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, 2016

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 29, 2016
Common Stock, $0.001 par value	**949,068,569**

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YAHOO! INC.

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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 related to our strategic plan announced in February 2016;
- our exploration of strategic alternatives;
- expectations about revenue, including search, display, and other revenue, as well as revenue from our offerings in mobile, video, native, and social ("Mavens");
- expectations about the financial and operational impacts of our Search and Advertising Services and Sales Agreement with Microsoft Corporation and our Google Services Agreement with Google Inc.;
- expectations about the opportunities for monetization of, and revenue growth from, our mobile offerings;
- expectations about growth in users;
- projections and estimates with respect to our restructuring activities;
- expectations about our operating expenses;
- anticipated capital expenditures;
- expectations about changes in our earnings in equity interests and net income;
- 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 the sufficiency of our available sources of liquidity to meet normal operating requirements and capital expenditures; and
- expectations regarding the future outcome of legal proceedings in which we are involved.

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.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

Yahoo! Inc.

Condensed Consolidated Balance Sheets

	December 31, 2015	March 31, 2016
	(Unaudited, in thousands except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,631,911	$ 1,479,604
Short-term marketable securities	4,225,112	4,497,046
Accounts receivable, net	1,047,504	878,135
Prepaid expenses and other current assets	602,792	369,439
Total current assets	7,507,319	7,224,224
Long-term marketable securities	975,961	1,153,846
Property and equipment, net	1,547,323	1,496,510
Goodwill	808,114	815,979
Intangible assets, net	347,269	316,251
Other long-term assets and investments	342,390	261,107
Investment in Alibaba Group	31,172,361	30,313,175
Investments in equity interests	2,503,229	2,577,137
Total assets	$ 45,203,966	$ 44,158,229
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 208,691	$ 187,862
Other accrued expenses and current liabilities	934,658	830,542
Deferred revenue	134,031	139,606
Total current liabilities	1,277,380	1,158,010
Convertible notes	1,233,485	1,249,775
Long-term deferred revenue	27,801	30,733
Other long-term liabilities	118,689	124,306
Deferred tax liabilities related to investment in Alibaba Group	12,611,867	12,261,783
Deferred and other long-term tax liabilities	855,324	818,450
Total liabilities	16,124,546	15,643,057
Commitments and contingencies (Note 12)		
Yahoo! Inc. stockholders' equity:		
Common stock, $0.001 par value; 5,000,000 shares authorized; 962,959 shares issued and 945,854 shares outstanding as of December 31, 2015 and 965,336 shares issued and 948,249 shares outstanding as of March 31, 2016	959	961
Additional paid-in capital	8,807,273	8,888,096
Treasury stock at cost, 17,105 shares as of December 31, 2015 and 17,087 shares as of March 31, 2016	(911,533)	(910,702)
Retained earnings	4,570,807	4,470,747
Accumulated other comprehensive income	16,576,031	16,029,245
Total Yahoo! Inc. stockholders' equity	29,043,537	28,478,347
Noncontrolling interests	35,883	36,825
Total equity	29,079,420	28,515,172
Total liabilities and equity	$ 45,203,966	$ 44,158,229

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

Yahoo! Inc.

Condensed Consolidated Statements of Operations

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(Unaudited, in thousands except per share amounts)	
Revenue	$ 1,225,970	$ 1,087,152
Operating expenses:		
Cost of revenue — traffic acquisition costs	183,139	227,763
Cost of revenue — other	285,263	282,587
Sales and marketing	275,357	236,033
Product development	326,747	278,029
General and administrative	173,513	155,451
Amortization of intangibles	20,073	18,773
Gain on sale of patents	(2,000)	(1,500)
Restructuring charges, net	51,232	57,230
Total operating expenses	1,313,324	1,254,366
Loss from operations	(87,354)	(167,214)
Other expense, net	(31,063)	(47,416)
Loss before income taxes and earnings in equity interests	(118,417)	(214,630)
Benefit for income taxes	40,900	34,766
Earnings in equity interests, net of tax	99,690	81,574
Net income (loss)	22,173	(98,290)
Net income attributable to noncontrolling interests	(975)	(942)
Net income (loss) attributable to Yahoo! Inc.	$ 21,198	$ (99,232)
Net income (loss) attributable to Yahoo! Inc. common stockholders per share — basic	$ 0.02	$ (0.10)
Net income (loss) attributable to Yahoo! Inc. common stockholders per share — diluted	$ 0.02	$ (0.10)
Shares used in per share calculation — basic	934,748	945,719
Shares used in per share calculation — diluted	947,976	945,719
Stock-based compensation expense by function:		
Cost of revenue — other	$ 6,009	$ 8,526
Sales and marketing	38,121	32,887
Product development	48,221	47,988
General and administrative	23,345	19,006
Restructuring charges, net	2,705	7,374

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

Yahoo! Inc.

Condensed Consolidated Statements of Comprehensive Loss

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(Unaudited, in thousands)	
Net income (loss)	$ 22,173	$ (98,290)
Available-for-sale securities:		
Unrealized losses on available-for-sale securities, net of taxes of $3,238,133 and $363,084 for the three months ended March 31, 2015 and 2016,	(4,713,620)	(516,536)
Reclassification adjustment for realized losses on available-for-sale securities included in net income (loss), net of taxes of $(50) and $(112) for the three months ended March 31, 2015 and 2016, respectively	84	202
Net change in unrealized losses on available-for-sale securities, net of tax	(4,713,536)	(516,334)
Foreign currency translation adjustments ("CTA"):		
Foreign CTA gains (losses), net of taxes of $582 and $(336) for the three months ended March 31, 2015 and 2016, respectively	(271,242)	2,183
Net investment hedge CTA gains (losses), net of taxes of $(1,591) and $16,931 for the three months ended March 31, 2015 and 2016, respectively	2,634	(30,710)
Net foreign CTA losses, net of tax	(268,608)	(28,527)
Cash flow hedges:		
Unrealized losses on cash flow hedges, net of taxes of $376 and $1,338 for the three months ended March 31, 2015 and 2016, respectively	(11,156)	(2,426)
Reclassification adjustment for realized losses on cash flow hedges included in net income (loss), net of taxes of $189 and $(277) for the three months ended March 31, 2015 and 2016, respectively	1,660	501
Net change in unrealized losses on cash flow hedges, net of tax	(9,496)	(1,925)
Other comprehensive loss	(4,991,640)	(546,786)
Comprehensive loss	(4,969,467)	(645,076)
Less: comprehensive income attributable to noncontrolling interests	(975)	(942)
Comprehensive loss attributable to Yahoo! Inc.	$ (4,970,442)	$ (646,018)

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

Yahoo! Inc.

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2015	2016
	(Unaudited, in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 22,173	$ (98,290)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	117,061	107,377
Amortization of intangible assets	34,478	32,288
Accretion of convertible notes discount	15,457	16,290
Stock-based compensation expense	118,401	115,781
Non-cash restructuring (reversals) charges	(859)	362
Non-cash accretion on marketable debt securities	16,012	12,354
Foreign exchange loss (gain)	18,233	(6,524)
Loss (gain) on sale of assets and other	63	(190)
Gain on sale of patents	(2,000)	(1,500)
Loss on Hortonworks warrants	11,909	39,150
Earnings in equity interests	(99,690)	(81,574)
Tax benefits from stock-based awards	32,822	1,192
Excess tax benefits from stock-based awards	(37,470)	(7,526)
Deferred income taxes	17,009	(37,794)
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	89,923	172,677
Prepaid expenses and other	(64,245)	232,783
Accounts payable	30,613	2,844
Accrued expenses and other liabilities	66,466	(142,308)
Incomes taxes payable related to sale of Alibaba Group ADSs	(3,282,293)	-
Deferred revenue	(65,002)	8,376
Net cash (used in) provided by operating activities	(2,960,939)	365,768
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(111,677)	(76,399)
Proceeds from sales of property and equipment	224	300
Purchases of marketable securities	(712,818)	(1,871,316)
Proceeds from sales of marketable securities	172,352	47,374
Proceeds from maturities of marketable securities	2,359,767	1,369,836
Acquisitions, net of cash acquired	(23,073)	-
Proceeds from sales of patents	20,000	1,500
Purchases of intangible assets	(1,160)	(1,177)
Proceeds from settlement of derivative hedge contracts	19,627	36,028
Payments for settlement of derivative hedge contracts	(2,151)	(3,024)
Other investing activities, net	(38)	(58)
Net cash provided by (used in) investing activities	1,721,053	(496,936)

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 (continued)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(Unaudited, in thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	36,189	4,754
Repurchases of common stock	(203,771)	-
Excess tax benefits from stock-based awards	37,470	7,526
Tax withholdings related to net share settlements of restricted stock awards and restricted stock units	(97,426)	(42,139)
Other financing activities, net	(4,573)	(3,637)
Net cash used in financing activities	(232,111)	(33,496)
Effect of exchange rate changes on cash and cash equivalents	(17,444)	12,357
Net change in cash and cash equivalents	(1,489,441)	(152,307)
Cash and cash equivalents at beginning of period	2,664,098	1,631,911
Cash and cash equivalents at end of period	$ 1,174,657	$ 1,479,604
NON-CASH ACTIVITIES:		
Change in non-cash acquisitions of property and equipment	$ (9,198)	$ 6,333

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 a guide to digital information discovery, focused on informing, connecting, and entertaining users through its search, communications, and digital content products. By creating highly personalized experiences, the Company helps users discover the information that matters most to them around the world — on mobile or desktop. The Company creates value for advertisers with a streamlined, simple advertising technology stack that leverages Yahoo's data, content, and technology to connect advertisers with their target audiences. Advertisers can build their businesses through advertising to targeted audiences on the Company's online properties and services ("Yahoo Properties") and a distribution network of third party entities ("Affiliates") who integrate the Company's advertising offerings into their websites or other offerings ("Affiliate sites"). The Company's revenue is generated principally from search and display advertising. 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 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 Company revised the consolidated statement of cash flows for the three months ended March 31, 2015 to correct for a non-cash acquisition of property and equipment resulting in an increase in cash used in operating activities of $23 million and a corresponding increase in net cash provided by investing activities.

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, originally developed content, acquired content, 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, 2015. 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, 2015 was derived from the Company's audited financial statements for the year ended December 31, 2015, 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.

***Recent Accounting Pronouncements*.** In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, which defers by one year the effective date of ASU 2014-09. Accordingly, this guidance is effective for interim and annual periods beginning after December 15, 2017 with early adoption permitted for interim and annual periods beginning after December 15, 2016. In March 2016, the FASB issued ASU 2016-08 "Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which finalizes its amendments to the guidance in the new revenue standard on assessing whether an entity is a principal or an agent in a revenue transaction. This conclusion impacts whether an entity reports revenue on a gross or net basis. In April 2016, the FASB issued ASU 2016-10 "Identifying Performance Obligations and Licensing" which finalizes its amendments to the guidance in the new revenue standard regarding the identification of performance obligations and accounting for the license of intellectual property. The amendments are intended to make the guidance more operable and lead to more consistent application. The amendments have the same effective date and transition requirements as the new revenue recognition standard. The Company plans to adopt this guidance on January 1, 2018. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". The new standard principally affects accounting standards for equity investments, financial liabilities where the fair value option has been elected, and the presentation and disclosure requirements for financial instruments. Upon the effective date of the new standards, all equity investments in unconsolidated entities, other than those accounted for using the equity method of accounting, will generally be measured at fair value through earnings. There will no longer be an available-for-sale classification and therefore, no changes in fair value will be reported in other comprehensive income (loss) for equity securities with readily determinable fair values. The new guidance on the classification and measurement will be effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and early adoption is permitted. The Company is in the process of evaluating the impact of the adoption of ASU 2016-01 on the consolidated financial statements and currently anticipates the new guidance would significantly impact its consolidated statements of operations and consolidated statements of comprehensive income (loss) as the Company's marketable equity securities, primarily the Company's investments in Alibaba Group Holding Limited ("Alibaba Group") and Hortonworks Inc. ("Hortonworks"), are currently classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income.

In February 2016, the FASB issued ASU 2016-02, "Leases" which, for operating leases, requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The ASU is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effects that the adoption of ASU 2016-02 will have on the Company's consolidated financial position, results of operations and cash flows and anticipates the new guidance will significantly impact its consolidated financial statements given the Company has a significant number of leases.

In March 2016, the FASB issued ASU 2016-06, "Contingent put and call options in debt instruments, a consensus of the FASB's Emerging Issues Task Force," which simplifies the embedded derivative analysis for debt instruments containing contingent call or put options. The new guidance clarifies that an exercise contingency does not need to be evaluated to determine whether it relates to interest rates and credit risk in an embedded derivative analysis. A contingent put or call option embedded in a debt instrument would be evaluated for possible separate accounting as a derivative instrument without regard to the nature of the exercise contingency. The ASU is effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for any interim and annual financial statements that have not yet been issued. The new guidance is required to be applied on a modified retrospective basis to all existing and future debt instruments. An entity will be able to elect the fair value option at transition for the entire debt instrument, including its embedded features, but will not be able to unwind a previously-elected fair value option. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's consolidated financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-07, "Simplifying the Transition to the Equity Method of Accounting," which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment in order to reduce recognition and presentation complexity in financial reporting. Instead, the new guidance requires equity method of accounting to be applied prospectively from the date significant influence is obtained. The ASU is effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for any interim and annual financial statements that have not yet been issued. The new guidance is required to be applied prospectively for investments that qualify for the equity method of accounting after the effective date. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's consolidated financial position, results of operations and cash flows.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" as part of its simplification initiative, which involves several aspects of accounting for share-based payment transactions, including the income tax effects, statutory withholding requirements, forfeitures, and classification on the statement of cash flows. The ASU is effective for public companies for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Early adoption is permitted for any interim and annual financial statements that have not been issued. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's consolidated financial position, results of operations and cash flows.

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Note 2 Marketable Securities, Investments And Fair Value Disclosures

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

	December 31, 2015			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 616,501	$ 24	$ (635)	$ 615,890
Corporate debt securities, commercial paper, time deposits,and bank certificates of deposit	4,589,799	292	(4,908)	4,585,183
Alibaba Group equity securities	2,713,483	28,458,878	-	31,172,361
Hortonworks equity securities	26,246	57,977	-	84,223
Other corporate equity securities	298	-	(101)	197
Total available-for-sale marketable securities	$ 7,946,327	$ 28,517,171	$ (5,644)	$ 36,457,854

	March 31, 2016			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 631,980	$ 263	$ (30)	$ 632,213
Corporate debt securities, commercial paper, time deposits, and bank certificates of deposit	5,016,280	3,174	(775)	5,018,679
Alibaba Group equity securities	2,713,483	27,599,692	-	30,313,175
Hortonworks equity securities	26,246	17,212	-	43,458
Other corporate equity securities	7,140	2,331	(91)	9,380
Total available-for-sale marketable securities	$ 8,395,129	$ 27,622,672	$ (896)	$ 36,016,905

	December 31, 2015	March 31, 2016
Reported as:		
Short-term marketable securities	$ 4,225,112	$ 4,497,046
Long-term marketable securities	975,961	1,153,846
Investment in Alibaba Group	31,172,361	30,313,175
Other long-term assets and investments	84,420	52,838
Total	$ 36,457,854	$ 36,016,905

Short-term, highly liquid investments of $667 million and $605 million as of December 31, 2015 and March 31, 2016, respectively, 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 the carrying value approximates fair value because of the short maturity of those instruments. Realized gains and losses from sales of available-for-sale marketable debt securities were not material for both the three months ended March 31, 2015 and 2016.

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

	December 31, 2015	March 31, 2016
Due within one year	$ 4,225,112	$ 4,497,046
Due after one year through five years	975,961	1,153,846
Total available-for-sale marketable debt securities	$ 5,201,073	$ 5,650,892

The following tables show all available-for-sale marketable debt securities 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, 2015					
	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	$ 552,041	$ (635)	$ -	$ -	$ 552,041	$ (635)
Corporate debt securities, commercial paper, and bank certificates of deposit	2,415,347	(4,763)	99,214	(145)	2,514,561	(4,908)
Total available-for-sale marketable debt securities	$ 2,967,388	$ (5,398)	$ 99,214	$ (145)	$ 3,066,602	$ (5,543)

	March 31, 2016					
	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	$ 241,319	$ (30)	$ -	$ -	$ 241,319	$ (30)
Corporate debt securities, commercial paper, and bank certificates of deposit	1,032,635	(750)	23,893	(25)	1,056,528	(775)
Total available-for-sale marketable debt securities	$ 1,273,954	$ (780)	$ 23,893	$ (25)	$ 1,297,847	$ (805)

The Company's investment portfolio includes equity securities of Alibaba Group and Hortonworks, as well as liquid high-quality fixed income debt securities including government, agency and corporate debt, money market funds, commercial paper, certificates of deposit and time deposits with financial institutions. The fair value of any debt or equity security will vary over time and is subject to a variety of market risks including: macro-economic, regulatory, industry, company performance, and systemic risks of the equity markets overall. Consequently, the carrying value of the Company's investment portfolio will vary over time as the value of its investment changes.

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.

Available-for-sale marketable debt securities 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.

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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, 2015 (in thousands):

	Fair Value Measurements at Reporting Date Using			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds(1)	$ 386,792	$ -	$ -	$ 386,792
Available-for-sale marketable debt securities:				
Government and agency securities(1)	-	635,917	-	635,917
Commercial paper and bank certificates of deposit(1)	-	1,844,494	-	1,844,494
Corporate debt securities(1)	-	2,918,496	-	2,918,496
Time deposits(1)	-	82,703	-	82,703
Available-for-sale equity securities:				
Other corporate equity securities (2)	197	-	-	197
Alibaba Group equity securities	31,172,361	-	-	31,172,361
Hortonworks equity securities(2)	84,223	-	-	84,223
Hortonworks warrants	-	-	78,861	78,861
Foreign currency derivative contracts(3)	-	84,319	-	84,319
Financial assets at fair value	$ 31,643,573	$ 5,565,929	$ 78,861	$ 37,288,363
Liabilities				
Foreign currency derivative contracts(3)	-	(5,661)	-	(5,661)
Total financial assets and liabilities at fair value	$ 31,643,573	$ 5,560,268	$ 78,861	$ 37,282,702

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, 2016 (in thousands):

	Fair Value Measurements at Reporting Date Using			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds (1)	$ 512,108	$ -	$ -	$ 512,108
Available-for-sale marketable debt securities:				
Government and agency securities (1)	-	632,213	-	632,213
Commercial paper and bank certificates of deposit(1)	-	2,089,637	-	2,089,637
Corporate debt securities (1)	-	2,969,553	-	2,969,553
Time deposits (1)	-	52,411	-	52,411
Available-for-sale equity securities:				
Other corporate equity securities (2)	9,380	-	-	9,380
Alibaba Group equity securities	30,313,175	-	-	30,313,175
Hortonworks equity securities (2)	43,458	-	-	43,458
Hortonworks warrants	-	-	39,711	39,711
Foreign currency derivative contracts (3)	-	19,345	-	19,345
Financial assets at fair value	$ 30,878,121	$ 5,763,159	$ 39,711	$ 36,680,991
Liabilities				
Foreign currency derivative contracts (3)	-	(27,855)	-	(27,855)
Total financial assets and liabilities at fair value	$ 30,878,121	$ 5,735,304	$ 39,711	$ 36,653,136

(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 short or long-term marketable securities on the condensed consolidated balance sheets.

(2) The Hortonworks equity securities and other corporate equity securities are classified as part of other long-term assets and investments on the condensed consolidated balance sheets.

(3) Foreign currency derivative contracts are classified as part of either current or noncurrent assets or liabilities on the condensed consolidated balance sheets. The notional amounts of the foreign currency derivative contracts were: $1.5 billion, including contracts designated as net investment hedges of $1.2 billion, as of December 31, 2015; and $1.0 billion, including contracts designated as net investment hedges of $0.8 billion, as of March 31, 2016.

The amount of cash included in cash and cash equivalents as of December 31, 2015 and March 31, 2016 was $965 million and $875 million, respectively.

The fair values of the Company's Level 1 financial assets and liabilities are based on quoted prices in active markets for identical assets or liabilities. 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 marketable debt securities. The fair value for the Company's Level 3 financial asset was obtained using a Black-Scholes model.

Activity between Levels of the Fair Value Hierarchy

During the year ended December 31, 2015 and the three months ended March 31, 2016, the Company did not make any transfers between Level 1, Level 2, and Level 3 assets or liabilities.

Hortonworks Warrants

The estimated fair value of the Hortonworks warrants was $79 million and $40 million as of December 31, 2015 and March 31, 2016, respectively, which is included in other long-term assets and investments on the condensed consolidated balance sheets. During the three months ended March 31, 2015 and 2016, the Company recorded a loss of $12 million and $39 million, respectively, due to the change in estimated fair value of the Hortonworks warrants during the respective periods, which was included within other expense, net in the Company's condensed consolidated statements of operations. The estimated fair value of the Hortonworks warrants was determined using a Black-Scholes model.

