo! Inc.	$ 390,285	$ 311,578	(20)%
Depreciation and amortization	162,092	157,534	(3)%
Stock-based compensation expense	44,605	109,181	145%
Restructuring (reversals) charges, net	(7,062)	9,487	N/M
Other income (expense), net	(17,072)	13,453	N/M
Provision for income taxes	29,736	4,217	(86)%
Earnings in equity interests	(217,588)	(301,402)	39%
Net income attributable to noncontrolling interests	609	2,333	N/M
Adjusted EBITDA	$ 385,605	$ 306,381	(21)%
Percentage of Revenue ex-TAC[(1)(2)]	36%	28%	

N/M = Not Meaningful

[(1)] Revenue ex-TAC is calculated as GAAP revenue less TAC.

[(2)] Net income attributable to Yahoo! Inc. as a percentage of GAAP revenue for the three months ended March 31, 2013 and 2014 was 34 percent and 28 percent, respectively.

For the three months ended March 31, 2014, adjusted EBITDA decreased $79 million, or 21 percent, compared to 2013, mainly due to an increase in global operating costs partially offset by an increase in revenue ex-TAC and a decrease in direct costs in the Asia Pacific region.

Free Cash Flow (a Non-GAAP Financial Measure)

	Three Months Ended March 31,	
	2013	2014
	(dollars in thousands)	
Net cash provided by operating activities	$ 218,682	$ 139,061
Acquisition of property and equipment, net	(69,581)	(84,655)
Dividends received from equity investees	(12,000)	—
Excess tax benefits from stock-based awards	12,807	59,556
Free cash flow	$ 149,908	$ 113,962

For the three months ended March 31, 2014, free cash flow decreased $36 million, or 24 percent, compared to 2013. The decrease was primarily attributable to a decline in net cash provided by operating activities and an increase in the acquisition of property and equipment, net year-over-year.

Non-GAAP Financial Measures

Revenue ex-TAC

Revenue ex-TAC is a non-GAAP financial measure defined as GAAP revenue less TAC. TAC consists of payments made to Affiliates that have integrated our advertising offerings into their sites and payments made to companies that direct consumer and business traffic to Yahoo Properties.

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure defined as net income attributable to Yahoo! Inc. before taxes, depreciation, amortization of intangible assets, stock-based compensation expense, other income, net (which includes interest), earnings in equity interests, net income attributable to noncontrolling interests, and certain gains, losses, and expenses that we do not believe are indicative of our ongoing results.

Free Cash Flow

Free cash flow is a non-GAAP financial measure defined as net cash provided by operating activities (adjusted to include excess tax benefits from stock-based awards), less acquisition of property and equipment, net, and dividends received from equity investees.

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For additional information about these non-GAAP financial measures, see “Non-GAAP Financial Measures” included in our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Significant Transactions

Alibaba Group Holding Limited Initial Public Offering

On May 6, 2014, Alibaba Group Holding Limited (“Alibaba Group”) filed a registration statement with the Securities and Exchange Commission regarding its initial public offering. If Yahoo sells the 208 million ordinary shares of Alibaba Group that it is currently obligated to sell in connection with the completion of such offering, we will no longer account for our remaining investment in Alibaba Group using the equity method. If this occurs, we will no longer record our proportionate share of Alibaba Group’s financial results in our consolidated financial statements, which would materially reduce our reported net income.

Search Agreement with Microsoft Corporation

By the end of 2013, we had substantially completed the transition of paid search to the Microsoft Corporation (“Microsoft”) platform. For search revenue generated from Microsoft’s services on Yahoo Properties and Affiliate sites, we report as revenue the 88 percent revenue share, as we are not the primary obligor in the arrangement with the advertisers and publishers. The underlying search advertising services are provided by Microsoft. Revenue under our Search and Advertising Services and Sales Agreement (the “Search Agreement”) represented approximately 30 percent and 36 percent of our revenue for the three months ended March 31, 2013 and 2014, respectively.

Our results reflect search operating cost reimbursements from Microsoft under the Search Agreement of $13 million and less than $1 million for the three months ended March 31, 2013 and 2014, respectively. The total reimbursements not yet received from Microsoft of $5 million were classified as part of prepaid expenses and other current assets on our condensed consolidated balance sheet as of December 31, 2013. We did not have any amounts classified as a part of prepaid expenses and other current assets on our condensed consolidated balance sheet as of March 31, 2014 related to reimbursements not yet received from Microsoft.

See Note 17 — “Search Agreement with Microsoft Corporation” in the Notes to our condensed consolidated financial statements for additional information.

Results of Operations

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2014	2013-2014 % Change
	(dollars in thousands)		
Revenue for groups of similar services:			
Display			
Yahoo Properties	$ 405,126	$ 408,193	1%
Affiliate sites	49,945	45,031	(10)%
Total Display revenue	$ 455,071	$ 453,224	—
Search			
Yahoo Properties	$ 320,176	$ 371,744	16%
Affiliate sites	104,511	73,023	(30)%
Total Search revenue	$ 424,687	$ 444,767	5%
Other	$ 260,610	$ 234,739	(10)%
Total revenue	$ 1,140,368	$ 1,132,730	(1)%
Cost of revenue — TAC	$ 66,068	$ 45,909	(31)%
Cost of revenue — other	278,007	280,844	1%
Sales and marketing	257,019	329,846	28%
Product development	219,580	281,632	28%
General and administrative	133,421	136,493	2%
Amortization of intangibles	7,365	18,340	149%
Restructuring (reversals) charges, net	(7,062)	9,487	N/M
Total operating expenses	$ 954,398	$ 1,102,551	16%
Income from operations	$ 185,970	$ 30,179	(84)%
Includes:			
Stock-based compensation expense	$ 44,605	$ 109,181	145%

N/M = Not Meaningful

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The following table sets forth selected information concerning our results of operations as a percentage of revenue for the period indicated:

	Three Months Ended March 31,	
	2013	2014
Revenue for groups of similar services:		
Display		
Yahoo Properties	36%	36%
Affiliate sites	4%	4%
Total Display revenue	40%	40%
Search		
Yahoo Properties	28%	33%
Affiliate sites	9%	6%
Total Search revenue	37%	39%
Other	23%	21%
Total revenue	100%	100%
Cost of revenue—TAC	6%	4%
Cost of revenue—other	24%	25%
Sales and marketing	23%	29%
Product development	19%	25%
General and administrative	12%	12%
Amortization of intangibles	1%	1%
Restructuring (reversals) charges, net	(1)%	1%
Total operating expenses	84%	97%
Income from operations	16%	3%
Includes:		
Stock-based compensation expense	4%	10%

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Management Reporting

We continue to manage our business geographically. The primary areas of measurement and decision-making are currently the Americas, EMEA, and Asia Pacific. Management relies on an internal reporting process that provides revenue ex-TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, our segments.

	Three Months Ended March 31,		2013-2014 % Change
	2013	2014	
	(dollars in thousands)		
Revenue by segment:			
Americas	$ 842,195	$ 866,928	3%
EMEA	94,824	91,570	(3)%
Asia Pacific	203,349	174,232	(14)%
Total revenue	$ 1,140,368	$ 1,132,730	(1)%
TAC by segment:			
Americas	$ 37,522	$ 34,094	(9)%
EMEA	11,536	9,193	(20)%
Asia Pacific	17,010	2,622	(85)%
Total TAC	$ 66,068	$ 45,909	(31)%
Revenue ex-TAC by segment:			
Americas	$ 804,673	$ 832,834	3%
EMEA	83,288	82,377	(1)%
Asia Pacific	186,339	171,610	(8)%
Total revenue ex-TAC	1,074,300	1,086,821	1%
Direct costs by segment[1]:			
Americas	176,393	177,355	1%
EMEA	38,545	39,726	3%
Asia Pacific	54,954	44,314	(19)%
Global operating costs[2][3]	418,803	519,045	24%
Depreciation and amortization	162,092	157,534	(3)%
Stock-based compensation expense	44,605	109,181	145%
Restructuring (reversals) charges, net	(7,062)	9,487	N/M
Income from operations	$ 185,970	$ 30,179	(84)%

N/M = Not Meaningful

(1) Direct costs for each segment include cost of revenue — other, as well as other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding stock-based compensation expense), local sales and marketing expenses, and facilities expenses.

(2) Global operating costs include product development, service engineering and operations, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any particular segment.

(3) The net cost reimbursements from Microsoft pursuant to the Search Agreement are primarily included in global operating costs.

Revenue

We generate revenue principally from display and search advertising on Yahoo Properties and Affiliate sites with the majority of our revenue coming from advertising on Yahoo Properties. Our margins on revenue from Yahoo Properties advertising are higher than our margins on revenue from display and search advertising on Affiliate sites, as we pay TAC to our Affiliates. Additionally, we generate revenue from other sources including listings-based services, facilitating commercial transactions, royalties, and consumer and business fee-based services.

With the significant platform shift to mobile devices, including smartphones and tablets, we have increased our strategic focus on mobile products and mobile ad formats. We have hired engineering and technical talent to help us accelerate our efforts in mobile development, and introduced new mobile apps and refreshed the user experience on mobile across a number of Yahoo Properties, including News, Sports (including Fantasy Sports), Mail, and Finance. We are seeing an increase in the number of our daily and monthly mobile users as a result of these product improvements. As of March 31, 2014, we had more than 430 million monthly mobile users. The monetization of these mobile products is driven primarily through advertisements and we are committed to continuing to develop and deliver innovative ad formats on mobile. While mobile revenue (both display and search) has doubled year-over-year it is still not material to our total revenue.

For additional information about how we generate and recognize revenue, see "**Results of Operations**—***Revenue***—*Display Revenue* —*Search Revenue* and —*Other Revenue*" included in our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Display Revenue

Display revenue for the three months ended March 31, 2014 was flat compared to the same period of 2013. Display revenue on Yahoo Properties increased $3 million. Display revenue on Yahoo Properties in the Americas region increased by $16 million driven by an increase in Ads Sold. Display revenue on Yahoo Properties decreased in the EMEA region due to declines in premium and non-premium advertising of $4 million as well as declines in advertising on Yahoo Properties in the Asia Pacific region of $9 million. Display revenue on Affiliate sites declined $5 million due to a decline in the Americas and EMEA regions partially offset by an increase in the Asia Pacific region.

Search Revenue

Search revenue for the three months ended March 31, 2014 increased by 5 percent compared to the same period of 2013 as we continue to see improvements in click yield. Search revenue on Yahoo Properties increased $52 million primarily due to higher revenue-per-search in the Americas and EMEA regions. The increase was partially offset by a decline in search revenue from Affiliate sites of $31 million. The decline in Affiliate revenue was primarily attributable to the required change in GAAP revenue presentation for transitioned markets from a gross to a net (after TAC) basis in the APAC region for Taiwan and Hong Kong.

Other Revenue

Other revenue for the three months ended March 31, 2014 decreased by 10 percent compared to the same period of 2013. The year-over-year decrease was primarily due to a decline in listings revenue.

Display and Search Metrics

We present information below regarding the number of "Ads Sold" and "Price-per-Ad" for display and the number of "Paid Clicks" and "Price-per-Click" for search. This information is derived from internal data.

"Ads Sold" is defined as display ad impressions for paying advertisers on Yahoo Properties. "Price-per-Ad" is defined as display revenue from Yahoo Properties divided by our total number of Ads Sold. Our price and volume metrics for display are based on display revenue which we report on a gross basis (before TAC). Our price and volume metrics for display exclude both the number of Ads Sold and the related revenue for certain regions where we did not retain historical information in a manner that would support period-to-period comparison on these metrics. The countries and regions included in our display metrics are: the U.S., the United Kingdom, France, Germany, Spain, Italy, Taiwan, Hong Kong, Southeast Asia, and India.

"Paid Clicks" are defined as clicks by end-users on sponsored search listings on Yahoo Properties and Affiliate sites for which an advertiser pays on a per click basis. "Price-per-Click" is defined as search revenue divided by our total number of Paid Clicks. Our price and volume metrics for search are based on gross search revenue (before TAC) in all markets in which we operate.

We periodically review, refine and update our methodologies for monitoring, gathering, and counting numbers of Ads Sold and Paid Clicks and for calculating Price-per-Click and Price-per-Ad.

Commencing in the third quarter of 2013, we made three updates to our methodologies. First, we now include the impressions and revenue associated with our new stream ad units, which are display ads that appear in the content streams viewed by users, in our display price and volume metrics (Ads Sold and Price-per-Ad). Second, to provide metrics that are more consistent with our historical revenue trends, the revenue and volume associated with other display advertisements sold on a price-per-click basis have been excluded from our search price and volume metrics (Paid Clicks and Price-per-Click) and they will continue to be excluded from our display price and volume metrics. Finally, the revenue per search guarantee (the "RPS Guarantee") that Microsoft agreed to pay has been excluded from the calculation of Price-per-Click. Prior period amounts have been updated to conform to the current presentation.

Display Metrics

For the three months ended March 31, 2014, the number of Ads Sold increased 7 percent and Price-per-Ad decreased 5 percent, compared to the same period of 2013. The increase in Ads Sold year-over-year was attributable to an increase in stream ad units sold which was partially offset by a decline in graphical ad units sold. Through product improvements and innovative ad formats, we have increased user engagement resulting in improvements to the number of Ads Sold. The decrease in Price-per-Ad was due to a shift in the mix of ads sold toward lower priced stream ad units partially offset by an increase in Price-per-Ad on premium advertising and higher premium sell-through rates for advertising on certain Yahoo Properties, including the Homepage and Mail login page.

Search Metrics

For the three months ended March 31, 2014, Paid Clicks and Price-per-Click increased 6 percent and 8 percent, respectively, compared to the same period of 2013. The increase in Paid Clicks was primarily attributable to an increase in Paid Clicks on Yahoo Search in the Americas and EMEA regions. This was partially offset by a decline in Paid Clicks from Affiliate traffic in the Asia Pacific region related to the transition of paid search to Microsoft, and in the Americas region related to traffic quality improvement initiatives conducted by Yahoo. The increase in Price-per-Click was attributable to favorable mix shifts including a regional mix shift towards higher monetizing geographies and an increase in the amount of Paid Clicks from higher monetizing Yahoo Properties relative to Affiliate sites. Improvements in the search metrics resulted in year-over-year growth of 14 percent in search click revenue.

Revenue ex-TAC by Segment

Americas

Americas revenue ex-TAC for the three months ended March 31, 2014 increased $28 million, or 3 percent, compared to the same period of 2013. The increase in Americas revenue ex-TAC was primarily attributable to increased search revenue ex-TAC of $35 million and display revenue ex-TAC of $16 million. Search revenue ex-TAC increased 11 percent year-over-year as Paid Clicks increased 10 percent and Price-per-Click increased 3 percent in the Americas region. The increase in search revenue ex-TAC was attributable to higher revenue-per-search from a change in the design of the search results page and an increase in search advertising revenue from mobile devices, which was partially offset by a decline in Affiliate search revenue in the region. The increase in display revenue ex-TAC was due to an increase in non-premium advertising resulting from stream ad units partially offset by a decline in premium advertising on Mail. The number of Ads Sold in the Americas region increased 18 percent year-over-year primarily due to stream ad units, which increased 12 percent compared to prior quarter and represented approximately 20 percent of the global display ad volume during the three months ended March 31, 2014. The increase in Americas revenue ex-TAC was partially offset by a decline in other revenue ex-TAC of $23 million primarily related to a decline in listings revenue.

Revenue ex-TAC in the Americas accounted for approximately 77 percent of total revenue ex-TAC for the three months ended March 31, 2014 compared to 75 percent for the three months ended March 31, 2013.

EMEA

EMEA revenue ex-TAC for the three months ended March 31, 2014 decreased $1 million, or 1 percent, compared to the same period of 2013, due to decreased display and other revenue ex-TAC of $9 million offset by an increase in search revenue ex-TAC of $8 million. Display revenue ex-TAC declined due to a decrease in Ads Sold on the Homepage. Other revenue ex-TAC declined in the region due to a decline in fees revenue. The increase in search revenue ex-TAC was attributable to improved revenue-per-search on Yahoo Properties and year-over-year Price-per-Click growth. Platform enhancements and new ad formats contributed to improvements in search monetization.

Revenue ex-TAC in EMEA accounted for approximately 7 percent of total revenue ex-TAC for the three months ended March 31, 2014 compared to 8 percent for the three months ended March 31, 2013.

Asia Pacific

Asia Pacific revenue ex-TAC for the three months ended March 31, 2014 decreased $15 million, or 8 percent, compared to the same period of 2013. The decline in Asia Pacific year-over-year was primarily attributable to unfavorable foreign exchange fluctuations and a decline in search revenue ex-TAC related to the revenue share with Microsoft associated with the Search Agreement.

Revenue ex-TAC in Asia Pacific accounted for approximately 16 percent of total revenue ex-TAC for the three months ended March 31, 2014 compared to 17 percent for the three months ended March 31, 2013.

Direct Costs by Segment

Americas

For the three months ended March 31, 2014, direct costs attributable to the Americas segment increased $1 million, or 1 percent, compared to the same period of 2013. The increase in direct costs was primarily due to higher marketing and outside service provider expenses of $5 million partially offset by lower compensation costs and bandwidth and other cost of revenue of $4 million. The increase in marketing expenses in the region was primarily attributable to promotional event production and management.

Direct costs attributable to the Americas segment represented approximately 21 percent of Americas revenue ex-TAC for the three months ended March 31, 2014 compared to 22 percent for the three months ended March 31, 2013.

EMEA

For the three months ended March 31, 2014, direct costs attributable to the EMEA segment increased $1 million, or 3 percent, compared to the same period of 2013 due to higher compensation costs, partially offset by a decline in content costs and bandwidth and other cost of revenue in the region.

Direct costs attributable to the EMEA segment represented approximately 48 percent of EMEA revenue ex-TAC for the three months ended March 31, 2014 compared to 46 percent for the three months ended March 31, 2013.

Asia Pacific

For the three months ended March 31, 2014, direct costs attributable to the Asia Pacific segment decreased $11 million, or 19 percent, compared to the same period of 2013. The decline was primarily attributable to lower compensation costs of $4 million, bandwidth and other cost of revenue of $2 million, and content costs of $2 million.

Direct costs attributable to the Asia Pacific segment represented approximately 26 percent of Asia Pacific revenue ex-TAC for the three months ended March 31, 2014 compared to 29 percent for the three months ended March 31, 2013.

Operating Costs and Expenses

Traffic Acquisition Costs

TAC consists of payments made to third-party entities that have integrated our advertising offerings into their Websites or other offerings 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 revenue 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 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.

TAC for the three months ended March 31, 2014 decreased $20 million, or 31 percent, compared to the same period of 2013. The decrease was primarily attributable to declines in the Asia Pacific, Americas, and EMEA regions of $14 million, $4 million, and $2 million, respectively. The decline in the Asia Pacific region was due to the required change in revenue presentation for transitioned markets from a gross (before TAC) to a net (after TAC) basis. The decline in the Americas and EMEA regions was attributable to a decline in display TAC.

TAC represented approximately 4 percent of GAAP revenue for the three months ended March 31, 2014, compared to 6 percent for the three months ended March 31, 2013.

Cost of Revenue—Other

Cost of revenue—other consists of bandwidth costs, and other expenses associated with the production and usage of Yahoo Properties, including amortization of developed technology and patents. Cost of revenue—other also includes costs for Yahoo’s technology platforms and infrastructure, including depreciation expense and other operating costs, directly related to revenue generating activities.

Cost of revenue—other increased $3 million, or 1 percent, for the three months ended March 31, 2014 compared to the same period of 2013. The increase for the three months ended March 31, 2014, compared to 2013, was primarily due to increases in bandwidth costs of $5 million and content costs of $3 million. This was partially offset by a decline of $4 million in cost of revenue related to rich media and our Asia Pacific e-commerce business.

Cost of revenue—other represented approximately 25 percent of GAAP revenue for the three months ended March 31, 2014, compared to 24 percent for the three months ended March 31, 2013.

Sales and Marketing

Sales and marketing expenses consist primarily of advertising and other marketing-related expenses, compensation-related expenses (including stock-based compensation expense), sales commissions, and travel costs.

Sales and marketing expenses for the three months ended March 31, 2014 increased $73 million, or 28 percent, compared to the same period of 2013, primarily attributable to increases of $37 million in stock-based compensation expense and $30 million in other compensation costs. The increase in stock-based compensation expense was attributable to an increase in the number of awards granted at a higher fair value and vesting accelerations upon executive terminations. The increase in compensation costs was primarily attributable to a 7 percent increase in headcount year-over-year, including an incremental increase in sales and marketing headcount from Tumblr, as well as merit-based increases in salaries, incentive compensation increases and higher payroll tax expense related to stock-based compensation.

Sales and marketing expenses represented approximately 29 percent of GAAP revenue for the three months ended March 31, 2014, compared to 23 percent for the three months ended March 31, 2013. The increase in this percentage was primarily related to the increases in stock-based compensation expense and compensation costs as discussed above and reflects increased investments in sales and marketing.

Product Development

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

Product development expenses for the three months ended March 31, 2014 increased $62 million, or 28 percent, compared to the same period of 2013, primarily attributable to increases of $57 million in compensation costs, $6 million in stock-based compensation expense, as well as a decline in capitalizable projects of $8 million. This was partially offset by declines of $5 million in outside service provider expenses and $5 million in depreciation expense. The increase in compensation costs was due to an 8 percent increase in headcount in the function year-over-year, including an incremental increase in product development headcount from Tumblr, as well as merit-based increases in salaries, incentive compensation increases and higher payroll tax expense related to stock-based compensation. The increase in stock-based compensation expense was due to an increase in the number of awards granted at a higher fair value.

Product development expenses represented approximately 25 percent of GAAP revenue for the three months ended March 31, 2014, compared to 19 percent for the three months ended March 31, 2013. The increase in this percentage was primarily related to the increase in compensation costs as discussed above and reflects investments and acquisitions that were made in prior periods.

General and Administrative

General and administrative expenses consist primarily of compensation-related expenses (including stock-based compensation expense) related to other corporate departments and fees for professional services.

General and administrative expenses for the three months ended March 31, 2014 increased $3 million, or 2 percent, compared to the same period of 2013, primarily attributable to increases of $4 million in compensation costs and $3 million in stock-based compensation expense, which was partially offset by a decrease in professional services expense of $5 million. The increase in compensation costs was primarily attributable to a 13 percent increase in headcount year-over-over. The increase in stock based compensation expense was attributable to an increase in the number of awards granted at a higher fair value.

General and administrative expenses represented approximately 12 percent of GAAP revenue for both the three months ended March 31, 2014 and 2013.

Amortization of Intangibles

We have purchased, and expect to continue purchasing, assets and/or businesses, which may include the purchase of intangible assets. Intangible assets include customer, affiliate, and advertiser-related relationships and tradenames, trademarks and domain names. Amortization of developed technology and patents is included in the cost of revenue—other and not in amortization of intangibles.

Amortization of intangibles for the three months ended March 31, 2014 increased $11 million, or 149 percent, compared to the same period of 2013. The year-over-year increase in amortization of intangibles from 2013 to 2014 was primarily driven by amortization of intangible assets related to Tumblr, which we acquired in the second quarter of 2013.