Assets and Liabilities at Fair Value on a Nonrecurring Basis

Convertible Senior Notes

In 2013, the Company issued $1.4 billion aggregate principal amount of 0.00% Convertible Senior Notes due in 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 estimated fair value of the Notes as of both December 31, 2015 and March 31, 2016 was $1.3 billion. The estimated fair value of the Notes was determined 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.

Other Investments

As of both December 31, 2015 and March 31, 2016, the Company held approximately $83 million of investments in equity securities of privately-held companies that are accounted for using the cost method. These investments are included within other long-term assets and investments on the condensed consolidated balance sheets. Such investments are reviewed periodically for impairment.

Note 3 Consolidated Financial Statement Details

Accumulated Other Comprehensive Income

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

	December 31, 2015	March 31, 2016
Unrealized gains on available-for-sale securities, net of tax	$ 16,918,539	$ 16,402,205
Unrealized gains (losses) on cash flow hedges, net of tax	482	(1,443)
Foreign currency translation, net of tax	(342,990)	(371,517)
Accumulated other comprehensive income	$ 16,576,031	$ 16,029,245

Noncontrolling Interests

Noncontrolling interests were as follows (in thousands):

	March 31, 2015	March 31, 2016
Beginning noncontrolling interests	$ 43,755	$ 35,883
Net income attributable to noncontrolling interests	975	942
Ending noncontrolling interests	$ 44,730	$ 36,825

Other Expense, Net

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Interest, dividend, and investment income	$ 8,845	$ 11,482
Interest expense	(17,570)	(18,393)
Loss on Hortonworks warrants	(11,909)	(39,150)
Foreign exchange losses	(11,341)	(2,138)
Other	912	783
Total other expense, net	$ (31,063)	$ (47,416)

Interest, dividend and investment income consists of income earned from cash and cash equivalents in bank accounts and investments made in marketable debt securities.

Interest expense is related to the Notes and notes payable related to building and capital lease obligations for data centers.

During the three months ended March 31, 2015 and 2016, the Company recorded a loss of $12 million and $39 million, respectively, due to the change in estimated fair value of the Hortonworks warrants during the respective periods. Changes in the estimated fair value of the Hortonworks warrants are recorded within other expense, net in the Company's condensed consolidated statements of operations. See Note 2—"Marketable Securities, Investments and Fair Value Disclosures" for additional information.

Foreign exchange losses consists of 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.

Other consists of gains from other non-operational items.

Reclassifications Out of Accumulated Other Comprehensive Income

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2015 were as follows (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
Realized losses on cash flow hedges, net of tax	$ 1,660	Revenue
Realized losses on available-for-sale securities, net of tax	84	Other expense, net
Total reclassifications for the period	$ 1,744	

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2016 were as follows (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
Realized losses on cash flow hedges, net of tax	$ 501	Revenue
Realized losses on available-for-sale securities, net of tax	202	Other expense, net
Total reclassifications for the period	$ 703	

Note 4 Acquisitions And Dispositions

During the three months ended March 31, 2015, the Company acquired one company which was accounted for as a business combination. The total purchase price for this acquisition was $23 million. The purchase price allocation of the assets acquired and liabilities assumed based on their estimated fair values was as follows: $5 million to amortizable intangibles; $4 million to net liabilities assumed; and the remainder of $22 million to goodwill. Goodwill represents the excess of the purchase price over the estimated fair value of the net tangible and identifiable intangible assets acquired and is not deductible for tax purposes. The entire goodwill amount which was recorded in the EMEA segment was subsequently impaired during the fourth quarter of 2015 as a result of the impairment testing performed by the Company on its reporting units as of October 31, 2015.

The Company’s business combinations completed during the three months ended March 31, 2015 did not have a material impact on the Company’s condensed consolidated financial statements and therefore actual and pro forma disclosures have not been presented.

The Company did not make any acquisitions during the three months ended March 31, 2016.

Patent Sale and License Agreement

During 2014, the Company entered into a patent sale and license agreement for total cash consideration of $460 million. The total consideration was allocated based on the estimated relative fair value of each of the elements of the agreement: $61 million was allocated to the sale of patents (“Sold Patents”), $135 million to the license to existing patents (“Existing Patents”) and $264 million to the license of patents developed or acquired in the next five years (“Capture Period Patents”). The Company recorded $61 million as a gain on the Sold Patents during 2014.

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The amounts allocated to the license of the Existing Patents are being recorded as revenue over the four-year payment period under the license when payments are due. The amounts allocated to the Capture Period Patents are being recorded as revenue over the five-year capture period. The Company recognized $22 million in revenue related to the Existing Patents and the Capture Period Patents during both the three months ended March 31, 2015 and 2016.

The Company sold certain patents and recorded gains on sales of patents of approximately $2 million for both the three months ended March 31, 2015 and 2016.

Note 5 Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2016 were as follows (in thousands):

	Americas (1)	EMEA(2)	Asia Pacific(3)	Total
Net balance as of January 1, 2016	$ 518,886	$ -	$ 289,228	$ 808,114
Foreign currency translation adjustments	-	-	7,865	7,865
Net balance as of March 31, 2016	$ 518,886	$ -	$ 297,093	$ 815,979

(1) Gross goodwill balance for the Americas segment was $4.4 billion as of March 31, 2016. The Americas segment includes accumulated impairment losses of $3.9 billion as of March 31, 2016.

(2) Gross goodwill balance for the EMEA segment was $1.2 billion as of March 31, 2016. The EMEA segment includes accumulated impairment losses of $1.2 billion as of March 31, 2016.

(3) Gross goodwill balance for the Asia Pacific segment was $456 million as of March 31, 2016. The Asia Pacific segment includes accumulated impairment losses of $159 million as of March 31, 2016.

Given the partial impairment recorded in the Tumblr reporting unit in 2015, it is reasonably possible that changes in judgments, assumptions and estimates the Company made in assessing the fair value of goodwill could cause the Company to consider some portion or all of the remaining goodwill of the Tumblr reporting unit to become impaired. In addition, a future decline in market conditions and/or changes in the Company's market share could negatively impact the market comparables, estimated future cash flows and discount rates used in the market and income approaches to determine the fair value of the reporting unit and could result in an impairment charge in the foreseeable future.

Note 6 Intangible Assets, Net

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

	December 31, 2015	March 31, 2016		
	Net	Gross Carrying Amount	Accumulated Amortization(*)	Net
Customer, affiliate, and advertiser related relationships	$ 220,055	$ 355,585	$ (150,763)	$ 204,822
Developed technology and patents	86,909	169,978	(95,818)	74,160
Tradenames, trademarks, and domain names	40,305	67,119	(29,850)	37,269
Total intangible assets, net	$ 347,269	$ 592,682	$ (276,431)	$ 316,251

(*) Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, totaled approximately $18 million as of March 31, 2016.

For the three months ended March 31, 2015 and 2016, the Company recognized amortization expense for intangible assets of $34 million and $32 million, respectively, including $14 million in cost of revenue — other for each of the three months ended March 31, 2015 and 2016. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for the remainder of 2016 and each of the succeeding years is as follows: nine months ending December 31, 2016: $84 million; 2017: $104 million; 2018: $84 million; 2019: $43 million; 2020 and cumulatively thereafter: $1 million.

Note 7 Basic And Diluted Net Income (Loss) Attributable To Yahoo! Inc. Common Stockholders Per Share

Basic and diluted net income (loss) 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 Directors' Stock Plan (the "Directors' Plan")). Diluted net income (loss) 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 the incremental common shares issuable upon the exercise of stock options. The Company calculates potential tax windfalls and shortfalls by including the impact of deferred tax assets.

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

For the three months ended March 31, 2015, potentially dilutive securities representing approximately 2 million shares of common stock were excluded from the computation of diluted earnings per share for these periods because their effect would have been anti-dilutive.

The Company has the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion of the Notes. The Company's intent is to settle the principal amount of the Notes in cash upon conversion. As a result, upon conversion of the Notes, only the amounts payable in excess of the principal amounts of the Notes are considered in diluted earnings per share under the treasury stock method.

The denominator for diluted net income (loss) per share also does not include any effect from the note hedges. In future periods, the denominator for diluted net income (loss) per share will exclude any effect of the note hedges, if their effect would be anti-dilutive. In the event an actual conversion of any or all of the Notes occurs, the shares that would be delivered to the Company under the note hedges are designed to neutralize the dilutive effect of the shares that the Company would issue under the Notes. See Note 11—"Convertible Notes" for additional information.

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

	Three Months Ended March 31, 2015	2016
Basic:		
Numerator:		
Net income (loss) attributable to Yahoo! Inc.	$ 21,198	$ (99,232)
Net income (loss) attributable to Yahoo! Inc. common stockholders — basic	$ 21,198	$ (99,232)
Denominator:		
Weighted average common shares	934,748	945,719
Net income (loss) attributable to Yahoo! Inc. common stockholders per share — basic	$ 0.02	$ (0.10)
Diluted:		
Numerator:		
Net income (loss) attributable to Yahoo! Inc.	$ 21,198	$ (99,232)
Less: Effect of dilutive securities issued by equity investees	(1,194)	-
Net income (loss) attributable to Yahoo! Inc. common stockholders — diluted	$ 20,004	$ (99,232)
Denominator:		
Denominator for basic calculation	934,748	945,719
Weighted average effect of Yahoo! Inc. dilutive securities:		
Restricted stock units	10,913	-
Stock options	2,315	-
Denominator for diluted calculation	947,976	945,719
Net income (loss) attributable to Yahoo! Inc. common stockholders per share — diluted	$ 0.02	$ (0.10)

Note 8 Investments In Equity Interests Accounted For Using The Equity Method Of Accounting

The following table summarizes the Company’s investments in equity interests using the equity method of accounting (dollars in thousands):

	December 31, 2015	Percent Ownership	March 31, 2016	Percent Ownership
Yahoo Japan	$ 2,496,657	35.5%	$ 2,577,137	35.5%
Other	6,572	20%	-	
Total	$ 2,503,229		$ 2,577,137	

Equity Investment in Yahoo Japan

The investment in Yahoo Japan is 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 operations.

The Company makes adjustments to the earnings in equity interests line in the condensed consolidated statements of operations for any material differences between U.S. GAAP and International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board, the standards by which Yahoo Japan’s financial statements are prepared.

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The fair value of the Company’s ownership interest in the common stock of Yahoo Japan, based on the quoted stock price, was $8.6 billion as of March 31, 2016.

The following tables present summarized financial information derived from Yahoo Japan’s consolidated financial statements, which are prepared on the basis of IFRS. The Company has made adjustments to the Yahoo Japan summarized financial information to address differences between IFRS and U.S. GAAP that materially impact the summarized financial information below. Any other differences between U.S. GAAP and IFRS did not have any material impact on the Yahoo Japan’s summarized financial information presented below:

	Three Months Ended December 31, 2014	Three Months Ended December 31, 2015
	(In thousands)	
Operating data:		
Revenue	$ 941,241	$ 958,861
Gross profit	$ 750,984	$ 754,739
Income from operations	$ 425,053	$ 344,951
Net income	$ 286,793	$ 234,514
Net income attributable to Yahoo Japan	$ 284,846	$ 234,663

	September 30, 2015	December 31, 2015
	(In thousands)	
Balance sheet data:		
Current assets	$ 6,150,688	$ 6,477,767
Long-term assets	$ 2,430,699	$ 2,468,873
Current liabilities	$ 2,003,960	$ 2,125,388
Long-term liabilities	$ 245,834	$ 233,251
Noncontrolling interests	$ 165,601	$ 164,560

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 $60 million and $62 million for the three months ended March 31, 2015 and 2016, respectively. As of December 31, 2015 and March 31, 2016, the Company had net receivable balances from Yahoo Japan of approximately $37 million and $41 million, respectively.

Alibaba Group

Equity Investment in Alibaba Group. The Company reflects the investment in Alibaba Group as an available-for-sale equity security on the consolidated balance sheet and adjusts the investment to fair value each quarterly reporting period with changes in fair value recorded within other comprehensive loss, net of tax. See Note 2 — “Marketable Securities, Investments and Fair Value Disclosures” and condensed consolidated statements of comprehensive loss for additional information.

Technology and Intellectual Property License Agreement (the “TIPLA”). As a result of the initial public offering of Alibaba Group in September 2014 (the “Alibaba Group IPO”), Alibaba Group’s obligation to make royalty payments under the TIPLA ceased on September 24, 2014 and the Company’s recognition of the remaining TIPLA deferred revenue was completed on September 18, 2015. For the three months ended March 31, 2015, the Company recognized approximately $69 million related to the TIPLA.

Note 9 Foreign Currency Derivative Financial Instruments

The Company uses derivative financial instruments, primarily forward contracts and option 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 or other long-term assets, and liabilities included in accrued expenses and other current liabilities or other long-term liabilities. The Company’s accounting treatment for these instruments is based on whether or not the instruments are designated as a hedging instrument. The effective portions of net investment hedges are recorded in other comprehensive loss 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 operations when the underlying hedged revenue is recognized. Any ineffective portions of net investment hedges and cash flow hedges are recorded in other expense, net on the Company's condensed consolidated statements of operations. For balance sheet hedges, changes in the fair value are recorded in other expense, net on the Company's condensed consolidated statements of operations.

The Company enters into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of foreign exchange contracts with the same counterparty, subject to applicable requirements. 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 currently hedges, on an after-tax basis, a portion of its net investment in Yahoo Japan with forward contracts and option 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, 2015 and March 31, 2016. As such, the net investment hedge was considered to be effective.

Cash Flow Hedges. The Company entered into foreign currency forward contracts designated as cash flow hedges of varying maturities through January 31, 2017. The cash flow hedges were considered to be effective as of December 31, 2015 and March 31, 2016. All of the forward contracts designated as cash flow hedges that were settled were reclassified to revenue during the three months ended March 31, 2015 and 2016. All current outstanding cash flow hedges are expected to be reclassified into revenue during 2016. For the three months ended March 31, 2015 and 2016, the amounts recorded in other expense, net as a result of hedge ineffectiveness were not material.

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 monetary assets and liabilities, including intercompany transactions, which are denominated in foreign currencies.

Notional amounts of the Company's outstanding derivative contracts as of December 31, 2015 and March 31, 2016 were as follows (in millions):

	December 31, 2015	March 31, 2016
Derivatives designated as hedging instruments:		
Net investment hedge forward and option contracts	$ 1,150	$ 849
Cash flow hedge forwards	$ 75	$ 72
Derivatives not designated as hedging instruments:		
Balance sheet hedges	$ 225	$ 104

Foreign currency derivative activity for the three months ended March 31, 2015 was as follows (in millions):

	Beginning Fair Value	Settlement Payment (Receipt), Net	Gain (Loss) Recorded in Other Expense, Net	Gain (Loss) Recorded in Other Comprehensive Loss	Gain (Loss) Recorded in Revenue	Ending Fair Value
Derivatives designated as hedging instruments:						
Net investment hedges	$ 185	$ -	$ -	$ 4 (*)	$ -	$ 189
Cash flow hedges	$ 8	$ (2)	$ (1)	$ (9)	$ (1)	$ (5)
Derivatives not designated as hedging instruments:						
Balance sheet hedges	$ 4	$ (16)	$ 23	$ -	$ -	$ 11

(*) This amount does not reflect the tax impact of $1 million recorded during the three months ended March 31, 2015. The $3 million after tax impact of the gain recorded within other comprehensive loss was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

Foreign currency derivative activity for the three months ended March 31, 2016 was as follows (in millions):

	Beginning Fair Value	Settlement Payment (Receipt), Net	Gain (Loss) Recorded in Other Expense, Net	Gain (Loss) Recorded in Other Comprehensive Loss	Gain (Loss) Recorded in Revenue	Ending Fair Value
Derivatives designated as hedging instruments:						
Net investment hedges	$ 74	$ (31)	$ -	$ (48) (*)	$ -	$ (5)
Cash flow hedges	$ 2	$ (1)	$ -	$ (3)	$ (1)	$ (3)
Derivatives not designated as hedging instruments:						
Balance sheet hedges	$ 2	$ (1)	$ (2)	$ -	$ -	$ (1)

(*) This amount does not reflect the tax impact of $17 million recorded during the three months ended March 31, 2016. The $31 million after tax impact of the loss recorded within other comprehensive loss was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

Foreign currency derivative contracts balance sheet location and ending fair value was as follows (in millions):

	Balance Sheet Location	December 31, 2015	March 31, 2016
Derivatives designated as hedging instruments:			
Net investment hedges	Asset(1)	$ 79	$ 19
	Liability(2)	$ (5)	$ (24)
Cash flow hedges	Asset(1)	$ 2	$ -
	Liability(2)	$ -	$ (3)
Derivatives not designated as hedging instruments:			
Balance sheet hedges	Asset(1)	$ 3	$ -
	Liability(2)	$ (1)	$ (1)

(1) Included in prepaid expenses and other current assets or other long-term assets on the condensed consolidated balance sheets.

(2) Included in accrued expenses and other current liabilities or other long-term liabilities on the condensed consolidated balance sheets.

Note 10 Credit Agreement

The Company's credit agreement with Citibank, N.A., as Administrative Agent entered into on October 19, 2012 (as amended on October 10, 2013, October 9, 2014, and July 24, 2015, the "Credit Agreement") provides for a $750 million unsecured revolving credit facility, subject to increase of up to $250 million in accordance with its terms. The Credit Agreement terminates on July 22, 2016, unless extended by the parties. As of March 31, 2016, 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, 2016, the Company had $1.4 billion in 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 was issued at par value. 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 the 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 with respect to the remainder of its conversion obligation in excess of the aggregate principal amount (conversion spread). As of March 31, 2016, none of the conditions allowing holders of the Notes to convert had been met.
The Notes consist of the following (in thousands):

	December 31, 2015	March 31, 2016
Liability component:		
Principal	$ 1,437,500	$ 1,437,500
Less: note discount	(204,015)	(187,725)
Net carrying amount	$ 1,233,485	$ 1,249,775
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,	
	2015	2016
Accretion of convertible note discount	$ 15,457	$ 16,290

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) were as follows (in thousands):

	December 31, 2015		March 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	$ 1,250,124	$ 1,233,485	$ 1,281,518	$ 1,249,775

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 15 years which expire between 2016 and 2025. A summary of gross and net lease commitments as of March 31, 2016 was as follows (in millions):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Nine months ending December 31, 2016	$ 90	$ (9)	$ 81
Years ending December 31,			
2017	91	(11)	80
2018	64	(8)	56
2019	49	(6)	43
2020	36	(4)	32
2021	27	(4)	23
Due after 5 years	77	(2)	75
Total gross and net lease commitments	$ 434	$ (44)	$ 390

	Capital Lease Commitments
Nine months ending December 31, 2016	$ 11
Years ending December 31,	
2017	10
2018	9
2019	5
2020	-
2021	-
Due after 5 years	-
Gross capital lease commitments	$ 35
Less: interest	6
Net capital lease commitments included in other accrued expenses and current liabilities and other long-term liabilities	$ 29

Affiliate Commitments. The Company is obligated to make payments, which represent traffic acquisition costs (“TAC”), to its Affiliates. As of March 31, 2016, these commitments totaled $1,438 million, of which $282 million will be payable in the remainder of 2016, $375 million will be payable in 2017, $375 million will be payable in 2018, $375 million will be payable in 2019, and $31 million will be payable in 2020.

Non-cancelable Obligations. The Company is obligated to make payments under various non-cancelable arrangements with vendors and other business partners, principally for marketing, bandwidth, co-location, and content arrangements. As of March 31, 2016, these commitments totaled $159 million, of which $77 million will be payable in the remainder of 2016, $35 million will be payable in 2017, $27 million will be payable in 2018, $7 million will be payable in 2019, $3 million will be payable in 2020, $3 million will be payable in 2021 and $7 million will be payable thereafter.

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Intellectual Property Rights. The Company is committed to make certain payments under various intellectual property arrangements of up to $13 million through 2023.

Construction Liabilities. The Company capitalizes construction in progress and records a corresponding long-term liability for build-to-suit lease agreements where the Company is considered as the owner during the construction period for accounting purposes. These liabilities relate to one corporate building in Los Angeles, California. The estimated timing and amounts of payments for rent associated with the build-to-suit lease arrangement that has not been placed in service totaled $20 million, of which $1 million will be payable in the remainder of 2016, $2 million will be payable in each year from 2017 through 2021, and $9 million will be payable thereafter.

Note Payable Obligations. The Company is obligated to make payments for notes payable related to two buildings in Sunnyvale, California. The estimated timing and amounts of payments totaled $55 million, of which $3 million will be payable in the remainder of 2016, $5 million will be payable in each year from 2017 through 2021, and $27 million will be payable thereafter.