Amortization of intangibles represented approximately 1 percent of GAAP revenue for both the three months ended March 31, 2014 and March 31, 2013.

Restructuring (Reversals) Charges, Net

Restructuring (reversals) charges, net was comprised of the following (in thousands):

	Three Months Ended March 31, 2013			
	Restructuring Plans Prior to 2012	Q2'12 Restructuring Plan	Q4'12 Korea Business Closure	Total
Employee severance pay and related costs	$ (3)	$ (10,265)	$ (103)	$(10,371)
Non-cancelable lease, contract terminations, and other charges	2,811	65	(114)	2,762
Other non-cash charges, net	—	—	547	547
Restructuring (reversals) charges, net	$ 2,808	$ (10,200)	$ 330	$ (7,062)

	Three Months Ended March 31, 2014					
	Restructuring Plans Prior to 2012	Q2'12 Restructuring Plan	Q4'12 Korea Business Closure	Q4'13 Restructuring Plan	Q1'14 Restructuring Plan	Total
Employee severance pay and related costs (reversals)	$ —	$ (94)	$ —	$ 98	$ 3,212	$3,216
Non-cancelable lease, contract terminations, and other charges	6,438	35	(202)	—	—	6,271
Restructuring (reversals) charges, net	$ 6,438	$ (59)	$ (202)	$ 98	$ 3,212	$9,487

Restructuring Plans Prior to 2012. Prior to 2012, we implemented workforce reductions, a strategic realignment, and consolidation of certain real estate facilities and data centers to reduce our cost structure, align resources with our product strategy, and improve efficiency. During the three months ended March 31, 2013, we recorded net pre-tax cash charges of $3 million in severance, facility, and other related costs, the majority of which related to the Americas segment. During the three months ended March 31, 2014, we recorded net pre-tax charges of $6 million in facility and other related costs, consisting of $5 million related to the Americas segment and $1 million related to the EMEA segment.

As of March 31, 2014, the aggregate outstanding restructuring liability related to the Restructuring Plans Prior to 2012 was $24 million, most of which relates to non-cancelable lease costs that we expect to pay over the terms of the related obligations, which extend to the second quarter of 2017.

Q2'12 Restructuring Plan. During the second quarter of 2012, we began implementing the Q2'12 Restructuring Plan to reduce our worldwide workforce by approximately 2,000 employees and to consolidate certain real estate and data center facilities. During the three months ended March 31, 2013, we recorded total pre-tax cash charges of $6 million in severance and facility related costs. The total pre-tax cash charges were offset by a credit of $16 million for severance-related costs due to changes to original estimates and redeployments and voluntary resignations of employees prior to their planned severance dates. Of the $10 million credit in restructuring charges, net, recorded in the three months ended March 31, 2013, $6 million related to the Americas segment and $4 million related to the EMEA segment. During the three months ended March 31, 2014, we recorded immaterial net reversals for adjustments to original estimates in severance and facility related costs, the majority of which related to the Americas segment.

As of March 31, 2014, the aggregate outstanding restructuring liability related to the Q2'12 Restructuring Plan was $2 million, most of which relates to non-cancelable lease costs that we expect to pay over the terms of the related obligations, which extend to the fourth quarter of 2021.

Q4'12 Korea Business Closure. During the fourth quarter of 2012, we decided to close our Korea business to streamline our operations and focus our resources. During the three months ended March 31, 2013, we recorded net pre-tax charges of less than $1 million in severance, facility and contract termination costs related to the Asia Pacific segment. During the three months ended March 31, 2014, the Company recorded immaterial reversals for adjustments to original estimates of contract termination costs related to the Asia Pacific segment.

As of March 31, 2014, there was no restructuring liability as we have completed the Q4'12 Korea Business Closure.

***Q4'13 Restructuring Plan*.** During the fourth quarter of 2013, we started the process of closing our Cairo, Egypt and Rolle, Switzerland offices, as part of our continued efforts to streamline our operations and focus our resources. During the three months ended March 31, 2014, we recorded immaterial pre-tax cash charges in severance and other related costs, which all related to the EMEA segment.

As of March 31, 2014, the aggregate outstanding restructuring liability related to the Q4'13 Restructuring Plan was approximately $2 million for severance and related costs that we expect to pay by the third quarter of 2014.

Q1'14 Restructuring Plan. During the first quarter of 2014, we implemented a strategic plan to align resources with our product strategy and improve efficiency. During the three months ended March 31, 2014, we recorded total pre-tax cash charges of $3 million in severance and other related costs, which all related to the EMEA segment.

As of March 31, 2014, the aggregate outstanding restructuring liability related to the Q1'14 Restructuring Plan was $1 million for severance and related costs that we expect to pay by the third quarter of 2014.

See Note 14 — "Restructuring (Reversals) Charges, Net" in the Notes to our condensed consolidated financial statements for additional information.

Other Income, Net

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

	Three Months Ended	
	March 31, 2013	March 31, 2014
Interest, dividend and investment income	$25,918	$ 5,437
Interest expense, net	(2,273)	(17,081)
Other expense, net	(6,573)	(1,809)
Total other income, net	$17,072	$(13,453)

Interest, dividend and investment income decreased primarily due to dividend income on the Alibaba Group Preference Shares included for the three months ended March 31, 2013 for which there was no similar income for the three months ended March 31, 2014.

Interest expense increased $15 million for the three months ended March 31, 2014, compared to the same period of 2013, due to the accreted non-cash interest expense related to the 0.00% Convertible Senior Notes due 2018 ("Notes").

Other expense, net decreased primarily due to unrealized and realized foreign exchange currency transaction gains.

Income Taxes

Our effective tax rate is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Historically, our provision for income taxes has differed from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense and adjustments to unrecognized tax benefits.

The effective tax rate reported for the three months ended March 31, 2014 was 25 percent compared to 15 percent for the same period in 2013. The rates in both periods were lower than the U.S. federal statutory rate primarily due to the reductions of tax reserves that were recorded based on new information received during interactions with tax authorities. The income tax expense reported for the three months ended March 31, 2014 does not include any benefit from the federal research and development tax credit as that provision expired on December 31, 2013.

As of March 31, 2014, we do not anticipate repatriating our undistributed foreign earnings of approximately $2.8 billion. Those earnings are principally related to our equity method investment in Yahoo Japan. If those earnings were to be repatriated in the future, we may 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.

We are in various stages of examination and appeal in connection with our taxes both in the U.S. and in foreign jurisdictions. Those audits generally span tax years 2005 through 2012. The IRS Appeals division is currently finalizing our protest of the 2007 and 2008 audit results, while the 2009 and 2010 U.S. federal income tax returns are currently under examination. We have protested the proposed California Franchise Tax Board's adjustments to the 2005 and 2006 returns, but no conclusions have been reached to date. The 2007 and 2008 California tax returns are currently under examination.

Our gross amount of unrecognized tax benefits as of March 31, 2014 is $691 million, of which $603 million is recorded on our condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2014 decreased by $4 million from the recorded balance as of December 31, 2013. It is difficult to determine when the examinations will be settled or what their final outcome will be. We believe, however, that we have adequately provided for any reasonably foreseeable adjustment and that any settlement will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

We may have additional tax liabilities in China related to the sale to Alibaba Group during the year ended December 31, 2012 of 523 million of the 1,047 million ordinary shares of Alibaba Group that we owned. Any taxes assessed and paid in China are expected to be ultimately offset and recovered in the U.S.

During the year ended December 31, 2012, tax authorities from the Brazilian State of Sao Paulo assessed certain indirect taxes against our Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment totaling approximately $85 million is for calendar years 2008 and 2009. We currently believe the assessment is without merit. We believe the risk of loss is remote and have not recorded an accrual for the assessment.

Earnings in Equity Interests

Earnings in equity interests for the three months ended March 31, 2014 was $301 million compared to $218 million for the same period in 2013. The increase for the three months ended March 31, 2014 was due primarily to improved financial performance for Alibaba Group. See Note 8 — "Investments in Equity Interests" in the Notes to our condensed consolidated financial statements for additional information. We record earnings in equity interests one quarter in arrears.

Noncontrolling Interests

Noncontrolling interests represent 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 condensed consolidated financial statements.

Liquidity and Capital Resources

	December 31, 2013	March 31, 2014
	(Dollars in thousands)	
Cash and cash equivalents	$2,077,590	$1,198,016
Short-term marketable securities	1,330,304	1,741,494
Long-term marketable securities	1,589,500	1,631,819
Total cash, cash equivalents, and marketable securities	$4,997,394	$4,571,329
Percentage of total assets	30%	28%

Cash Flow Highlights	Three Months Ended March 31, 2013	2014
	(In thousands)	
Net cash provided by operating activities	$ 218,682	$ 139,061
Net cash used in investing activities	$(950,880)	$(577,779)
Net cash used in financing activities	$(746,254)	$(439,541)

Our operating activities for the three months ended March 31, 2014 generated adequate cash to meet our operating needs.

As of March 31, 2014, we had cash, cash equivalents, and marketable securities totaling $4.6 billion compared to $5 billion at December 31, 2013. During the three months ended March 31, 2014, we repurchased 12 million shares of our outstanding common stock for $450 million.

Our foreign subsidiaries held $627 million of our total $4.6 billion of cash and cash equivalents and marketable securities as of March 31, 2014. The cumulative earnings remaining in our consolidated foreign subsidiaries, if repatriated to the U.S., under current law, would be subject to U.S. income taxes with an adjustment for foreign tax credits. For the earnings that are considered indefinitely reinvested outside the U.S, we do not anticipate a need to repatriate these earnings for use in our U.S. operations.

Our credit agreement (the "Credit Agreement") with Citibank, N.A. terminates on October 9, 2014. As of March 31, 2014, we were in compliance with the financial covenants in the Credit Agreement and no amounts were outstanding. See Note 10 — "Credit Agreement" in the Notes to our condensed consolidated financial statements for additional information.

We currently hedge a portion of our net investment in Yahoo Japan with forward contracts to reduce the risk that our investment in Yahoo Japan will be adversely affected by foreign currency translation exchange rate fluctuations. The forward contracts are required to be settled in cash and the amount of cash payment we receive or could be required to pay upon settlement could be material.

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

We expect to generate positive cash flows from operations in the second quarter of 2014. We use cash generated by operations as our primary source of liquidity, since 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 securities, together with any cash generated from operations, and borrowings under the Credit Agreement, will be sufficient to meet normal operating requirements including capital expenditures for the next twelve months, as well as additional stock repurchases we expect to make under our stock repurchase program.

Cash Flow Changes

Net cash provided by operating activities. For the three months ended March 31, 2014, operating activities provided $139 million in cash. During this period, we generated adjusted EBITDA of $306 million, which were offset by working capital movements. Accounts payable increased $19 million and accounts receivable decreased $98 million, offset by a decrease in accrued expenses and other liabilities of $240 million, a decrease in deferred revenue of $39 million, and an increase in prepaid expenses and other current assets of $9 million. For the three months ended March 31, 2013, operating activities provided $219 million in cash. During this period, we generated adjusted EBITDA of $386 million and received dividends of $12 million, which were offset by working capital movements. Accounts receivable decreased $58 million and prepaid expenses and other current assets decreased $20 million, offset by a decrease in accrued expenses and other liabilities of $123 million, a decrease in accounts payable of $71 million, and a decrease in deferred revenue of $25 million.

Net cash used in investing activities. In the three months ended March 31, 2014, the $578 million used in investing activities was due to purchases of marketable securities, net of disposals and maturities, of $462 million, $85 million used for capital expenditures, $22 million used for acquisitions, $10 million used for additional equity investments, and $1 million used for purchase of intangibles and other activities, partially offset by $2 million in net proceeds from settlement of derivative hedge contracts. In the three months ended March 31, 2013, the $951 million used in investing activities was due to net purchases of marketable securities of $874 million, $70 million used for capital expenditures, and $7 million used for acquisitions and other activities.

Net cash used in financing activities. In the three months ended March 31, 2014, the $440 million used in financing activities was due to $450 million used for the repurchase of 12 million shares of common stock at an average price of $37.65 per share and $127 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $79 million in cash proceeds received from employee stock option exercises and employee stock purchases made through our employee stock purchase plan, and an excess tax benefit from stock-based awards of $60 million. In the three months ended March 31, 2013, the $746 million used in financing activities was due to $775 million used for the repurchase of 38 million shares of common stock at an average price of $20.35 per share and $45 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $61 million in cash proceeds received from employee stock option exercises and employee stock purchases made through our employee stock purchase plan, and an excess tax benefit from stock-based awards of $13 million.

Capital Expenditures, Net

Capital expenditures are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, real estate, and capitalized software and labor. Capital expenditures, net of disposals, were $85 million for the three months ended March 31, 2014 compared to $70 million in the same period of 2013. The increase in capital expenditures was due to incremental investment in hardware to support Company initiatives partially offset by declines in data center construction costs and capitalizable projects.

We expect capital expenditures, net to increase in future quarters in 2014 from the amount recorded during the three months ended March 31, 2014, as a result of increased investment initiatives.

Stock Repurchases

During the three months ended March 31, 2014, we repurchased approximately 12 million shares of our common stock at an average price of $37.65 per share for a total of $450 million. The following table provides the remaining authorization and repurchases by program:

	May 2012 Program	November 2013 Program	Total
		(Dollars in millions)	
January 1, 2014	$ 93	$ 5,000	$5,093
Total repurchases in the first quarter	(93)	(357)	(450)
March 31, 2014	$ —	$ 4,643	$4,643

Contractual Obligations and Commitments

Leases. We have entered into various non-cancelable operating and capital lease agreements for office space and data centers globally for original lease periods up to 12 years, expiring between 2014 and 2025.

A summary of lease commitments as of March 31, 2014 is as follows (in millions):

	Gross Operating Lease Commitments	Capital Lease Commitment
Nine months ending December 31, 2014	$ 105	$ 11
Years ending December 31,		
2015	113	12
2016	76	9
2017	62	9
2018	39	9
2019	27	4
Due after 5 years	97	—
Total gross lease commitments	$ 519	$ 54
Less: interest	—	(13)
Net lease commitments	$ 519	$ 41

Affiliate Commitments. We are obligated to make payments, which represent TAC, to our Affiliates. As of March 31, 2014, these commitments totaled $216 million, of which $10 million will be payable in the remainder of 2014, $205 million will be payable in 2015, and $1 million will be payable in 2016.

Intellectual Property Rights. We are committed to make certain payments under various intellectual property arrangements of up to $23 million through 2023.

Income Taxes. As of March 31, 2014, unrecognized tax benefits of $673 million, including interest and penalties, are recorded on our condensed consolidated balance sheets. Of this amount, we currently expect approximately $2 million to be paid by us in cash in the next 12 months for settlements of tax audits. The settlement period for the remaining balance cannot be determined.

Other Commitments and Off-Balance Sheet Arrangements. In the ordinary course of business, we 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 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, lease, or assignment 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 condensed consolidated financial statements.

As of March 31, 2014, 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. Accordingly we are not exposed to any financing, liquidity, market, or credit risk that could arise if we had engaged in such relationships. In addition, we identified no variable interests currently held in entities for which we are the primary beneficiary. In addition, as of March 31, 2014, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue 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. Our estimates form the basis for our 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 condensed consolidated financial statements. We believe that our critical accounting policies reflect the more significant estimates and assumptions used in the preparation of the condensed consolidated financial statements.

For a discussion of our critical accounting policies and estimates, see “Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2013 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have made no significant changes to our critical accounting policies and estimates from those described in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to financial market risks, including changes in currency exchange rates and interest rates and changes in the market values of our investments. We may use derivative financial instruments to mitigate certain risks in accordance with our investment and foreign exchange policies.

We generally enter into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. We present our derivative assets and liabilities at their gross fair values on the condensed consolidated balance sheets.

Interest Rate Exposure

Our exposure to market risk for changes in interest rates impacts our costs associated with hedging, and primarily relates to our cash and marketable 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 securities and cash equivalents.

In 2013, we issued $1.4375 billion of Notes due 2018. We carry the Notes at face value less unamortized discount on our condensed consolidated balance sheet. The fair value of the Notes changes when the market price of our stock fluctuates.

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. A hypothetical 100 basis point increase in interest rates would result in a $15 million and $17 million decrease in the fair value of our available-for-sale securities as of December 31, 2013 and March 31, 2014, respectively.

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Foreign Currency Exposure

The objective of our foreign exchange risk management program is to identify material foreign currency exposures and identify methods to manage these exposures to minimize the potential effects of currency fluctuations on our reported condensed consolidated cash flows and results of operations. Counterparties to our derivative contracts are all major institutions. See Note 9 — "Derivative Financial Instruments" in the Notes to our condensed consolidated financial statements for additional information on our hedging programs.

We transact business in various foreign currencies and have international revenue, as well as costs denominated in foreign currencies. This exposes us to the risk of fluctuations in foreign currency exchange rates.

Net realized and unrealized foreign currency transaction losses were $8 million and $2 million for the three months ended March 31, 2013 and 2014, respectively.

Translation Exposure. 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.

A Value-at-Risk ("VaR") sensitivity analysis was performed on all of our foreign currency derivative positions as of March 31, 2014 and December 31, 2013 to assess the potential impact of fluctuations in exchange rates. The VaR model uses a Monte Carlo simulation to generate thousands of random price paths assuming normal market conditions. The VaR is the maximum expected one day loss in fair value, for a given statistical confidence level, to our foreign currency derivative positions due to adverse movements in rates. The VaR model is used as a risk management tool and is not intended to represent either actual or forecasted losses. Based on the results of the model using a 99 percent confidence interval, we estimate the maximum one-day loss in fair value is $12 million on the notional value of the net investment hedges at both March 31, 2014 and December 31, 2013. The maximum one-day loss in fair value is less than $1 million on the notional value of our cash flow hedges at both March 31, 2014 and December 31, 2013. The maximum one-day loss in fair value is $2 million on the notional value of our balance sheet hedges at both March 31, 2014 and December 31, 2013. Actual future gains and losses associated with our derivative positions may differ materially from the sensitivity analysis performed as of December 31, 2013 due to the inherent limitations associated with predicting the timing and amount of changes in foreign currency exchange rates and our actual exposures and positions. In addition, the VaR sensitivity analysis may not reflect the complex market reactions that may arise from the market shifts modeled within this VaR sensitivity analysis.

Revenue ex-TAC 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, Japanese yen, 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 consolidated revenue and operating expenses. Conversely, our consolidated revenue and operating expenses will increase if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from the three months ended March 31, 2013, revenue ex-TAC for the Americas segment for the three months ended March 31, 2014 would have been higher than we reported by $3 million; revenue ex-TAC for the EMEA segment would have been lower than we reported by $2 million; and revenue ex-TAC for the Asia Pacific segment would have been higher than we reported by $13 million. Using the foreign currency exchange rates from the three months ended March 31, 2013, direct costs for the Americas segment for the three months ended March 31, 2014 would have been higher than we reported by $1 million; direct costs for the EMEA segment would have been lower than we reported by $1 million; and direct costs for the Asia Pacific segment would have been higher than we reported by $3 million.

Investment Exposure

We are exposed to investment risk as it relates to changes in the market value of our investments. We have investments in marketable securities and equity instruments of public and private companies.

Our cash and marketable securities investment policy and strategy attempts 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, 2013 and March 31, 2014, net unrealized gains and losses on these investments were not material.

Item 4. ***Controls and Procedures***

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 Securities and Exchange Act of 1934, as amended (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.

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.

PART II — OTHER INFORMATION

Item 1. ***Legal Proceedings***

For a description of our material legal proceedings, see the section captioned "Contingencies" included in Note 12 — "Commitments and Contingencies" in the Notes to our condensed consolidated financial statements, which is incorporated by reference herein.

Item 1A. **Risk Factors**

We have updated the risk factors previously disclosed in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2013, which was filed with the Securities and Exchange Commission on February 28, 2014 ("2013 Annual Report"), as set forth below. We do not believe any of the changes constitute material changes from the risk factors previously disclosed in our 2013 Annual Report other than changes to our risk factor concerning the Search Agreement with Microsoft.

We face significant competition for users, advertisers, publishers, developers, and distributors.

We face significant competition from online media companies, social media and networking sites, traditional print and broadcast media, search engines, and various e-commerce sites. In a number of international markets, especially those in Asia, Europe, the Middle East and Latin America, we face substantial competition from local Internet service providers and other portals that offer search, communications, and other commercial services.

Several of our competitors offer an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to Yahoo. We compete against these and other companies to attract and retain users, advertisers, developers, and third-party Website publishers as participants in our Affiliate network, and to obtain agreements with third parties to promote or distribute our services. We also compete with social media and networking sites which are increasingly used to communicate and share information, and which are attracting a substantial and increasing share of users, users' online time, and online advertising dollars.

A key element of our strategy is focusing on mobile products and mobile advertising formats, as well as increasing our revenue from mobile. A number of our competitors have devoted significant resources to the development of products and services for mobile devices. Currently our revenue from mobile is not material and several of our competitors have mobile revenue significantly greater than ours. If we are unable to develop products for mobile devices that users find engaging and that help us grow our mobile revenue, our competitive position, our financial condition and operating results could be harmed.

In addition, a number of competitors offer products and services that directly compete for users with our offerings, including e-mail, search, sports, news and finance. Similarly, the advertising networks operated by our competitors or by other participants in the display marketplace offer advertising exchanges, ad networks, demand side platforms, ad serving technologies, sponsored search offerings, and other services that directly compete for advertisers with our offerings. We also compete with traditional print and broadcast media companies to attract domestic and international advertising spending. Some of our existing competitors and possible entrants may have greater brand recognition for certain products and services, more expertise in particular market segments, and greater operational, strategic, technological, financial, personnel, or other resources than we do. Many of our competitors have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions, technologies, and research and development. Further, emerging start-ups may be able to innovate and provide new products and services faster than we can. In addition, competitors may consolidate or collaborate with each other, and new competitors may enter the market. Some of our competitors in international markets have a substantial competitive advantage over us because they have dominant market share in their territories, have greater local brand recognition, are focused on a single market, are more familiar with local tastes and preferences, or have greater regulatory and operational flexibility due to the fact that we may be subject to both U.S. and foreign regulatory requirements.

If our competitors are more successful than we are in developing and deploying compelling products or in attracting and retaining users, advertisers, publishers, developers, or distributors, our revenue and growth rates could decline.

We generate the majority of our revenue from display and search advertising, and the reduction in spending by or loss of current or potential advertisers would cause our revenue and operating results to decline.