Standby Letters of Credit. As of March 31, 2016, the Company had outstanding potential obligations relating to standby letters of credit of $40 million. Standby letters of credit are financial guarantees provided by third parties for ongoing operating liabilities such as leases, utility bills, taxes, and insurance. If any letter of credit is drawn upon by a beneficiary, the Company is obligated to reimburse the provider of the guarantee. The standby letters of credit generally renew annually.

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 the sale of a subsidiary, matters related to the Company's conduct of the business and tax matters prior to the sale, lease or assignment. 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 current and former 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 material liabilities related to such indemnification obligations in the Company's condensed consolidated financial statements.

As of March 31, 2016, 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, 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 such relationships. In addition, the Company identified no variable interests currently held in entities for which it is the primary beneficiary.

Legal Contingencies

General. The Company is regularly involved in claims, suits, government investigations, and proceedings arising from the ordinary course of the Company's 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 users, stockholder derivative actions, purported class action lawsuits, and other matters.

Patent 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.

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 California court approved a stipulation staying the California Derivative Litigation pending resolution of the Federal Derivative Litigation. On December 23, 2015, the court dismissed the Federal Derivative Litigation with prejudice. On March 25, 2016, the California Derivative Litigation was dismissed pursuant to a stipulation of the parties.

On April 22, 2015, a stockholder action captioned *Cathy Buch v. David Filo, et al*., was filed in the Delaware Court of Chancery against the Company and certain of its current and former directors. The complaint asserts both derivative claims, purportedly on behalf of Yahoo, and class action claims, purportedly on behalf of the plaintiff and all similarly situated stockholders, relating to the termination of, and severance payments made to, our former chief operating officer, Henrique de Castro. The plaintiff alleges that certain current and former board members breached their fiduciary duties by enabling or acquiescing in the payment of severance to Mr. de Castro, and by allowing Yahoo to make allegedly false and misleading statements regarding the value of his severance. The plaintiff has also asserted claims against Mr. de Castro. The plaintiff seeks to recoup the severance paid to Mr. de Castro, an equitable accounting, disgorgement in favor of Yahoo, monetary damages, declaratory relief, injunctive relief, and an award of attorneys' fees and costs. The Company has filed a motion to dismiss the action.

On January 27, 2016, a stockholder action captioned *UCFW Local 1500 Pension Fund v. Marissa Mayer, et al*., was filed in the U.S. District Court for the Northern District of California against the Company, and certain current and former officers and directors of the Company, including all current members of the Board other than Tor Braham, Eric Brandt, Catherine Friedman, Eddy Hartenstein, Richard Hill, and Jeffrey Smith. On April 29, 2016, the plaintiff filed an amended complaint. The amended complaint asserts derivative claims, purportedly on behalf of Yahoo, for violations of the Investment Company Act of 1940, breach of fiduciary duty, unjust enrichment, violations of Delaware General Corporation Law Section 124, and violations of California Business & Professions Code Section 17200. The amended complaint seeks to rescind Yahoo's employment contracts with the individual defendants because those defendants allegedly caused Yahoo to illegally operate as an unregistered investment company. The plaintiff seeks disgorgement in favor of Yahoo, rescission, and an award of attorneys' fees and costs. In addition, the amended complaint asserts a direct claim against Yahoo for alleged violation of Delaware General Corporation Law Section 124(1), based on the allegation that Yahoo has illegally operated as an unregistered investment company. Pursuant to this claim, the plaintiff seeks injunctive relief preventing Yahoo from entering into any future contracts, including any contracts to sell its assets. The Company plans to file a motion to dismiss the action.

Mexico Matters. 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.

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 appealed the Superior Court's decision to the Mexican Federal Civil Collegiate Court for the First Circuit ("Civil Collegiate Court"). The Company appealed the Superior Court's decision not to award it statutory costs in the underlying proceeding. Yahoo! Mexico 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. On January 14, 2015, the Civil Collegiate Court denied all of the appeals.

On February 16, 2015, plaintiffs filed a petition for review by the Supreme Court of Mexico, where review is limited to constitutional questions under Mexican law. The plaintiffs' petition was denied. Plaintiffs then filed an additional petition seeking to reverse the denial through further review. On September 22, 2015, the Supreme Court of Mexico issued its written decision denying that petition. This decision concludes plaintiffs' appeals in Mexico.

On September 10, 2014, the same plaintiffs in the Mexico litigation described above filed an action in U.S. District Court for the Southern District of New York against Yahoo! Inc., Yahoo! Mexico, Baker & McKenzie, and Baker & McKenzie, S.C. Plaintiffs allege that defendants conspired to influence the Mexican courts and "illegally obtain a favorable judgment" in the above litigation. Plaintiffs advance claims for relief under the Racketeer Influenced and Corrupt Organizations Act of 1970 ("RICO"), which provides for treble damages in certain cases, conspiracy to violate RICO, common-law fraud, and civil conspiracy. The Company and Yahoo! Mexico filed a motion to dismiss the amended complaint. On March 31, 2016, the District Court granted the motion and dismissed the amended complaint without leave to amend.

TCPA Litigation Concerning Yahoo Messenger. On March 21, 2014 and April 16, 2014, civil complaints were filed in the United States District Court for the Northern District of Illinois by plaintiffs Rachel Johnson and Zenaida Calderin, respectively, against the Company, alleging that the process by which Yahoo Messenger sends a notification SMS message in addition to delivering a user's instant message to a recipient's cellular telephone constitutes a violation of the Telephone Consumer Protection Act ("TCPA"), 47 U.S.C. § 227. The penalty per violation ranges from $500 to $1,500. The complaints, which were consolidated, seek statutory damages for a purported class of plaintiffs. In January 2016, the District Court denied class certification treatment proposed by plaintiff Calderin, who accepted a $1,500 offer of judgment to resolve her case in its entirety. The District Court certified a class proposed by plaintiff Johnson comprising more than 300,000 potential members. The Company sought permission from the United States Court of Appeals for the Seventh Circuit to appeal the District Court's certification order, which the Court of Appeals denied. No decision has been made on the merits of plaintiffs' claims, which the Company is defending vigorously. The Company also previously defended related litigation in the United States District Court for the Southern District of California, which denied class certification in September 2015; the case was dismissed with prejudice in March 2016.

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 remaining 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 March 31, 2016 were not material. The Company did not accrue for the judgment in Mexico, which was reversed as explained above. 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

***Stock Options*.** The Company's 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 holdbacks by Yahoo of shares of Yahoo common stock issued to founders of acquired companies in connection with certain of the Company's acquisitions) are collectively referred to as the "Plans". Stock option activity under the Company's Plans for the three months ended March 31, 2016 is summarized as follows (in thousands, except per share amounts):

	Shares		Weighted Average Exercise Price Per Share
Outstanding at December 31, 2015 (1)	6,522	$	18.82
Options granted	-	$	-
Options exercised(2)	(361)	$	13.17
Options expired	(417)	$	18.67
Options cancelled/forfeited	(306)	$	18.53
Outstanding at March 31, 2016(1)	5,438	$	19.22

(1) Includes shares subject to performance-based stock options for which performance goals had not been set as of the date shown.

(2) The Company generally issues new shares to satisfy stock option exercises.

As of March 31, 2016, there was $20 million of unamortized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 1.3 years.

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock unit activity under the Plans for the three months ended March 31, 2016 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, 2015 (1)	28,739	$	39.15
Granted(2)	13,339	$	33.96
Vested	(3,402)	$	29.84
Forfeited	(3,132)	$	35.77
Awarded and unvested at March 31, 2016 (1)	35,544	$	38.39

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

(2) Includes the maximum number of shares issuable under the performance-based restricted stock unit awards granted during the three months ended March 31, 2016 (including future-year tranches for which performance goals had not been set during the period); excludes tranches of previously granted performance-based restricted stock units for which performance goals were set during the three months ended March 31, 2016.

As of March 31, 2016, there was $849 million of unamortized stock-based compensation expense related to unvested restricted stock and restricted stock units, which is expected to be recognized over a weighted average period of 2.7 years.

During the three months ended March 31, 2015 and 2016, 5.7 million shares and 3.4 million shares, respectively, that were subject to previously granted restricted stock units, vested. These vested restricted stock awards were net share settled. During the three months ended March 31, 2015 and 2016, the Company withheld 2.2 million shares and 1.4 million shares, respectively, based upon the Company's closing stock price on the vesting date, to satisfy the Company's tax withholding obligation relating to 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 $97 million and $42 million, respectively, for the three months ended March 31, 2015 and 2016 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. 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 Options. The financial performance stock options awarded by the Company in November 2012 to Ms. Mayer 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 March 2016, the Compensation Committee established performance goals under these stock options for the 2016 performance year. The 2016 financial performance metrics (and their weightings) under the performance stock options are GAAP revenue (one-third), revenue ex-TAC (one-third), and adjusted EBITDA (one-third). The grant date fair value of the 2016 tranche of the November 2012 financial performance stock options was $13 million, and is being recognized over the twelve-month service period. The Company began recording stock-based compensation expense for this tranche in March 2016, when the financial performance goals were established.

Performance RSUs. In March 2016, the Compensation Committee approved additional annual financial performance-based RSU awards to Ms. Mayer and other senior officers, and established the 2016 annual performance goals for these awards as well as for the similar performance-based RSUs granted in February 2013, February 2014, and March 2015. The 2013, 2014, 2015, and 2016 performance-based RSU awards are generally eligible to vest in equal annual target amounts 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 RSU awards at the beginning of each year and the tranche of each RSU award related to that year's performance goal is treated as a separate annual grant for accounting purposes. The 2016 financial performance metrics (and their weightings) established for the performance RSUs are: GAAP revenue (one-third), revenue ex-TAC (one-third), and adjusted EBITDA (one-third). The grant date fair value of the first tranche of the March 2016 performance RSUs was $10 million, the grant date fair value of the second tranche of the

March 2015 performance RSUs was $8 million, the grant date fair value of the third tranche of the February 2014 performance RSUs was $4 million, and the grant date fair value of the fourth tranche of the February 2013 performance RSUs was $8 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 March 2016, when the financial performance goals were established.

***Stock Repurchases*.** In November 2013, the Board authorized a 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 remaining under the November 2013 repurchase program was approximately $726 million at March 31, 2016. In March 2015, the Board authorized an additional stock repurchase program with an authorized level of $2 billion. The March 2015 program, according to its terms, will expire in March 2018. The aggregate amount available under the March 2015 repurchase program was $2 billion at March 31, 2016. 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, 2016, the Company did not repurchase any of its outstanding common stock.

Note 14 Restructuring Charges, Net

Restructuring charges, net consists of employee severance pay and related costs, accelerations of stock-based compensation expense, facility restructuring costs, contract termination and other non-cash charges associated with the exit of facilities, as well as reversals of restructuring charges arising from changes in estimates.

For the three months ended March 31, 2015, and 2016, restructuring charges, net was comprised of the following (in thousands):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Employee severance pay and related costs	$ 44,000	$ 44,796
Non-cancelable lease, contract termination, and other charges	8,617	5,904
Reversals of previous charges	(3,231)	(1,206)
Non-cash accelerations of stock-based compensation expense	2,705	7,374
Other non-cash (credits) charges, net	(859)	362
Restructuring charges, net	$ 51,232	$ 57,230

The Company has implemented multiple restructuring plans to reduce its cost structure, align resources with its product strategy and improve efficiency, which have resulted in workforce reductions and the consolidation of certain real estate facilities and data centers. For the three months ended March 31, 2015, the Company recorded expense of $41 million, $7 million, and $3 million related to the Americas, EMEA, and Asia Pacific segments, respectively. For the three months ended March 31, 2016, the Company recorded expense of $48 million, $7 million, and $2 million related to the Americas, EMEA, and Asia Pacific segments, respectively.

The amounts recorded during the three months ended March 31, 2016 were primarily related to the Company's announced plans in February 2016 to reduce the Company's workforce by approximately 15 percent by the end of 2016 and exit six offices in Dubai, Mexico City, Buenos Aires, Madrid, Milan and Burbank, California, subject to applicable laws and consultation processes, as a part of the strategic plan to simplify Yahoo's product portfolio. During the three months ended March 31, 2016, in connection with this action, the Company incurred pre-tax cash charges of $44 million for severance pay expenses and related cash expenditures, pre-tax cash charges of $3 million related to the consolidation and exit of facilities related to non-cancelable lease costs and other related costs, pre-tax non-cash charges of $7 million related to stock-based compensation expense and less than $1 million related to impairment costs. The Company estimates that it will incur a total of $64 million to $78 million in pre-tax charges in connection with the planned action.

The Company's restructuring accrual activity for the three months ended March 31, 2016 is summarized as follows (in thousands):

Accrual balance as of December 31, 2015	$ 65,891
Restructuring charges	57,230
Cash paid	(30,906)
Non-cash accelerations of stock-based compensation expense	(7,374)
Foreign currency translation and other adjustments	(138)
Accrual balance as of March 31, 2016	$ 84,703

The $85 million restructuring liability as of March 31, 2016 consisted of $38 million for employee severance expenses, which the Company expects to pay out by the end of the second quarter of 2017, and $47 million related to non-cancelable lease costs, which the Company expects to pay over the terms of the related obligations through the fourth quarter of 2025, less estimated sublease income. Restructuring accruals by segment consisted of the following (in thousands):

	December 31, 2015	March 31, 2016
Americas	$ 47,054	$ 64,407
EMEA	18,389	19,356
Asia Pacific	448	940
Total restructuring accruals	$ 65,891	$ 84,703

Note 15 Income Taxes

The Company's effective tax rate is the result of the mix of income earned and losses incurred 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, non-deductible acquisition-related costs, and adjustments to unrecognized tax benefits.

The Company recorded income tax benefits of $41 million and $35 million for the three months ended March 31, 2015 and 2016, respectively. The income tax benefits for both periods were primarily due to the Company's loss before income taxes and earnings in equity interests. The relatively lower tax benefit for the three months ended March 31, 2016 compared to the three months ended March 31, 2015, is primarily due to the Company's limited ability to use foreign tax credits in the current year.

As of March 31, 2016, the Company does not anticipate repatriating its undistributed foreign earnings of approximately $3.4 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.

In the three months ended March 31, 2016, the Company received a cash tax refund of $190 million associated with the Company's claim to carry back its 2015 losses and tax attributes to earlier taxable years.

The Company's gross amount of unrecognized tax benefits as of March 31, 2016 was $1.1 billion, of which $1.0 billion is recorded on the condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2016 decreased by $4 million from the recorded balance as of December 31, 2015. The majority of the decrease related to audit settlements in different tax jurisdictions.

The Company is in various stages of examination and appeal in connection with its taxes both in the United States and in foreign jurisdictions. Those audits generally span tax years 2005 through 2014. As of March 31, 2016, the Company's 2011 through 2013 U.S. federal income tax returns are currently under examination. The Company has appealed the proposed California Franchise Tax Board's adjustments to the 2005 through 2008 returns, but no conclusions have been reached to date. While it is difficult to determine when the examinations will be settled or their final outcomes, certain audits in various jurisdictions are expected to be resolved in the foreseeable future. The Company believes that it has adequately provided for any reasonably foreseeable adverse adjustment to its tax returns and that any settlement will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows. It is reasonably possible that the Company's unrecognized tax benefits could be reduced by up to approximately $134 million in the next twelve months.

In the three months ended March 31, 2015, the Company satisfied the $3.3 billion income tax liability related to the sale by Yahoo! Hong Kong Holdings Limited, the Company's wholly-owned subsidiary, of Alibaba Group American Depositary Shares ("ADSs") in the Alibaba Group IPO on September 24, 2014. As of March 31, 2016 the Company accrued deferred tax liabilities of $12.3 billion associated with the 384 million ordinary shares of Alibaba Group ("Alibaba Group shares") retained by the Company. Such deferred tax liabilities are subject to periodic adjustments due to changes in the fair value of the Alibaba Group shares.

The Company may have additional tax liabilities in China related to the sale to Alibaba Group of 523 million Alibaba Group shares that took place during the year ended December 31, 2012 and related to the sale of the 140 million Alibaba Group ADSs sold in the Alibaba Group IPO that took place during the year ended December 31, 2014. Any taxes assessed and paid in China are expected to be ultimately offset and recovered in the United States through the use of foreign tax credits.

Tax authorities from the Brazilian State of Sao Paulo have assessed certain indirect taxes against the Company's Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment is for calendar years 2008 through 2011 and as of March 31, 2016 totals approximately $98 million. 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, revenue ex-TAC (which is defined as revenue less cost of revenue – TAC), direct costs excluding TAC by segment, and consolidated loss from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, the Company's segments.

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Revenue by segment:		
Americas	$ 984,721	$ 861,539
EMEA	81,086	76,923
Asia Pacific	160,163	148,690
Total Revenue	$ 1,225,970	$ 1,087,152
TAC by segment:		
Americas	$ 166,655	$ 204,871
EMEA	11,704	12,509
Asia Pacific	4,780	10,383
Total TAC	$ 183,139	$ 227,763
Revenue ex-TAC by segment:		
Americas	$ 818,066	$ 656,668
EMEA	69,382	64,414
Asia Pacific	155,383	138,307
Total Revenue ex-TAC	1,042,831	859,389
Direct costs by segment(1) :		
Americas	69,274	81,133
EMEA	20,184	20,609
Asia Pacific	50,732	45,079
Global operating costs (2)	673,528	575,980
Gains on sales of patents	(2,000)	(1,500)
Depreciation and amortization	151,539	139,665
Stock-based compensation expense	115,696	108,407
Restructuring charges, net	51,232	57,230
Loss from operations	$ (87,354)	$ (167,214)

(1) Direct costs for each segment include costs associated with the local sales teams and other cost of revenue.

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

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Capital expenditures, net:		
Americas	$ 98,914	$ 64,344
EMEA	7,653	4,870
Asia Pacific	4,886	6,885
Total capital expenditures, net	$ 111,453	$ 76,099

	December 31, 2015	March 31, 2016
Property and equipment, net:		
Americas:		
U.S.	$ 1,447,995	$ 1,396,114
Other	353	943
Total Americas	$ 1,448,348	$ 1,397,057
EMEA	33,940	33,773
Asia Pacific	65,035	65,680
Total property and equipment, net	$ 1,547,323	$ 1,496,510

See Note 5 — "Goodwill" and Note 14 — "Restructuring 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,	
	2015	2016
Search(*)	$ 542,092	$ 491,881
Display(*)	466,938	463,019
Other(*)	216,940	132,252
Total revenue	$ 1,225,970	$ 1,087,152

(*) In the three months ended March 31, 2016, the Company reclassified certain amounts from other revenue to either search or display revenue. To conform to the current presentation, the Company reclassified $10.4 million and $3.2 million to search and display revenue, respectively, previously included in other revenue for the three months ended March 31, 2015.

	Three Months Ended March 31,	
	2015	2016
Revenue:		
U.S.	$ 963,511	$ 840,799
International	262,459	246,353
Total revenue	$ 1,225,970	$ 1,087,152

Revenue is attributed to individual countries according to the online property that generated the revenue. No single foreign country accounted for more than 10 percent of the Company's revenue for the three months ended March 31, 2015 and 2016.

Note 17 Search Agreement With Microsoft Corporation

On December 4, 2009, the Company entered into the Search and Advertising Services and Sales Agreement (the "Search Agreement") with Microsoft Corporation ("Microsoft"). On February 18, 2010, the Company received regulatory clearance from both the U.S. Department of Justice and the European Commission and on February 23, 2010 the Company commenced implementation of the Search Agreement on a market-by-market basis.

On April 15, 2015, the Company and Microsoft entered into the Eleventh Amendment to the Search Agreement (the "Eleventh Amendment") pursuant to which the terms of the Search Agreement were amended. Previously under the Search Agreement, Microsoft was the exclusive algorithmic and paid search services provider to Yahoo on personal computers for Yahoo Properties and for search services provided by Yahoo to Affiliate sites. Microsoft was the non-exclusive provider on mobile devices. Pursuant to the Eleventh Amendment, Microsoft will provide such services on a non-exclusive basis for Yahoo Properties and Affiliate sites on all devices.

Commencing on May 1, 2015, Yahoo agreed to request paid search results from Microsoft for 51 percent of its search queries originating from personal computers accessing Yahoo Properties and its Affiliate sites (the "Volume Commitment") and will display only Microsoft's paid search results on such search result pages.

Previously under the Search Agreement, the Company was entitled to receive a percentage of the revenue (the "Revenue Share Rate") generated from Microsoft's services on Yahoo Properties and on Affiliate sites after deduction of the Affiliate sites' share of revenue and certain Microsoft costs. The Revenue Share Rate was 88 percent for the first five years of the Search Agreement and then increased to 90 percent on February 23, 2015. Pursuant to the Eleventh Amendment, the Revenue Share Rate increased to 93 percent, but Microsoft now receives its 7 percent revenue share before deduction of the Affiliate site's share of revenue. The Affiliate site's share of revenue is deducted from the Company's 93 percent Revenue Share Rate.

Additionally, pursuant to the Eleventh Amendment, the Company has the ability in response to queries on both personal computers and mobile devices to request algorithmic listings only, paid listings only or both algorithmic and paid listings from Microsoft. To the extent the Company requests algorithmic listings only or requests paid listings but elects not to display such paid listings, the Company pays Microsoft serving costs but not a revenue share. In other cases and with respect to the Volume Commitment, the Revenue Share Rate applies.

Previously under the Search Agreement, Yahoo had sales exclusivity for both the Company's and Microsoft's premium advertisers. Pursuant to the Eleventh Amendment to the Search Agreement, this sales exclusivity terminated on July 1, 2015. The Company and Microsoft are transitioning premium advertisers for Microsoft's paid search services to Microsoft on a market-by-market basis. As of March 31, 2016, such transition was substantially complete for most markets in North America and Europe, and the parties are cooperating on transitioning the remaining markets.

The term of the Search Agreement is 10 years from its commencement date, February 23, 2010, subject to earlier termination as provided in the Search Agreement. As of October 1, 2015, either the Company or Microsoft may terminate the Search Agreement by delivering a written notice of termination to the other party. The Search Agreement will remain in effect for four months from the date of the termination notice to provide for a transition period; however, the Company's Volume Commitment will not apply in the third and fourth months of this transition period.

The Company currently reports as revenue the 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 as the underlying search advertising services are provided by Microsoft. Approximately 39 percent, and 29 percent of the Company's revenue for the three months ended March 31, 2015 and, 2016, respectively, was attributable to the Search Agreement.

The Company's uncollected revenue share in connection with the Search Agreement was $267 million and $216 million, which is included in accounts receivable, net, as of December 31, 2015 and March 31, 2016, respectively.

On December 9, 2010, in connection with entering into the Search Agreement, the Company also entered into a License Agreement with Microsoft (as amended, the "License Agreement"). Under the License Agreement, Microsoft acquired an exclusive 10-year license to the Company's core search technology and has the ability to integrate this technology into its existing web search platforms. Pursuant to the Eleventh Amendment, the exclusive licenses granted to Microsoft under the License Agreement became non-exclusive. The Company also agreed pursuant to the Eleventh Amendment to license certain sales tools to Microsoft to use solely in connection with Microsoft's paid search services pursuant to the terms of the License Agreement.

Note 18 Subsequent Events

On April 21, 2016, the Company entered into a purchase agreement to sell certain property located in Santa Clara, California. The closing of the sale under the purchase agreement is subject to the satisfaction of certain closing conditions. The Company's carrying value of the property is $126.1 million.

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

Overview

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo," the "Company," "we," or "us"), is a guide to digital information discovery, focused on informing, connecting, and entertaining our users through our search, communications, and digital content products. By creating highly personalized experiences, we help users discover the information that matters most to them around the world — on mobile or desktop. We create value for advertisers with a streamlined, simple advertising technology stack that leverages Yahoo's data, content, and technology to connect advertisers with their target audiences. Advertisers can build their businesses through advertising to targeted audiences on our online properties and services ("Yahoo Properties") and 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 search and display advertising. We continue to manage and measure our business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. As of March 31, 2016, we had approximately 9,400 full-time employees after excluding employees under notice of termination and approximately 700 contractors.

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

- Key Financial Metrics;
- Recent Developments;
- Significant Transactions;
- Results of Operations;
- Segment Reporting;
- Liquidity and Capital Resources;
- Critical Accounting Policies and Estimates; and
- Recent Accounting Pronouncements.

Key Financial Metrics

The key financial metrics we use are as follows: revenue; revenue less traffic acquisition costs ("TAC"), or revenue ex-TAC; loss from operations; adjusted EBITDA; net income (loss) attributable to Yahoo! Inc.; net cash (used in) 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"). 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.

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	Three Months Ended March 31,			
	2015		2016	
	(in thousands)			
Revenue	$	1,225,970	$	1,087,152
Revenue ex-TAC	$	1,042,831	$	859,389
Loss from operations(1)	$	(87,354)	$	(167,214)
Adjusted EBITDA	$	231,113	$	147,072
Net income (loss) attributable to Yahoo! Inc.	$	21,198	$	(99,232)
Net cash (used in) provided by operating activities	$	(2,960,939)	$	365,768
Free cash flow(2)(3)	$	(3,034,922)	$	297,195
(1) Includes:				
Stock-based compensation expense	$	115,696	$	108,407
Restructuring charges, net	$	51,232	$	57,230

(2) During the three months ended March 31, 2015, we satisfied the $3.3 billion income tax liability related to the sale of Alibaba Group Holding Limited ("Alibaba Group") American Depositary Shares ("ADSs") in September 2014.

(3) During the three months ended March 31, 2016, we received a $190 million cash tax refund associated with our claim to carry back 2015 losses and tax attributes to earlier taxable years.

Non-GAAP Financial Measures

Revenue ex-TAC. Revenue ex-TAC is a non-GAAP financial measure defined as GAAP revenue less TAC that has been recorded as a cost of revenue. TAC consists of payments made to Affiliates and payments made to companies that direct consumer and business traffic to Yahoo Properties. TAC is recorded either as a reduction of revenue or as cost of revenue.

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure defined as net income (loss) attributable to Yahoo! Inc. before taxes, depreciation, amortization of intangible assets, stock-based compensation expense, other expense, net (which includes interest), earnings in equity interests, net income attributable to noncontrolling interests, and other 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 (used in) provided by operating activities (adjusted to include excess tax benefits from stock-based awards), less acquisition of property and equipment, net (i.e., acquisition of property and equipment less proceeds received from disposition of property and equipment) and dividends received from equity investees.

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, 2015 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

	Three Months Ended March 31,				2015-2016
	2015		2016		% Change
	(dollars in thousands)				
Revenue	$	1,225,970	$	1,087,152	(11)%
Less: TAC		183,139		227,763	24%
Revenue ex-TAC	$	1,042,831	$	859,389	(18)%

For the three months ended March 31, 2016, revenue decreased $139 million, or 11 percent, and TAC increased $45 million, or 24 percent, compared to the same period of 2015. For the three months ended March 31, 2016, revenue ex-TAC decreased $183 million, or 18 percent, compared to the same period of 2015. The decrease in revenue for the three months ended March 31, 2016 was primarily due to the completion of recognition of deferred revenue under the Technology and Intellectual Property License Agreement (the “TIPLA”) with Alibaba Group in which we recognized $69 million in the three months ended March 31, 2015, and a decline in search revenue driven by a decline in Yahoo search traffic. The increase in TAC for the three months ended March 31, 2016 was primarily driven by incremental TAC associated with the Gemini marketplace.

The decline in total revenue noted above included an $18 million decline in revenue year-over-year associated with the agreement we entered into with Mozilla Corporation (“Mozilla”) in November 2014 to compensate Mozilla for making us the default search provider on certain of Mozilla’s products in the United States. TAC associated with the Mozilla Agreement was flat year-over-year.

See “Results of Operations” for a more detailed discussion of the factors that contributed to the changes in revenue and TAC during this period.

Gemini is our unified marketplace for search and native advertising on Yahoo Properties and Affiliate sites. Gemini ads appear on search results pages in response to queries and also as native ads alongside display content. Advertisers place ads on the Gemini platform through our simple self-serve interface, as well as through Yahoo’s traditional sales force; we do not source Gemini ads from Microsoft or other third-party providers. Because we are the primary obligor to Gemini advertisers, we recognize Gemini revenue gross of the related TAC paid to Affiliates. In the first quarter of 2016, monetization improved on Gemini. However, we have transitioned advertiser volume to the Gemini marketplace at a slower rate than anticipated.

We expect 2016 revenue to be less than the amount reported in 2015 as a result of the completion of recognition of deferred revenue under the TIPLA with Alibaba Group, strategic product exits, declines in our legacy desktop display business and a decline in desktop search volume. We expect revenue growth from our Mavens offerings to partially offset this decline.

Mavens Revenue

One of our primary strategies is to invest in and grow our Mavens offerings. Revenue from our Mavens offerings is generated from, without duplication, (i) mobile (as defined below), (ii) video ads and video ad packages, (iii) native ads, and (iv) Tumblr and Polyvore ads and fees.

Mavens revenue for the three months ended March 31, 2016 increased 7 percent to $390 million, compared to $365 million for the three months ended March 31, 2015. The increase in Mavens revenue for the three months ended March 31, 2016 was primarily related to growth in native advertising on mobile devices. Our syndication (third-party, affiliate) business contributed significantly to this growth, making up approximately one third of total native advertising revenue.

We expect our Mavens revenue to increase in 2016 from the amount reported in 2015.

Mobile Revenue

With the significant platform shift to mobile devices, including smartphones and tablets, we continue to focus on mobile products and mobile ad formats. In the first quarter of 2016, we continued to refresh the user experience on mobile with the launch of the new Yahoo app. As of March 31, 2016, we had more than 600 million monthly mobile users (including mobile Tumblr users).

Mobile revenue is generated in connection with user activity on mobile devices, including smartphones and tablets (a “device-based” approach), regardless of whether the device is accessing a mobile-optimized service. Mobile revenue is primarily generated by search and display advertising. Mobile revenue also includes leads, listings and fees revenue and e-commerce revenue allocated to user activity on mobile devices. For additional information about how we generate and recognize mobile revenue, see “Key Metrics — *Revenue — Mobile Revenue*” included in our Annual Report on Form 10-K for the year ended December 31, 2015 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Mobile revenue for the three months ended March 31, 2016 increased 11 percent to $260 million, compared to $234 million for the three months ended March 31, 2015. The increase in mobile revenue for the three months ended March 31, 2016 was primarily attributable to growth in native advertising associated with an increase in volume from Affiliate sites.

We expect our mobile revenue to increase in 2016 from the amount reported in 2015.

Adjusted EBITDA (a Non-GAAP Financial Measure)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(dollars in thousands)	
Net income (loss) attributable to Yahoo! Inc.	$ 21,198	$ (99,232)
Advisory fees	-	8,984
Depreciation and amortization	151,539	139,665
Stock-based compensation expense	115,696	108,407
Restructuring charges, net	51,232	57,230
Other expense, net	31,063	47,416
Benefit for income taxes	(40,900)	(34,766)
Earnings in equity interests	(99,690)	(81,574)
Net income attributable to noncontrolling interests	975	942
Adjusted EBITDA	$ 231,113	$ 147,072
Percentage of revenue ex-TAC(*)	22%	17%

(*) Net income attributable to Yahoo! Inc. as a percentage of GAAP revenue for the three months ended March 31, 2015 and 2016 was 2 percent and (9) percent, respectively.

For the three months ended March 31, 2016, adjusted EBITDA decreased $84 million, or 36 percent, compared to the same period of 2015, mainly due to a decrease in revenue and an increase in TAC, which were partially offset by a decline in global operating costs.

Free Cash Flow (a Non-GAAP Financial Measure)

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(in thousands)	
Net cash (used in) provided by operating activities	$ (2,960,939)	$ 365,768
Acquisition of property and equipment, net	(111,453)	(76,099)
Excess tax benefits from stock-based awards	37,470	7,526
Free cash flow(*)	$ (3,034,922)	$ 297,195

(*) The three months ended March 31, 2016 includes a $190 million cash tax refund associated with our claim to carry back 2015 losses and tax attributes to earlier taxable years.

For the three months ended March 31, 2016, free cash flow increased $3.3 billion, compared to the same period of 2015, due to the satisfaction of the $3.3 billion income tax liability related to the sale of Alibaba Group ADSs in the first quarter of 2015 for which there were no similar transactions in 2016.

Recent Developments

On February 2, 2016, we announced a strategic plan to simplify Yahoo, narrowing our focus on areas of strength to fuel growth, drive revenue, and increase efficiency in 2016 and beyond. This plan includes simplifying our product portfolio, reducing costs and exploring divestiture of non-core assets.

In the first quarter of 2016, we began simplifying our product portfolio and exited Food, Health, Parenting, Makers, and Travel digital magazines, and focused on our core verticals (News, Sports, Finance and Lifestyle.) We are in the process of exiting Autos, Games, Real Estate and Smart TV. We made progress on our plans to close six offices and anticipate completing these office closures by the end of the third quarter of 2016.

Our Board has formed a Strategic Review Committee of independent directors to consider strategic alternatives for the Company, including a sale or reverse spin-off of our operating business and other strategic proposals. Since the launch of the process in February, management has worked diligently with the committee and its independent legal and financial advisors to engage with interested strategic and financial parties.

Significant Transactions

Search Agreement with Microsoft Corporation

The term of the Search and Advertising Services and Sales Agreement ("Search Agreement") with Microsoft Corporation ("Microsoft") is 10 years from its commencement date, February 23, 2010, subject to earlier termination as provided in the Search Agreement. Under the current terms of the Search Agreement, as amended on April 15, 2015 by the Eleventh Amendment to the Search Agreement (the "Eleventh Amendment"), we are entitled to receive a percentage of the revenue (the "Revenue Share Rate") generated from Microsoft's services on Yahoo Properties and on Affiliate sites equal to 93 percent. Microsoft receives its 7 percent revenue share before deduction of the Affiliate site's share of revenue. The Affiliate site's share of revenue is deducted from our 93 percent Revenue Share Rate. Pursuant to the Eleventh Amendment, commencing on May 1, 2015, we also agreed to request paid search results from Microsoft for 51 percent of our search queries originating from personal computers accessing Yahoo Properties and our Affiliate sites and will display only Microsoft's paid search results on such search result pages.

Previously under the Search Agreement, Yahoo had sales exclusivity for both Yahoo's and Microsoft's premium advertisers. Pursuant to the Eleventh Amendment to the Search Agreement, this sales exclusivity terminated on July 1, 2015. Yahoo and Microsoft have been transitioning premium advertisers for Microsoft's paid search services to Microsoft on a market-by-market basis. As of March 31, 2016, such transition was substantially complete for most markets in North America and Europe, and the parties are cooperating on transitioning the remaining markets.

Revenue under the Search Agreement represented approximately 39 percent and 29 percent of our revenue for the three months ended March 31, 2015 and 2016, respectively. The Eleventh Amendment gives Yahoo additional flexibility from which to source search results and advertisements. The decline in revenue from Microsoft year-over-year, as noted above, is due to the use of Google and Gemini and we expect this trend to continue.

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

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Results of Operations

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
	(dollars in thousands)	
Total revenue	$ 1,225,970	$ 1,087,152
Total operating expenses(1)	1,313,324	1,254,366
Loss from operations	$ (87,354)	$ (167,214)
(1) Includes:		
Stock-based compensation expense	$ 115,696	$ 108,407
Restructuring charges, net	$ 51,232	$ 57,230
Items as a percentage of revenue		
Total revenue	100%	100%
Total operating expenses	107%	115%
Loss from operations	(7)%	(15)%
Includes:		
Stock-based compensation expense	9%	10%

Revenue

We generate revenue principally from search and display advertising on Yahoo Properties and Affiliate sites, with the majority of our revenue coming from advertising on Yahoo Properties. Our margins on revenue from advertising on Yahoo Properties are higher than our margins on revenue from advertising on Affiliate sites, as we pay TAC to our Affiliates. Additionally, we generate revenue from other sources including listings-based services, e-commerce transactions, royalties, patent licenses, and consumer and business fee-based services. For additional information about how we generate and recognize revenue, see “Results of Operations — Revenue — Search Revenue, — Display Revenue, and —Other Revenue included in our Annual Report on Form 10-K for the year ended December 31, 2015, under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

In the three months ended March 31, 2016, we reclassified certain amounts from other revenue to either search or display revenue. To conform to the current presentation, we reclassified $10.4 million and $3.2 million to search and display revenue, respectively, previously included in other revenue for the three months ended March 31, 2015.

Search Revenue

The following table presents search revenue and that revenue as a percentage of total revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Search		
Yahoo Properties	$ 485,920	$ 399,307
Affiliate sites	56,172	92,574
Total search revenue	$ 542,092	$ 491,881
Search as a percentage of total revenue		
Yahoo Properties	40%	37%
Affiliate sites	4%	8%
Total search revenue	44%	45%

Search revenue for the three months ended March 31, 2016 decreased $50 million, or 9 percent, compared to the same period of 2015, primarily attributable to a decline in revenue generated on Yahoo Properties in the Americas, EMEA and Asia Pacific segments of $76 million, $5 million and $6 million, respectively, due to a decline in traffic on Yahoo Properties, which resulted in less Paid Clicks. The decline in search revenue on Yahoo Properties was partially offset by an increase in Affiliate revenue in the Americas segment of $33 million, which was attributable to improved Price-per-Click (as defined below).

Display Revenue

The following table presents display revenue and that revenue as a percentage of total revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Display		
Yahoo Properties	$ 356,547	$ 327,140
Affiliate sites	110,391	135,879
Total display revenue	$ 466,938	$ 463,019
Display as a percentage of total revenue		
Yahoo Properties	29%	30%
Affiliate sites	9%	13%
Total display revenue	38%	43%

We changed the account coding for certain transactions to properly reflect the allocation of display revenue between Yahoo Properties and Affiliate sites. Prior period amounts have been revised to conform to the current presentation, as follows: Yahoo Properties display revenue should have been $357 million, $363 million, $350 million and $421 million for the first, second, third and fourth quarters of 2015, respectively. Affiliate display revenue should have been $110 million, $140 million, $162 million, and $183 million for the first, second, third and fourth quarters of 2015, respectively.

Display revenue for the three months ended March 31, 2016 decreased $4 million, or 1 percent, compared to the same period of 2015, driven by a shift in mix of advertising revenue from Yahoo Properties to Affiliate sites. Included in the total decline in display revenue are declines on Yahoo Properties in the Americas, EMEA and Asia Pacific segments of $8 million, $5 million and $16 million, respectively, partially offset by increases in Affiliate revenue in the Americas, EMEA and Asia Pacific segments of $7 million, $6 million and $12 million, respectively.

The total decrease in display revenue for the three months ended March 31, 2016 described above included the impact of unfavorable foreign exchange fluctuations of $10 million using the foreign currency exchange rates from the three months ended March 31, 2015.

Other Revenue

The following table presents other revenue and that revenue as a percentage of total revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2016
Other revenue	$ 216,940	$ 132,253
Other revenue as a percentage of total revenue	18%	12%

Other revenue for the three months ended March 31, 2016 decreased $85 million, or 39 percent, compared to the same period of 2015, attributable to a decline in fees and listings-based revenue of $75 million and $10 million, respectively. The decline in fees revenue was primarily due to the completion of recognition of deferred revenue under the TIPLA with Alibaba Group in which we recognized $69 million in the three months ended March 31, 2015.

We expect other revenue to decline in 2016, as compared to 2015, as a result of completing the recognition of deferred revenue under the TIPLA with Alibaba Group in the third quarter of 2015, for which we no longer recognize associated fees revenue.

Search and Display Metrics

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

“Paid Clicks” are defined as clicks by end-users on sponsored search listings (excluding native ad units, which are defined as display ads that appear in the content streams viewed by users) on Yahoo Properties and Affiliate sites. Advertisers generally pay for sponsored search listings on a per-click basis. “Search click-driven revenue” is gross search revenue (GAAP search revenue plus the related revenue share with third parties), excluding the Microsoft RPS Guarantee and search revenue from Yahoo Japan. “Price-per-Click” is defined as search click-driven revenue divided by our total number of Paid Clicks.

“Ads Sold” consist of display ad impressions for paying advertisers on Yahoo Properties and Affiliate sites. “Price-per-Ad” is defined as display revenue from Yahoo Properties and Affiliate sites 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), and include data for graphical, sponsorship, and native ad units on Yahoo Properties and Affiliate sites.

We periodically review, refine and update our methodologies for monitoring, gathering, and counting number of Paid Clicks and Ads Sold and for calculating search click-driven revenue, Price-per-Click, and Price-per-Ad. Prior period amounts have been updated to conform to the current presentation.

Search Metrics

For the three months ended March 31, 2016, Paid Clicks decreased 21 percent and Price-per-Click increased 7 percent, compared to the same period of 2015. The decrease in Paid Clicks for the three months ended March 31, 2016 was primarily attributable to a decline in Paid Clicks from Affiliate and Yahoo traffic. The increase in Price-per-Click for three months ended March 31, 2016 was attributable to a mix shift toward Yahoo Properties and higher monetizing Affiliate clicks, which resulted from a significant reduction in lower monetizing Affiliate clicks. Search click-driven revenue declined 15 percent for the three months ended March 31, 2016, as compared to the same period of 2015, driven by the decline in traffic on Yahoo Properties.

Display Metrics

For the three months ended March 31, 2016, the number of Ads Sold increased 8 percent and Price-per-Ad decreased 6 percent, compared to the same period of 2015. The increase in Ads Sold for the three months ended March 31, 2016 was attributable to an increase in native ad units sold which was partially offset by a continued decline in premium ad units sold. The increase in native ad units sold was primarily attributable to growth internationally and growth in our syndication business. Native ad units represented approximately 47 percent of total Ads Sold for the three months ended March 31, 2016, as compared to 39 percent of total Ads Sold for the three months ended March 31, 2015. The decrease in Price-per-Ad was due to a decline in pricing of native advertising on Yahoo Properties associated with a higher mix from mobile and a decline in pricing of video advertising on Affiliate sites. This decline was partially offset by an increase in pricing of native and audience advertising on Affiliate sites.