For the three months ended March 31, 2014, 79 percent of our total revenue came from display and search advertising. Our ability to retain and grow display and search revenue depends upon:

- maintaining and growing our user base and popularity as an Internet destination site;
- maintaining the popularity of our existing products and introducing engaging new products and making our new and existing products popular and distributable on mobile and other alternative devices and platforms;

- maintaining and expanding our advertiser base on PCs and mobile devices;
- broadening our relationships with advertisers to small- and medium-sized businesses;
- successfully implementing changes and improvements to our advertising management platforms and obtaining the acceptance of our advertising management platforms by advertisers, Website publishers, and online advertising networks;
- successfully acquiring, investing in, and implementing new technologies and strategic partnerships;
- successfully implementing changes in our sales force, sales development teams, and sales strategy;
- continuing to innovate and improve the monetization capabilities of our display advertising and mobile products;
- effectively monetizing mobile and other search queries;
- continuing to innovate and improve users' search experiences;
- maintaining and expanding our Affiliate program for search and display advertising 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 most cases, our agreements with advertisers have a term of one year or less, and may be terminated at any time by the advertiser or by us. Search marketing agreements often have payments dependent upon usage or click-through levels. Accordingly, it is difficult to forecast display and search revenue accurately. In addition, our expense levels are based in part on expectations of future revenue, 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, growth rate of the online advertising market, and availability of capital has impacted and could further impact the advertising spending patterns of our existing and potential advertisers. Any reduction in spending by, or loss of, existing or potential advertisers would negatively impact our revenue and operating results. Further, we may be unable to adjust our expenses and capital expenditures quickly enough to compensate for any unexpected revenue shortfall.

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

We plan to continue to manage costs to better and more efficiently manage our business. However, our operating expenses might increase as we expand our operations in areas of desired growth, continue to develop and extend the Yahoo brand, fund product development, build or expand data centers, acquire additional office space, and continue to make talent acquisitions and to acquire and integrate complementary businesses and technologies. If our expenses increase at a greater pace than our revenue, or if we fail to effectively manage costs, our profitability will decline.

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

Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. Even though we have substantially completed the transition to Microsoft's platform, we still need to continue to invest and innovate to improve our users' search experience to continue to attract, retain, and expand our user base and paid search advertiser base. We also need to continue to invest in and innovate on the mobile search experience. Pursuant to the Search Agreement with Microsoft, we are also dependent on Microsoft to continue to invest and innovate to maintain and improve its algorithmic and paid search services.

We also generate revenue through other online products and services, such as Yahoo Mail, and continue to innovate the products and services that we offer. The research and development of new, technologically advanced products is a complex process that requires significant levels of innovation and investment, as well as accurate anticipation of technology, market and consumer trends. If we are unable to provide innovative products and services which gain user acceptance and generate significant traffic to our Websites, our business could be harmed, causing our revenue to decline.

Risks associated with our Search Agreement with Microsoft may adversely affect our business and operating results.

Under our Search Agreement with Microsoft, Microsoft is the exclusive algorithmic and paid search services provider on Yahoo Properties and non-exclusive provider of such services on Affiliate sites for the transitioned markets. Approximately 31 percent and 36 percent of our revenue for 2013 and the three months ended March 31, 2014, respectively, were attributable to the Search Agreement. Our business and operating results would be adversely affected by a significant decline in or loss of this revenue.

Implementation of our Search Agreement with Microsoft commenced on February 23, 2010. We have completed the transition of our algorithmic search platform to the Microsoft platform and have substantially completed transition of paid search.

In 2013, the Company and Microsoft engaged in litigation regarding the timing of the transition of paid search in Taiwan and Hong Kong. Although the transition of paid search in Taiwan and Hong Kong was completed in December 2013, Microsoft could seek recovery of its costs and damages related to the litigation.

Pursuant to the Search Agreement with Microsoft, to maintain and grow search revenue, we are dependent on Microsoft continuing to invest and innovate to maintain and improve its algorithmic and paid search services and to be competitive with other search providers. If Microsoft fails to do this, our revenue and profitability could decline and our ability to maintain and expand our relationships with Affiliates for search and paid search advertising could be negatively impacted. Further, our competitors may continue to increase revenue, profitability, and market share at a higher rate than we do.

As mobile advertising continues to evolve and people increasingly access our products via mobile devices rather than PCs, our financial results may be adversely impacted if our mobile offerings are not widely adopted by users, advertisers and device manufacturers or if we do not generate adequate revenue from our mobile offerings.

The number of people who access the Internet through mobile devices rather than a PC, including mobile telephones, smartphones and tablets, is increasing and will likely continue to increase dramatically. Approximately half of our monthly users are now joining us on mobile. In addition, search queries are increasingly being undertaken through mobile devices. We expect our ability to grow advertising revenue will become increasingly dependent on our ability to generate revenue from ads displayed on mobile devices.

A key element of our strategy is focusing on mobile devices and we expect to continue to devote significant resources to the creation and support of developing new and innovative mobile products and services. However, if our new mobile products and services, including new forms of Internet advertising for mobile devices, are not more attractive and successful in attracting and retaining users, advertisers and device manufacturers than those of our competitors and fail to generate and grow revenue, our operating and financial results will be adversely impacted.

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, develop, or acquire control of alternative devices or their operating systems, we face an increased risk that our users will favor the services or properties of that competitor. We are dependent on the interoperability of our products and services with mobile operating systems we do not control. 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 or apps available in a readily-discoverable manner on their devices. If distributors impair access to or refuse to distribute our services or apps, then our user engagement and revenue could 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, video, and maps. We believe that users will increasingly demand high-quality content and services. We may need 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 users increasingly access the Internet via mobile and other 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, because many of our content and services licenses with third parties are non-exclusive, 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 cost, if other companies distribute content or services that are similar to or the same as that provided by us, or if we do not develop or commission compelling editorial content or personalization services, 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.

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 acquired companies into our operations;
- the potential disruption of our ongoing business and distraction of management;
- the incurrence of additional operating losses and operating 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 an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- the failure of strategic investments to perform as expected or to meet financial projections;
- the potential for patent and trademark infringement and data privacy and security claims against the acquired companies, or companies in which we have invested;
- litigation or other claims in connection with acquisitions, acquired companies, or companies in which we have invested;
- the impairment or loss 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, or failure to retain, employees of acquired companies or our existing employees as a result of integration of new personnel;
- our lack of, or limitations on our, control over the operations of our joint venture companies;
- the difficulty of integrating operations, systems, and controls as a result of cultural, regulatory, systems, and operational differences;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, 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.

We may be required to record a significant charge to earnings if our goodwill, amortizable intangible assets, investments in equity interests, including investments held by our equity method investees, or other investments 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, including investments held by our equity method investees, for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortizable intangible assets (including goodwill or assets acquired via acquisitions) include significant adverse changes in the business climate and actual or projected operating results (affecting our company as a whole or affecting any particular reporting unit) 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 companies in which we invested or the investments held by those companies. Factors that could lead to an impairment of U.S. government securities, which constitute a significant portion of our assets, include any downgrade of U.S. government debt or concern about the creditworthiness of the U.S. government. We have recorded and may be required in the future

to record additional charges to earnings if our goodwill, amortizable intangible assets, investments in equity interests, including investments held by our equity investees, or other investments become impaired. Any such charge would adversely impact our financial results.

Fluctuations in foreign currency exchange rates may adversely affect our operating results and financial condition.

Revenue generated and expenses incurred by our international subsidiaries and equity method investees 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 and equity method investees are translated from local currencies into U.S. dollars. Our financial results are also subject to changes in exchange rates that impact the settlement of transactions in non-local currencies. The carrying values of our equity investments in our equity investees are also subject to fluctuations in the exchange rates of foreign currencies.

We use derivative instruments, such as foreign currency forward contracts, to partially offset certain exposures to fluctuations in foreign currency exchange rates. The use of such instruments may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign currency exchange rates. Any losses on these instruments that we experience may adversely impact our financial results, cash flows and financial condition. Further, we hedge a portion of our net investment in Yahoo Japan with currency forward contracts. If the Japanese yen appreciated at maturity beyond the forward contract execution rates, we would be required to settle the contract by making a cash payment which could be material and could adversely impact our cash flows and financial condition. See Part I, Item 3—"Quantitative and Qualitative Disclosures About Market Risk" of this Quarterly Report.

Our business depends on a strong brand, and failing to maintain or enhance the Yahoo brands in a cost-effective manner could harm our operating results.

Maintaining and enhancing our brands is an important aspect of our efforts to attract and expand our user, advertiser, and Affiliate base. We believe that the importance of brand recognition will increase due to the relatively low barriers to entry in certain portions of the Internet market. Maintaining and enhancing our brands will depend largely on our ability to provide high-quality, innovative products and services, which we might not do successfully. We have spent and expect to spend considerable money and resources on the establishment and maintenance of our brands, as well as 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 such as service outages, product malfunctions, data protection and security issues, exploitation of our trademarks by others without permission, and poor presentation or integration of our search marketing offerings by Affiliates on their sites or in their software and services.

Further, while we attempt to ensure that the quality of our brands is maintained by our licensees, our licensees might take actions that could impair the value of our brands, our proprietary rights, or the reputation of our products and media properties. If we are unable to maintain or enhance 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.

We are regularly involved in claims, suits, government investigations, and other proceedings that may result in adverse outcomes.

We are regularly involved in claims, suits, government investigations, and proceedings arising from the ordinary course of our business, including actions with respect to intellectual property claims, privacy, consumer protection, information security, data protection or law enforcement matters, tax matters, labor and employment claims, commercial claims, as well as actions involving content generated by our users, stockholder derivative actions, purported class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products or technologies, which could in the future materially and adversely affect our business, operating results, and financial condition. See Note 12—"Commitments and Contingencies" in the Notes to our condensed consolidated financial statements.

On May 15, 2013, the Superior Court of Justice for the Federal District of Mexico reversed a judgment of U.S. $2.75 billion that had been entered against us and our subsidiary, Yahoo! Mexico, in a lawsuit brought by plaintiffs Worldwide Directories S.A. de C.V. and Ideas Interactivas, S.A. de C.V. The plaintiffs have appealed. We believe the plaintiffs' claims are without legal or factual merit. We do not believe that it is probable the judgment will be reinstated on appeal, however we cannot predict the timing of a decision or assure the ultimate outcome of the pending or further appeals. If we are ultimately required to pay all or a significant portion of the judgment, together with any potential additional damages, interests and costs, it would have a material adverse effect on our financial condition, results of operations and cash flows. We will also be required to record an accrual for the judgment if we should determine in the future that it is probable that we will be required to pay the judgment.

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 copyrights, patents, trademarks, trade dress, trade secrets, rights to domain names and other intellectual property assets 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. In particular, recent amendments to the U.S. patent law may affect our ability to protect our innovations and defend against claims of patent infringement. 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. To help maintain 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. If these confidentiality agreements are breached it could compromise our trade secrets and cause us to lose any competitive advantage provided by those 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 such as seeking patent protection to protect these technologies. 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, infringement and related claims against us over the display of content or search results triggered by search terms, including the display of advertising, that include trademark terms.

As we expand our business and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement and other claims, including those that may arise under international laws. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights, or other third-party rights such as publicity and privacy rights, we could incur substantial monetary liability, or 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, hinder us from offering certain features, functionalities, products or services, require us to develop non-infringing products or technologies, and limit our ability to compete effectively. We may also incur substantial expenses in defending against third-party 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. Furthermore, such customers and Affiliates may discontinue the use of our products, services, and technologies either as a result of injunctions or otherwise. The occurrence of any of these results could harm our brands or have an adverse effect on our business, financial position, operating results, and cash flows.

A variety of new and existing U.S. and foreign government laws and regulations could subject us to claims, judgments, monetary liabilities and other remedies, and to limitations on our business practices.

We are subject to numerous U.S. and foreign laws and regulations covering a wide variety of subject matters. New laws and regulations, changes in existing laws and regulations or the interpretation of them, our introduction of new products, or an extension of our business into new areas, could increase our future compliance costs, make our products and services less attractive to our users, or cause us to change or limit our business practices. We may incur substantial expenses to comply with laws and regulations or defend against a claim that we have not complied with them. Further, any failure on our part to comply with any relevant laws or regulations may subject us to significant civil or criminal liabilities, penalties, and negative publicity.

The application of existing domestic and international laws and regulations to us relating to issues such as user privacy and data protection, security, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, billing, real estate, consumer protection, accessibility, content regulation, quality of services, law enforcement demands, telecommunications, mobile, television, and intellectual property ownership and infringement in many instances is unclear or unsettled. Further, the application to us or our subsidiaries of existing laws regulating or requiring licenses for certain businesses of our advertisers can be unclear. U.S. export control laws and regulations also impose requirements and restrictions on exports to certain nations and persons and on our business. 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.

The Digital Millennium Copyright Act (“DMCA”) is intended, in part, to limit the liability of eligible online service providers for caching, hosting, listing or linking to, third-party Websites or user content that include materials that give rise to copyright infringement. Portions of the Communications Decency Act (“CDA”) are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and the CDA in conducting our business, and may be adversely impacted by future legislation and future judicial decisions altering these safe harbors or if international jurisdictions refuse to apply similar protections.

The Children’s Online Privacy Protection Act and rule, as amended in December 2012 (“COPPA”), 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”) requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. COPPA and PROTECT currently impose restrictions and requirements on our business, and other federal, state or international laws and legislative efforts designed to protect children on the Internet may impose additional requirements on us.

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, disclosure, sharing and security of data that we receive from and about our users. The use of consumer data by online service providers and advertising networks is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled. Many states have passed laws requiring notification to users where there is a security breach for personal data, such as California’s Information Practices Act. We face similar risks in international markets where our products and services are offered. Any failure, or perceived failure, by us to comply with or make effective modifications to our policies, or to comply with any federal, state, or international privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, a loss of user confidence, damage to the Yahoo brands, and a loss of users, advertising partners, or Affiliates, any of which could potentially have an adverse effect on 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, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our business, our brand or our reputation with users. For example, some countries are considering laws mandating that user data regarding users in their country be maintained in their country. Having to maintain local data centers in individual countries could increase our operating costs significantly. The interpretation and application of privacy, data protection and data retention laws and regulations are often uncertain and in flux 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, complicating long-range business planning decisions. If privacy, data protection or data retention laws are interpreted and applied in a manner that is inconsistent with our current policies and practices we may be fined or ordered to change our business practices in a manner that adversely impacts our operating results. 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 and operating results.

If our security measures are breached, our products and services may be perceived as not being secure, users and customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.

Our products and services involve the storage and transmission of Yahoo's users' and customers' personal and proprietary information in our facilities and on our equipment, networks and corporate systems. Security breaches expose us to a risk of loss of this information, litigation, remediation costs, increased costs for security measures, loss of revenue, damage to our reputation, and potential liability. Security breaches or unauthorized access have resulted in and may in the future result in a combination of significant legal and financial exposure, increased remediation and other costs, damage to our reputation and a loss of confidence in the security of our products, services and networks that could have an adverse effect on our business. We take steps to prevent unauthorized access to our corporate systems, however, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a triggering event, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose users and customers.

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

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

- Our operations are susceptible to outages and interruptions due to fire, flood, earthquake, tsunami, other natural disasters, power loss, equipment or telecommunications failures, cyber attacks, terrorist attacks, political or social unrest, and other events over which we have little or no control. 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, so some data or systems may not be fully recoverable after such 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 when we make modifications, which might cause service malfunctions or require services to be taken offline while corrective responses are developed.
- Despite our implementation of network security measures, our servers are vulnerable to computer viruses, malware, worms, hacking, physical and electronic break-ins, router disruption, sabotage or espionage, and other disruptions from unauthorized access and tampering, as well as coordinated denial-of-service attacks. We may not be in a position to promptly address attacks or to implement adequate preventative measures if we are unable to immediately detect such attacks. Such events could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, including changes to security measures, to deploy additional personnel, to defend litigation or to protect against similar future events, and may cause damage to our reputation or loss of revenue.
- We rely on third-party providers over which we have little or no control 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 certain of our products and services. 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 revenue. 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 to our brands, legal costs or liability, and harm to our operating results.

Our international operations expose us to additional risks that could harm our business, operating results, and financial condition.

In addition to uncertainty about our ability to continue to generate revenue from our foreign operations and expand our international market position, there are additional risks inherent in doing business internationally (including through our international joint ventures), including:

- tariffs, trade barriers, customs classifications and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- longer payment cycles;

- credit risk and higher levels of payment fraud;
- profit repatriation restrictions and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, 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 bribery and corrupt payments to government officials;
- antitrust and competition regulations;
- potentially adverse tax developments;
- seasonal volatility in business activity and local economic conditions;
- economic uncertainties relating to volatility in emerging markets and global economic uncertainty;
- laws, regulations, licensing requirements, and business practices that favor local competitors or prohibit foreign ownership or investments;
- different, uncertain or more stringent user protection, content, data protection, privacy, intellectual property and other laws; and
- risks related to other government regulation, required compliance with local laws or lack of legal precedent.

We are subject to numerous and sometimes conflicting U.S. and foreign laws and regulations which increase our cost of doing business. Violations of these complex laws and regulations that apply to our international operations could result in damage awards, fines, criminal actions, sanctions, or penalties against us, our officers or our employees, prohibitions on the conduct of our business and our ability to offer products and services, 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.

We may be subject to legal liability associated with providing online services or content.

We host and provide a wide variety of services and technology products that enable and encourage individuals and businesses to exchange information; upload or otherwise generate photos, videos, text, and other content; advertise products and services; conduct business; and engage in various online activities both domestically and internationally. The law relating to the liability of providers of online services and products for activities of their users is currently unsettled both within the U.S. and internationally. As a publisher and producer of original content, we may be subject to claims such as copyright, libel, defamation or improper use of publicity rights, as well as other infringement claims such as plagiarism. Claims have been threatened and brought against us for defamation, negligence, breaches of contract, plagiarism, copyright and trademark infringement, unfair competition, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information which we publish or to which we provide links or that may be posted online or generated by us or by third parties, including our users. In addition, we have been and may again in the future be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates laws in domestic and international jurisdictions. 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 may provide that we will be indemnified against such liabilities, the ability to receive such indemnification may be disputed, could result in substantial costs to enforce or defend, and 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. Defense of any such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

It is also possible that if 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, by our users and third parties, resulting from unsolicited e-mail, lost or misdirected messages, illegal or fraudulent use of e-mail, alleged violations of policies, property interests, or privacy protections, including civil or criminal laws, or interruptions or delays in e-mail service. We may also face purported consumer class actions or state actions relating to our online services, including our fee-based services (particularly in connection with any decision to discontinue a fee-based service). In addition, our customers, third parties, or government entities may assert claims or actions against us if our online services or technologies are used to spread or facilitate malicious or harmful code or applications.

Investigating and defending these types of claims are 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 negatively impact our ability to compete.

If we are unable to recruit, hire, motivate, 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 are located; fluctuations in global economic and industry conditions; competitors' hiring practices; and the effectiveness of our compensation programs. If we do not succeed in retaining and motivating our existing 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.

Certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We present key metrics such as number of users, number of Ads Sold, number of Paid Clicks, Price-per-Click and Price-per-Ad that are calculated using internal company data. We periodically review and refine our methodologies for monitoring, gathering, and calculating these metrics. Based on this process, from time to time we update our methodologies.

While our metrics are based on what we believe to be reasonable measurements and methodologies, there are inherent challenges in deriving our metrics across large online and mobile populations around the world. In addition, our user metrics may differ from estimates published by third parties or from similar metrics of our competitors due to differences in methodology.

If advertisers or publishers do not perceive our metrics to be accurate, or if we discover material inaccuracies in our metrics, it could negatively affect our reputation, business and financial results.

Any failure to scale and adapt our existing technology architecture to manage expansion of user-facing services and to 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. We expect our products and services to continue to expand and change significantly and rapidly in the future to accommodate new technologies, new devices, new Internet advertising solutions, and new means of content delivery.

In addition, 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 security features or 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 existing, or move to completely new, architectures, platforms and systems, such as the changes we have made in response to the increased use of tablets and smartphones. 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 changes, 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 or to 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 rely on third parties to provide the technologies necessary to deliver content, advertising, and services to our users, and any change in the licensing terms, costs, availability, or acceptance of these formats and technologies could adversely affect our business.

We rely on third parties to provide the technologies that we use to deliver content, advertising, and services to our users. There can be no assurance that these providers will continue to license their technologies or intellectual property to us on reasonable terms, or at all. Providers may change the fees they charge users or otherwise change their business model in a manner that slows the widespread acceptance of their technologies. In order for our services to be successful, there must be a large base of users of the technologies necessary to deliver our content, advertising, and services. We have limited or no control over the availability or acceptance of those technologies, and any change in the licensing terms, costs, availability, or user acceptance of these technologies could adversely affect our business.

Our business depends on continued and unimpeded access to the Internet by us and our users. Internet access providers may be able to block, degrade, or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users and advertisers.

Our products and services depend on the ability of our users to access the Internet, and certain of our products require significant bandwidth to work effectively. Currently, this access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies, and government-owned service providers. Some of these providers have taken, or have stated that they may take, measures that could degrade, disrupt, or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support or facilitate our offerings, or by charging increased fees to us or our users to provide our offerings. Such interference could result in a loss of existing users and advertisers, and increased costs, and could impair our ability to attract new users and advertisers, thereby harming our revenues and growth.

If we are unable to attract, sustain, and renew distribution arrangements on favorable terms, our revenue 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, Internet service providers 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.
- We enter into agreements with mobile phone, tablet, television, and other device manufacturers, electronics companies and carriers 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, reduce our revenue. In some cases, device manufacturers may be unwilling to pay fees to Yahoo in order to distribute Yahoo services or may be unwilling to distribute Yahoo services.

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.

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 revenue 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 revenue 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 revenue to decline.

Technologies, tools, software, and applications could block our advertisements, impair our ability to deliver interest-based advertising, or shift the location in which advertising appears, which could harm our operating results.

Technologies, tools, software, and applications (including new and enhanced Web browsers) have been developed and are likely to continue to be developed that can block or allow users to opt out of display, search, and interest-based advertising and content, delete or block the cookies used to deliver such advertising, or shift the location in which advertising appears on pages so that our advertisements do not show up in the most monetizable places on our pages or are obscured. Most of our revenue is derived from fees paid by advertisers in connection with the display of graphical and non-graphical advertisements or clicks on search advertisements on Web pages. As a result, the adoption of such technologies, tools, software, and applications could reduce the number of display and search advertisements that we are able to deliver and/or our ability to deliver interest-based advertising and this, in turn, could reduce our advertising revenue and operating results.

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

If we are unable to effectively manage a large and geographically dispersed group of employees or to anticipate our future growth and personnel needs, our business may be adversely affected. As we expand 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, acquisitions of new businesses with different systems, and 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.

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. These proprietary document formats may limit the effectiveness of search technology by preventing the 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 the process of indexing the document contents with search technology. This would mean that the document contents would not be included in 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 the search platform technology we employ is unable to index proprietary format Web documents as effectively as our competitors’ technology, usage of our search services might decline, which could cause our revenue to fall.

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

We offer fee-based enhancements for many of our free services. The development cycles for these technologies are long and generally require investment by us. We have invested and will continue to invest in premium products and services. Some of these premium products and services might not generate anticipated revenue or might not meet anticipated user adoption rates. We have previously discontinued some non-profitable premium services and may discontinue others. General economic conditions as well as the rapidly evolving competitive landscape may affect users’ willingness to pay for such premium services. If we cannot generate revenue from our premium services that are greater than the cost of providing such services, our operating results could be harmed.

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. As a U.S. multinational corporation, we are subject to changing tax laws both within and outside of the U.S. We cannot predict the form or timing of potential legislative changes, but any newly enacted tax law could have a material adverse impact on our tax expense and cash flow. For example, several jurisdictions have sought to increase revenues by imposing new taxes on internet advertising or increasing general business taxes.