Operating Costs and Expenses

Cost of Revenue — TAC

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 also have an agreement to compensate Mozilla to make us the default search provider on certain of Mozilla's products in the United States. We record those payments as cost of revenue — TAC.

The following table presents cost of revenue — TAC and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Cost of revenue — TAC	$ 183,139	$ 227,763
Cost of revenue — TAC as a percentage of revenue	15%	21%

TAC for the three months ended March 31, 2016 increased $45 million, or 24 percent, compared to the same period of 2015, primarily due to incremental TAC associated with the Gemini marketplace.

Cost of Revenue — Other

Cost of revenue — other consists of bandwidth costs, stock-based compensation, content and other expenses associated with the production and usage of Yahoo Properties, including content expense and 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.

The following table presents cost of revenue — other and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Cost of revenue — other	$ 285,263	$ 282,587
Cost of revenue — other as a percentage of revenue	23%	26%

Cost of revenue — other decreased $3 million, or 1 percent, for the three months ended March 31, 2016 compared to the same period of 2015, primarily due to a decline in content expense of $7 million, compensation costs of $7 million and credit card costs of $5 million.

These declines were partially offset by higher cost of revenue of $12 million related to algorithmic serving costs and incremental BrightRoll video advertising fees, as well as an increase in depreciation and amortization expense of $5 million.

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.

The following table presents sales and marketing expenses and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Sales and marketing expenses	$ 275,357	$ 236,033
Sales and marketing expenses as a percentage of revenue	22%	22%

Sales and marketing expenses for the three months ended March 31, 2016 decreased $39 million, or 14 percent, compared to the same period of 2015, primarily due to declines in compensation costs of $25 million, stock-based compensation expense of $5 million, and marketing and public relations expense of $4 million. The decline in compensation costs was primarily attributable to a 22 percent decrease in headcount year-over-year.

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, research and development, and Yahoo's technology platforms and infrastructure. Depreciation expense and other operating costs are also included in product development.

The following table presents product development expenses and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Product development expenses	$ 326,747	$ 278,029
Product development expenses as a percentage of revenue	27%	26%

Product development expenses for the three months ended March 31, 2016 decreased $49 million, or 15 percent, compared to the same period of 2015, primarily attributable to a decline in compensation costs of $33 million, depreciation and amortization expense of $15 million, and facilities and equipment expense of $6 million. The decline in compensation costs is primarily attributable to a 20 percent decline in headcount year-over-year.

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.

The following table presents general and administrative expenses and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
General and administrative expenses	$ 173,513	$ 155,451
General and administrative expenses as a percentage of revenue	14%	14%

General and administrative expenses for the three months ended March 31, 2016 decreased $18 million, or 10 percent, compared to the same period of 2015, attributable to declines in compensation costs of $10 million, facilities and equipment expense of $5 million, travel and entertainment expense of $4 million, and stock-based compensation expense of $4 million, partially offset by an increase in outside service provider expense of $5 million. The decline in compensation costs was primarily attributable to an 18 percent decline in headcount year-over-year.

Amortization of Intangibles

We have purchased, and may 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.

The following table presents amortization of intangibles and those expenses as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Amortization of intangibles	$ 20,073	$ 18,773
Amortization of intangibles as a percentage of revenue	2%	2%

Amortization of intangibles for the three months ended March 31, 2016 decreased $1 million, or 6 percent, compared to the same period of 2015, driven by a decline in expense for fully amortized assets.

Gain on Sale of Patents

The following table presents gain on sale of patents and those gains as a percentage of revenue for the periods presented (dollars in thousands):

	Three Months Ended March 31,	
	2015	2016
Gain on sale of patents	$ (2,000)	$ (1,500)
Gain on sale of patents as a percentage of revenue	0%	0%

During the three months ended March 31, 2015 and 2016, we sold certain patents and recorded gains on sale of patents described above.

Restructuring Charges, Net

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

	Three Months Ended March 31,	
	2015	2016
Employee severance pay and related costs	$ 44,000	$ 44,796
Non-cancelable lease, contract termination, and other charges	8,617	5,904
Reversals of previous charges	(3,231)	(1,206)
Non-cash accelerations of stock-based compensation expense	2,705	7,374
Other non-cash (credits) charges, net	(859)	362
Restructuring charges, net	$ 51,232	$ 57,230

We have implemented multiple restructuring plans to reduce our cost structure, align resources with our product strategy and improve efficiency, which have resulted in workforce reductions and the consolidation of certain real estate facilities and data centers. For the three months ended March 31, 2016, we recorded expense of $48 million, $7 million, and $2 million related to the Americas, EMEA, and Asia Pacific segments, respectively. For the three months ended March 31, 2015, we recorded expense of $41 million, $7 million, and $3 million related to Americas, EMEA, and Asia Pacific segments, respectively.

The amounts recorded during the three months ended March 31, 2016 were primarily related to our announced plans in February 2016 to reduce our workforce by approximately 15 percent by the end of 2016 and exit six offices in Dubai, Mexico City, Buenos Aires, Madrid, Milan and Burbank, California, subject to applicable laws and consultation processes, as a part of the strategic plan to simplify our product portfolio. During the three months ended March 31, 2016, in connection with this action, we incurred pre-tax cash charges of $44 million for severance pay expenses and related cash expenditures, pre-tax cash charges of $3 million related to the consolidation and exit of facilities related to non-cancelable lease costs and other related costs, pre-tax non-cash charges of $7 million related to stock-based compensation expense and less than $1 million related to impairment costs. We estimate that we will incur a total of $64 million to $78 million in pre-tax charges in connection with the planned action.

The amounts recorded during the three months ended March 31, 2015 were primarily related to severance and other related costs pursuant to a restructuring plan that we initiated in 2015.

The $85 million restructuring liability as of March 31, 2016 consisted of $38 million for employee severance pay expenses, which we expect to pay out by the end of the second quarter of 2017, and $47 million relating to non-cancelable lease costs, which we expect to pay over the terms of the related obligations through the fourth quarter of 2025, less estimated sublease income.

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

Other Expense, Net

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

	Three Months Ended March 31,	
	2015	2016
Interest, dividend and investment income	$ 8,845	$ 11,482
Interest expense	(17,570)	(18,393)
Loss on Hortonworks warrants	(11,909)	(39,150)
Foreign exchange losses	(11,341)	(2,138)
Other	912	783
Total other expense, net	$ (31,063)	$ (47,416)

Interest, dividend and investment income increased $3 million primarily due to an increase in interest income.

Interest expense increased $1 million for the three months ended March 31, 2016, compared to the same period of 2015. Interest expense is primarily related to the accreted non-cash interest expense related to the 0.00% Convertible Senior Notes due 2018 ("Notes") we issued in November 2013.

During the three months ended March 31, 2016, we recorded a loss of $39 million due to the decline in fair value of the Hortonworks warrants.

Foreign exchange losses consists of 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.

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.

We recorded income tax benefits of $41 million and $35 million for the three months ended March 31, 2015 and 2016, respectively. The income tax benefits for both periods were primarily due to our loss before income taxes and earnings in equity interests. Our relatively lower tax benefit for the three months ended March 31, 2016 compared to the three months ended March 31, 2015, is primarily due to our limited ability to use foreign tax credits in the current year.

As of March 31, 2016, we do not anticipate repatriating our undistributed foreign earnings of approximately $3.4 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.

In the first quarter of 2016, we received a cash tax refund of $190 million associated with our claim to carry back 2015 losses and tax attributes to earlier taxable years.

Our gross amount of unrecognized tax benefits as of March 31, 2016 was $1.1 billion, of which $1.0 billion is recorded on our condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2016 decreased by $4 million from the recorded balance as of December 31, 2015. The majority of the decrease related to audit settlements in different tax jurisdictions.

We are in various stages of examination and appeal in connection with our taxes both in the United States and in foreign jurisdictions. Those audits generally span tax years 2005 through 2014. As of March 31, 2016, our 2011 through 2013 U.S. federal income tax returns are currently under examination. We have appealed the proposed California Franchise Tax Board's adjustments to the 2005 through 2008 returns, but no conclusions have been reached to date. While it is difficult to determine when the examinations will be settled or their final outcomes, certain audits in various jurisdictions are expected to be resolved in the foreseeable future. We believe that we have adequately provided for any reasonably foreseeable adverse adjustment to our tax returns and that any settlement will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows. It is reasonably possible that our unrecognized tax benefits could be reduced by up to approximately $134 million in the next twelve months.

In the first quarter of 2015, we satisfied the $3.3 billion income tax liability related to the sale by Yahoo! Hong Kong Holdings Limited, our wholly-owned subsidiary, of Alibaba Group ADSs in the Alibaba Group IPO on September 24, 2014. As of March 31, 2016, we accrued deferred tax liabilities of $12.3 billion associated with the Alibaba Group shares that we retained. Such deferred tax liabilities will be subject to periodic adjustments due to changes in the fair value of the Alibaba Group shares.

We may have additional tax liabilities in China related to the sale to Alibaba Group of 523 million Alibaba Group shares that took place during the year ended December 31, 2012 and related to the sale of 140 million Alibaba Group ADSs sold in the Alibaba Group IPO that took place during the year ended December 31, 2014. Any taxes assessed and paid in China are expected to be ultimately offset and recovered in the United States through the use of foreign tax credits.

Tax authorities from the Brazilian State of Sao Paulo have assessed certain indirect taxes against our Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment is for calendar years 2008 through 2011 and, translated into U.S. dollars as of March 31, 2016, totals approximately $98 million. 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

We record our share of the results of earnings in equity interests, including tax impacts, one quarter in arrears, within earnings in equity interests in the condensed consolidated statements of operations.

The following table presents earnings in equity interests for the periods presented (in thousands):

	Three Months Ended March 31,	
	2015	2016
Earnings in equity interests	$ 99,690	$ 81,574

Earnings in equity interests decreased $18 million for three months ended March 31, 2016, compared to the same period of 2015. See Note 8 — "Investments in Equity Interests Accounted for Using the Equity Method of Accounting" in the Notes to our condensed consolidated financial statements for additional information.

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. Noncontrolling interests recorded in the three months ended March 31, 2015 and 2016 were related to the Yahoo!7 venture in Australia and New Zealand.

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Segment 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, revenue ex-TAC, direct costs excluding TAC by segment, and consolidated loss 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, 2015	Three Months Ended March 31, 2016	2015-2016 % Change
	(dollars in thousands)		
Revenue by segment:			
Americas	$ 984,721	$ 861,539	(13)%
EMEA	81,086	76,923	(5)%
Asia Pacific	160,163	148,690	(7)%
Total revenue	$ 1,225,970	$ 1,087,152	(11)%
TAC by segment:			
Americas	$ 166,655	$ 204,871	23%
EMEA	11,704	12,509	7%
Asia Pacific	4,780	10,383	117%
Total TAC	$ 183,139	$ 227,763	24%
Revenue ex-TAC by segment:			
Americas	$ 818,066	$ 656,668	(20)%
EMEA	69,382	64,414	(7)%
Asia Pacific	155,383	138,307	(11)%
Total revenue ex-TAC	1,042,831	859,389	(18)%
Direct costs by segment(1):			
Americas	69,274	81,133	17%
EMEA	20,184	20,609	2%
Asia Pacific	50,732	45,079	(11)%
Global operating costs(2)	673,528	575,980	(14)%
Gain on sale of patents	(2,000)	(1,500)	(25)%
Depreciation and amortization	151,539	139,665	(8)%
Stock-based compensation expense	115,696	108,407	(6)%
Restructuring charges, net	51,232	57,230	12%
Loss from operations	$ (87,354)	$ (167,214)	91%

(1) Direct costs for each segment include costs associated with the local sales teams and other cost of revenue.

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

Revenue and Revenue ex-TAC by Segment

Americas

Americas revenue for the three months ended March 31, 2016 decreased $123 million, or 13 percent, compared to the same period of 2015. The decline in Americas revenue for the three months ended March 31, 2016 was primarily attributable to declines in other revenue and search revenue of $79 million and $43 million, respectively. The decline in Americas other revenue was primarily due to the completion of recognition of deferred revenue under the TIPLA with Alibaba Group in which we recognized $69 million in the three months ended March 31, 2015. The decline in Americas search revenue was attributable to a decline in click volume on Yahoo Properties and Affiliate sites, partially offset by improved Affiliate Price-per-Click. While relatively flat in total, display revenue was impacted by an $8 million decline in revenue generated on Yahoo Properties offset by a

$7 million increase in revenue from Affiliate sites. The decline in display revenue on Yahoo Properties in the Americas segment was attributable to a decline in premium and native advertising offset by an increase in audience advertising. The increase in Affiliate revenue in the Americas segment was attributable to an increase in native advertising, partially offset by declines in video and audience advertising.

Revenue in the Americas accounted for approximately 79 percent of total revenue for the three months ended March 31, 2016 compared to 80 percent for the three months ended March 31, 2015.

Americas revenue ex-TAC for the three months ended March 31, 2016 decreased $161 million, or 20 percent, compared to the same period of 2015, due to an increase in TAC and a decrease in revenue as discussed above. TAC in the Americas segment increased $38 million for the three months ended March 31, 2016 due to incremental TAC associated with the Gemini marketplace.

Revenue ex-TAC in the Americas accounted for approximately 76 percent of total revenue ex-TAC for the three months ended March 31, 2016 compared to 78 percent for the three months ended March 31, 2015.

EMEA

EMEA revenue for the three months ended March 31, 2016 decreased $4 million, or 5 percent, compared to the same period of 2015, primarily due to unfavorable foreign exchange fluctuations of $5 million for the three months ended March 31, 2016, using the foreign currency exchange rates from the three months ended March 31, 2015. Excluding the impact of foreign exchange, display revenue in the EMEA segment increased $5 million and search and other revenue declined $2 million each. The increase in EMEA display revenue was primarily attributable to growth in native advertising.

Revenue in EMEA accounted for approximately 7 percent of total revenue for both the three months ended March 31, 2016 and 2015.

EMEA revenue ex-TAC for the three months ended March 31, 2016 decreased $5 million, or 7 percent, compared to the same period of 2015, primarily due to a slight increase in display TAC and a decrease in revenue as discussed above.

Revenue ex-TAC in EMEA accounted for approximately 7 percent of total revenue ex-TAC for both the three months ended March 31, 2016 and 2015.

Asia Pacific

Asia Pacific revenue for the three months ended March 31, 2016 decreased $11 million, or 7 percent, compared to the same period of 2015, primarily due to unfavorable foreign exchange fluctuations of $7 million for the three months ended March 31, 2016, using the foreign currency exchange rates from the three months ended March 31, 2015. In addition to unfavorable foreign exchange fluctuations, the decline in Asia Pacific revenue for the three months ended March 31, 2016 was driven primarily by a decrease in search, display and other revenue of $2 million, $1 million and $1 million, respectively.

Revenue in Asia Pacific accounted for approximately 14 percent of total revenue for the three months ended March 31, 2016, compared to 13 percent for the three months ended March 31, 2015.

Asia Pacific revenue ex-TAC for the three months ended March 31, 2016 decreased $17 million, or 11 percent, compared to the same period of 2015, primarily due to an increase in display TAC of $6 million and a decrease in revenue as discussed above.

Revenue ex-TAC in Asia Pacific accounted for approximately 16 percent of total revenue ex-TAC for the three months ended March 31, 2016 compared to 15 percent for the three months ended March 31, 2015.

Direct Costs by Segment

Americas

For the three months ended March 31, 2016, direct costs attributable to the Americas segment increased $12 million, or 17 percent, compared to the same period of 2015, primarily due to an increase in compensation costs of $10 million and marketing and public relations expense of $3 million.

Direct costs attributable to the Americas segment represented approximately 12 percent of Americas revenue ex-TAC for the three months ended March 31, 2016 compared to 8 percent for the three months ended March 31, 2015.

EMEA

For the three months ended March 31, 2016, direct costs attributable to the EMEA segment were approximately flat, compared to the same period of 2015 due to lower compensation costs offset by higher marketing and public relations expense.

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Direct costs attributable to the EMEA segment represented approximately 32 percent of EMEA revenue ex-TAC for the three months ended March 31, 2016 compared to 29 percent for the three months ended March 31, 2015.

Asia Pacific

For the three months ended March 31, 2016, direct costs attributable to the Asia Pacific segment decreased $6 million, or 11 percent, compared to the same period of 2015, primarily attributable to a decrease in compensation costs and marketing and public relations expense.

Direct costs attributable to the Asia Pacific segment represented approximately 33 percent of Asia Pacific revenue ex-TAC for both the three months ended March 31, 2016 and 2015.

Liquidity and Capital Resources

	December 31, 2015	March 31, 2016
	(dollars in thousands)	
Cash and cash equivalents	$ 1,631,911	$ 1,479,604
Short-term marketable securities	4,225,112	4,497,046
Long-term marketable securities	975,961	1,153,846
Total cash, cash equivalents, and marketable securities	$ 6,832,984	$ 7,130,496
Percentage of total assets	15%	16%

Cash Flow Highlights	Three Months Ended March 31, 2015	2016
	(in thousands)	
Net cash (used in) provided by operating activities	$ (2,960,939)	$ 365,768
Net cash provided by (used in) investing activities	$ 1,721,053	$ (496,936)
Net cash used in financing activities	$ (232,111)	$ (33,496)

In the first quarter of 2016, our operating activities generated adequate cash to meet our operating needs. Our operating activities for the three months ended March 31, 2015 did not generate positive cash flow as we satisfied the $3.3 billion income tax liability related to the sale of Alibaba Group ADSs in September 2014.

As of March 31, 2016, we had cash, cash equivalents, and marketable securities (excluding Alibaba Group and Hortonworks equity securities) totaling $7.1 billion compared to $6.8 billion at December 31, 2015. In the first quarter of 2016, we received a cash tax refund of $190 million associated with our claim to carry back 2015 losses and tax attributes to earlier taxable years.

Our foreign subsidiaries held $448 million of our total $7.1 billion of cash and cash equivalents and marketable securities (excluding Alibaba Group and Hortonworks equity securities) as of March 31, 2016. The cumulative earnings remaining in our consolidated foreign subsidiaries, if repatriated to the United States, under current law, would be subject to U.S. income taxes with an adjustment for foreign tax credits. As of March 31, 2016, we do not anticipate repatriating our undistributed foreign earnings of approximately $3.4 billion. Those earnings are principally related to our equity method investment in Yahoo Japan. It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

We have a credit agreement with Citibank, N.A., as Administrative Agent (as amended, the “Credit Agreement”) that provides for a $750 million unsecured revolving credit facility, subject to increase by up to $250 million in accordance with its terms. The Credit Agreement is scheduled to terminate on July 22, 2016, unless extended by the parties. As of March 31, 2016, we were in compliance with the financial covenants in the Credit Agreement and no amounts were outstanding.

We currently hedge a portion of our net investment in Yahoo Japan with forward and option 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. The amount of cash paid or received on the option contracts would only be required if the exchange rate at maturity is outside a predetermined range.

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 use cash generated by operations as our primary source of liquidity and 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 and capital expenditures for the next twelve months.

Cash Flow Changes

Net cash (used in) provided by operating activities. Cash flows from operating activities for the three months ended March 31, 2016 were driven by a net source of cash from working capital of $274 million (which included a $190 million cash tax refund) and non-cash adjustments of $272 million, reduced by a net loss of $98 million and earnings in equity interests of $82 million.

For the three months ended March 31, 2015, cash flows from operating activities were reduced by changes in working capital of $3,225 million (which included the reduction of the income tax liability related to the sale of Alibaba Group shares in September 2014) and earnings in equity interests of $100 million offset by net income of $22 million and non-cash adjustments of $342 million.

Net cash provided by (used in) investing activities. In the three months ended March 31, 2016, the $497 million used in investing activities was due to purchases of marketable securities, net of sales and maturities, of $454 million, $76 million used for capital expenditures, net, and $2 million in purchases of intangibles and other investing activities, partially offset by $33 million in net proceeds from settlement of derivative hedge contracts, and $2 million in proceeds from the sale of patents.

In the three months ended March 31, 2015, the $1,721 million provided by investing activities was due to proceeds from sales and maturities of marketable securities, net of purchases, of $1,819 million, $20 million proceeds from the sale of patents, and $17 million in net proceeds from settlement of derivative hedge contracts, partially offset by $111 million used for capital expenditures, net, and $23 million used for acquisitions.

Net cash used in financing activities. In the three months ended March 31, 2016, the $33 million used in financing activities was due to $46 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $5 million in cash proceeds received from employee stock option exercises, and an excess tax benefit from stock-based awards of $8 million.

In the three months ended March 31, 2015, the $232 million used in financing activities was due to $204 million used for the repurchase of 4 million shares of common stock at an average price of $47.65 per share and $102 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $36 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 $37 million.

Stock Repurchases

During the three months ended March 31, 2016, we did not repurchase any shares of our common stock. The following table provides the remaining authorization and repurchases by program:

	November 2013 Program	March 2015 Program	Total
		(in millions)	
January 1, 2016	$ 726	$ 2,000	$ 2,726
Total repurchases in the first quarter	—	—	—
March 31, 2016	$ 726	$ 2,000	$ 2,726

Capital Expenditures, Net

Capital expenditures, net are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, real estate, and capitalized software and labor for internal use software projects.

Capital expenditures, net, were $76 million for the three months ended March 31, 2016 compared to $111 million in the same period of 2015. The $35 million decrease in capital expenditures was a result of the completion of certain Company initiatives, facilities expansions and improvements in 2015.

We expect capital expenditures to be up to $450 million for the year ending December 31, 2016 and will be funded by our cash flows from operating activities.

Contractual Obligations and Commitments

The following table presents certain payments due under contractual obligations with minimum commitments as of March 31, 2016 (in millions):

	Payments Due by Period				
	Total	Due in 2016	Due in 2017-2018	Due in 2019-2020	Thereafter
Convertible notes[1]	$ 1,438	$ -	$ 1,438	$ -	$ -
Note payable obligations	55	3	10	10	32
Operating lease obligations[2] [3] [4]	434	90	155	85	104
Construction liabilities[4]	20	1	4	4	11
Capital lease obligations	35	11	19	5	-
Affiliate commitments[5]	1,438	282	750	406	-
Non-cancelable obligations[6]	159	77	62	10	10
Intellectual property rights[7]	13	4	5	2	2
Uncertain tax positions, including interest and penalties[8]	1,166	2	-	-	1,164
Total contractual obligations	$ 4,758	$ 470	$ 2,443	$ 522	$ 1,323

(1) During the year ended December 31, 2013, we completed an offering of the Notes, which are due in 2018. The amount above represents the principal balance to be repaid. See Note 11—"Convertible Notes" in the Notes to our condensed consolidated financial statements for additional information.

(2) We have entered into various non-cancelable operating lease agreements for our offices throughout the Americas, EMEA, and Asia Pacific regions with original lease periods up to 15 years, expiring between 2016 and 2025. See Note 12—"Commitments and Contingencies" in the Notes to our condensed consolidated financial statements for additional information.

(3) In May 2013, we entered into a 12 year operating lease agreement for four floors of the former New York Times building in New York City with a total expected minimum lease commitment of $125 million. We have the option to renew the lease for an additional five years.

(4) In December 2014, the Company entered into a 10-year lease agreement for three buildings in Los Angeles, California. As of March 31, 2016, the total expected minimum operating lease commitment is $39 million for two buildings and $20 million in construction liabilities for one building which is accounted for as a build-to-suit lease. The Company has the option to renew the lease for two consecutive renewal terms of either five years or seven years each.

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

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

(7) We are committed to make certain payments under various intellectual property arrangements.

(8) As of March 31, 2016, unrecognized tax benefits and potential interest and penalties resulted in accrued liabilities of $1,166 million, classified as other accrued expenses and current liabilities and deferred and other long-term tax liabilities, net on our condensed consolidated balance sheets. As of March 31, 2016, the settlement period for the $1,164 million income tax liabilities cannot be determined. See Note 15 — "Income Taxes" in the Notes to our condensed consolidated financial statements for additional information.

***Standby Letters of Credit*.** As of March 31, 2016, we had outstanding potential obligations relating to standby letters of credit of $40 million. Standby letters of credit are financial guarantees provided by third parties for ongoing operating liabilities such as leases, utility bills, taxes, and insurance. If any letter of credit is drawn upon by a beneficiary, we are obligated to reimburse the provider of the guarantee. The standby letters of credit generally renew annually.

***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 the sale of a subsidiary, matters related to our conduct of the business and tax matters prior to the sale, lease, or assignment of assets. 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 current and former 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 material liabilities related to such indemnification obligations in our condensed consolidated financial statements.

As of March 31, 2016, 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, 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 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, 2016, 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, 2015 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, 2015.

Recent Accounting Pronouncements

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

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 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, and high-credit corporate issuers which are classified as marketable securities and cash equivalents.

In November 2013, we issued $1.4375 billion of the Notes. We carry the Notes at face value less unamortized discount on our condensed consolidated balance sheets. The fair value of the Notes fluctuates from changes in interest rates, credit spreads, and time to maturity.

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 or changes in credit quality. A hypothetical 100 basis point increase in interest rates would result in a $28 million and $30 million decrease in the fair value of our available-for-sale debt securities as of December 31, 2015 and March 31, 2016, respectively.

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. All counterparties to our derivative contracts are major financial institutions. See Note 9 — “Foreign Currency 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.

We had net realized and unrealized foreign currency transaction losses of $11 million and $2 million for the three months ended March 31, 2015 and 2016, respectively, which include the impact of balance sheet hedging and remeasurements of foreign denominated monetary assets and liabilities on our consolidated balance sheets.

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 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 the net investment hedge portfolio was $54 million and $45 million, respectively, at March 31, 2016 and December 31, 2015. The maximum one-day loss in the cash flow hedge portfolio was $5 million and $3 million, respectively, at March 31, 2016 and December 31, 2015. The maximum one-day loss in the balance sheet hedge portfolio was $5 million and $11 million, respectively, at March 31, 2016 and December 31, 2015. Actual future gains and losses associated with our derivative positions may differ materially from the sensitivity analysis performed as of March 31, 2016 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, Taiwan dollars, and Singapore dollars. The statements of operations 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, 2015, revenue ex-TAC for the Americas segment for the three months ended March 31, 2016 would have been higher than we reported by $4 million; revenue ex-TAC for the EMEA segment would have been higher than we reported by $4 million; and revenue ex-TAC for the Asia Pacific segment would have been higher than we reported by $6 million. Using the foreign currency exchange rates from the three months ended March 31, 2015, direct costs for the Americas segment for the three months ended March 31, 2016 would have been higher than we reported by $2 million; direct costs for the EMEA segment would have been higher 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. As of the date of the Alibaba Group IPO, we no longer account for our remaining investment in Alibaba Group using the equity method and no longer record our proportionate share of Alibaba Group's financial results in the consolidated financial statements. Instead, we now reflect our remaining investment in Alibaba Group as an available-for-sale equity security on the consolidated balance sheet and adjust the investment to fair value each quarterly reporting period with changes in fair value recorded within other comprehensive loss, net of tax. The change in the classification of our investment in Alibaba Group from an equity method investment to an available-for-sale equity marketable security exposes our investment portfolio to increased equity price risk. The fair value of the equity investment in Alibaba Group will vary over time and is subject to a variety of market risks including: company performance, macro-economic, regulatory, industry, and systemic risks of the equity markets overall.

The objective of our corporate investment policy is to preserve capital and meet liquidity requirements, and provide a reasonable rate of return. A large portion of our cash is managed by external managers according to the guidelines of our corporate 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, 2015, net unrealized losses on these investments were $5 million. As of March 31, 2016, net unrealized gains on these investments were $3 million.

A sensitivity analysis was performed on our marketable equity security portfolio to assess the potential impact of fluctuations in stock price. Hypothetical declines in stock price of ten percent, twenty percent, and thirty percent were selected based on potential near-term changes in the stock price that could have an adverse effect on our marketable equity security portfolio. As of March 31, 2016 and December 31, 2015, the fair value of our marketable equity security portfolio was approximately $30 billion and $31 billion, respectively. As of March 31, 2016, declines in stock prices of ten percent, twenty percent and thirty percent would have resulted in a $3 billion, $6 billion and $9 billion decline, respectively, in the total value of our marketable equity security portfolio.

We performed a separate sensitivity analysis on our Hortonworks warrants for which we estimate fair value using the Black-Scholes model. We have held all other inputs constant and determined the impact of hypothetical declines in stock price of ten percent, twenty percent, and thirty percent, based on potential near-term changes in the stock price that could have an adverse effect on the fair value of the warrants and result in a loss recorded to the consolidated statements of operations. As of March 31, 2016 and December 31, 2015, the fair value of the Hortonworks warrants was approximately $40 million and $79 million, respectively. As of March 31, 2016, declines in stock prices of ten percent, twenty percent and thirty percent would have resulted in a $4 million, $8 million and $12 million decline, respectively, in the total value of the Hortonworks warrants.

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 “Legal 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, 2015, which was filed with the Securities and Exchange Commission on February 29, 2016 (“2015 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 2015 Annual Report.

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

We face significant competition from online search engines, sites offering integrated internet products and services, social media and networking sites, e-commerce sites, companies providing analytics, monetization and marketing tools for mobile and desktop developers, and digital, broadcast and print media. 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 entities 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 increasing our revenue growth through our Mavens offerings. As part of this strategy, we are 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, services and apps for mobile devices. 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, services and apps that directly compete for users with our offerings, including e-mail, search, video, social, sports, news, finance, micro-blogging, and messaging. Similarly, our competitors or other participants in the online advertising 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. Additionally, as the use of programmatic advertising continues to increase, we compete with companies that have also invested in programmatic platform 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 have greater brand recognition for certain products, services and apps, 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, services and apps 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 search and display 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, 2016, 88 percent of our total revenue came from search and display advertising. Our ability to retain and grow search and display revenue depends upon:

- increasing our daily active users, logged in users, page views and engagement;
- introducing engaging new products that are popular with users and distributable on mobile and other alternative devices and platforms;
- maintaining and expanding our advertiser base on PCs and mobile devices;
- achieving a better traffic mix from our Yahoo Properties and Affiliates and improving our monetization rates on such traffic;
- broadening our relationships with advertisers to small- and medium-sized businesses;
- successfully implementing changes and improvements to our advertising management platforms and formats 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;
- successfully implementing changes in our sales force, sales development teams, and sales strategy;
- continuing to innovate and improve the monetization capabilities of our display and native advertising and our mobile products;
- effectively monetizing mobile and other search queries;
- improving the quality of our user and advertiser products;
- 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, more personalized and targeted 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. Payments under our agreements with advertisers are often dependent upon performance and click-through levels. Accordingly, it is difficult to forecast search and display revenue accurately. In addition, our expense levels are based in part on expectations of future revenue, including any guaranteed minimum payments to our Affiliates in connection with search and/or display advertising, and in some cases, the expenses could exceed the revenue that we generate. The state of the global economy, growth rate of the online advertising market, and availability of capital impacts 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.

As more people access our products via mobile devices rather than PCs and mobile advertising continues to evolve, if we do not continue to attract and retain mobile users and grow mobile revenue, our financial results will be adversely impacted.

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. More than 600 million of our monthly users are now joining us (including Tumblr) on mobile devices. In addition, search queries are increasingly being undertaken through mobile devices. As a result, our ability to grow advertising revenue is 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, services and apps. However, if our new mobile products, services and apps, including new forms of Internet advertising for mobile devices, do not continue to attract and retain mobile users, advertisers and device manufacturers and to generate and grow mobile revenue, our operating and financial results will be adversely impacted. We are dependent on the interoperability of our products and services with mobile operating systems we do not control and we may not be successful in maintaining relationships with the key participants in the mobile industry that control such mobile operating systems. The manufacturer or access provider might promote a competitor's or its own products and services, impair users' access to our services by blocking access through their devices, make it hard for users to readily discover, install, update or access our products on their devices, or charge us for delivery of ads, or limit our ability to deliver ads or measure their effectiveness. If distributors impair access to or refuse to distribute our services or apps, or charge for or limit our ability to deliver ads or measure the effectiveness of our ads, then our user engagement and revenue could decline.

If we do not manage our operating expenses effectively, our profitability could fail to improve and could decline.

We have implemented cost reduction initiatives to reduce our operating expenses, including reducing our headcount, closing offices and exiting certain products and verticals. However, we may not realize the cost savings expected from these initiatives or the revenue impact from our exit of certain regions and products may be greater than we expect. We plan to seek to operate efficiently and to manage our costs effectively. However, we are also investing in areas we believe will grow revenue and our operating expenses might increase as a result of these investments. If our operating expenses increase at a greater pace than our revenue grows, or if we fail to manage costs effectively, our profitability could fail to improve and could decline.

There can be no assurance that our exploration of strategic alternatives will result in any transaction being consummated, and speculation and uncertainty regarding the outcome of our exploration of strategic alternatives may adversely impact our business.

In parallel with executing our strategic plan, we are exploring strategic alternatives, including a sale or reverse spin-off of our operating business and other strategic proposals. Our Board has formed a Strategic Review Committee of independent directors to lead this process. There can be no assurance that any transaction will be consummated, and the process of exploring strategic alternatives will involve the dedication of significant resources and the incurrence of significant costs and expenses. In addition, speculation and uncertainty regarding our exploration of strategic alternatives may cause or result in:

- disruption of our business;
- distraction of our management and employees;
- difficulty in recruiting, hiring, motivating, and retaining talented and skilled personnel;
- difficulty in maintaining or negotiating and consummating new, business or strategic relationships or transactions;
- increased stock price volatility; and
- increased costs and advisory fees.

If we are unable to mitigate these or other potential risks related to the uncertainty caused by our exploration of strategic alternatives, it may disrupt our business or adversely impact our revenue, operating results, and financial condition.

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

Under our Search Agreement with Microsoft, Microsoft was the exclusive provider of algorithmic and paid search services for Yahoo Properties and Affiliate sites on personal computers and the non-exclusive provider of such services on mobile devices. As of April 15, 2015, Microsoft became the non-exclusive provider of such services on all devices. Commencing on May 1, 2015, the Company is required to request paid search results from Microsoft for 51 percent of its search queries originating from personal computers accessing Yahoo Properties and its Affiliate sites (the “Volume Commitment”) and will display only Microsoft’s paid search results on such search result pages. Approximately 29 percent and 35 percent of our revenue for the three months ended March 31, 2016 and the year ended December 31, 2015, 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 if we are not able to successfully replace this revenue with revenue from search results displayed through our Yahoo Gemini platform or our Services Agreement with Google.

As a result of the Volume Commitment, we continue to be 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.

The term of the Search Agreement is 10 years from its commencement date, February 23, 2010, subject to earlier termination as provided in the Search Agreement. On or after October 1, 2015, either the Company or Microsoft may terminate the Search Agreement by delivering a written notice of termination to the other party. The Search Agreement will remain in effect for four months from the date of a termination notice to provide for a transition period. If Microsoft terminated the Search Agreement and the Company was unable to rely on its own services or the Services Agreement with Google, the termination could have an adverse impact on our business, revenue and operating results.

Risks associated with our Services Agreement with Google may adversely affect our business and operating results.

Under our Services Agreement with Google, Google will provide us with search advertisements through Google’s AdSense for Search service, web algorithmic search services through Google’s Websearch Service, and image search services. We entered into the Services Agreement with Google in the fourth quarter of 2015. We expect that our revenues under the Services Agreement with Google will increase in 2016. In addition, if Microsoft were to terminate its Search Agreement with us, we would be required to rely on the Services Agreement and our Yahoo Gemini platform to replace the search revenue we currently receive under the Search Agreement.

We are dependent on Google continuing to invest and innovate to maintain and improve its algorithmic and paid search services and to be competitive with other search providers. If Google fails to do this, our revenue and profitability could decline. Further, Google has a number of termination rights under the Services Agreement. If Google terminated the Services Agreement and we were unable to rely on our Yahoo Gemini platform or the Search Agreement with Microsoft, the termination could have an adverse impact on our business, revenue and operating results.

If we are unable to provide innovative search experiences and other products and services that differentiate our services and 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. Although we have agreements with Microsoft and Google to use their paid search platforms, we still need to continue to invest in our Yahoo Gemini search platform and to innovate to improve our users' search experience (especially on mobile) to continue to differentiate our services and attract, retain, and expand our user base and paid search advertiser base. We also generate revenue through other online products, services and apps, and continue to innovate the products, services and apps in our portfolio. 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 search experiences and other products and services which differentiate our services, gain user acceptance and generate significant traffic to our websites, or if we are unable to effectively monetize the traffic from such products and services, our business could be harmed, causing our revenue to decline.

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.

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, services and apps 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, data transfer 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 or have enacted 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. In addition, there currently is a data protection regulation pending final approval by the European Union that may include operational requirements for companies that receive or process personal data that are different than those currently in place in the European Union, and that may also include significant penalties for non-compliance.

The European Court of Justice's recent invalidation of the European Commission's 2000 Safe Harbor Decision has created uncertainty around certain international transfers of data from the European Union to the United States. A preliminary agreement has been reached between the U.S. and European Union governments to allow for certainty regarding transfers of data. However, given the preliminary nature of the agreement, some uncertainty remains, and compliance obligations could cause us to incur additional costs, require us to change business practices in a manner adverse to our business, or affect the manner in which we provide our services.

The interpretation and application of privacy, data protection, data transfer and data retention laws and regulations are often uncertain and in flux in the United States 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, data transfer 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. Outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information to gain access to our data or our users' or customers' data. In addition, hardware, software or applications we procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise network and data security. Additionally, some third parties, such as our distribution partners, service providers and vendors, and app developers, may receive or store information provided by us or by our users through applications integrated with Yahoo. If these third parties fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or our users' data may be improperly accessed, used or disclosed. 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.

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 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. For mobile app distribution, we depend on a limited number of distributors, primarily the developers of the operating systems or device manufacturers. If we are unable to reach agreements with these distributors for distribution of our mobile apps or they refuse to distribute or block our mobile apps, our operating results will be harmed. 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. Competition to enter into distribution arrangements has caused and may in the future 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 which case our payments could exceed the revenue that we receive. 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.

If we are unable to license, acquire, create or aggregate compelling content and services at reasonable cost, or receive compelling content, 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 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, stock quotes, weather, sports, video, and photos. In addition, our users also contribute content to us. 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 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, stop offering their content or services to us, or offer their content and services 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 licenses for our content and services 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 receive compelling content from our users, the number of users of our services may not grow as anticipated, or may decline, users' level of engagement with our services may decline, clicks on our ads may decrease, or advertisers may reduce future purchases of our ads, all or any of which could harm our operating results.

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.

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 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 search and display 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.

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; uncertainty due to our exploration of strategic alternatives, our new strategic plan and recent reduction in our workforce; competitors' hiring practices; the effectiveness of our compensation programs; and fluctuations in global economic and industry conditions. 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.

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 and 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 consolidated financial statements.

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, e-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.

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

We have previously recorded charges to earnings when our goodwill, intangible assets, investments in equity interests, including investments held by any equity method investee, and other investments became impaired. For example, we recorded a $4.461 billion non-cash goodwill impairment charge during the fourth quarter of 2015. We are required under generally accepted accounting principles to test goodwill for impairment at least annually and to review our intangible assets, investments in equity interests (including investments held by any equity method investee), and our other investments, for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill, intangible assets (including goodwill or assets acquired via acquisitions) and other investments 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 current assets, include any downgrade of U.S. government debt or concern about the creditworthiness of the U.S. government. We may be required in the future to record additional charges to earnings if our goodwill, intangible assets, investments in equity interests, including investments held by any equity method investee, 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 any equity method investee 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 any equity method investee 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 any equity investee are also subject to fluctuations in the exchange rates of foreign currencies.

We use derivative instruments, such as foreign currency forward contracts and options, 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 Corporation (“Yahoo Japan”) with currency forward contracts and option contracts. If the Japanese yen has appreciated at maturity beyond the contract execution rate, 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 Annual Report.

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 may make additional acquisitions and strategic investments in the future. Such transactions may result in use of our cash resources, dilutive issuances of our equity securities, or incurrence of debt. Such transactions may also result in amortization expenses related to intangible assets. Our acquisitions and strategic investments to date were accompanied by a number of risks, including:

- the difficulty of integrating the operations, personnel, systems, and controls of acquired companies as a result of cultural, regulatory, systems, and operational differences;

- 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;
- 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.

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 forms of advertising (such as native advertising), 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, data transfer, security, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, billing, real estate, fantasy sports, 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. For example, paid fantasy sports contests are an area of current regulatory uncertainty, with various government authorities having taken positions that some types of contests are unlawful and/or subject to licensing requirements. 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.

Various U.S. and international laws restrict the distribution of materials considered harmful to children and impose additional restrictions on the ability of online services to collect information from minors. These laws currently impose restrictions and requirements on our business, and future federal, state or international laws and legislative efforts designed to protect children on the Internet may impose additional requirements on us.

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 (including the potential for actions restricting access to our products), 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 United States 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.

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 unique users, number of Ads Sold, number of Paid Clicks, Search click-driven revenue, Price-per-Click and Price-per-Ad that are calculated using internal company data. We periodically review, refine and update our methodologies for monitoring, gathering, and calculating these metrics.

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. Furthermore, over time we may revise or cease reporting certain metrics that we no longer believe are useful or meaningful measures of our performance and add new metrics which we believe are better measurements of performance.