We earn a material amount of our operating income from outside the U.S. As of March 31, 2014, we had undistributed foreign earnings of approximately $2.8 billion, principally related to our equity method investment in Yahoo Japan. While we do not currently anticipate repatriating these earnings, any repatriation of funds in foreign jurisdictions to the U.S. could result in higher effective tax rates for us and subject us to significant additional U.S. income tax liabilities.

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 condensed 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.

Adverse macroeconomic conditions could cause decreases or delays in spending by our advertisers and could harm our ability to generate revenue and our results of operations.

Advertising expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenue from advertising, adverse macroeconomic conditions have caused, and future adverse macroeconomic conditions could cause, decreases or delays in advertising spending and negatively impact our advertising revenue and short-term ability to grow our revenue. Further, any decreased collectability of accounts receivable or early termination of agreements, whether resulting from customer bankruptcies or otherwise due to adverse macroeconomic conditions, could negatively impact our results of operations.

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 three months ended March 31 2014, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $34.89 to $41.23 per share and the closing sale price on April 30, 2014 was $35.95 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in quarterly operating results or announcements of technological innovations, significant transactions, or new features, products or services by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of, or other developments involving, other companies that investors may deem comparable to us; trends in our industry; general economic conditions; and the current and anticipated future operating performance and market equity valuation of Alibaba Group (including speculation regarding its initial public offering) and Yahoo Japan Corporation in which we have equity investments, including changes in equity valuation due to fluctuations in foreign currency exchange rates.

In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. A decrease in the market price of our common stock would likely adversely impact the trading price of the 0.00% Convertible Senior Notes due 2018 that we issued in November 2013 (the “Notes”). Volatility or a lack of positive performance in our stock price may also adversely affect our ability to retain key employees who 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 to our long-lived assets.

Delaware statutes and certain provisions in our charter documents could make it more difficult for a third-party to acquire us.

Our Board has the authority to issue up to 10 million shares of 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.

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 changes in our management, which could have an adverse effect on the market price of our stock and the value of the $1.4375 billion aggregate principal amount of the Notes we issued in November 2013. 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. 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 us.

Any of these provisions could, under certain circumstances, depress the market price of our common stock and the Notes.

Risks Relating to the Notes

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefore, or pay cash with respect to Notes being converted if we elect not to issue shares, which could harm our reputation and affect the trading price of our common stock.

The note hedge and warrant transactions may affect the value of the Notes and our common stock.

In connection with the pricing of the Notes, we entered into note hedge transactions with the option counterparties. The note hedge transactions are generally expected to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be. We also entered into warrant transactions with the option counterparties. However, the warrant transactions could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants.

In connection with establishing their initial hedge of the note hedge and warrant transactions, the option counterparties or their respective affiliates have purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Notes. In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes or following any repurchase of Notes by us on any fundamental repurchase date or otherwise). This activity could cause or avoid an increase or a decrease in the market price of our common stock or the Notes.

Any adverse change in the rating of the Notes may cause their trading price to decline.

While we did not seek a rating on the Notes, one rating service has rated the Notes. If that rating service announces its intention to put the Notes on credit watch or lowers its rating on the Notes below any rating initially assigned to the Notes, the trading price of the Notes could decline.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include the current period's amortization of the debt discount, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share repurchase activity during the three months ended March 31, 2014 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 Program (in 000s) (*)
January 1 — January 31, 2014	4,601,800	$ 39.12	4,601,800	$ 4,913,108
February 1 — February 28, 2014	4,205,119	$ 36.26	4,205,119	$ 4,760,624
March 1 — March 31, 2014	3,132,700	$ 37.38	3,132,700	$ 4,643,532
Total	11,939,619	$ 37.65	11,939,619	

(*) The share repurchases in the three months ended March 31, 2014 were made under our stock repurchase programs announced in May 2012 and November 2013. Our May 2012 repurchase program, which by its terms would have expired in June 2015, was exhausted during the first quarter of 2014. In November 2013, our Board of Directors authorized an additional stock repurchase program with an authorized level of $5 billion. The November 2013 program, according to its terms, will expire in December 2016. Repurchases under the programs 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.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. *Exhibits*

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

YAHOO! INC.

Dated: May 8, 2014

By: /s/ MARISSA A. MAYER

Marissa A. Mayer
Chief Executive Officer
(Principal Executive Officer)

Dated: May 8, 2014

By: /S/ KEN GOLDMAN

Ken Goldman
Chief Financial Officer
(Principal Financial Officer)

Table of Contents

YAHOO! INC.

Index to Exhibits

Exhibit Number	Description
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, 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)).
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/A filed December 20, 2010 and incorporated herein by reference).
10.2(R)+*	Form of Restricted Stock Unit Award Agreement for Executives, including the Notice of Grant, under the Yahoo! Inc. 1995 Stock Plan.
10.2(S)+*	Form of Performance Restricted Stock Unit Award Agreement for Executives, including the Notice of Grant, under the Yahoo! Inc. 1995 Stock Plan.
10.11+*	Yahoo! Inc. 2014 Executive Incentive Plan.
10.15(C)*	Waiver and Consent Agreement, dated January 23, 2014, by and among the Registrant, Alibaba Group Holding Limited, Softbank Corp., Alipay.com Co., Ltd., APN Ltd., Zhejiang Alibaba E-Commerce Co., Ltd., Jack Ma Yun, Joseph C. Tsai and certain joinder parties.
10.15(D)*	Second Amendment to the Alipay Framework Agreement, dated as of May 3, 2014, by and among the Registrant, Alibaba Group Holding Limited, Softbank Corp., Alipay.com Co., Ltd., APN Ltd., Zhejiang Alibaba E-Commerce Co., Ltd., Jack Ma Yun, Joseph C. Tsai and certain joinder parties.
10.17(I)+*	Restricted Stock Unit Award Agreement, including the Notice of Grant, dated February 27, 2014, between the Registrant and Marissa A. Mayer.
10.17(J)+*	Performance Restricted Stock Unit Award Agreement, including the Notice of Grant, dated February 27, 2014, between the Registrant and Marissa A. Mayer.
10.17(K)+*	Letter Amendment, dated April 14, 2014, to Performance Stock Option Agreement (Retention Grant), between the Registrant and Marissa A. Mayer.
10.17(L)+*	Letter Amendment, dated April 14, 2014, to Performance Stock Option Agreement (2012 Annual Grant), between the Registrant and Marissa A. Mayer.
10.18(C)+*	Letter Amendment, dated April 14, 2014, to Performance Stock Option Agreement, between the Registrant and Ken Goldman.
10.24+*	Employment Offer Letter, dated May 31, 1999, between the Registrant and Ronald S. Bell.
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 May 8, 2014.
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 May 8, 2014.
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 May 8, 2014.
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.
** Furnished herewith.
\+ Indicates a management contract or compensatory plan or arrangement.

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

[grantee name]
Employee ID: [number]

You have been granted an award of Restricted Stock Units by Yahoo! Inc. (the "Company") as follows:

Date of Grant:	[date]
Total Number of Restricted Stock Units Granted:	[number]
Type of RSU:	U.S. Executive RSU
Vesting Commencement Date:	[date]

Vesting Schedule:

Shares	Vesting Date	Shares	Vesting Date	Shares	Vesting Date
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
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[#]	[Date]	[#]	[Date]	[#]	[Date]

[INSERT IF APPLICABLE: This 'front loaded' grant represents [#] years of annual awards.]

Manner of Payment by Company:	Stock
Governing Documents:	1995 Stock Plan (the "Plan") RSU Award Agreement for U.S. Executives

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);
- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

GRANTEE:	YAHOO! INC.
[Click here to accept] Signature	By: /s/ Marissa A. Mayer Marissa A. Mayer
[grantee name] Name	Title: Chief Executive Officer
Supplemental Documents:	Insider Trading Policy U.S. Prospectus

YAHOO! INC.
1995 STOCK PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the total number of RSUs set forth in the Notice of Grant, on the terms and conditions set forth in this Restricted Stock Unit Award Agreement for U.S. Executives (this "Agreement") and as otherwise provided in the Yahoo! Inc. 1995 Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 1995 Stock Plan, as amended (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 RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs 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 RSUs.

(b) *Restrictions.* The RSUs 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 RSUs 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, on each vesting date specified in the vesting schedule set forth in the Notice of Grant, the number of RSUs set forth opposite such vesting date shall vest and become non-forfeitable.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the "Payment Date"), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs 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. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs 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; Leaves of Absence.* 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, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) 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 RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination During Annual Vesting Period*: subject to clause (ii)(B) below, in the event (1) 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) and the Grantee complies with the release and other requirements described in Section 2(j), (2) the Termination Date is not a scheduled vesting date and is six months or less before the next scheduled vesting date, and (3) on the Termination Date the period of time between (x) the then-prior vesting date (or, if none, the date of grant specified in the Notice of Grant (the "Date of Grant") or any earlier vesting commencement date specified by

the Administrator at the time of grant) and (y) the next scheduled vesting date is six months or more, then the RSUs that are scheduled to vest on the next scheduled vesting date (to the extent then outstanding and unvested) shall vest and become non-forfeitable on the later of the Termination Date or the date the Grantee's full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable. Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(A) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control (as defined below).

(B) *Front-Loaded Awards - Termination During Annual Vesting Period*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee's death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as "front loaded" in the Notice of Grant, then the number of RSUs that vest upon the later of the Termination Date or the date the Grantee's full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited be the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(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 (A), (B) and (C) 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: (A) 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); (B) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (C) 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; (D) 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 (E) the Grantee's indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) *Leaves of Absence*. Unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator, and subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), in the event the Grantee takes an authorized leave of absence from the Company, Parent or Subsidiary (as applicable), each vesting date specified in the vesting schedule set forth in the Notice of Grant that has not occurred as of the commencement of such leave of absence shall be tolled for the number of calendar days in the period that the Grantee is on such leave of absence, beginning with the commencement date of such leave of absence, but not beyond the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). (For example, if the scheduled vesting date is January 1, 2014 and, prior to that date the Grantee commences a leave of absence spanning 365 calendar days, the vesting date shall (unless otherwise expressly provided in a Company leave of absence policy approved by the Administrator or otherwise by the Administrator) be tolled for 365 days and shall become January 1, 2015.)

(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 RSUs 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 defined below) prior to the date the RSUs 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) and the Grantee complies with the release and other requirements described in Section 2(j), the RSUs subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable. Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(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): (A) 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; (B) 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 (C) 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 RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next three sentences, 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 RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee's employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) ("Net Share Settlement"). In the event that 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 a 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. Notwithstanding the foregoing, if the Grantee has been designated by the Company's Board of Directors as an "executive officer" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a "Cash Settlement"); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in

no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

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.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is earned only by continuing in the employ or service of the Company at the will of the Company (not through the act of being hired, being granted the RSUs or acquiring Shares under this Agreement). The Grantee 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 Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *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.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof 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.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *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.

(j) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(k) *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.

(l) *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.

(m) *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.

(n) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee's online acceptance) of the Notice of Grant.

Exhibit 10.2(S)

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

[grantee name]
Employee ID: [number]

You have been granted an award of Restricted Stock Units by Yahoo! Inc. (the "Company") as follows:

Date of Grant:	[date]
Total Number of Restricted Stock Units Granted:	[number]
Type of RSU:	U.S. Executive Performance RSU
Vesting Commencement Date:	[date]

Vesting Schedule:

Shares	Vesting Date
[#]	[Date]
[#]	[Date]
[#]	[Date]
[#]	[Date]

These RSUs are subject to performance-based vesting. The actual number of shares vesting will be 0% to 200% of the target amounts shown above depending on the achievement of performance goals and time-based vesting requirements as described in the award agreement. The vesting dates shown above are approximate.

[INSERT IF APPLICABLE: This 'front loaded' grant represents [#] years of annual awards.]

Manner of Payment by Company:	Stock
Governing Documents:	1995 Stock Plan (the "Plan") Performance RSU Award Agreement for U.S. Executives

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);

- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

GRANTEE:	YAHOO! INC.
[Click here to accept] Signature	By: /s/ Marissa A. Mayer Marissa A. Mayer
[grantee name] Name	Title: Chief Executive Officer

Supplemental Documents: Insider Trading Policy
U.S. Prospectus

YAHOO! INC.
1995 STOCK PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the number of RSUs (such number, the "Target Number" of RSUs; and one-[fourth] of the Target Number being the "Annual Target Number" of RSUs for each "Performance Year" identified in Section 2(c)(i) hereof) set forth in the Notice of Grant, on the terms and conditions set forth in this Performance Restricted Stock Unit Award Agreement for U.S. Executives (this "Agreement") and as otherwise provided in the Yahoo! Inc. 1995 Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 1995 Stock Plan, as amended (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 RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs 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 RSUs.

(b) *Restrictions.* The RSUs 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 RSUs in contravention of the above restriction shall be null and void and without effect.

(c) *Performance-Based Requirements; Lapse of Restrictions*.

(i) Subject to Section 2(c)(ii) below, for each of [20 , 20 , 20 and 20] (each such year, a “Performance Year”), the Grantee shall be credited with a number of RSUs equal to the Annual Target Number of RSUs for the applicable Performance Year multiplied by a percentage that (A) will be determined by the Administrator after the Performance Year based on the Company’s achievement of financial performance goals established for that Performance Year and (B) will be between 0% and 200%. The performance goals and the methodology for establishing the number of RSUs to be credited will be established by the Administrator not later than ninety (90) days after the start of the applicable Performance Year (and in any event at a time when it is substantially uncertain whether the performance targets will be achieved). The methodology to determine the RSU crediting percentage will be communicated to the Grantee after it is established by the Administrator. The Administrator shall, following the end of each Performance Year, determine whether and the extent to which the performance targets for that Performance Year have been satisfied and the RSU crediting percentage for that Performance Year. Such determinations by the Administrator shall be final and binding. The date of such determinations by the Administrator for the Performance Year is referred to as the “Determination Date.” Any of the Annual Target Number of RSUs for a particular Performance Year that are not credited to the Grantee in accordance with the foregoing provisions of this Section 2(c)(i) shall terminate as of the last day of the Performance Year.

(ii) Subject to Sections 2(e) through 2(g) below, the RSUs credited to the Grantee pursuant to Section 2(c)(i) for a particular Performance Year shall vest and become non-forfeitable upon the Vesting Date for that Performance Year; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs during the Performance Year, the Annual Target Number of RSUs for such Performance Year shall vest upon the final day of such Performance Year. The “Vesting Date” for a Performance Year shall be the Determination Date as to that Performance Year unless otherwise expressly provided in this Agreement.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the “Payment Date”), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs 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. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee’s successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs 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; Leaves of Absence.* 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, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) 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 RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination More Than Six Months After Start of Performance Year*: in the event (1) 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) and the Grantee complies with the release and other requirements described in Section 2(j), and (2) the Termination Date occurs more than six (6) months after the start of a particular Performance Year and prior to the Vesting Date for that Performance Year, the number of RSUs that vest for that Performance Year shall equal (x) the number of RSUs (if any) that would have vested in accordance with Section 2(c) if the Grantee's employment had continued through the Vesting Date, multiplied by (y) a fraction (which shall not be greater than 1), the numerator of which is the number of whole months between January 1 of the Performance Year and the Termination Date, and the denominator of which is twelve (12). Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date (or, in

the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(A) will not apply to any such termination that occurs during the first half of the Performance Year or, other than a termination due to the Grantee's death or Total Disability, at any time within the 12-month period following a Change in Control.

(B) *Front-Loaded Awards - Termination More Than Six Months After Start of Performance Year*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee's death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as "front loaded" in the Notice of Grant, then the number of RSUs that vest upon the Termination Date shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited by the Grantee as of the Termination Date (or, in the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(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 (A), (B) and (C) 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: (A) 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); (B) the Grantee's failure or refusal to comply in any material respect with material Company policies or lawful directives; (C) 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; (D) 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 (E) the Grantee's indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee's employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) *Leaves of Absence*. The provisions of this paragraph are subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), and shall apply to the Award unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator. In the event the Grantee is on an authorized leave of absence from the Company, Parent or Subsidiary (as applicable) at any time on or after the first day of a Performance Year, the Vesting Date for that Performance Year shall be the date that is X days following the Determination Date for that Performance Year (where "X" equals the total number of calendar days that the Grantee is on such a leave of absence in the period of time commencing with the first day of that Performance Period through and including the Determination Date for that Performance Period or, if the Grantee is on such a leave of absence on the Determination Date for that Performance Period, through and including the last day of such leave of absence), but in no event shall the Vesting Date be later than the last day of the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). In the event Section 2(e)(ii)(A) applies, in determining the fraction referenced in Section 2(e)(ii)(A), the numerator (which is generally the number of whole months between January 1 of the applicable Performance Year and the Termination Date) shall be determined by assuming that the Grantee's Termination Date occurred X days earlier than it actually occurred (with "X" determined as provided in the preceding sentence).

(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 a number of RSUs equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which such transaction occurs (to the extent not previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which such transaction occurs and any subsequent Performance Year(s).

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as defined below) prior to the fourth anniversary of the date of grant specified in the Notice of Grant (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) and the Grantee complies with the release and other requirements described in Section 2(j), a number of RSUs shall vest upon the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which the Change in Control occurs (to the extent not previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s). Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(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): (A) 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; (B) 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 (C) 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 RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next three sentences, 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 RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee’s employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) (“Net Share Settlement”). In the event that 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 a 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. Notwithstanding the foregoing, if the Grantee has been designated by the Company’s Board of Directors as an “executive officer” (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a “Cash Settlement”); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee’s participation in the Plan, or the Grantee’s acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

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.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is not earned through the act of being hired, being granted the RSUs or being credited Shares under this Agreement. The Grantee 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 Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *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.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof 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.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *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.

(j) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(k) *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.

(l) *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.

(m) *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.

(n) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee’s online acceptance) of the Notice of Grant.

YAHOO!

2014 Executive Incentive Plan

(February 2014)

I. Introduction

A. Applicability

1. The Employees eligible to participate in the Yahoo! Inc. 2014 Executive Incentive Plan (the "Executive Incentive Plan" or this "Plan") are Marissa A. Mayer, Ken Goldman, David Filo, and Ronald S. Bell, as well as any other employee who is designated by the Board of Directors (the "Board") of Yahoo! Inc. ("Yahoo" or the "Company") as an "Executive Officer" (as defined in Rule 3b-7 under the Securities Exchange Act of 1934) and specifically designated as a Plan participant by the Compensation and Leadership Development Committee of the Board (the "Compensation Committee," and any such other employee a "New Participant"). Any employee eligible to Participate in this Plan is referred to as a "Participant."
2. The Compensation Committee reserves the right to amend, modify or terminate this Plan, in whole or in part, at any time, in its sole discretion including, without limitation, to comply with applicable local law, rules and regulations; provided that any such amendment will be consistent with the intent that each Participant's bonus opportunity qualify (except as otherwise provided by Section III.E) as performance-based compensation under Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee may remove any individual from participation in this Plan at any time. All exceptions, adjustments, additions, or modifications to this Plan require the approval of the Compensation Committee.

B. Objectives of the Executive Incentive Plan

- 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. Executive Incentive Plan Elements

A. Target Awards

A target cash bonus award ("Target Award") has been established for each Participant by the Compensation Committee. Target Awards are typically expressed as a percentage of a Participant's annual base salary rate as of the last day of the applicable 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 may be reviewed and revised in the sole discretion of the Compensation Committee.

This Plan and Target Awards do not constitute a guarantee of or entitlement to a bonus payment. A Participant's actual bonus payment may vary from his or her Target Award.

B. Executive Incentive Plan Bonus Formula

Following the end of 2014, a "Company Performance Factor" (based on the Company's financial and operational performance during 2014) and an "Individual Performance Factor" (evaluating the individual's performance during the year) will be determined by the Compensation Committee. A Participant's Executive Incentive Plan bonus for 2014, subject to the other terms and conditions of this Plan, will equal the Participant's Target Award for 2014 multiplied by the Company Performance Factor and multiplied by the Participant's Individual Performance Factor; provided, however, that each Participant's Plan bonus shall not exceed 200% of his or her Target Award.

The metrics used to determine the financial performance of the Company in determining the Company Performance Factor will be GAAP Revenue and Mobile Revenue (each as defined below) for 2014. The Compensation Committee will also assess and determine (a) operational performance of the Company in determining the Company Performance Factor, and (b) individual performance in determining a Participant's Individual Performance Factor.

"GAAP Revenue" as to a particular period means the Company's worldwide revenue for that period as determined by the Company in accordance with GAAP and reflected in its reporting of financial results. "Mobile revenue" as to a particular period means the Company's revenue recognized in accordance with GAAP, that arises from (a) search and display ads shown on users' mobile devices, or (b) leads, listings and fees generated from usage of mobile devices. Mobile devices include tablets, smart phones and other portable devices except laptops. GAAP Revenue and Mobile Revenue will be subject to the adjustment provisions set forth in Section III.C. "GAAP" means U.S. generally accepted accounting principles.

Notwithstanding the foregoing provisions, the Compensation Committee retains discretion (a) to reduce or eliminate the amount of any Executive Incentive Plan bonus otherwise payable, or (b) subject to Section II.C to below, to increase the amount of any Executive Incentive Plan bonus otherwise payable.

Any Executive Incentive Plan 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.

C. Bonus Limit

Subject to Section III.E, each Participant's Executive Incentive Plan bonus for 2014 is (notwithstanding anything to the contrary above) subject to the limitations of this Section C. The intent of this Section C is to structure Executive Incentive Plan bonus opportunities to qualify as performance-based compensation within the meaning of Section 162(m) of the Code ("Section 162(m)"). Accordingly, this Plan will be construed and interpreted consistent with that intent. The Participants' Executive Incentive Plan bonus opportunities are structured as performance-based awards under Appendix A to the Yahoo! Inc. 1995 Stock Plan, as amended (the "1995 Plan"). Any determination contemplated by this Plan for the applicable year will be made by the Compensation Committee, and no Executive Incentive Plan bonus may be paid unless and until the Compensation Committee certifies, by resolution or other appropriate action in writing, that the bonus is not more than the Participant's maximum bonus determined pursuant to this Section C and that any other material terms applicable to the bonus were in fact satisfied.

The maximum aggregate bonus pool for 2014 under this Plan will equal 3% of Yahoo! Inc.'s Adjusted EBITDA for 2014 (the "Section 162(m) Bonus Pool Limit"). "Adjusted EBITDA" is calculated as income from operations before depreciation, amortization and stock-based compensation expense, subject to adjustment as provided below. The Compensation Committee established each Participant's maximum Executive Incentive Plan bonus for 2014 as follows (in each case expressed as a portion of the Section 162(m) Bonus Pool Limit for that year): Marissa A. Mayer—one-half; Ken Goldman—one-sixth; Ronald S. Bell—one-sixth; and David Filo—one-sixth. (For example, if the Compensation Committee allocated one-sixth of the Section 162(m) Bonus Pool Limit to a particular Participant, the Participant's maximum Executive Incentive Plan bonus will equal one-sixth of 3% of Yahoo! Inc.'s Adjusted EBITDA.) Notwithstanding the foregoing, in all cases each Participant's maximum Executive Incentive Plan bonus for 2014 will be subject to the limit of Section A.3 of the 1995 Plan and any other maximum bonus amount established by the Compensation Committee for that Participant, in each case if lower than the amount determined pursuant to this Section C. The Compensation Committee has discretion to reduce (but not increase) the maximum amount of a Participant's bonus determined pursuant to this Section C. For purposes of clarity, if the Compensation Committee exercises its discretion to reduce the maximum amount of any Executive Incentive Plan bonus (or any Executive Incentive Plan bonus is otherwise not paid at the maximum amount), the amount of the difference may not be allocated to any other Participant.