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 or platform 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 mobile devices such as 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 the majority of the 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 may take, 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. The adoption of any laws or regulations that limit access to the Internet by blocking, degrading or charging access fees to us or our users for certain services could decrease the demand for, or the usage of, our products, services and apps, increase our cost of doing business and adversely affect our 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, our business may be adversely affected. As we change and 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.

We have dedicated resources to provide a variety of premium enhancements to our products, services and apps, 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, services and apps. Some of these premium products, services and apps 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 United States 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. Our income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles.

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 United States. 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. In addition, the Organization for Economic Co-operation and Development ("OECD"), which represents a coalition of member countries, is supporting changes to numerous long-standing tax principles through its base erosion and profit shifting (BEPS) project, which is focused on a number of issues, including the shifting of profits between affiliated entities in different tax jurisdictions. To the extent any of these proposals are enacted into legislation by OECD member countries, or if other international, consensus-based tax policies and principles are amended or implemented, they could adversely affect the amount of tax we pay and thereby our financial position and results of operations.

We earn a material amount of our income from outside the United States. As of March 31, 2016, we had undistributed foreign earnings of approximately $3.4 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 United States 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 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.

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.

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, 2016, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $26.76 to $36.81 per share and the closing sale price on April 29, 2016 was $36.60 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 operating performance and market valuation of Alibaba Group Holding Limited ("Alibaba Group") and Yahoo Japan in which we have investments. The equity valuation of our investment in Yahoo Japan may be impacted due to fluctuations in foreign currency exchange rates. We present our investment in Alibaba Group on our consolidated balance sheet as an available-for-sale marketable security. Consequently, the carrying value of this investment on our consolidated balance sheet will vary over time and fluctuations in its valuation may cause our stock price to fluctuate.

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 or the Company may cause their trading price to decline.

While we did not solicit a credit rating on the Company or on the Notes, one rating service has rated both the Notes and the Company. If that rating service announces its intention to put the Company or the Notes on credit watch or lowers its rating on the Company or the Notes below any rating initially assigned to the Company or 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 (“ASC”) 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

None.

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 9, 2016	By: /s/ MARISSA A. MAYER **Marissa A. Mayer** **Chief Executive Officer** **(Principal Executive Officer)**
Dated: May 9, 2016	By: /s/ KEN GOLDMAN **Ken Goldman** **Chief Financial Officer** **(Principal Financial Officer)**

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 (previously filed as Exhibit 4.8 to the Registrant's Quarterly Report on Form 10-Q filed May 4, 2001 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant (previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed March 30, 2016 and incorporated herein by reference).
10.2(J)+*	Form of Restricted Stock Unit Award Agreement for Executives (NEO Version), including the Notice of Grant, under the Yahoo! Inc. Stock Plan.
10.2(K)+*	Form of Performance Restricted Stock Unit Award Agreement for Executives (NEO Version), including the Notice of Grant, under the Yahoo! Inc. Stock Plan.
10.2(L)+*	Form of equity award agreement letter amendment, dated April 10, 2016, between the Registrant and executives clarifying the definition of "change in control" for purposes of outstanding awards under the Yahoo! Inc. Stock Plan.
10.11(B)+*	Yahoo! Inc. Executive Incentive Plan for 2016.
10.12(B)+*	Form of Amendment to Executive Severance Agreement.
10.13(B)+	Amendment, dated April 10, 2016, to Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed April 14, 2016 and incorporated herein by reference).
10.14(P)*	Twelfth Amendment to Search and Advertising Services and Sales Agreement, effective as of September 18, 2015, by and between the Registrant and Microsoft Corporation.
10.14(Q)*	Thirteenth Amendment to Search and Advertising Services and Sales Agreement, effective as of November 17, 2015, by and between the Registrant and Microsoft Corporation.
10.16(K)+*	Third Amendment, dated March 31, 2016, to Performance Stock Option Agreement (Retention Grant), between the Registrant and Marissa A. Mayer.
10.16(L)+*	Restricted Stock Unit Award Agreement, including Notice of Grant, dated March 7, 2016, between the Registrant and Marissa A. Mayer.
10.16(M)+*	Performance Restricted Stock Unit Award Agreement, including Notice of Grant, dated March 7, 2016, between the Registrant and Marissa A. Mayer.
10.22(B)*†	Amendment Number One to Google Services Agreement, effective as of March 1, 2016, by and between the Registrant and Google Inc.
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 9, 2016.
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 9, 2016.
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 9, 2016.
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.

† Portions of this exhibit have been omitted and filed separately with the U.S. Securities and Exchange Commission pursuant to a request for confidential treatment.

Exhibit 10.2(J)

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 (NEO Version)
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]
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]
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[#]	[Date]	[#]	[Date]	[#]	[Date]
[#]	[Date]	[#]	[Date]	[#]	[Date]

Manner of Payment by Company:	Stock
Governing Documents:	Yahoo Stock Plan (the "Plan") RSU Award Agreement for U.S. Executives (NEO 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: Marissa A. Mayer
[grantee name]	Title: Chief Executive Officer
Name	
Supplemental Documents:	Insider Trading Policy Plan Prospectus

YAHOO! INC. STOCK PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(NEO 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 (this “Agreement”) and as otherwise provided in the Yahoo! Inc. Stock Plan, as amended (the “Award”).

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 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 by 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, 2017 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, 2018.)

(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 such RSUs are then outstanding and not vested and are otherwise scheduled to vest within the period of twenty-four (24) months following the Grantee's Termination Date pursuant to the vesting schedule set forth in the Notice of Grant (as adjusted under Section 2(e)(iv) for any leave of absence completed prior to the Termination Date), 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. (For the avoidance of doubt, such accelerated vesting shall occur as provided in the prior sentence regardless of whether the Grantee is then on a leave of absence, and shall include any RSUs for which vesting has been tolled by a leave that is unfinished on the Termination Date.) 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). Any RSUs that are not vested after giving effect to the foregoing acceleration provision shall be automatically forfeited by the Grantee as of the Termination Date.

(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) *Insider Trading Restrictions/Market Abuse Laws*. The Grantee acknowledges that he or she is subject to the Company's Insider Trading Policy and may be or may become subject to the Company's 10b5-1 Trading Plan Policy, each as amended from time to time. In addition, the Grantee understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Grantee acknowledges that it is the Grantee's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Grantee's acquisition, holding, and any disposition of Shares or rights to Shares.

(k) *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.

(l) *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.

(m) *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.

(n) *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.

(o) *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(K)

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

Click here to accept

Signature

[grantee name]
Name

YAHOO! INC.

Marissa A Mayer

By:
Marissa A. Mayer

Title: Chief Executive Officer

Supplemental Documents:

Insider Trading Policy
Plan Prospectus

YAHOO! INC. STOCK PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(NEO 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-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. Stock Plan, as amended (the “Award”).

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 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 Termination Date occurs and for the immediately following Performance Year, if any. (For the avoidance of doubt, such accelerated vesting shall occur as provided in the prior sentence regardless of whether the Grantee is then on a leave of absence.) 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). Any RSUs that are not vested after giving effect to the foregoing acceleration provision shall be automatically forfeited by the Grantee as of the Termination Date.

(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) *Insider Trading Restrictions/Market Abuse Laws*. The Grantee acknowledges that he or she is subject to the Company's Insider Trading Policy and may be or may become subject to the Company's 10b5-1 Trading Plan Policy, each as amended from time to time. In addition, the Grantee understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Grantee acknowledges that it is the Grantee's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Grantee's acquisition, holding, and any disposition of Shares or rights to Shares.

(k) *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.

(l) *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.

(m) *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.

(n) *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.

(o) *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!

April 10, 2016

[Full Name]

Re: ***Amendment of Equity Award Agreements***

Dear [First Name]:

This letter amends the award agreements that evidence your outstanding equity awards granted by Yahoo! Inc. ("Yahoo" or the "Company"), if and to the extent any such agreement includes a definition of the term "Change in Control," in order to clarify that a sale of all or substantially all of the Company's operating business would constitute a Change in Control for purposes of such awards. Effective immediately, each such award agreement is hereby amended to replace the definition of the term "Change in Control" that appears in such agreement with the definition set forth in Appendix A hereto.

Except as expressly set forth in this Amendment, this Amendment does not otherwise modify any other terms of your equity award agreements.

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 Allan McCall, Sr. Director, Compensation, no later than , 2016.

Sincerely,
YAHOO! INC.

[Name]
[Title]

Acknowledged and Agreed:

By: ____________________________________
[Name]

701 First Avenue Sunnyvale CA 94089
P: 408 349 3300 F: 408 349 3301

Appendix A

“Change in Control”

For purposes of the award agreements that evidence your outstanding equity awards as described above:

“Change in Control” shall be deemed to 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 Securities Exchange Act of 1934 (the “Exchange Act”)) together with its affiliates, but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a “Person” and collectively, “Persons”), is or becomes, directly or indirectly, the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company’s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

(b) the consummation of a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or entity regardless of which entity is the survivor, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation;

(c) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company; or

(d) the consummation of a sale or disposition (whether directly or by merger or other business combination) of all or substantially all of the assets of the Company to a Person or Persons in one or a series of related transactions; provided, however, that, for purposes of this paragraph (d), the assets of the Company shall not include the Company’s direct and indirect equity interests in Alibaba Group Holding Limited and Yahoo Japan Corporation.

Exhibit 10.11(B)

2016 Executive Incentive Plan

(March 2016)

I. Introduction

A. Applicability

1. The Employees eligible to participate in the Yahoo! Inc. 2016 Executive Incentive Plan (the "Executive Incentive Plan" or this "Plan") are Marissa A. Mayer, Ken Goldman, David Filo, Ronald S. Bell, and Lisa Utzschneider, 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 under this Plan 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. Notwithstanding the foregoing, the Compensation Committee may determine that one or more Participants will not have a Target Award.

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 2016, a "Company Performance Factor" (based on the Company's financial and operational performance during 2016) 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 2016, subject to the other terms and conditions of this Plan, will equal the Participant's Target Award for 2016 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 percent of his or her Target Award (or, as to any Participant for whom the Compensation Committee did not establish a Target Award, the applicable limits under Section II.C below).

The metrics used to determine the financial performance of the Company in determining the Company Performance Factor will be the Company's GAAP Revenue, Revenue ex-TAC, Adjusted EBITDA, and TSR (each as defined below) for 2016. The Compensation Committee will also assess (a) operational performance of the Company in determining the Company Performance Factor, and (b) individual performance in determining a Participant's Individual Performance Factor.

- "Adjusted EBITDA" as to a particular year means the Company's income from operations before depreciation, amortization, restructuring charges (and reversals), impairment charges, and stock-based compensation expense for such year, as such items are determined by the Company and reflected in its reporting of financial results.
- "GAAP" means U.S. generally accepted accounting principles.
- "GAAP Revenue" as to a particular year means the Company's worldwide revenue for such year, as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.
- "Revenue ex-TAC" as to a particular year means the Company's worldwide GAAP Revenue less TAC that has been recorded as a cost of revenue for such year, as determined by the Company and reflected in its reporting of financial results.
- "TAC" means traffic acquisition costs.
- "TSR" means total shareholder return with respect to the Company's common stock for the Performance Period and shall be determined by dividing: (a) the sum of (i) the difference obtained by subtracting the Beginning Price from the Ending Price plus (ii) all Dividends for which the ex-Dividend date occurs during the Performance Period by (b) the Beginning Price. Such quotient shall be rounded to the nearest one percent.
  - "Performance Period" means the period commencing on January 1, 2016 and ending on December 31, 2016.
  - "Beginning Price" means the average of the closing market prices of the Company's common stock on the Nasdaq Global Select Market ("Nasdaq") for the twenty (20) consecutive trading days ending with the last trading day prior to the Performance Period.

- "Ending Price" means the average of the closing market prices of the common stock of the Company (or any successor thereto) on the Nasdaq (or, if such common stock ceases trading on such market, the principal exchange on which such stock is traded) for the twenty (20) consecutive trading days ending with the last trading day of the Performance Period. In the event such common stock goes ex-Dividend during such 20-day period, the closing market prices for the portion of the 20-day period preceding the ex-Dividend date shall be equitably adjusted to exclude the value of the related Dividend.
- "Dividend" means any normal cash dividend on the Company's common stock (i.e., a dividend that does not trigger an adjustment under section 15(a) of the Stock Plan).

If during the Performance Period an equity award adjustment occurs pursuant to Section 15(a) of the Stock Plan (in connection with an extraordinary cash dividend, a dividend of stock or property (such as a spin-off), a stock split or reverse stock split, or any other event contemplated therein), then the Compensation Committee shall (to the extent necessary and without duplication) equitably adjust the Beginning Price or the Ending Price in a manner consistent with such 15(a) adjustment in order to preserve (but not increase) the level of incentive intended by this Plan.

GAAP Revenue, Revenue ex-TAC, and Adjusted EBITDA will be subject to the adjustment provisions set forth in Section II.C.

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 2016 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. Stock Plan, as amended (the "Stock 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 2016 under this Plan will equal 3 percent of Yahoo! Inc.'s Adjusted EBITDA for 2016 (the "Section 162(m) Bonus Pool Limit"). The Compensation Committee established each Participant's maximum Executive Incentive Plan bonus for 2016 as follows (in each case expressed as a portion of the Section 162(m) Bonus Pool Limit for that year): Marissa A. Mayer—seven-fifteenths (7/15); Ken Goldman—two-fifteenths (2/15); Ronald S. Bell—two-fifteenths (2/15); David Filo—two-fifteenths (2/15); and Lisa Utzschneider— two-fifteenths (2/15). (For example, if the Compensation Committee allocated two-fifteenths of the Section 162(m) Bonus Pool Limit to a particular Participant, the Participant's maximum Executive Incentive Plan bonus will equal two-fifteenths of 3 percent of Yahoo! Inc.'s Adjusted EBITDA, which is 0.4 percent of Yahoo's Adjusted EBITDA.) Notwithstanding the foregoing, in all cases each Participant's maximum Executive Incentive Plan bonus for 2016 will be subject to the limit of Section A.3 of the Stock 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.

Adjustment Provisions. When calculating GAAP Revenue, Revenue ex-TAC, and Adjusted EBITDA for purposes of determining actual performance for 2016, the Company's actual GAAP Revenue, Revenue ex-TAC, and Adjusted EBITDA for such year shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan for 2016:

(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 cumulative 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 legal settlements that have an impact on revenues or expenses under GAAP;

(e) increased or decreased to eliminate the financial statement impact of any changes in how the Company reports any portion of its GAAP revenue (i.e., whether on a gross or net (after TAC) basis) during the year;

(f) increased or decreased to eliminate the financial statement impact of costs associated with the Company's exploration of strategic alternatives, including transactions to separate the remaining stake in Alibaba Group Holding Limited from the Company's operating business focusing on a reverse spin transaction, as well as exploring strategic proposals for the operating business;

(g) increased or decreased to eliminate the financial statement impact of changes in foreign exchange rates (compared to the foreign exchange rates incorporated in the Financial Plan); and

(h) increased or decreased to eliminate the financial statement impact of costs associated with a potential proxy contest.

"Financial Plan" for 2016 means the Company's final financial plan for 2016 approved by the Board of Directors.

III. TERMS AND CONDITIONS

A. Executive Incentive Plan Effective Period

This Plan covers the period from January 1, 2016 to December 31, 2016. This Plan supersedes all previous executive cash incentive plans, management incentive plans (MIP), Yahoo Incentive Plans for Excellence and Execution (YIPEE), Sales Incentive Plans, 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 2016 are determined by the Company and the year end review process for 2016 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, 2017 (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, 2017).

D. Adjustments to Target Awards

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Participants during 2016. 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 2016 (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 2016 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 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 2016 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 2016, 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. However, other than the Company’s right to withhold required payroll deductions and tax withholdings, each Participant is solely responsible for his or her tax liability that may result from the payment of any bonus under this Plan.

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.

________, 2016

[Full Name]

Re: ***Additional Severance Benefit Protections***

Dear [First Name]:

This letter is an amendment to the Severance Agreement between you and Yahoo! Inc. ("Yahoo" or the "Company") dated _____________, 20__ (your "Severance Agreement"). Capitalized terms appearing in this letter (the "Amendment") without definition are used as defined in the Severance Agreement.

Effective immediately, your Severance Agreement is hereby amended as follows:

Six (6) Months Acceleration of Time-Based Equity Awards. The section of your Severance Agreement entitled "Equity Awards" is hereby modified to provide that, if your employment with the Company is terminated by the Company without Cause or as a result of your death or Total Disability, then each of your outstanding stock options (if any) and awards of restricted stock units granted (or assumed) by the Company that vest based solely on the passage of time (your "time-based equity awards") will vest (and, in the case of options, be exercisable) as of your Termination Date to the extent they were otherwise scheduled to vest at any time during the period of six (6) months following your Termination Date (subject to your providing a release of claims and satisfying your other obligations set forth in the "Conditions of Severance; Exclusive Remedy" section of the Severance Agreement).

The foregoing acceleration provisions shall apply to your time-based equity awards granted (or assumed) by the Company that are outstanding on April 13, 2016 and, unless otherwise expressly provided by the Company in the applicable award agreement, any time-based equity awards that may be granted to you by the Company thereafter (but in each case only to the extent outstanding on your Termination Date). In the event that you would be entitled to accelerated vesting of any of your equity awards in connection with your termination of employment under any other written agreement between you and the Company, any change in control employee severance plan, or any applicable severance policy, you will be entitled to the accelerated vesting provided either in this letter agreement or in such other written agreement, plan, or policy, whichever results in a greater benefit to you (on an award-by-award basis), but you will not be entitled to accelerated vesting of the same award under both this agreement and such other agreement, plan, or policy.

This Amendment does not modify any other terms of the Severance Agreement except as expressly set forth above.

This Amendment does not modify any terms of equity awards that vest based on the Company's performance.

701 First Avenue Sunnyvale CA 94089
P: 408 349 3300 F: 408 349 3301

For the avoidance of doubt, this Amendment does not limit any right that you may have to accelerated vesting of your equity awards in any other circumstances (for example, and without limitation, under the Company's Change in Control Employee Severance Plan) pursuant to the applicable agreement or plan.

The rights provided in this letter may be modified by the Company as described in the "Amendment" section of the Severance Agreement.

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 Allan McCall, Sr. Director, Compensation, no later than ____________.

Sincerely,
YAHOO! INC.

[Name]
[Title]

Acknowledged and Agreed:

By: ______________________________
[Name]

EXECUTION VERSION

TWELFTH AMENDMENT

TO SEARCH AND ADVERTISING SERVICES AND SALES AGREEMENT

This Twelfth Amendment to Search and Advertising Services and Sales Agreement (this "Twelfth Amendment") is entered into to be effective as of September 18, 2015 ("Twelfth Amendment Effective Date") by and between Yahoo! Inc., a Delaware corporation ("Yahoo!") and Microsoft Corporation, a Washington corporation ("Microsoft").

WHEREAS, Yahoo! and Microsoft are parties to that certain Search and Advertising Services and Sales Agreement, entered into as of December 4, 2009, as amended (collectively, the "Agreement");

WHEREAS, Yahoo! and Microsoft desire to further amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of Microsoft providing Yahoo with continued access to the Microsoft Data Feeds through the Term (unless otherwise specified in the Agreement), and the mutual promises contained herein, the parties agree as follows:

1. Definitions. Capitalized terms used but not defined herein have the same meanings given in the Agreement.

2. Other Indemnification Rights. Section 16.1.7 is added as follows:

3. 16.1.7(a) Yahoo!'s provision of Customer data to Microsoft through the data provisions protocols agreed by the parties or in a manner requested by Microsoft as part of the transition of sales responsibilities under Section 5.13; or (b) except to the extent that any Third Party Claim arises out of or is based on a Yahoo! Indemnified Party's collection of Customer data in a manner that does not comply with applicable law, Microsoft's use of Customer data provided by Yahoo to Microsoft as part of the transition of sales responsibilities under Section 5.13 or Microsoft's ongoing management of Customers.

4. Data. Section 2.7 is added as follows:

2.7 In order to ensure continued collaboration between the parties, Microsoft and Yahoo agree that Yahoo shall not use the data from the Microsoft API described in Section 2.2.4(b), the Apollo data feeds, or the advertiser business intelligence described in Exhibit B (collectively, the "Microsoft Data Feeds") (i) to develop or improve Yahoo's Gemini product offering (or any other similar product offering), including by way of using real-time advertiser bidding data to competitively advantage the Gemini marketplace or (ii) use information taken from the Microsoft Data Feeds following the date hereof to sell Gemini to advertisers, including by providing to advertisers comparisons of the relative performance of Gemini and Paid Listings from Microsoft's Paid Search Services; provided, however, that Yahoo is not prohibited from:

(a) using the Microsoft Data Feeds in its capacity as a publisher to optimize user experience or monetization per the Agreement on the Yahoo Properties and Yahoo Syndication Properties, including decisions to display Microsoft Paid Listings from Microsoft's Paid Search Services as compared to Gemini or other advertisements; and

(b) using its own, third party or public data in connection with Gemini sales activities.