For purposes of calculating Adjusted EBITDA, GAAP Revenue, and Mobile Revenue for 2014, Adjusted EBITDA, GAAP Revenue and Mobile Revenue for 2014 shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan:

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(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; and

(f) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP.

"Financial Plan" means Yahoo! Inc.'s financial plan for 2014 reviewed by the Board of Directors.

III. TERMS AND CONDITIONS

A. Executive Incentive Plan Effective Period

This Plan covers the period from January 1, 2014 to December 31, 2014. This Plan supersedes all previous executive cash incentive plans, management incentive plans (MIP), Yahoo Incentive Plans for Excellence and Execution (YIPEE), or leadership bonus plans and agreements and all other previous or contemporaneous oral or written statements by the Company on this subject.

B. Date for Incentive Payments

Executive Incentive Plan bonuses paid under this Plan are not earned until paid and in all events remain subject to Section III.J. It is a condition for Executive Incentive Plan eligibility that Participants must be employed, and to the extent permitted by applicable law, not under notice of termination given by the Company or the Participant (if applicable), on the payment date of the Executive Incentive Plan bonuses (except as otherwise provided below in Section G). Payment will not occur until after financial results for 2014 are determined by the Company and the year end review process for 2014 is completed.

C. Form and Timing of Payment

If the conditions for payment described above are met, the Executive Incentive Plan 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, 2015 (except that, in the case of any Participants not on the United States payroll of the Company at the start of the applicable year and who are not added to the United States payroll of the Company during the applicable year, payment will occur not later than March 31, 2015).

D. Adjustments to Target Awards

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Participants during 2014. Any such changes will be communicated to the Participant in writing.

E. New Participants; Changes in Position; Other Prorations

If an employee is designated by the Board as an Executive Officer during 2014 (due to being newly hired, promoted, or otherwise), the Compensation Committee may select the employee for participation in this Plan by notifying the employee that he or she has been designated as a Participant under this Plan. Unless otherwise provided by the Compensation Committee at the time a New Participant is selected for participation in this Plan (in which case the Compensation Committee shall also, at such time, specify the applicable Section 162(m) limitation(s) applicable to the New Participant), any New Participant’s Executive Incentive Plan bonus for 2014 will not be subject to the limitations of Section II.C and, accordingly, will not qualify as performance-based compensation within the meaning of Section 162(m).

The following rules shall also apply except as otherwise determined by the Compensation Committee with respect to a particular Participant:

- If a Participant's Target Award as to the year changes during the year, or if a New Participant is added during the year, his/her annual Target Award amount shall be prorated based on the number of days each amount was in effect during the year.
- If a Participant transfers mid-year from an Executive Incentive Plan-eligible position to one that is not Executive Incentive Plan eligible (for example, if a Participant ceases to be designated as an Executive Officer by the Board but remains employed by the Company), the Compensation Committee, in its sole discretion, shall award the employee an Executive Incentive Plan bonus based on a prorated Executive Incentive Plan Target Award. Any such payment will be paid at the same time as other Executive Incentive Plan payments are paid.

The Compensation Committee has the sole discretion to prorate, reduce, offset, or eliminate Executive Incentive Plan bonuses to account for advances or payouts to employees under other bonus plans in effect during the same year, or for other reasons as it deems appropriate.

F. Leaves of Absence

To the extent permitted by applicable law, the amount of the Executive Incentive Plan bonus may be prorated for Participants who have been on an approved leave of absence of more than 90 days during the year.

G. Terminations of Employment

To the extent permitted by applicable law, and except as otherwise approved by the Compensation Committee or expressly set forth in a written agreement between the Participant and the Company, 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 Executive Incentive Plan bonus will not be eligible for and shall not receive any Executive Incentive Plan bonus.

Participants whose employment terminates due to the employee's total disability during 2014 will be eligible for a prorated Executive Incentive Plan bonus, based on the date of termination, and paid at the time other Executive Incentive Plan bonuses are paid under this Plan, to the extent permitted by applicable law. If a Participant dies during 2014, the Executive Incentive Plan bonus will be prorated based on the date of death and paid to the estate of the deceased Participant, at the time other Executive Incentive Plan bonuses are paid.

H. Executive Incentive Plan Interpretation

This Plan 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 this Plan may file a claim in writing to the Compensation Committee, c/o the Secretary of the Company, within 90 days of the date on which the Participant first knew (or should have known) of the facts on which the claim is based. The Compensation Committee or its designee(s) shall consider the claim and notify the Participant in writing of the determination and resolution of the issue. Claims that are not pursued through this procedure shall be treated as having been irrevocably waived. The determination of the Compensation Committee or its designee(s) as to any complaint or dispute will be final and binding and shall be upheld unless arbitrary or capricious or made in bad faith.

The provisions of this Plan 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 provisions of this Plan.

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 Code.

I. 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 Plan shall not be construed to create a contract of employment for a specified period of time between Yahoo! and any U.S. Participant.

J. Recoupment

Notwithstanding any other provision herein, the recoupment or “clawback” policies adopted by the Compensation Committee and applicable to incentive awards, as such policies are in effect from time to time, shall apply to this Plan and any bonuses paid or payable under this Plan.

Exhibit 10.15(C)

STRICTLY CONFIDENTIAL

WAIVER AND CONSENT AGREEMENT

This Waiver and Consent Agreement (this "Waiver and Consent") is entered into as of January 23, 2014, by and among Alibaba Group Holding Limited, a company organized under the laws of the Cayman Islands ("Alibaba"), SoftBank Corp., a Japanese corporation and shareholder of Alibaba ("Softbank"), Yahoo! Inc., a Delaware corporation and shareholder of Alibaba ("Yahoo!"), 支付宝（中国）网络技术有限公司 (Alipay.com Co., Ltd.), a limited liability company organized under the laws of the People's Republic of China ("OpCo"), APN Ltd., a company organized under the laws of the Cayman Islands ("IPCo"), 浙江阿里巴巴电子商务有限公司 (Zhejiang Alibaba E-Commerce Co., Ltd.), a limited liability company organized under the laws of the People's Republic of China ("HoldCo"), the Joinder Parties (as defined in the Agreement), Jack Ma Yun ("JM"), Joseph Chung Tsai ("JT"), and, solely for purposes of Section 3 herein, the Management Members' Representative (as defined in that certain New Shareholders Agreement dated as of September 18, 2012, by and among them and the other Alibaba shareholders party thereto (the "Shareholders Agreement")). Alibaba, SoftBank, Yahoo!, OpCo, IPCo, HoldCo, the Joinder Parties, JM and JT are herein referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, the Parties are parties to that certain Framework Agreement, dated as of July 29, 2011, as amended (the "Agreement");

WHEREAS, HoldCo desires to, directly or indirectly, form, capitalize and operate, and own not less than a 60% stake in, a new direct or indirect subsidiary of HoldCo ("Newco");

WHEREAS, in furtherance of its activities with respect to Newco, HoldCo desires to acquire all of the equity interests of an existing subsidiary of Alibaba ("Subco");

WHEREAS, HoldCo desires to acquire a 51% stake in an existing entity ("Acquisitionco");

WHEREAS, HoldCo desires to acquire the minority interests currently owned by third parties in each of two subsidiaries of Alibaba (the "Minority Interests Acquisitions");

WHEREAS, HoldCo has requested that other Parties waive certain sections in Article VII of the Agreement to enable HoldCo to fund the formation of, and direct or indirect capital contribution to, Newco, acquire Subco, acquire Acquisitionco, and effect the Minority Interests Acquisitions (together, the "Transactions"); and

WHEREAS, the other Parties are willing to provide such waivers, upon the terms and subject to the conditions set forth herein, in order to facilitate the Transactions in connection with a potential transaction currently being negotiated between Alibaba and HoldCo (the "Potential Transaction").

NOW, THEREFORE, in consideration of mutual covenants, and for other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

Section 1. Funding of Transactions. Subject to the terms and conditions set forth in this Waiver and Consent, the Parties hereby agree to irrevocably waive, and agree not to assert any claim they may now or hereafter have arising out of or relating to:

a. the restriction on OpCo making Distributions set forth in Section 7.05(a)(ii)(l)(A) of the Agreement;

b. the restrictions on HoldCo incurring Liabilities and Indebtedness (which may be secured by Liens on assets of HoldCo, OpCo or their respective subsidiaries) set forth in Sections 7.03(d) and 7.05(a)(i)(l)(A) of the Agreement;

c. the restriction on the repurchase of Securities and Related Party Transactions (as to intercompany loans from the OpCo Group to HoldCo or the Other Group) by OpCo set forth in Section 7.05(a)(ii)(l)(B) of the Agreement; and

d. the restriction on HoldCo's creation of Liens set forth in Section 7.15(e) of the Agreement, but solely to the extent that any such Lien is created, incurred, assumed or suffered to exist in connection with Indebtedness incurred by HoldCo as permitted by Section 1(b) of this Waiver and Consent;

provided, that any funds made available to HoldCo and the Other Group as a result of any such OpCo Distribution, HoldCo incurrence of Liabilities or Indebtedness, repurchase of Securities or Related Party Transaction permitted by this Section 1 are used exclusively for the Transactions; and

provided, further, that such waiver shall not apply to any OpCo Distribution, HoldCo incurrence of Liabilities or Indebtedness, repurchase of Securities or Related Party Transaction, or any other action that would otherwise be restricted pursuant to the provisions of Article VII of the Agreement:

x. to the extent that the aggregate funds made available to HoldCo and the Other Group as a result of all such actions exceed, or would exceed, the lesser of (i) RMB 3,980,000,000 and (ii) the total amount actually paid by HoldCo and its Affiliates to acquire equity interests in Newco, Acquisitionco, and Subco, to effect the Minority Interests Acquisitions, to capitalize and fund Newco and otherwise as required, in an aggregate amount that is not material, in the Transactions; or

y. if such OpCo Distribution, HoldCo incurrence of Liabilities or Indebtedness, repurchase of Securities or Related Party Transaction would occur after December 31, 2014.

For the avoidance of doubt, the waiver set forth in this Section 1 shall not be effective or binding upon any of the Parties unless and until this Waiver and Consent has been duly executed by all of the Parties.

Section 2. Other Provisions Regarding Funding. The Parties acknowledge and agree that no provisions of the Agreement other than those waived in the foregoing Section 1 are intended, or shall be interpreted, to be inconsistent with the Transactions on the terms and subject to the conditions set forth in this Waiver and Consent.

Section 3. Transfer of Subco. Alibaba, SoftBank, Yahoo! and the Management Members' Representative hereby waive Section 3.3 of the Shareholders Agreement and approve the Transactions for purposes of Article 69 of the Memorandum and Articles of Association of Alibaba, solely to the extent that such provisions would apply to the transfer of beneficial ownership of Subco from Alibaba to HoldCo; *provided*, that Subco has not acquired any material Asset between the date of this Waiver and Consent and the date of such transfer; and *provided*, *further*, that at the time of such transfer Subco does not own, beneficially or of record, any equity interest in any other Person.

Section 4. Conditional Elimination of Ceiling Amount. Notwithstanding anything to the contrary in any Transaction Document, if:

a. a definitive agreement providing for the Potential Transaction is entered into;

b. such definitive agreement is subsequently terminated without consummation of the transactions contemplated by the Potential Transaction; and

c. the failure of such consummation to occur is not substantially caused by action or inaction of SoftBank, Yahoo!, or Alibaba based on any action or inaction of its independent directors, in each case in material violation of their obligations under such definitive agreement, including any refusal by SoftBank or Yahoo! to provide any required cooperation or make required efforts thereunder;

then the Ceiling Amount shall not apply to any Liquidity Event Payment or Make-Whole Payment under the Agreement as to any Liquidity Event occurring after the date that such definitive agreement is terminated.

Without limiting the binding effect of this Section 4, not later than concurrently with the execution of such definitive agreement, the Parties shall enter into (and cause to be entered into) an amendment to the Agreement to further memorialize the foregoing agreement.

Section 5. Conditional Acceleration of IPCo Promissory Note. Notwithstanding anything to the contrary in any Transaction Document, if as of the later of (x) 30 days following receipt of the license for the establishment of Newco and (y) July 31, 2014 (the "Outside Date"):

a. each of SoftBank and Yahoo! and the independent directors of Alibaba acting on behalf of Alibaba has negotiated in good faith with HoldCo in respect of the Potential Transaction (i) from the date hereof through the Outside Date, and (ii) in a manner consistent with executing and delivering a definitive agreement providing for the Potential Transaction as soon as reasonably practicable after receipt of a license for the establishment of Newco;

b. each of SoftBank and Yahoo! has not become, as a result of any judicial, legislative or regulatory action occurring after the date of this Waiver and Consent, legally prohibited from (unless such prohibition is due to JM or JT failing to use their reasonable best efforts to avoid such prohibition) entering into and consenting to Alibaba entering into a definitive agreement providing for the Potential Transaction;

c. SoftBank and Yahoo! are prepared to enter into a definitive agreement providing for the Potential Transaction on the material economic and commercial terms (and only the material economic and commercial terms) as have been negotiated by the Parties through the date of this Waiver and Consent, and on reasonable terms as to terms not negotiated by the Parties through the date of this Waiver and Consent;

d. each of SoftBank and Yahoo! has full corporate authority and all necessary corporate approvals (including, in the case of Yahoo!, approval by its board of directors) to, and has committed to both enter into and consent to Alibaba entering into such definitive agreement providing for the Potential Transaction; and

e. HoldCo has not executed such definitive agreement.

then the IPCo Promissory Note shall be accelerated and shall be immediately due and payable in full, and any failure to immediately pay the full amount owing under the IPCo Promissory Note and any accrued and unpaid interest thereon shall constitute an Event of Default under the IPCo Promissory Note having the same effect as an Event of Default under Section 5.l (c) of the IPCo Promissory Note (in each case, for purposes of both the IPCo Promissory Note and the other Transaction Documents, including the Security Documents); *provided*, that at the election of Yahoo! and SoftBank an amount less than the full principal amount of the IPCo Promissory Note shall be accelerated and become due and payable, in which case the IPCo Promissory Note shall remain outstanding as to the unpaid principal amount in accordance with its terms.

Without limiting the binding effect of this Section 5, in the event of such acceleration, the Parties shall enter into (and cause to be entered into) such further documents and/or amendments as may be required to implement the agreement set forth in this Section 5.

Section 6. Representations and Warranties.

a. HoldCo represents and warrants to the other Parties that it has all required entity power and authority to execute and deliver this Waiver and Consent and perform its obligations hereunder. Neither the execution and delivery of this Waiver and Consent or the performance of its obligations hereunder by HoldCo will (with or without notice or lapse of time) result in any breach of, or constitute a default under, any contract, agreement or other instrument to which HoldCo or any of its subsidiaries is a party or by which HoldCo or any of its subsidiaries is bound or to which any property or asset of HoldCo or any of its subsidiaries is subject.

b. Alibaba represents and warrants to the other Parties that it has all required entity power and authority to execute and deliver this Waiver and Consent and perform its obligations hereunder. Neither the execution and delivery of this Waiver and Consent or the performance of its obligations hereunder by Alibaba will (with or without notice or lapse of time) result in any breach of, or constitute a default under, any contract, agreement or other instrument to which Alibaba or any of its subsidiaries is a party or by which Alibaba or any of its subsidiaries is bound or to which any property or asset of Alibaba or any of its subsidiaries is subject.

c. Alibaba represents and warrants to the other Parties that its entering into this Waiver and Consent has been approved by unanimous decision of the Independent Directors to the extent such approval is required pursuant to the Agreement and each of SoftBank and Yahoo! represent and warrant to the other Parties that each of their designees to the Alibaba board has approved Alibaba entering into this Waiver and Consent.

d. Each of HoldCo and Alibaba represents and warrants to the other Parties that Subco will be transferred in the Transactions at fair value which shall be an amount not to exceed RMB 75,000,000.

Section 7. Effect of Agreement. Except as expressly set forth above, the Transaction Documents shall continue in full force and effect in accordance with their terms without waiver or forbearance, and nothing in this Waiver and Consent is intended to, does, or shall be deemed or construed to either (a) waive or modify any right or obligation under any Transaction Document or (b) grant to any Party the right to take or permit any action otherwise prohibited under or limited by the Transaction Documents. Section 5 of this Waiver and Consent shall terminate upon the execution and delivery of a definitive agreement providing for the Potential Transaction by each of the parties thereto, and this Waiver and Consent shall otherwise terminate if at any time the Agreement is validly terminated.

Section 8. Interpretation. Capitalized terms used but not defined in this Waiver and Consent have the meanings ascribed to such terms in the Agreement, unless the context clearly requires otherwise. The interpretation of this Waiver and Consent shall otherwise be subject to Sections 1.02 (“Construction”) and 1.03 (“Schedules, Annexes and Exhibits”) of the Agreement, in each case, *mutatis mutandis*, as if set forth in this Waiver and Consent.

Section 9. Miscellaneous. This Waiver and Consent, together with the Agreement, contains the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters. This Waiver and Consent shall inure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns in accordance with this Waiver and Consent. This Waiver and Consent shall otherwise be subject to Sections 10.01 (“Notices”), 10.02 (“Amendment; Waiver”), 10.03 (“Assignment”), 10.06 (“Public Disclosure”), 10.08 (“Governing Laws; Jurisdiction; Waiver of Jury Trial”), 10.09 (“Arbitration”), 10.10 (“Counterparts”), 10.11 (“Rules of Construction”), 10.14 (“English Language Only”) and 10.16 (“Time of the Essence”) of the Agreement, in each case, *mutatis mutandis*, as if set forth in this Waiver and Consent.

[Signature Page Follows**]**

IN WITNESS WHEREOF, the Parties have caused their respective duly authorized representatives to execute this Waiver and Consent as of the date first written above.

Alibaba Group Holding Limited

By: /s/ Masayoshi Son
Name: Masayoshi Son
Title: Independent Director

By: /s/ Jacqueline Reses
Name: Jacqueline Reses
Title: Independent Director

浙江阿里巴巴电子商务有限公司
(Zhejiang Alibaba E-Commerce Co., Ltd.)

By: /s/ Peng Lei
Name: Peng Lei
Title: Legal Representative

Yahoo! Inc.

By: /s/ Jacqueline D. Reses
Name: Jacqueline D. Reses
Title: Chief Development Officer

支付宝（中国）网络技术有限公司
(**Alipay.com Co., Ltd.**)

By: /s/ Peng Lei
Name: Peng Lei
Title: Legal Representative

SoftBank Corp.

By: /s/ Masayoshi Son
Name: Masayoshi Son
Title: Chairman & CEO

APN Ltd.

By: /s/ Jack Ma Yun
Name: Jack Ma Yun
Title: Director

Joinder Parties

By: /s/ Jack Ma Yun
Name: Jack Ma Yun

/s/ Jack Ma Yun
Jack Ma Yun

Jack Ma Yun, as Management Members' Representative
Solely for purposes of Section 3 herein

/s/ Jack Ma Yun

/s/ Joseph Chung Tsai
Joseph Chung Tsai

[Signature Page to Waiver and Consent Agreement]

Exhibit 10.15(D)

EXECUTION COPY

SECOND AMENDMENT

TO THE ALIPAY FRAMEWORK AGREEMENT

This Second Amendment to the Alipay Framework Agreement, dated as of May 3, 2014 (this "Amendment"), is made and entered into by and among Alibaba Group Holding Limited, a company organized under the laws of the Cayman Islands ("Alibaba"), SoftBank Corp., a Japanese corporation and shareholder of Alibaba ("SoftBank"), Yahoo! Inc., a Delaware corporation and shareholder of Alibaba ("Yahoo"), 支付宝（中国）网络技术有限公司 (Alipay.com Co., Ltd.), a limited liability company organized under the laws of the People's Republic of China ("OpCo"), APN Ltd., a company organized under the laws of the Cayman Islands ("IPCo"), 浙江阿里巴巴电子商务有限公司 (Zhejiang Alibaba E-Commerce Co., Ltd.), a limited liability company organized under the laws of the People's Republic of China ("HoldCo"), the Joinder Parties and, solely with respect to the Sections referred to in Section 10.05 of the Framework Agreement (as defined below), Jack Ma Yun ("JMY") and Joseph Chung Tsai ("JT"). Alibaba, SoftBank, Yahoo, OpCo, IPCo, HoldCo, the Joinder Parties and, with respect to the referenced Sections, JMY and JT are herein referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the Parties have entered into that certain Framework Agreement, dated as of July 29, 2011 (the "Framework Agreement");

WHEREAS, the Closing and Effective Time under the Framework Agreement occurred on December 14, 2011;

WHEREAS, at the Effective Time, IPCo issued to Alibaba an interest-free note due December 14, 2018 or sooner or later under certain circumstances, in the principal amount of Five Hundred Million Dollars (US$500,000,000) (the "IPCo Promissory Note"), the payment of which was originally contemplated to serve as consideration for the transfer of certain intellectual property held by Alibaba to OpCo or certain Persons designated by OpCo upon the occurrence of a Liquidity Event (as defined therein) pursuant to Section 2.10 of the Original Agreement (as defined below);

WHEREAS, concurrently with the execution of the Framework Agreement, Alibaba and OpCo entered into a commercial agreement, pursuant to which Alibaba and its subsidiaries were granted the right to receive services from OpCo and its subsidiaries on the terms specified therein, effective as of the Effective Time (as amended to date, the "Commercial Agreement");

WHEREAS, concurrently with the execution of the Framework Agreement, Alibaba entered into an agreement to license to OpCo certain technology and other intellectual property and to perform various software technology services for OpCo, effective as of the Effective Time (the "Intellectual Property License and Software Technology Services Agreement");

WHEREAS, concurrently with the execution of the Framework Agreement, Alibaba and HoldCo entered into a shared services agreement, pursuant to which Alibaba and HoldCo agreed

to provide certain administrative and support services to each other and their respective affiliates, in each case, on the terms set forth therein, effective as of the Effective Time (the "Shared Services Agreement");

WHEREAS, the Parties amended the Framework Agreement as of November 15, 2012 (the Framework Agreement, as so amended, the "Original Agreement"); and

WHEREAS, the Parties wish to amend the Original Agreement to, among other things, incorporate IPCo's obligation to pay Five Hundred Million Dollars (US$500,000,000) in consideration of the transfer of certain intellectual property of Alibaba to OpCo or certain persons designated by OpCo in connection with the restructuring of OpCo and the Liquidity Event Payment and, in connection with such amendment, to cancel the IPCo Promissory Note.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

Section 1. Defined Terms; Construction. Capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Original Agreement. The rules of construction set forth in Section 1.02 of the Original Agreement are hereby incorporated by reference and shall be applied mutatis mutandis.

Section 2. Amendment of the Original Agreement. The Original Agreement is hereby amended in the manner specified herein.

Section 2.1. Amendments to Recitals

The Recitals of the Original Agreement are amended as follows:

(a) By deleting the second WHEREAS clause in its entirety and substituting the following in its stead:

"**WHEREAS**, this Agreement contemplates certain payments, as specified herein, to be made by HoldCo and/or IPCo to Alibaba or Alibaba's subsidiaries, which payments serve as consideration in part for the restructuring of the OpCo business resulting in the deconsolidation of OpCo by Alibaba, including the future transfer of certain intellectual property held by Alibaba to OpCo or certain Persons designated by OpCo pursuant to Section 2.10;"

(b) By deleting the third WHEREAS clause in its entirety.

(c) By deleting the words "the IPCo Promissory Note," from the final WHEREAS clause.

Section 2.2. Amendments to Article I

Section 1.01 of the Original Agreement is amended as follows:

(a) By inserting the following definitions in the appropriate alphabetical order therein:

"“Default/Seven Year Payment” means a portion of the Liquidity Event Payment equal to Five Hundred Million Dollars (US$500,000,000)."

"“Event of Default” means any of the following:

(a) HoldCo or IPCo shall fail to pay the Default/Seven Year Payment or any amounts under Section 2.09(d)(vi), Section 2.09(g), Section 2.09(h), Section 2.09(j)(ii) or Section 2.09(j)(iii) when due in accordance with the terms of this Agreement;

(b) HoldCo or IPCo shall fail to pay any amount when due in accordance with Section 2.09 or any Impact Payment when due in accordance with Schedule 7.1 of the Commercial Agreement;

(c) (i) OpCo, HoldCo, IPCo, JT or JMY (each, a "Credit Party") shall commence any case, proceeding or other action, as debtor (A) under any existing or future Law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or a material portion of its assets, or any Credit Party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Credit Party any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) any Credit Party shall generally not, or shall admit in writing its inability to, pay its debts as they become due;

(d) one or more judgments or decrees shall be entered against IPCo or HoldCo involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of Two Million Dollars (US$2,000,000) or more (in the case of IPCo) or Five Million Dollars (US$5,000,000) or more (in the case of HoldCo), and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within thirty (30) days from the entry thereof;

(e) IPCo or HoldCo (i) fails to make any payment on Indebtedness of Five Million Dollars (US$5,000,000) or more when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the document relating thereto on the date of such failure; or (ii) fails to perform or observe any other condition or covenant, or any other event shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness, if the effect of such failure, event or condition is to cause such Indebtedness to be declared to be due and payable prior to its stated maturity (without regard to any subordination terms with respect thereto), and such Indebtedness is not satisfied, or such declaration is not rescinded, within one (1) Business Day following such declaration;

(f) (i) any of the Security Documents, or any other security document hereafter delivered to Alibaba granting a Lien on any property of any Person to secure the liabilities of any Credit Party under any of the foregoing agreements or under Section 2.09(d)(vi), Section 2.09(g), Section 2.09(h), Section 2.09(j)(ii) or Section 2.09(j)(iii) hereof (in each case as the same may be amended from time to time), or any material rights of Alibaba (or its security agent) thereunder or under Section 7.15(l), shall cease, for any reason, to be in full force and effect, provided that, so long as an Event of Default under subsection (c) of this definition has not occurred, the Credit Parties shall have the right to cure a deficiency under this clause (i) within five (5) Business Days of its occurrence, or (ii) any Credit Party or any Affiliate of any Credit Party shall assert that any of the Security Documents or any material rights of Alibaba (or its security agent) thereunder or under Section 2.09(d)(vi), Section 2.09(g), Section 2.09(h), Section 2.09(j)(ii) or Section 2.09(j)(iii) or Section 7.15(l) hereof, has ceased, for any reason, to be in full force and effect, or (iii) any security interest created by any of the Security Documents shall cease to be enforceable or cease to create a valid security interest in the Collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected and first priority security interest, provided that, so long as an Event of Default under subsection (c) of this definition has not occurred, the Credit Parties shall have the right to cure a deficiency under this clause (iii) within five (5) Business Days of its occurrence;

(g) any Governmental Authority: (i) condemns, nationalizes, seizes, compulsorily acquires or otherwise expropriates all or substantially all of the Assets of any Credit Party (in the case of HoldCo, disregarding the Other Group), or of the business or operations of such Person (in the case of HoldCo, disregarding the Other Group) or of its registered capital, or takes any action that would reasonably be expected to result in the dissolution or disestablishment of such Person, or (ii) assumes custody or control of all or substantially all of the Assets of such Person (in the case of HoldCo, disregarding the Other Group) or of the business or operations of such Person (in the case of HoldCo, disregarding the Other Group), or of its registered capital;

(h) there shall occur any violation of Sections 7.05(a)(ii)(2)(aa), 7.05(a)(ii)(bb), 7.05(a)(iii), 7.05(d) or 7.10; or any violation of the first paragraph of Section 7.05 (related to the application of proceeds of Transfers) that is not cured within thirty (30) days after the knowledge thereof by any Credit Party); or

(i) JMY and JT shall fail to comply with their obligations under Section 7.15(l).”

(b) By deleting the definition of “Final Payment Date” in its entirety and substituting it in its stead with the following:

““Final Payment Date” means the date that the Liquidity Event Payment and Increase Payment have been paid in full.”

(c) By deleting the definition of “IPCo Note Amount” in its entirety.

(d) By inserting the following definition in the appropriate alphabetical order therein:

““Waiver and Consent Agreement” means the Waiver and Consent Agreement, dated as of January 23, 2014, by and among Alibaba, SoftBank, Yahoo, OpCo, IPCo, HoldCo, the Joinder Parties, JMY and JT, and solely for the purposes of Section 3, therein, the Management Members’ Representative (as defined in the New Shareholders Agreement, dated as of September 18, 2012, by and among them and the other Alibaba shareholders party thereto).”

Section 2.3. Amendments to Article II

Article II of the Original Agreement is amended as follows:

(a) By deleting Section 2.09(a) in its entirety and substituting the following in its stead:

“(a) Upon the occurrence of a Liquidity Event, HoldCo shall immediately become obligated, at the times and in the manner provided for herein, to pay to Alibaba an amount (as adjusted herein, the “Liquidity Event Payment”) equal to thirty-seven and one-half percent (37.5%) of the Equity Value of OpCo. For the avoidance of doubt, HoldCo shall not be required to pay the full amount of the Liquidity Event Payment more than once.”

(b) By deleting the words “*plus* Five Hundred Million Dollars (US$500,000,000)” in Section 2.09(b).

(c) By deleting Section 2.09(c) in its entirety and substituting the following in its stead:

“(c) If, following a Liquidity Event described solely by clause (b) of the definition thereof that represents a Transfer of thirty-seven and one-half percent (37.5%) or more (but less than one hundred percent (100%)) of the Securities of OpCo (a “First Event”), a Subsequent Liquidity Event occurs within three (3) years after the date of the First Event (a “Later Event”), then as soon as reasonably practicable and in any event within ninety (90) days following the consummation of the Later Event, HoldCo shall (and in a Later Event constituting a HoldCo Liquidity Event, the HoldCo Shareholders shall or shall cause HoldCo to, provided that each HoldCo Shareholder other than JMY shall be severally but not jointly liable for the obligations set forth in this parenthetical, pro rata in accordance with the proportion of the amount of HoldCo Securities owned by such HoldCo Shareholder to the amount of all HoldCo Securities held by all HoldCo Shareholders who are obligated under this parenthetical; and provided further that JMY shall be jointly and severally liable for the obligations set forth in this parenthetical) pay to Alibaba an amount (the “Make-Whole Payment”) equal to the excess, if any, of (i) thirty-seven and one-half percent (37.5%) of the Equity Value of OpCo in the Later Event, *over* (ii) the Liquidity Event Payment from the First Event; provided, that no more than one Later Event shall trigger a Make-Whole Payment. For the avoidance of doubt, in no event shall a Make-Whole Payment be made if the Liquidity Event Payment, had it been calculated with reference to the Later Event rather than the First Event would have been less than the Floor Amount. The foregoing notwithstanding, the Make-Whole Payment shall be reduced as necessary to ensure that the sum of the Liquidity Event Payment plus the Make-Whole Payment does not exceed the Ceiling Amount. For the avoidance of doubt, the Make-Whole Payment shall not be required to be paid more than once.”

(d) By deleting clauses (i), (ii), and (v) of Section 2.09(d) in their entirety and substituting, respectively, the following in their stead, and inserting the following clause (vi) as a new clause under such Section:

"(i) In the event of a Liquidity Event the proceeds of which (net of Transaction Expenses and applicable taxes payable by OpCo or HoldCo) are in excess of or equal to the Liquidity Event Payment amount plus the associated Impact Payment amount, if any, HoldCo will pay the Liquidity Event Payment, the associated Impact Payment, if any, and HoldCo (on behalf of IPCo), in each case to Alibaba as soon as reasonably practicable and in any event within ninety (90) days following the consummation of such Liquidity Event; provided, that any portion of the Liquidity Event Payment arising due to any Contingent Consideration shall be paid by HoldCo to Alibaba as soon as reasonably practicable following the payment of such Contingent Consideration and in any event within ninety (90) days of the payment of such Contingent Consideration."

"(ii) In the event of a Liquidity Event the proceeds of which (net of Transaction Expenses and applicable taxes payable by OpCo or HoldCo) are less than the Liquidity Event Payment amount plus the associated Impact Payment amount, if any, HoldCo will pay all of the proceeds of the Liquidity Event (net of Transaction Expenses and applicable taxes payable by OpCo or HoldCo) to Alibaba (the "Initial Liquidity Event Payment") as soon as reasonably practicable and in any event within ninety (90) days following the consummation of such Liquidity Event, with the remainder of the Liquidity Event Payment plus the associated Impact Payment, if any, after giving effect to the Initial Liquidity Event Payment, if any, to be paid in three (3) equal installments due twelve (12), eighteen (18) and twenty-four (24) months after the date of such Liquidity Event; provided, that any portion of the Initial Liquidity Event Payment and the remainder of the Liquidity Event Payment arising in each case due to any Contingent Consideration shall be paid to Alibaba as soon as reasonably practicable following the payment of such Contingent Consideration and in any event within ninety (90) days of the payment of such Contingent Consideration. HoldCo shall apply the Initial Liquidity Event Payment ratably to the satisfaction of the Impact Payment, if any, and the Liquidity Event Payment."

"(v) Following a Liquidity Event or Later Event interest shall (A) accrue daily at an annual rate equal to the Interest Rate on the aggregate unpaid amount of the Liquidity Event Payment and/or Make-Whole Payment, associated Impact Payment, if any, (B) compound monthly (provided, that the monthly rate will be calculated so that the effective annual rate remains the rate set forth in clause (A)), (C) be paid by HoldCo in arrears on each date on which payment is made, and (D) be computed on the basis of a three hundred sixty (360)-day year comprised of twelve (12) thirty (30)-day months."

"(vi) Following a failure to pay the Default/Seven Year Payment when due and payable, interest shall (A) accrue daily at an annual rate equal to the Interest Rate on the aggregate unpaid amount of the Default/Seven Year Payment, (B) compound monthly (provided, that the monthly rate will be calculated so that the effective annual rate remains the rate set forth in clause (A)), (C) be paid by Holdco or IPCo, in arrears on the date the Default/Seven Year Payment is made, and (D) be computed on the basis of a three hundred sixty (360)-day year comprised of twelve (12) thirty (30)-day months."

(e) By deleting the words “net of any amounts due under the IPCo Promissory Note prior to each relevant anniversary” from the third sentence of Section 2.09(f).

(f) By inserting the following paragraph as a new Section 2.09(g):

“(g) If (i) an Event of Default occurs, or (ii) prior to the later of (x) 30 days following receipt of the license for the establishment of Newco (as defined in the Waiver and Consent Agreement) and (y) July 31, 2014, all of the requirements under Section 5(a) through Section 5(e) of the Waiver and Consent Agreement have been satisfied, or (iii) a Liquidity Event has not occurred as of the 7th Anniversary, then on the earliest to occur of (i), (ii) or (iii), the Default/Seven Year Payment shall immediately become due and payable on such date, notwithstanding that a Liquidity Event shall not have occurred. Any Default/Seven Year Payment paid to Alibaba (or Alibaba’s designated Subsidiaries, if applicable) shall be understood to constitute a portion of, and shall be credited against HoldCo’s obligation to make, the Liquidity Event Payment for all purposes hereunder upon the occurrence of a Liquidity Event (including for determining whether the Floor Amount or Ceiling Amount has been reached) and shall reduce the aggregate amount of the Liquidity Event Payment otherwise payable by HoldCo. For the avoidance of doubt, any failure to pay the Default/Seven Year Payment when it becomes due and payable shall be deemed to be a failure to pay the Liquidity Event Payment for all purposes under the Transaction Documents.”

(g) By inserting the following paragraph as a new Section 2.09(h):

“(h) Notwithstanding anything herein to the contrary, each of HoldCo and IPCo shall be jointly and severally liable with the other (as a primary obligor and not merely as a surety) for the Liquidity Event Payment (including, without limitation, the portion thereof constituting the Default/Seven Year Payment if the same becomes due and payable), any interest with respect to the Default/Seven Year Payment under Section 2.09(d)(v) or Section 2.09(d)(vi) and any additional amounts payable under Section 2.09(j)(ii) or Section 2.09(j)(iii); provided, however, that the maximum amount of IPCo’s (but not HoldCo’s) liability with respect thereto shall not exceed the sum of (i) Five Hundred Million Dollars (US$500,000,000) plus (ii) any additional amounts payable with respect to such payments under Section 2.09(j)(ii) and Section 2.09(j)(iii), plus (iii) any interest on the Default/Seven Year Payment pursuant to Section 2.09(d)(v) or Section 2.09(d)(vi). Neither HoldCo nor IPCo shall claim as a defense against the validity, legality or enforceability of its obligation to make the Default/Seven Year Payment, payments of any amounts under Section 2.09(j)(ii) and Section 2.09(j)(iii) or payments of any interest on the Default/Seven Year Payment pursuant to Section 2.09(d)(v) or Section 2.09(d)(vi), the invalidity, illegality or unenforceability of the other party’s obligation to make such payments.”

(h) By renumbering Section 2.09(g) as Section 2.09(i), and inserting the words “(with respect to payments made by HoldCo) or as mutually agreed in writing by IPCo and Alibaba (with respect to payments to be made by IPCo)” after the words “HoldCo and Alibaba” therein.

(i) By renumbering Section 2.09(h) as Section 2.09(j), and deleting such section in its entirety and substituting the following in its stead:

"(j) (i) Other than the Default/Seven Year Payment and any interest on the Default/Seven Year Payment pursuant to Section 2.09(d)(v) or Section 2.09(d)(vi), which shall be subject to Section 2.09(j)(ii) and Section 2.09(j)(iii), with respect to payments made under this Section 2.09 by HoldCo, if the total Taxes required by any Laws to be deducted, withheld, paid, or incurred by any Person, in connection with any payment to be made to Alibaba or any of its Subsidiaries pursuant to this Section 2.09 ("Total Taxes") exceed the Taxes under PRC Law that would have been imposed if such payment had been paid by HoldCo directly to Alibaba and subject to Tax at the then-applicable withholding, income or similar Tax rate on capital gains with respect to sales of equity in PRC companies by foreign investors, then the payment shall be increased so that Alibaba receives (and is entitled to retain), after deduction, withholding or payment for or on account of such Total Taxes as the case may be (including deduction, withholding or payment applicable to additional sums payable under this sentence), the full amount of the payment that would have been received if such payment had been paid by HoldCo directly to Alibaba and subject to Tax under PRC Law at the then-applicable withholding, income, or similar Tax rate on capital gains with respect to sales of equity in PRC companies by foreign investors.

(ii) With respect to payments made under this Section 2.09 by IPCo, and with respect to payments made under this Section 2.09 by HoldCo of the Default/Seven Year Payment or any interest on the Default/Seven Year Payment pursuant to Section 2.09(d)(v) or Section 2.09(d)(vi):

(1) except as otherwise required by Law, any and all such payments shall be made free and clear of, and without deduction for or on account of, any present or future Taxes; and

(2) if any Taxes other than Excluded Taxes shall be required by any Law to be deducted, withheld, paid, or incurred in connection with any such payments, IPCo or HoldCo, as applicable, shall increase the amount paid so that Alibaba receives (and is entitled to retain), after deduction or withholding for or on account of such Taxes (including deductions or withholdings applicable to additional sums payable under this Section 2.09(j)(ii)), together with applicable interest or penalties, and all costs and expenses, payable or incurred in connection therewith, the full amount of the payment that would have been received if not for such requirements. In addition, if IPCo or HoldCo, as applicable, makes any payment in respect of which it is required by applicable Law to make any deduction or withholding, it shall pay the full amount deducted or withheld to the relevant taxation or other Governmental Authority within the time allowed for such payments under applicable Law and promptly thereafter shall furnish to Alibaba an original or certified copy of a receipt evidencing payment thereof, together with such other information and documents as Alibaba may reasonably request.

For purposes of this Section 2.09(j)(ii) and Section 2.09(j)(iii), "Excluded Taxes" means (A) any Taxes imposed on or measured by net income (or franchise taxes imposed on it in lieu of net income taxes), (x) which Taxes are assessed or levied by a Governmental Authority of the jurisdiction under the Laws of which Alibaba (or its successor, as the case may be) is organized or in which its principal executive offices may be located or (y) with respect to any payments received by Alibaba under this Section 2.09, which Taxes are assessed or levied by a

Governmental Authority of any jurisdiction as a result of Alibaba (or its successor, as the case may be) engaging in a trade or business in (or being resident in) such jurisdiction for Tax purposes (other than such Tax arising solely from Alibaba having executed, delivered or performed its obligations or received a payment under, or enforced, any Security Document), and (B) any Taxes imposed on IPCo by the PRC to the extent that such payment is treated as consideration for the sale by Alibaba or its subsidiaries of Transferred Equity Interests or Retained Equity Interests, and (C) any Tax imposed on any successor of Alibaba by requirements of Law in effect at the time rights under this Agreement were assigned to such successor.

(iii) With respect to payments made under this Section 2.09 by IPCo, and with respect to payments made under this Section 2.09 by HoldCo of the Default/Seven Year Payment or any interest on the Default/Seven Year Payment pursuant to Section 2.09(d)(v) or Section 2.09(d)(vi), if Alibaba is required by Law to make any payment on account of Taxes (other than Excluded Taxes), or any liability in respect of any Tax (other than Excluded Taxes) is imposed, levied or assessed against Alibaba, IPCo and HoldCo shall indemnify and hold harmless Alibaba for and against such payment or liability, together with any incremental or additional taxes, interest or penalties, and all costs and expenses, payable or incurred in connection therewith, including Taxes imposed on amounts payable under this Section 2.09, whether or not such payment or liability was correctly or legally asserted. A certificate of Alibaba as to the amount of any such payment shall, in the absence of manifest error, be conclusive and binding for all purposes."

Section 2.4. Amendments to Article VII

Article VII of the Original Agreement is amended as follows:

(a) By deleting the first sentence of Section 7.03(d) in its entirety and substituting it in its stead with the following:

"HoldCo may have operations necessary or incidental to the management of HoldCo's ownership of the Other Group, which operations will be limited to (i) a staff of up to fifty (50) employees and (ii) total Liabilities, other than Liabilities or obligations incurred pursuant to this Agreement, not to exceed Twenty-Five Million Dollars (US$25,000,000), which Liabilities may be incurred in transactions with or in respect of the Other Group (such operations and Liabilities, the "HoldCo Permitted Operations"); provided, however, that HoldCo may incur Indebtedness (only in an approved Related Party Transaction or to an Unrelated Third Party or to Unrelated Third Parties, pursuant to one or more *bona fide* arms-length negotiated agreements) where all of the proceeds from such Indebtedness (net of Transaction Expenses) are simultaneously paid or contributed to OpCo, or used to pay the Increase Payment, the Liquidity Event Payment, the Make-Whole Payment or the Impact Payment without regard to the Twenty-Five Million Dollars (US$25,000,000) limit set forth above, and any such Indebtedness shall not be counted against such limit."

(b) By deleting clauses (i) and (iv) of Section 7.04(b) in their entirety and substituting them in their stead, respectively, with the following:

"(i) create, issue, incur, assume, become liable in respect of or suffer to exist any Liabilities except Liabilities pursuant to the Transaction Documents or Liabilities owed to an Affiliate and incurred by IPCo for the sole purpose of prepayment of the amounts payable by IPCo hereunder,"

"(iv) declare or make or resolve to declare or make any Distributions, either directly or indirectly, other than payments to Alibaba under this Agreement"

(c) By deleting the words "(as defined in the Legal Mortgage of IPCo Shares)" in Section 7.04.

(d) By deleting the first paragraph of Section 7.05(a) in its entirety and substituting it in its stead with the following:

"(a) JMY or SX shall be permitted to Transfer HoldCo shares (x) to members of the Management Group set forth on Schedule 1.01 (the "Management Group Schedule") which Transfers may be made to and through a Person (other than an individual) established for the benefit of employees of HoldCo and its Subsidiaries and senior management of Alibaba and (y) to those Persons that have a right to require that HoldCo shares be transferred to them pursuant to a Contract in existence on the date of this Agreement, on terms set forth in Section 7.05 of the Disclosure Letter; provided, that any consideration received by JMY or a JMY Related Party (other than OpCo or any of its Subsidiaries) in any such Transfers (other than consideration in the form of an assumption of, or obligation to indemnify JMY for, all or a portion of the obligation to pay amounts due in satisfaction of the Liquidity Event Payment under Section 2.09(g) herein, or consideration consisting solely of a release of JMY and/or SX from their existing obligations to the Persons described in subclause (y)) shall be applied promptly following such Transfer as a prepayment of the Liquidity Event Payment to Alibaba (and, upon any such prepayment, the maximum liability of IPCo set forth in Section 2.09(h) shall be reduced on a Dollar for Dollar basis with the amount of such prepayment); provided, no Transfers to members of the Management Group shall be made for consideration if Four Hundred Seventy-Five Million Dollars (US$475,000,000) or more of the Liquidity Event Payment has been prepaid pursuant to this paragraph. Any Transfer or issuance of HoldCo Securities to be agreed or effected prior to the Final Payment Date and not included on the Management Group Schedule will be subject to Alibaba's consent, except as set forth below:"

(e) By deleting the words "the IPCo Note Amount," in Section 7.05(a)(i)(1)(A).

(f) By deleting the words "repay (or to provide HoldCo with funds to repay) the IPCo Note Amount," in Section 7.05(a)(ii).

(g) By deleting the words "the IPCo Note Amount," in Section 7.05(b).

(h) By deleting Section 7.15(c) in its entirety and substituting the following in its stead:

“(c) Notices. Until occurrence of the Final Payment Date, each of HoldCo and IPCo shall promptly give notice to Yahoo and SoftBank of the occurrence of any Event of Default.”

(i) By deleting the words “IPCo Note Amount” in their entirety from Section 7.15(e).