The foregoing prohibition on Data Feeds usage also applies to Yahoo sharing or allowing usage by third parties.

For clarity, the provisions of Section 12 (Confidentiality) of this Agreement continue to apply to the Microsoft Data Feeds, if applicable. Microsoft agrees to continue to provide the Microsoft Data Feeds to Yahoo through the Term (unless otherwise specified in the Agreement); provided, however that certain data contained in the Microsoft Data Feeds will no longer be available in a given market upon the completion of the Sales Transition Period for such market.

5. Miscellaneous. This Twelfth Amendment will be governed and construed, to the extent applicable, in accordance with the laws of the State of New York, without regard to its conflict of law principles. This Twelfth Amendment may be executed in multiple textually identical counterparts, each of which constitutes an original and all of which collectively shall constitute one and the same instrument. This Twelfth Amendment may be amended or modified only by an agreement executed by an authorized representative of each party. This Twelfth Amendment binds the parties hereto and their respective personal and legal representatives, successors, and permitted assigns. Except as expressly set forth herein, the Agreement remains in full force and effect and this Twelfth Amendment does not alter, amend or change any of the other terms or conditions set forth in the Agreement. To the extent of any conflict between this Twelfth Amendment and any provisions of the Agreement, this Twelfth Amendment shall control with respect to the subject matter hereof.

6. IN WITNESS WHEREOF, the parties, by their duly authorized representatives, have executed this Twelfth Amendment as of the Twelfth Amendment Effective Date.

YAHOO! INC.		MICROSOFT CORPORATION	
By:	/s/ Ian R. Weingarten	By:	/s/ Rik van der Kooi
Name:	Ian R. Weingarten	Name:	Rik van der Kooi
Title:	SVP, Corporate Development and Partnerships	Title:	CVP Microsoft Advertising
Date:	10/2/15	Date:	9/21/15

Exhibit 10.14(Q)

EXECUTION COPY

THIRTEENTH AMENDMENT

TO SEARCH AND ADVERTISING SERVICES AND SALES AGREEMENT

This Thirteenth Amendment to Search and Advertising Services and Sales Agreement (this "Thirteenth Amendment") is entered into to be effective as of November 17, 2015 ("Thirteenth Amendment Effective Date") by and between Yahoo! Inc., a Delaware corporation ("Yahoo!"), and Microsoft Corporation, a Washington corporation ("Microsoft") (collectively the "Parties").

WHEREAS, Yahoo! and Microsoft are parties to that certain Search and Advertising Services and Sales Agreement, entered into as of December 4, 2009, as amended (collectively, the "Agreement"); and

WHEREAS, Yahoo! and Microsoft desire to further amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties agree as follows:

1. Sales Transition Background. In the Eleventh Amendment, the Parties agreed upon the termination of Yahoo!'s sales activities for the Paid Search Services. Neither of the Parties intends for such change to the Agreement as amended, or the arrangements envisaged thereunder to constitute a "relevant transfer" in any jurisdiction for the purposes of the EU Acquired Rights Directive (Directive 2001/23/EC), as amended, any local legislation implementing such Directive, or any similar local law or regulation ("Acquired Rights Regulations"). Nonetheless, in connection with the sales transition in Europe contemplated in the Eleventh Amendment ("Sales Transition"), Yahoo! has or will incur certain redeployment and restructuring fees which the Parties wish to apportion appropriately as described in this Thirteenth Amendment.

2. Efforts to Redeploy and Compliance with Local Law. Yahoo! agrees, to the extent permitted under local law, that it and its Affiliates will use commercially reasonable efforts to first redeploy to new positions any employee of a Yahoo! Affiliate who may be impacted by the Sales Transition. To the extent such redeployment is not possible, and any Yahoo! Affiliate elects to make any such employees redundant through a subsequent restructuring, Yahoo! agrees to procure that any Yahoo! Affiliate conduct any such restructuring or redundancies in compliance with local law, employment agreements and any applicable collective agreements.

3. Redeployment and Restructuring Fees. Within sixty (60) days after the Thirteenth Amendment Effective Date, Microsoft will pay Yahoo! One Million Sixty Thousand Four Hundred Thirty-Four dollars and Seventy-Five Cents ($1,060,434.75 USD), as an agreed upon sum between the Parties to cover certain redeployment and restructuring expenses that have been or may be incurred by Yahoo! and its Affiliates as a result of the Sales Transition and Yahoo!'s and its Affiliates activities under Section 2.

4. Release and Indemnification. In consideration of the payment described in Section 3 above,

(a) The Parties agree to release one another and their corresponding Affiliates, and shall procure that any of their respective Affiliates shall also release any claims they may have against the other Party and its Affiliates relating to the transfer, restructuring or redundancy of Yahoo!'s (or its Affiliates') employees, vendors, or contractors as a result of the Sales Transition; and

(b) A new Section 16.2.8 is hereby added to the Agreement to read as follows:

"16.2.8 Yahoo!'s redeployment, restructuring or making redundant its or its Affiliates' employees in Europe as a result of the Sales Transition, and/or the application or alleged application of the Acquired Rights Regulations by any person in connection with the Sales Transition."

5. Miscellaneous. This Thirteenth Amendment will be governed and construed, to the extent applicable, in accordance with the laws of the State of New York, without regard to its conflict of law principles. This Thirteenth Amendment may be executed in multiple textually identical counterparts, each of which constitutes an original and all of which collectively shall constitute one and the same instrument. This Thirteenth Amendment may be amended or modified only by a written agreement that (a) refers to this Thirteenth Amendment; and (b) is executed by an authorized representative of each party. This Thirteenth Amendment binds the parties hereto and their respective personal and legal representatives, successors, and permitted assigns. Except as expressly set forth herein, the Agreement remains in full force and effect and this Thirteenth Amendment does not alter, amend or change any of the other terms or conditions set forth in the Agreement. To the extent of any conflict between this Thirteenth Amendment and any provisions of the Agreement, this Thirteenth Amendment shall control with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties by their duly authorized representatives have executed this Thirteenth Amendment as of the Thirteenth Amendment Effective Date.

YAHOO! INC.

By: /s/ Ian Weingarten

Name: Ian Weingarten

Title: SVP, Corporate Development & Partnerships

MICROSOFT CORPORATION

By: /s/ Rik van der Kooi

Name: Rik van der Kooi

Title: CVP, Microsoft Advertising

YAHOO!

March 31, 2016

Marissa A. Mayer

Re: ***Letter Amendment to Performance Stock Option (Mayer Retention Grant) (the "Option")***

Dear Marissa:

I'm pleased to confirm the 2016 performance-vesting methodology established by the Compensation and Leadership Development Committee (the "Compensation Committee") for the Performance Stock Option Agreement (Mayer Retention Grant) between you and Yahoo! Inc. (the "Company") dated November 29, 2012, as amended April 14, 2014 and April 17, 2015 (the "Original Agreement"). Capitalized terms used in this letter agreement and the attached exhibit and not otherwise defined herein or therein are used as defined in the Original Agreement.

Effective with the 2016 Performance Year, 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. (For the avoidance of doubt, no amendment is made to the vesting provisions of the Original Agreement as applicable to any Performance Period prior to 2016).

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.

YAHOO! INC.

/s/ Allan McCall
Allan McCall
Sr. Director, Compensation

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)*

<u>Vesting of Option</u>

Subject to Sections 6 and 7 of the Original Agreement, the Annual Tranche for the Performance Year shall be eligible to vest in accordance with this Appendix A.

Performance Year	Vesting Date
2016	January 26, 2017

- For the Performance Year, the "Performance Metrics" and "Weightings" shall be as follows: GAAP Revenue (one-third), Revenue ex-TAC (one-third), and Adjusted EBITDA (one-third).
- For each Performance Metric, the Administrator has established a performance target ("Goal") for the Performance Year. The Goals will be communicated to the Optionee.
- After the end of 2016, the Company's actual results for each Performance Metric shall be adjusted for purposes of this Option as set forth in "Definitions and Adjustments," below.
- For each Performance Metric, a vesting percentage (each, a "Component Vesting Percentage") shall be calculated based on the Company's actual performance (as adjusted) for the Performance Year as follows (with actual performance expressed as a percentage of the applicable Goal):

GAAP Revenue **Actual Performance (as adjusted) relative to Goal**	**Component Vesting Percentage**
80% or less	0%
100%	100%
106% or more	130%

Revenue Ex-TAC **Actual Performance (as adjusted) relative to Goal**	**Component Vesting Percentage**
80% or less	0%
100%	100%
106% or more	130%

Adjusted EBITDA **Actual Performance (as adjusted) relative to Goal**	**Component Vesting Percentage**
60% or less	0%
100%	100%
112% or more	130%

- If the Company's actual performance (as adjusted), as to a particular Performance Metric, is between two levels specified in the applicable table above, the Component Vesting Percentage for such metric shall be determined by linear interpolation between the vesting percentages specified for those two levels in such table (without rounding the result). In no event shall any Component Vesting Percentage exceed 130 percent.

- For each Performance Metric, a weighted vesting percentage (each, a "Weighted Vesting Percentage") shall be calculated by multiplying such metric's Component Vesting Percentage by such metric's Weighting.
- The overall vesting percentage applicable to the 2016 Annual Tranche (the "Overall Vesting Percentage") shall equal the sum of the three Weighted Vesting Percentages, with such sum rounded to the nearest one percent; provided, however, that the Overall Vesting Percentage shall not exceed 100 percent.
- For the 2016 Annual Tranche, the number of options that vest shall be determined by applying the Overall Vesting Percentage to the number of shares underlying the 2016 Annual Tranche, and rounding down to the nearest whole share.
- Regardless of the vesting dates shown above, the vested portion of the Annual Tranche shall become exercisable on the date of the Administrator's vesting determination described below.

The Administrator shall, following the end of the 2016 Performance Year, determine whether and the extent to which the applicable Goals have been satisfied and the vesting percentage of the 2016 Annual Tranche. Such determinations by the Administrator shall be final and binding. Any portion of the 2016 Annual Tranche that is not vested after giving effect to the Administrator's determination for the Performance Year shall terminate as of the final day of such Performance Year.

Maximum Vesting. Notwithstanding any other provision herein, in no event shall the 2016 Annual Tranche vest as to more than one hundred percent (100%) of the options subject to such Annual Tranche.

<u>Definitions and Adjustments</u>

Definitions. For purposes of the Option, the following definitions will apply:

- "Adjusted EBITDA" as to a particular year means the Company's income from operations before depreciation, amortization, restructuring charges (and reversals), impairment charges, and stock-based compensation expense for such year, as such items are determined by the Company and reflected in its reporting of financial results.
- "Annual 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 the Performance Year.
- "Financial Plan" for a particular year means the Company's final financial plan for such year approved by the Board of Directors.
- "GAAP" means U.S. generally accepted accounting principles.
- "GAAP Revenue" as to a particular year means the Company's worldwide revenue for such year, as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.
- "Performance Year" means the Company's 2016 fiscal year.
- "Revenue ex-TAC" as to a particular year means the Company's worldwide GAAP Revenue less TAC that has been recorded as a costs of revenue for such year, as determined by the Company and reflected in its reporting of financial results.
- "TAC" means traffic acquisition costs.

Adjustments. When calculating GAAP Revenue, Revenue ex-TAC, and Adjusted EBITDA for purposes of determining actual performance for a Performance Year, the Company's actual GAAP Revenue, Revenue ex-TAC, and Adjusted EBITDA (as defined above) for such year shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan for such year:

(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 cumulative 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 legal settlements that have an impact on revenues or expenses under GAAP;

(e) increased or decreased to eliminate the financial statement impact of any changes in how the Company reports any portion of its GAAP revenue (i.e., whether on a gross or net (after TAC) basis) during the year;

(f) increased or decreased to eliminate the financial statement impact of costs associated with the Company's exploration of strategic alternatives, including transactions to separate the remaining stake in Alibaba Group Holding Limited from the Company's operating business focusing on a reverse spin transaction, as well as exploring strategic proposals for the operating business;

(g) increased or decreased to eliminate the financial statement impact of changes in foreign exchange rates (compared to the foreign exchange rates incorporated in the Financial Plan); and

(h) increased or decreased to eliminate the financial statement impact of costs associated with a potential proxy contest.

Exhibit 10.16(L)

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

Marissa Mayer

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

Date of Grant:	07-Mar-2016
Total Number of Restricted Stock Units Granted:	176,678
Type of RSU:	U.S. Executive RSU (Mayer Version)
Vesting Commencement Date:	07-Mar-2016

Vesting Schedule:

Shares	Vesting Date	Shares	Vesting Date	Shares	Vesting Date
4,907	07-Apr-2016	4,908	07-Apr-2017	4,908	07-Apr-2018
4,908	07-May-2016	4,908	07-May-2017	4,907	07-May-2018
4,908	07-Jun-2016	4,907	07-Jun-2017	4,908	07-Jun-2018
4,907	07-Jul-2016	4,908	07-Jul-2017	4,908	07-Jul-2018
4,908	07-Aug-2016	4,908	07-Aug-2017	4,907	07-Aug-2018
4,908	07-Sep-2016	4,908	07-Sep-2017	4,908	07-Sep-2018
4,908	07-Oct-2016	4,907	07-Oct-2017	4,908	07-Oct-2018
4,907	07-Nov-2016	4,908	07-Nov-2017	4,908	07-Nov-2018
4,908	07-Dec-2016	4,908	07-Dec-2017	4,907	07-Dec-2018
4,908	07-Jan-2017	4,907	07-Jan-2018	4,908	07-Jan-2019
4,907	07-Feb-2017	4,908	07-Feb-2018	4,908	07-Feb-2019
4,908	07-Mar-2017	4,908	07-Mar-2018	4,908	07-Mar-2019

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

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:

Click here to accept

Signature

Marissa Mayer

Name

YAHOO! INC.

By: Kenneth Goldman

Title: Chief Financial Officer

Supplemental Documents:

Insider Trading Policy

Plan Prospectus (September 2014)

YAHOO! INC. 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. Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 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 by 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, 2017 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, 2018.)

(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 such RSUs are then outstanding and not vested and are otherwise scheduled to vest within the period of twenty-four (24) months following the Grantee's Termination Date pursuant to the vesting schedule set forth in the Notice of Grant (as adjusted under Section 2(e)(iii) for any leave of absence completed prior to the Termination Date), 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. (For the avoidance of doubt, such accelerated vesting shall occur as provided in the prior sentence regardless of whether the Grantee is then on a leave of absence, and shall include any RSUs for which vesting has been tolled by a leave that is unfinished on the Termination Date.) 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). Any RSUs that are not vested after giving effect to the foregoing acceleration provision shall be automatically forfeited by the Grantee as of the Termination Date.

(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.

The Grantee acknowledges that the terms and conditions of this Award satisfy the Company's obligation under the Offer Letter to provide the same annual grant terms to the Grantee as are provided to the Company's other senior executives.

(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) *Insider Trading Restrictions/Market Abuse Laws*. The Grantee acknowledges that he or she is subject to the Company's Insider Trading Policy and may be or may become subject to the Company's 10b5-1 Trading Plan Policy, each as amended from time to time. In addition, the Grantee understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Grantee acknowledges that it is the Grantee's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Grantee's acquisition, holding, and any disposition of Shares or rights to Shares.

(k) *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.

(l) *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.

(m) *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.

(n) *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.

(o) *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 Mayer

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

Date of Grant:	07-Mar-2016
Total Number of Restricted Stock Units Granted:	176,678
Type of RSU:	U.S. Executive Performance RSU (Mayer Version)
Vesting Commencement Date:	07-Mar-2016
Vesting Schedule:	Shares / Vesting Date 58,892 07-Mar-2017 58,893 07-Mar -2018 58,893 07-Mar -2019 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:	Performance RSU Award Agreement for U.S. Executive (Mayer Version) Yahoo Stock Plan (the "Plan")

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:

Click here to accept

Signature

Marissa Mayer

Name

YAHOO! INC.

By:

Kenneth Goldman

Title: Chief Financial Officer

Supplemental Documents:

Insider Trading Policy

Plan Prospectus

YAHOO! INC. 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. Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. 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 2016, 2017, and 2018 (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 Numbers of RSUs for the Performance Year in which the Termination Date occurs and for the immediately following Performance Year (if any). (For the avoidance of doubt, such accelerated vesting shall occur as provided in the prior sentence regardless of whether the Grantee is then on a leave of absence.) 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). Any RSUs that are not vested after giving effect to the foregoing acceleration provision shall be automatically forfeited by the Grantee as of the Termination Date.

(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.

The Grantee acknowledges that the terms and conditions of this Award satisfy the Company's obligation under the Offer Letter to provide the same annual grant terms to the Grantee as are provided to the Company's other senior executives.

(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) *Insider Trading Restrictions/Market Abuse Laws*. The Grantee acknowledges that he or she is subject to the Company's Insider Trading Policy and may be or may become subject to the Company's 10b5-1 Trading Plan Policy, each as amended from time to time. In addition, the Grantee understands that he or she may be subject to insider trading restrictions under securities laws, market abuse laws, and/or other similar laws, and such restrictions may affect his or her ability to acquire or sell Shares or rights to Shares. The Grantee acknowledges that it is the Grantee's responsibility to comply with such Company policies and any additional restrictions that may apply under applicable laws with respect to the Grantee's acquisition, holding, and any disposition of Shares or rights to Shares.

(k) *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.

(l) *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.

(m) *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.

(n) *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.

(o) *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.

AMENDMENT NUMBER ONE TO GOOGLE SERVICES AGREEMENT

This Amendment Number One to the Google Services Agreement (“**Amendment**”), effective as of March 1, 2016 (“**Amendment Effective Date**”), is between Yahoo! Inc. (“**Company**”) and Google Inc. (“**Google**”) and amends the Google Services Agreement that has an effective date of October 1, 2015 (as amended, the “Agreement”). Capitalized terms not defined in this Amendment have the meanings given to those terms in the Agreement. The parties agree as follows:

1. [*]. The box entitled [*] on the cover page of the Agreement under [*] is deleted in its entirety and replaced by the following:

☒ **[*]**	**[*]**	**[*]**
[*] [*]	[*]	[*]

2. Additional Definitions. The following definitions are added to the Agreement as Sections 1.40-1.42 inclusive:

“1.40. **[*]** means [*] that are displayed in response to Search Queries submitted by End Users not using [*] or [*] (for clarity, consistent with the device definitions used by Google for advertiser reporting, pricing, and feature serving across its network and with its other syndication partners).

1.41. **[*]** means [*] displayed in response to Search Queries submitted by End Users using [*].

1.42. **[*]** means [*] displayed in response to Search Queries submitted by End Users using [*].

3. [*]. Section 2.3 [*] of the Agreement is deleted in its entirety and replaced by the following:

“2.3. **[*]**. Notwithstanding any restriction in the Google Program Guidelines regarding implementation on [*], Google permits Company to implement the [*] (as set forth on the cover page of this Agreement and in Exhibit A) for an initial period starting on the Effective Date and continuing through [*] (the [*]), so long as such implementation is in accordance with Google’s instructions provided to Yahoo and this Agreement. [*]

4. Exhibit. Exhibit B to the Agreement is deleted in its entirety and replaced by Exhibit B attached to this Amendment.

5. General. The parties may execute this Amendment in counterparts, including facsimile, PDF, or other electronic copies, which taken together will constitute one instrument. Except as expressly modified herein, the terms of the Agreement remain in full force and effect.

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[*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

IN WITNESS WHEREOF, the parties have executed this Amendment by persons duly authorized.

GOOGLE		**COMPANY**	
By:	/s/ Philipp Schindler	By:	/s/ Ian Weingarten
Name:	Philipp Schindler	Name:	Ian Weingarten
Title:	Authorized Signatory	Title:	SVP, Corporate Development & Partnerships
Date:	03/29/2016	Date:	03/24/2016

Google Asia Pacific Pte. Ltd.		**Yahoo! Singapore Digital Marketing Pte Ltd.**	
By:	/s/ Marco Borla	By:	/s/ Jin Lai Heng
Name:	Marco Borla	Name:	Jin Lai Heng
Title:	Finance Director	Title:	Director
Date:	03/30/2016	Date:	03/25/2016

EXHIBIT B

(1) AFS Revenue Share Percentage

Desktop: [*]

[*]

Tablet: [*]
Mobile: [*]

(2) [*]

[*]

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[*] Indicates that certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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 9, 2016

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 9, 2016

By: /s/ KEN GOLDMAN
Ken Goldman
Chief Financial Officer

Certification of Chief Executive Officer and Chief Financial Officer Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Yahoo! (the "Company") for the quarter ended March 31, 2016 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 9, 2016**

	/s/ KEN GOLDMAN
Name:	**Ken Goldman**
Title:	**Chief Financial Officer**
Dated:	**May 9, 2016**

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.