(j) By deleting Section 7.15(g) in its entirety and substituting it in its stead with the following:

“(g) Negative Pledge. Until the occurrence of the Final Payment Date, IPCo shall not enter into or suffer to exist or become effective any Contract that prohibits or limits the ability of it to create, incur, assume or suffer to exist any Lien upon any of its Assets, whether now owned or hereafter acquired, to secure the Secured Obligations (as defined in the Legal Mortgage of Alibaba Shares).”

(k) By deleting the words “IPCo Note Amount,” in Section 7.15(h).

(l) By deleting the words “until the payment in full of the IPCo Promissory Note” in Section 7.15(i).

(m) By deleting the first paragraph of Section 7.15(l) in its entirety and substituting it in its stead with the following:

“(l) Shortfall. JMY and JT covenant and agree that, upon the occurrence of a Liquidity Event, or if HoldCo is obligated under this Agreement to make an Impact Payment or Make-Whole Payment, if (x) the aggregate amount (i) that will be paid in cash by the end of the ninety (90)-day period referenced in Section 2.09(d) to Alibaba in respect of any or all of the Liquidity Event Payment, Increase Payment, if any, Impact Payment, if any and the Make-Whole Payment, if any plus (ii) the Fair Market Value of the Alibaba Share Collateral is less than (y) the aggregate amount of the Liquidity Event Payment, Increase Payment, if any, Impact Payment, if any, and Make-Whole Payment, if any (the difference between (x) and (y) being the “Shortfall Amount”), JMY and JT shall, and in connection with any Substitution (as defined below) JMY and JT shall:”

Section 2.5. Amendments to Article IX

Article IX of the Original Agreement is amended as follows:

(a) By deleting the words “(as determined in the IPCo Promissory Note)” in Section 9.02(b).

Section 2.6. Amendment to Article X

Article X of the Original Agreement is amended as follows:

(a) By deleting Section 10.13(b) in its entirety and substituting the following in its stead:

"(b) No Party shall, or shall permit any of its Related Parties or Representatives to, directly or indirectly assert that any provision of any Transaction Document is invalid, illegal or unenforceable. Without limiting the Parties' remedies for breach of the immediately preceding sentence and notwithstanding anything to the contrary herein, if (i) HoldCo, OpCo, IPCo, JMY, JT, any HoldCo Shareholder or any Related Party or Representative of any of the foregoing asserts in any dispute, controversy or claim arising out of, relating to, or in connection with any Transaction Document, that any provision of any Transaction Document is invalid, illegal or unenforceable and (ii) the ICC or any other arbitral body of competent jurisdiction or any Governmental Authority of competent jurisdiction holds any of the following obligations to be invalid, illegal or unenforceable: (x) the obligations to make the Liquidity Event Payment (including, without limitation, the portion thereof constituting the Default/Seven Year Payment), the Make-Whole Payment, the Increase Payment or the Impact Payment or (y) to provide the services specified for the fees specified under the Commercial Agreement, then all of the Transaction Documents shall, unless such consequences are waived by the Independent Directors, be deemed null and void in all jurisdictions as if they had not occurred."

Section 2.7. Amendment to Exhibits

(a) Exhibit A of the Original Agreement is amended by deleting such Exhibit in its entirety.

Section 3. Commercial Agreement Amendment. The Commercial Agreement is amended by deleting the words "IPCo Promissory Note" in the definition of "Transaction Documents" therein.

Section 4. TIPLA Amendment. The Intellectual Property and Software Technology License Agreement is amended as follows:

(a) By deleting the words "IPCo Promissory Note" in the definition of "Transaction Documents" therein.

(b) By deleting the words "IPCo Note Amount" in Section 13.5 therein and substituting it in its stead with "Default/Seven Year Payment".

Section 5. Shared Services Agreement Amendment. The Shared Services Agreement is amended by deleting the words "IPCo Promissory Note" in the definition of "Transaction Documents" therein.

Section 6. Cancellation of IPCo Promissory Note. Effective as of the date hereof, IPCo shall be released from all liabilities and obligations whatsoever under the IPCo Promissory Note. As promptly as practicable following the effectiveness of this Amendment, Alibaba and each other Party, as applicable, shall deliver or cause to be delivered to IPCo the original IPCo Promissory Note for cancellation, including without limitation by delivering such notices and instructions and executing such releases and terminations as may be required by that certain Custody Agreement, dated December 14, 2011, by and between Alibaba and Wilmington Trust (Cayman), Ltd.

Section 7. Representations and Warranties.

(a) Representations and Warranties of HoldCo, OpCo and IPCo. Each of HoldCo, OpCo and IPCo jointly and severally represents and warrants to Alibaba, Yahoo and SoftBank as of the date hereof that:

(1) There has been no Event of Default (as defined in the IPCo Promissory Note) under the IPCo Promissory Note;

(2) The Liens created under the Security Documents, and the perfection thereof, are valid security interests and will not be impaired by cancellation of the IPCo Promissory Note and the amendments to the Original Agreement and the other Transaction Documents set forth herein, and such Liens continue unimpaired with the same priority to secure payment of all applicable obligations under the Original Agreement (as amended hereby) and the other Transaction Documents, whether heretofore or hereafter incurred.

(3) Each of HoldCo, OpCo and IPCo has all requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Original Agreement (as amended hereby). The execution and delivery by each of HoldCo, OpCo and IPCo of this Amendment, and the performance by each of them of their respective obligations hereunder and under the Original Agreement (as amended hereby), have been duly authorized by all requisite corporate action on the part of HoldCo, OpCo and IPCo, respectively. HoldCo, OpCo and IPCo have duly executed this Amendment.

(4) Each of this Amendment, when executed and delivered by HoldCo, OpCo and IPCo, assuming due execution and delivery hereof by each of the other parties hereto, and the Original Agreement (as amended hereby) constitutes valid and binding obligations of HoldCo, OpCo and IPCo enforceable against each of them in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or reorganization.

(5) The execution and delivery of this Amendment and the performance by each of HoldCo, OpCo and IPCo of its respective obligations hereunder and under the Original Agreement (as amended hereby) will not violate or conflict with, or constitute a default or breach (either alone or with the giving of notice and/or the passage of time) under or accelerate or permit the acceleration of the performance required by, or result in or require the creation or imposition of any Lien under, any of the terms or provisions of (i) the Business License and the Articles of Association of HoldCo, OpCo or IPCo or their other organizational or charter documents, (ii) any Contract to which HoldCo, OpCo, IPCo or any of their respective Affiliates is a party or any of their respective properties or other Assets is subject; or (iii) any approval, license, permit, Laws or judgment, order or decree of a Governmental Authority applicable to HoldCo, OpCo, or IPCo or any of their respective properties or Assets; except, in the case of clauses (ii) or (iii), for any such default, breach, acceleration or imposition as would not materially impair the ability of HoldCo, OpCo, or IPCo to perform its obligations under or created by this Amendment or under the Original Agreement (as amended hereby). No material filing or registration with or approval, consent or authorization of, or notice to any

Governmental Authority or third party is required for HoldCo, OpCo, or IPCo to enter into and to perform its obligations under or created by this Amendment or under the Original Agreement (as amended hereby).

(b) Representations and Warranties of Alibaba. Alibaba represents and warrants to each of the other Parties as of the date hereof that:

(1) The execution and delivery of this Amendment and the performance by Alibaba of its obligations hereunder and under the Original Agreement (as amended hereby) will not violate or conflict with, require any consent or waiver under, or constitute a default or breach (either alone or with the giving of notice and/or the passage of time) under or accelerate or permit the acceleration of the performance required by, or result in or require the creation or imposition of any Lien under, any of the terms or provisions of: (i) the Articles of Association of Alibaba or its other organizational or charter documents, (ii) any Contract to which Alibaba is a party or any of its properties or other Assets is subject, including the Agreement dated April 30, 2013, by and among Alibaba, the guarantors party thereto, Citicorp International Limited, as Agent and Security Agent and the other financial institutions party thereto or any other financing arrangement to which Alibaba is a party; or (iii) any approval, license, permit, Laws or judgment, order or decree of a Governmental Authority applicable to Alibaba or any of its properties or Assets; except, in the case of clauses (ii) or (iii), for any such default, breach, acceleration or imposition as would not materially impair the ability of Alibaba to perform its obligations under this Amendment or under the Original Agreement (as amended hereby).

(2) Alibaba has all requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Original Agreement (as amended hereby). The execution and delivery by Alibaba of this Amendment, and the performance by Alibaba of its obligations hereunder and under the Original Agreement (as amended hereby), have been duly authorized by all requisite corporate action on the part of Alibaba.

(3) Each of this Amendment, when executed and delivered by Alibaba, assuming due execution and delivery hereof by each of the other parties hereto and thereto, and the Original Agreement (as amended hereby) constitutes valid and binding obligations of Alibaba enforceable against Alibaba in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or reorganization.

(c) Representations and Warranties of Yahoo and SoftBank. Each of Yahoo and SoftBank represents and warrants, severally on behalf of and with respect to itself only and not jointly, to each of the other Parties as of the date hereof that:

(1) Each of Yahoo and SoftBank has all requisite corporate power and authority to execute and deliver this Amendment and to perform its obligations hereunder and under the Original Agreement (as amended hereby). The execution and delivery by each of Yahoo and SoftBank, and the performance by each of them of their respective obligations hereunder and under the Original Agreement (as amended hereby), have been

duly authorized by all requisite corporate action on the part of Yahoo and SoftBank, respectively.

(2) Each of this Amendment, when executed and delivered by each of Yahoo and SoftBank assuming due execution and delivery hereof by each of the other parties hereto, and the Original Agreement (as amended hereby) constitutes valid and binding obligations of Yahoo and SoftBank enforceable against each of Yahoo and SoftBank in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or reorganization.

(3) The execution and delivery of this Amendment and the performance by each of Yahoo and SoftBank of its respective obligations hereunder and under the Original Agreement (as amended hereby) will not violate or conflict with, or constitute a default or breach (either alone or with the giving of notice and/or the passage of time) under or accelerate or permit the acceleration of the performance required by, any of the terms or provisions of (i) the organizational or charter documents of each of Yahoo and SoftBank, (ii) any material Contract to which Yahoo and SoftBank or any of their respective Affiliates is a party or any of their respective properties or other Assets is subject or (iii) any approval, license, permit, Laws or judgment, order or decree of a Governmental Authority applicable to Yahoo and SoftBank or any of their respective properties or Assets; or except, in the case of clauses (ii) and (iii), for any such default, breach, acceleration or imposition as would not materially impair the ability of Yahoo or SoftBank to perform its obligations under this Amendment or under the Original Agreement (as amended hereby). No material filing or registration with or approval, consent or authorization of, or notice to any Governmental Authority or third party is required for Yahoo or SoftBank to enter into and to perform its obligations under this Amendment or under the Original Agreement (as amended hereby).

(d) Representations and Warranties of JMY and JT. Each of JMY and JT jointly and severally represents and warrants to each of Yahoo, SoftBank and Alibaba as of the date hereof that:

(1) Each of this Amendment, when executed and delivered by each of JMY and JT, assuming due execution and delivery hereof by each of the other parties hereto, and the Original Agreement (as amended hereby) constitutes valid and binding obligations of JMY and JT enforceable against each of JMY and JT in accordance with its terms, except as such enforcement may be limited by bankruptcy, insolvency or reorganization.

(2) The execution and delivery of this Amendment and the performance by each of JMY and JT of his respective obligations hereunder and under the Original Agreement (as amended hereby) will not violate or conflict with, or constitute a default or breach (either alone or with the giving of notice and/or the passage of time) under or accelerate or permit the acceleration of the performance required by, or result in or require the creation or imposition of any Lien under, any of the terms or provisions of (i) any Contract to which JMY or JT is a party or any of their respective properties or other assets is subject; or (ii) any approval, license, permit, Laws or judgment, order or decree

of a Governmental Authority applicable to JMY or JT or any of their respective properties or assets; except, in the case of clauses (i) or (ii), for any such default, breach, acceleration or imposition as would not materially impair the ability of JMY or JT to perform his obligations under this Amendment or under the Original Agreement (as amended hereby). No material filing or registration with or approval, consent or authorization of, or notice to any Governmental Authority or third party is required for JMY or JT to enter into and to perform his respective obligations under this Amendment.

Section 8. Further Assurances. If the Parties, cooperating in good faith, hereafter determine that further amendments to the Original Agreement or any of the Transaction Documents are reasonably necessary to effectuate the intent of the Original Agreement, as amended by this Amendment, and/or the cancellation of the IPCo Promissory Note, including to continue the perfection of and protect the security interest granted, purported or intended to be granted in favor of Alibaba (directly or indirectly through their collateral agent) pursuant to the Security Documents or to enable Alibaba (or its collateral agent) to exercise and enforce its rights and remedies thereunder with respect to any Collateral, the Parties shall enter into such additional amendments or take such further action and execute and deliver any additional agreements, certificates, or notices, as may be reasonably necessary to effect such additional amendments. Without limitation of the generality of the foregoing, the Parties agree to use commercially reasonable efforts to, as soon as reasonably practicable and in any event no later than 30 days following the date hereof: (i) cause the Articles of Association of IPCo to be amended by attaching thereto this Amendment and the Original Agreement as exhibits and, no later than fifteen (15) days from the date of such amendment, cause the amended Articles of Association of IPCo, together with its exhibits, to be filed with the Cayman Registrar and (ii) amend the Collateral Agency Agreement, between Alibaba and Wilmington Trust (Cayman), Ltd., as collateral agent, dated October 21, 2011, to delete all cross-references to the IPCo Promissory Note.

Section 9. Governing Law. This Amendment is made under, and shall be construed and enforced in accordance with, the laws of New York applicable to agreements made and to be performed solely therein.

Section 10. Counterparts. This Amendment may be executed in two or more counterparts (including by facsimile), all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the Parties and delivered to the other Parties, it being understood that all Parties need not sign the same counterpart.

Section 11. Entire Agreement. This Amendment, the Original Agreement (as hereby amended) (including all Schedules and Exhibits), the Disclosure Letter and the other Transaction Documents contain the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters; provided, that for the avoidance of doubt, the Original Agreement (as hereby amended) (including all Schedules and Exhibits), the Disclosure Letter and the other Transaction Documents do not amend or act as a waiver of any of the rights of the agreements set forth under Section 10.04 of the Original Agreement.

Section 12. Survival. The representations and warranties in this Amendment shall survive for a period of three years after the date hereof, provided that no Party shall have any Liability to any other Person for monetary damages in connection with any such representation or warranty (including breach or inaccuracy thereof) unless such breach or inaccuracy is a material breach or inaccuracy. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Amendment shall survive for a period of three years after the date hereof except with respect to any claim initiated prior to the expiration of such period.

Section 13. No Further Amendment. Other than as specifically provided herein, this Amendment shall not operate as a waiver or amendment of any right, power or privilege of any Party under the Original Agreement or any other Transaction Document or of any other term or condition of the Original Agreement or any other Transaction Document, nor shall the entering into of this Amendment preclude any Party from refusing to enter into any further waivers or amendments with respect thereto (subject to paragraph 9 above). This Amendment is not intended by any of the Parties to be interpreted as a course of dealing which would in any way impair the rights or remedies of any Party except as expressly stated herein.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the Parties have executed or caused this Amendment to be executed as of the date first written above.

浙江阿里巴巴电子商务有限公司
(Zhejiang Alibaba E-Commerce Co., Ltd.)

By: /s/ Peng Lei
Name: Peng Lei
Title: Legal Representative

Yahoo! Inc.

By: /s/ Marissa A. Mayer
Name: Marissa A. Mayer
Title: Chief Executive Officer and President

SoftBank Corp.

By: /s/ Masayoshi Son
Name: Masayoshi Son
Title: Chairman & CEO

Alibaba Group Holding Limited

By: /s/ Jack Ma Yun
Name: Jack Ma Yun
Title: Executive Chairman

支付宝（中国）网络技术有限公司
(Alipay.com Co., Ltd.)

By: /s/ Peng Lei
Name: Peng Lei
Title: Legal Representative

APN Ltd.

By: /s/ Jack Ma Yun
Name: Jack Ma Yun
Title: Director

Joinder Party

By: /s/ Xie Shihuang
Name: Xie Shihuang

By: /s/ Masayoshi Son
Name: Masayoshi Son
In his capacity as Independent Director
of Alibaba

By: /s/ Jacqueline D. Reses
Name: Jacqueline D. Reses
In her capacity as Independent Director of Alibaba

/s/ Jack Ma Yun
Jack Ma Yun

/s/ Joseph Chung Tsai
Joseph Chung Tsai

Exhibit 10.17(I)

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

Marissa A. Mayer

You have been granted an award of Restricted Stock Units by Yahoo! Inc. (the "Company") as follows:

Date of Grant:	27-Feb-2014
Total Number of Restricted Stock Units Granted:	155,965
Type of RSU:	U.S. Executive RSU (Mayer Version)
Vesting Commencement Date:	27-Feb-2014

Vesting Schedule:

Shares	Vesting Date	Shares	Vesting Date	Shares	Vesting Date
51,989	27-Feb-2015	4,333	27-Nov-2015	4,332	27-Jul-2016
4,332	27-Mar-2015	4,332	27-Dec-2015	4,333	27-Aug-2016
4,332	27-Apr-2015	4,332	27-Jan-2016	4,332	27-Sep-2016
4,333	27-May-2015	4,333	27-Feb-2016	4,332	27-Oct-2016
4,332	27-Jun-2015	4,332	27-Mar-2016	4,333	27-Nov-2016
4,332	27-Jul-2015	4,332	27-Apr-2016	4,332	27-Dec-2016
4,333	27-Aug-2015	4,333	27-May-2016	4,332	27-Jan-2017
4,332	27-Sep-2015	4,332	27-Jun-2016	4,333	27-Feb-2017
4,332	27-Oct-2015				

Manner of Payment by Company:	Stock
Governing Documents:	1995 Stock Plan (the "Plan") RSU Award Agreement for U.S. Executives (Mayer Version)

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);
- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and

- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

GRANTEE:	YAHOO! INC.
[Click here to accept] Signature	By: /s/ Kenneth Goldman Kenneth Goldman
Marissa A. Mayer Name	Title: Chief Financial Officer
Supplemental Documents:	Insider Trading Policy U.S. Prospectus

YAHOO! INC.
1995 STOCK PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(Mayer Version)

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the total number of RSUs set forth in the Notice of Grant, on the terms and conditions set forth in this Restricted Stock Unit Award Agreement for U.S. Executives (Mayer Version) (this "Agreement") and as otherwise provided in the Yahoo! Inc. 1995 Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 1995 Stock Plan, as amended (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 RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs 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 RSUs.

(b) *Restrictions.* The RSUs 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 RSUs 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, on each vesting date specified in the vesting schedule set forth in the Notice of Grant, the number of RSUs set forth opposite such vesting date shall vest and become non-forfeitable.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the "Payment Date"), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs 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. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs 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; Leaves of Absence.* 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, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) 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 RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination During Annual Vesting Period*: subject to clause (ii)(B) below, in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as such term is defined in the Grantee's offer letter with the Company dated July 16, 2012 (the "Offer Letter")) or due to the Grantee's death or Total Disability (as defined in the Plan) and the Grantee complies with the release and other requirements described in Section 2(j), (2) the Termination Date is not a scheduled vesting date and is six months or less before the next scheduled vesting date, and (3) on the Termination Date the period of time between (x) the then-prior vesting date (or, if none, the date of grant specified in

the Notice of Grant (the “Date of Grant”) or any earlier vesting commencement date specified by the Administrator at the time of grant) and (y) the next scheduled vesting date is six months or more, then the RSUs that are scheduled to vest on the next scheduled vesting date (to the extent then outstanding and unvested) shall vest and become non-forfeitable on the later of the Termination Date or the date the Grantee’s full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable. Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(A) will not apply to any such termination (other than a termination due to the Grantee’s death or Total Disability) that occurs at any time within the 12-month period following a Change in Control (as defined below).

(B) *Front-Loaded Awards - Termination During Annual Vesting Period*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee’s employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee’s death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as “front loaded” in the Notice of Grant, then the number of RSUs that vest upon the later of the Termination Date or the date the Grantee’s full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited be the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee’s death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(iii) *Leaves of Absence*. Unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator, and subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), in the event the Grantee takes an authorized leave of absence from the Company, Parent or Subsidiary (as applicable), each vesting date specified in the vesting schedule set forth in the Notice of Grant that has not occurred as of the commencement of such leave of absence shall be tolled for the number of calendar days in the period that the Grantee is on such leave of absence, beginning with the commencement date of such leave of absence, but not beyond the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). (For example, if the scheduled vesting date is January 1, 2014 and, prior to that date the Grantee commences a leave of absence spanning 365 calendar days, the vesting date shall (unless otherwise expressly provided in a Company leave of absence policy approved by the Administrator or otherwise by the Administrator) be tolled for 365 days and shall become January 1, 2015.)

(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 RSUs 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 defined below) prior to the date the RSUs 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 term is defined in the Offer Letter) and the Grantee complies with the release and other requirements described in Section 2(j), the RSUs subject to the Award, to the

extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable. Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(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, "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 RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next three sentences, 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 RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee's employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) ("Net Share Settlement"). In the event that 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 a 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. Notwithstanding the foregoing, if the Grantee has been designated by the Company's Board of Directors as an "executive officer" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a "Cash Settlement"); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his

or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

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.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is earned only by continuing in the employ or service of the Company at the will of the Company (not through the act of being hired, being granted the RSUs or acquiring Shares under this Agreement). The Grantee 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 Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *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.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof 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.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *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.

(j) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(k) *Entire Agreement.* This Agreement, the Notice of Grant, the Plan, and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(l) *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.

(m) *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.

(n) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee's online acceptance) of the Notice of Grant.

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

Marissa A. Mayer

You have been granted an award of Restricted Stock Units by Yahoo! Inc. (the "Company") as follows:

Date of Grant: 27-Feb-2014

Total Number of Restricted Stock Units Granted: 155,965

Type of RSU: U.S. Executive Performance RSU (Mayer Version)

Vesting Commencement Date: 27-Feb-2014

Vesting Schedule:

Shares	Vesting Date
51,989	27-Feb-2015
51,988	27-Feb-2016
51,988	27-Feb-2017

These RSUs are subject to performance-based vesting. The actual number of shares vesting will be 0% to 200% of the target amounts shown above depending on the achievement of performance goals and time-based vesting requirements as described in the award agreement. The vesting dates shown above are approximate.

Manner of Payment by Company: Stock

Governing Documents: 1995 Stock Plan (the "Plan")
Performance RSU Award Agreement for U.S. Executives (Mayer Version)

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);
- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and

- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

GRANTEE:	YAHOO! INC.
[Click here to accept] Signature	By: /s/ Kenneth Goldman Kenneth Goldman
Marissa A. Mayer Name	Title: Chief Financial Officer
Supplemental Documents:	Insider Trading Policy U.S. Prospectus

YAHOO! INC.
1995 STOCK PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(Mayer Version)

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the number of RSUs (such number, the "Target Number" of RSUs; and one-third of the Target Number being the "Annual Target Number" of RSUs for each "Performance Year" identified in Section 2(c)(i) hereof) set forth in the Notice of Grant, on the terms and conditions set forth in this Performance Restricted Stock Unit Award Agreement for U.S. Executives (Mayer Version) (this "Agreement") and as otherwise provided in the Yahoo! Inc. 1995 Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 1995 Stock Plan, as amended (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 RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs 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 RSUs.

(b) *Restrictions.* The RSUs 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 RSUs in contravention of the above restriction shall be null and void and without effect.

(c) *Performance-Based Requirements; Lapse of Restrictions*.

(i) Subject to Section 2(c)(ii) below, for each of 2014, 2015, and 2016 (each such year, a "Performance Year"), the Grantee shall be credited with a number of RSUs equal to the Annual Target Number of RSUs for the applicable Performance Year multiplied by a percentage that (A) will be determined by the Administrator after the Performance Year based on the Company's achievement of financial performance goals established for that Performance Year and (B) will be between 0% and 200%. The performance goals and the methodology for establishing the number of RSUs to be credited will be established by the Administrator not later than ninety (90) days after the start of the applicable Performance Year (and in any event at a time when it is substantially uncertain whether the performance targets will be achieved). The methodology to determine the RSU crediting percentage will be communicated to the Grantee after it is established by the Administrator. The Administrator shall, following the end of each Performance Year, determine whether and the extent to which the performance targets for that Performance Year have been satisfied and the RSU crediting percentage for that Performance Year. Such determinations by the Administrator shall be final and binding. The date of such determinations by the Administrator for the Performance Year is referred to as the "Determination Date." Any of the Annual Target Number of RSUs for a particular Performance Year that are not credited to the Grantee in accordance with the foregoing provisions of this Section 2(c)(i) shall terminate as of the last day of the Performance Year.

(ii) Subject to Sections 2(e) through 2(g) below, the RSUs credited to the Grantee pursuant to Section 2(c)(i) for a particular Performance Year shall vest and become non-forfeitable upon the Vesting Date for that Performance Year; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs during the Performance Year, the Annual Target Number of RSUs for such Performance Year shall vest upon the final day of such Performance Year. The "Vesting Date" for a Performance Year shall be the Determination Date as to that Performance Year unless otherwise expressly provided in this Agreement.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the "Payment Date"), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs 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. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding

anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs 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; Leaves of Absence.* 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, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) 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 RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination More Than Six Months After Start of Performance Year*: in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as such term is defined in the Grantee's offer letter with the Company dated July 16, 2012 (the "Offer Letter")) or due to the Grantee's death or Total Disability (as defined in the Plan) and the Grantee complies with the release and other requirements described in Section 2(j), and (2) the Termination Date occurs more than six (6) months after the start of a particular Performance Year and prior to the Vesting Date for that Performance Year, the number of RSUs that vest for that Performance Year shall equal (x) the number of RSUs (if any) that would have vested in accordance with Section 2(c) if the Grantee's employment had continued through the Vesting Date, multiplied by (y) a fraction (which shall not be greater than 1), the numerator of which is the number of whole months between January 1 of the Performance Year and the Termination Date, and the denominator of which is twelve (12). Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause

(ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date (or, in the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(A) will not apply to any such termination that occurs during the first half of the Performance Year or, other than a termination due to the Grantee's death or Total Disability, at any time within the 12-month period following a Change in Control.

(B) *Front-Loaded Awards - Termination More Than Six Months After Start of Performance Year*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee's death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as "front loaded" in the Notice of Grant, then the number of RSUs that vest upon the Termination Date shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited by the Grantee as of the Termination Date (or, in the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(iii) *Leaves of Absence*. The provisions of this paragraph are subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), and shall apply to the Award unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator. In the event the Grantee is on an authorized leave of absence from the Company, Parent or Subsidiary (as applicable) at any time on or after the first day of a Performance Year, the Vesting Date for that Performance Year shall be the date that is X days following the Determination Date for that Performance Year (where "X" equals the total number of calendar days that the Grantee is on such a leave of absence in the period of time commencing with the first day of that Performance Period through and including the Determination Date for that Performance Period or, if the Grantee is on such a leave of absence on the Determination Date for that

Performance Period, through and including the last day of such leave of absence), but in no event shall the Vesting Date be later than the last day of the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). In the event Section 2(e)(ii)(A) applies, in determining the fraction referenced in Section 2(e)(ii)(A), the numerator (which is generally the number of whole months between January 1 of the applicable Performance Year and the Termination Date) shall be determined by assuming that the Grantee's Termination Date occurred X days earlier than it actually occurred (with "X" determined as provided in the preceding sentence).

(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 a number of RSUs equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which such transaction occurs (to the extent not previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which such transaction occurs and any subsequent Performance Year(s).

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as defined below) prior to the fourth anniversary of the date of grant specified in the Notice of Grant (the "Date of Grant"):

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as such term is defined in the Offer Letter) and the Grantee complies with the release and other requirements described in Section 2(j), a number of RSUs shall vest upon the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which the Change in Control occurs (to the extent not

previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s). Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(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, "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 RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes*. Except as provided in the next three sentences, 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 RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee's employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) ("Net Share Settlement"). In the event that 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 a 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. Notwithstanding the foregoing, if the Grantee has been designated by the Company's Board of Directors as an "executive officer" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a "Cash Settlement"); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his

or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

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.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is not earned through the act of being hired, being granted the RSUs or being credited Shares under this Agreement. The Grantee 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 Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *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.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof 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.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *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.

(j) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(k) *Entire Agreement.* This Agreement, the Notice of Grant, the Plan, and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(l) *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.

(m) *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.

(n) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee's online acceptance) of the Notice of Grant.

April 14, 2014

Marissa A. Mayer

Re: ***Letter Amendment to Performance Stock Option (Mayer Retention Grant) (the "Option")***

Dear Marissa:

Reference is made to the Performance Stock Option Agreement (Mayer Retention Grant) between you and Yahoo! Inc. (the "Company") dated November 29, 2012 (the "Original 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 Original Agreement.

The Compensation Committee has determined that GAAP revenue and adjusted EBITDA will be the Performance Measures used with respect to the Option beginning with 2014. Accordingly, effective with the Fiscal 2014 Performance Period under the Original Agreement, Appendix A to the Original Agreement is amended and restated in its entirety to read as set forth on Appendix A to this letter agreement.

This letter agreement does not modify any other terms of the Original Agreement except as expressly set forth above (including, without limitation, the vesting provisions of the Original Agreement as applicable to any Performance Period under the Original Agreement prior to the Fiscal 2014 Performance Period).

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.

/s/ Jacqueline Reses

Jacqueline Reses
Chief Development Officer

Acknowledged and Agreed:

By: /s/ Marissa A. Mayer
Marissa A. Mayer

701 First Avenue Sunnyvale CA 94089
P: 408 349 3300 F: 408 349 3301

Appendix A - 2012 Performance Option *(Mayer Retention Grant)*

Vesting of Option

Subject to Sections 6 and 7 of the Agreement, twenty percent (20%) of the "Total Number of Shares Granted" as set forth in the Notice of Grant shall be eligible to vest with respect to each of the Performance Periods set forth below based on the Company's GAAP Revenue and Adjusted EBITDA (each, a "Performance Measure") for that Performance Period in accordance with this Appendix A.

Vesting Date	Corresponding Performance Period
January 26, 2015	Fiscal 2014
January 26, 2016	Fiscal 2015
January 26, 2017	Fiscal 2016

- Seventy percent (70%) of each Tranche shall be eligible to vest based on the Company's GAAP Revenue during the corresponding Performance Period (the "Revenue Tranche").
- Thirty percent (30%) of each Tranche shall be eligible to vest based on the Company's Adjusted EBITDA during the corresponding Performance Period (the "Adjusted EBITDA Tranche").
- For each Performance Measure, the Administrator has established a "Performance Goal" for the Fiscal 2014 Performance Period. At the start of each of the Fiscal 2015 Performance Period and the Fiscal 2016 Performance Period, the Administrator will determine the Performance Goals for the Tranche corresponding to that Performance Period
- For each Performance Period, each of the Revenue Tranche and the Adjusted EBITDA Tranche shall vest based on the Company's actual performance for the Performance Period relative to the applicable Performance Goal, with the percentage of each such tranche that vests to be determined as follows (with "actual performance" in each case being expressed as a percentage of the applicable Performance Goal):

Actual Performance GAAP Revenue	Vesting Percentage
80% or less	0%
99%	99%
100%	100%
101%	101%
104% or more	114%

Actual Performance: Adjusted EBITDA	Vesting Percentage
60% or less	0%
98%	98%
99%	99%
100%	100%
101%	101%
102%	102%
114% or more	133%

- If the Company’s actual performance, as to a particular Performance Measure, is between two levels specified in the applicable table above, the vesting percentage related to that Performance Measure that vests shall be determined by linear interpolation between the vesting percentages for those two levels.
- The overall vesting percentage applicable to a Tranche, as determined above, shall be rounded to the nearest one percent.

Notwithstanding any other provision herein, in no event shall a Tranche vest as to more than one hundred percent (100%) of the shares subject to the Tranche.

The Administrator shall, following the end of a Performance Period, determine whether and the extent to which the applicable Performance Goals have been satisfied and the vesting percentage of the corresponding Tranche. Such determinations by the Administrator shall be final and binding. Any portion of a Tranche allocated to a particular Performance Period that is not vested after giving effect to the Administrator’s determination for that Performance Period shall terminate upon the date of such determination by the Administrator.

Definitions and Adjustments

For purposes of the Option, the following definitions will apply:

“Adjusted EBITDA” as to a particular period means the Company’s income from operations before depreciation, amortization and stock-based compensation expense for that period.

“Financial Plan” as to a particular period means the Company’s financial plan for that period reviewed by the Board of Directors and used by the Compensation Committee to set the Revenue and Adjusted EBITDA targets for that period.

“GAAP” means U.S. generally accepted accounting principles.

“GAAP Revenue” as to a particular period means the Company’s worldwide revenue for that period as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.

“Tranche” means the twenty percent (20%) of the “Total Number of Shares Granted” as set forth in the Notice of Grant that are eligible to vest with respect to a particular Performance Period.

For purposes of calculating actual GAAP Revenue and Adjusted EBITDA for a particular period, the GAAP Revenue and Adjusted EBITDA for that period shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan:

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(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; and

(f) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP.

April 14, 2014

Marissa A. Mayer

Re: ***Letter Amendment to Performance Stock Option (Mayer 2012 Annual Grant) (the "Option")***

Dear Marissa:

Reference is made to the Performance Stock Option Agreement (Mayer 2012 Annual Grant) between you and Yahoo! Inc. (the "Company") dated November 29, 2012 (the "Original 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 Original Agreement.

The Compensation Committee has determined that GAAP revenue and adjusted EBITDA will be the Performance Measures used with respect to the Option beginning with 2014. Accordingly, effective with the Fiscal 2014 Performance Period under the Original Agreement, Appendix A to the Original Agreement is amended and restated in its entirety to read as set forth on Appendix A to this letter agreement.

This letter agreement does not modify any other terms of the Original Agreement except as expressly set forth above (including, without limitation, the vesting provisions of the Original Agreement as applicable to any Performance Period under the Original Agreement prior to the Fiscal 2014 Performance Period).

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.

/s/ Jacqueline Reses

Jacqueline Reses
Chief Development Officer

Acknowledged and Agreed:

By: /s/ Marissa A. Mayer
Marissa A. Mayer

701 First Avenue Sunnyvale CA 94089
P: 408 349 3300 F: 408 349 3301

Appendix A - 2012 Performance Option *(Mayer 2012 Annual Grant)*

Vesting of Option

Subject to Sections 6 and 7 of the Agreement, one-third (1/3) of the "Total Number of Shares Granted" as set forth in the Notice of Grant shall be eligible to vest with respect to the Performance Period set forth below based on the Company's GAAP Revenue and Adjusted EBITDA (each, a "Performance Measure") for that Performance Period in accordance with this Appendix A.

Vesting Date	Corresponding Performance Period
January 26, 2015	Fiscal 2014

- Seventy percent (70%) of the Tranche shall be eligible to vest based on the Company's GAAP Revenue during the corresponding Performance Period (the "Revenue Tranche").
- Thirty percent (30%) of the Tranche shall be eligible to vest based on the Company's Adjusted EBITDA during the corresponding Performance Period (the "Adjusted EBITDA Tranche").
- For each Performance Measure, the Administrator has established a "Performance Goal" for the Fiscal 2014 Performance Period.
- For the Performance Period, each of the Revenue Tranche and the Adjusted EBITDA Tranche shall vest based on the Company's actual performance for the Performance Period relative to the applicable Performance Goal, with the percentage of each such tranche that vests to be determined as follows (with "actual performance" in each case being expressed as a percentage of the applicable Performance Goal):

Actual Performance GAAP Revenue	Vesting Percentage
80% or less	0%
99%	99%
100%	100%
101%	101%
104% or more	114%

Actual Performance: Adjusted EBITDA	Vesting Percentage
60% or less	0%
98%	98%
99%	99%
100%	100%
101%	101%
102%	102%
114% or more	133%

- If the Company's actual performance, as to a particular Performance Measure, is between two levels specified in the applicable table above, the vesting percentage related to that Performance Measure that vests shall be determined by linear interpolation between the vesting percentages for those two levels.
- The overall vesting percentage applicable to the Tranche, as determined above, shall be rounded to the nearest one percent.

Notwithstanding any other provision herein, in no event shall the Tranche vest as to more than one hundred percent (100%) of the shares subject to the Tranche.

The Administrator shall, following the end of the Performance Period, determine whether and the extent to which the applicable Performance Goals have been satisfied and the vesting percentage of the corresponding Tranche. Such determinations by the Administrator shall be final and binding. Any portion of the Tranche that is not vested after giving effect to the Administrator's determination for the Performance Period shall terminate upon the date of such determination by the Administrator.

Definitions and Adjustments

For purposes of the Option, the following definitions will apply:

"Adjusted EBITDA" as to a particular period means the Company's income from operations before depreciation, amortization and stock-based compensation expense for that period.

"Financial Plan" as to a particular period means the Company's financial plan for that period reviewed by the Board of Directors and used by the Compensation Committee to set the Revenue and Adjusted EBITDA targets for that period.

"GAAP" means U.S. generally accepted accounting principles.

"GAAP Revenue" as to a particular period means the Company's worldwide revenue for that period as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.

"Tranche" means the one-third (1/3) of the "Total Number of Shares Granted" as set forth in the Notice of Grant that is eligible to vest with respect to the Performance Period.

For purposes of calculating actual GAAP Revenue and Adjusted EBITDA for a particular period, the GAAP Revenue and Adjusted EBITDA for that period shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan:

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(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; and

(f) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP.

Exhibit 10.18(C)

April 14, 2014

Ken Goldman

Re: ***Letter Amendment to Performance Stock Option (the "Option")***

Dear Ken:

Reference is made to the Performance Stock Option Agreement between you and Yahoo! Inc. (the "Company") dated November 29, 2012 (the "Original 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 Original Agreement.

The Compensation Committee has determined that GAAP revenue and adjusted EBITDA will be the Performance Measures used with respect to the Option beginning with 2014. Accordingly, effective with the Fiscal 2014 Performance Period under the Original Agreement, Appendix A to the Original Agreement is amended and restated in its entirety to read as set forth on Appendix A to this letter agreement.

This letter agreement does not modify any other terms of the Original Agreement except as expressly set forth above (including, without limitation, the vesting provisions of the Original Agreement as applicable to any Performance Period under the Original Agreement prior to the Fiscal 2014 Performance Period).

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.

/s/ Jacqueline Reses

Jacqueline Reses
Chief Development Officer

Acknowledged and Agreed:

By: /s/ Ken Goldman
Ken Goldman

701 First Avenue Sunnyvale CA 94089
P: 408 349 3300 F: 408 349 3301

Appendix A - 2012 Performance Option

Vesting of Option

Subject to Sections 6 and 7 of the Agreement, one-third (1/3) of the "Total Number of Shares Granted" as set forth in the Notice of Grant shall be eligible to vest with respect to each of the Performance Periods set forth below based on the Company's GAAP Revenue and Adjusted EBITDA (each, a "Performance Measure") for that Performance Period in accordance with this Appendix A.

Vesting Date	Corresponding Performance Period
January 26, 2015	Fiscal 2014
January 26, 2016	Fiscal 2015

- Seventy percent (70%) of each Tranche shall be eligible to vest based on the Company's GAAP Revenue during the corresponding Performance Period (the "Revenue Tranche").
- Thirty percent (30%) of each Tranche shall be eligible to vest based on the Company's Adjusted EBITDA during the corresponding Performance Period (the "Adjusted EBITDA Tranche").
- For each Performance Measure, the Administrator has established a "Performance Goal" for the Fiscal 2014 Performance Period. At the start of the Fiscal 2015 Performance Period, the Administrator will determine the Performance Goals for the Tranche corresponding to that Performance Period
- For each Performance Period, each of the Revenue Tranche and the Adjusted EBITDA Tranche shall vest based on the Company's actual performance for the Performance Period relative to the applicable Performance Goal, with the percentage of each such tranche that vests to be determined as follows (with "actual performance" in each case being expressed as a percentage of the applicable Performance Goal):

Actual Performance GAAP Revenue	Vesting Percentage
80% or less	0%
99%	99%
100%	100%
101%	101%
104% or more	114%

Actual Performance: Adjusted EBITDA	Vesting Percentage
60% or less	0%
98%	98%
99%	99%
100%	100%
101%	101%
102%	102%
114% or more	133%

- If the Company's actual performance, as to a particular Performance Measure, is between two levels specified in the applicable table above, the vesting percentage related to that Performance Measure that vests shall be determined by linear interpolation between the vesting percentages for those two levels.
- The overall vesting percentage applicable to a Tranche, as determined above, shall be rounded to the nearest one percent.

Notwithstanding any other provision herein, in no event shall a Tranche vest as to more than one hundred percent (100%) of the shares subject to the Tranche.

The Administrator shall, following the end of a Performance Period, determine whether and the extent to which the applicable Performance Goals have been satisfied and the vesting percentage of the corresponding Tranche. Such determinations by the Administrator shall be final and binding. Any portion of a Tranche allocated to a particular Performance Period that is not vested after giving effect to the Administrator's determination for that Performance Period shall terminate upon the date of such determination by the Administrator.

Definitions and Adjustments

For purposes of the Option, the following definitions will apply:

"Adjusted EBITDA" as to a particular period means the Company's income from operations before depreciation, amortization and stock-based compensation expense for that period.

"Financial Plan" as to a particular period means the Company's financial plan for that period reviewed by the Board of Directors and used by the Compensation Committee to set the Revenue and Adjusted EBITDA targets for that period.

"GAAP" means U.S. generally accepted accounting principles.

"GAAP Revenue" as to a particular period means the Company's worldwide revenue for that period as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.

"Tranche" means the one-third (1/3) of the "Total Number of Shares Granted" as set forth in the Notice of Grant that is eligible to vest with respect to a particular Performance Period.

For purposes of calculating actual GAAP Revenue and Adjusted EBITDA for a particular period, the GAAP Revenue and Adjusted EBITDA for that period shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan:

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(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; and

(f) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP.

Exhibit 10.24

May 31, 1999

Ronald Scott Bell

Dear Ronald:

On behalf of Yahoo! Inc., I am pleased to offer you the position of Corporate Counsel reporting to Jon Sobel. Your starting salary will be $8,750.00 per month ($105,000.00 annually), paid semi-monthly and subject to an annual review. Additionally, you will be eligible to participate in the regular Yahoo! health insurance benefits and other employee benefit plans established by the company generally for its employees.

As a part of the Yahoo! team, we strongly believe that ownership of the Company by our employees is an important factor to our success. Therefore, as part of your compensation, management will recommend that the Board of Directors grant you an option to purchase 22,500 shares of Yahoo! lnc.'s Common stock under Yahoo! lnc.'s 1995 Stock Option Plan. The exercise price for this option will be the fair market value of Yahoo! Common Stock on the date of grant as determined by the Board of Directors. Options under the Yahoo! plan typically have a 10 year term and vest as to 1/4 of the shares after one year of employment, and in equal monthly installments over the 36 following months.

As an employee of Yahoo!, it is likely that you will become knowledgeable about confidential and or proprietary information related to the operations, products and services of the company and its clients. To protect the interests of both the company and its clients, all employees are required to read and sign a PROPRIETARY INFORMATION AND ASSIGNMENT OF INVENTIONS AGREEMENT prior to beginning employment. A copy of this agreement is enclosed. Please sign it and return it along with your signed copy of this letter.

Please understand that this letter does not constitute a contract of employment for any specific period of time, but will create an “employment at will” relationship that may be terminated at any time by you or Yahoo!, with or without cause. Your signature at the end of this letter confirms that no promises or agreements that are contrary to our at-will relationship have been committed to you during any of your pre-employment discussions with Yahoo!, and that this letter contains our complete agreement regarding the terms and conditions of your employment.

Our signature on this letter also confirms our mutual agreement to binding arbitration, as defined under the California Arbitration Act, under the rules of the American Arbitration Association, should there be any dispute related to the termination of our employment relationship or the terms of your employment relationship with Yahoo!.

www.yahoo.com 3420 central expressway Ÿ santa clara, CA 95051 Ÿ phone (408) 731-8300 Ÿ fax (408) 616-3707

We hope for an early acceptance of this offer, however, it will remain open until the close of business on June 8, 1999. Please understand that this offer is contingent upon successful completion of your background investigation. To accept this offer, please sign this letter in the space provided below and return it to Amy Logue. At 9:00AM on your first day of employment, you will meet with Beth Haba, Human Resources Director, for your new hire orientation. Please ask for her in the lobby of building 3420 located on Central Expressway in Santa Clara. In order for Yahoo! to comply with the Immigration Reform and Control Act we ask that you bring with you on your first day, appropriate verification or authorization to work in the United States (e.g. US Passport or driver's license and social security card). We look forward to your joining us and hope that you find your employment with Yahoo! enjoyable and professionally rewarding.

Very truly yours,

/s/ Shelley Shaw

Shelley Shaw
Human Resources Manager

I accept this offer of employment with Yahoo! Inc. and agree to the terms and conditions outlined in this letter.

/s/ Ronald S. Bell
Signature

6/4/99
Date

July 12, 1999
Planned Start Date

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Marissa A. Mayer, certify that:

1. I have reviewed this Form 10-Q 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: May 8, 2014

By: /s/ MARISSA A. MAYER
Marissa A. Mayer
Chief Executive Officer

EXHIBIT 31.2

Certification of Chief Financial Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Ken Goldman, certify that:

1. I have reviewed this Form 10-Q 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: May 8, 2014

By: /S/ KEN GOLDMAN
Ken Goldman
Chief Financial Officer

EXHIBIT 32

**Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Yahoo! (the "Company") for the quarter ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Marissa A. Mayer, as Chief Executive Officer of the Company, and Ken Goldman, 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 or his knowledge, 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/ MARISSA A. MAYER

Name: Marissa A. Mayer
Title: Chief Executive Officer
Dated: May 8, 2014

/S/ KEN GOLDMAN

Name: Ken Goldman
Title: Chief Financial Officer
Dated: May 8, 2014

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.