SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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

Form 10-K

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from to

Commission File Number 000-28018

Yahoo! Inc.

(Exact name of Registrant as specified in its charter)

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

701 First Avenue

Sunnyvale, California 94089

(Address of principal executive offices, including zip code)

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

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

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

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

(Title of Class)

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

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

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

Indicate by check mark 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 ☐

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

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

Large accelerated filer ☑

Accelerated filer ☐

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

Smaller reporting company ☐

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

As of June 30, 2010, the aggregate market value of voting stock held by non-affiliates of the Registrant, based upon the closing sales price for the Registrant' s common stock, as reported on the NASDAQ Global Select Market, was $16,919,544,171. Shares of common stock held by each officer and director and by each person who owns 10 percent or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for any other purpose.

The number of shares of the Registrant' s common stock outstanding as of February 18, 2011 was 1,309,412,235.

DOCUMENTS INCORPORATED BY REFERENCE

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

Proxy Statement for the 2011 Annual Meeting of Shareholders−Part III Items 10, 11, 12, 13, and 14.

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YAHOO! INC.
Form 10-K
Fiscal Year Ended December 31, 2010

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The trademarks and/or registered trademarks of Yahoo! Inc. and its subsidiaries referred to herein include, but are not limited to, Yahoo!, Y!, del.icio.us, Flickr, Right Media, omg, Shine, Sportacular, Prime Time in No Time, Behind Enemy Lines, Ready Set Dance, Yahoo! Search BOSS, Wretch, Meme, Citizen Sports, Associated Content and their respective logos. Other names are trademarks and/or registered trademarks of their respective owners.

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Part I

Item 1. ***Business***

OVERVIEW

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo!," the "Company," "we," or "us"), is a premier digital media company that delivers personalized digital content and experiences, across devices and around the globe, to vast audiences. We provide engaging and innovative canvases for advertisers to connect with their target audiences using our unique blend of Science + Art + Scale. Through our proprietary technology and insights, we deliver unique content and experiences for our audience and create powerful opportunities for our advertisers to connect with their target audiences, in context and at scale. To users, we provide online properties and services ("Yahoo! Properties"). To advertisers, we provide a range of marketing services designed to reach and connect with users of our Yahoo! Properties, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities (our "Affiliates") that have integrated our advertising offerings into their Websites or other offerings (those Websites and other offerings, "Affiliate sites"). We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

We generate revenue from several offerings including the display of graphical advertisements ("display advertising"), the display of text-based links to advertisers' Websites ("search advertising"), and other sources.

Our offerings to users on Yahoo! Properties currently fall into three categories: Communications and Communities; Search and Marketplaces; and Media. The majority of what we offer is available in more than 25 languages and in more than 50 countries, regions, and territories. We have properties tailored to users in specific international markets including Yahoo! Homepage and social networking Websites including *Meme* and *Wretch*.

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

CORPORATE HIGHLIGHTS

Changes in Our Board of Directors and Executive Leadership

During 2010, there were key changes to our Board of Directors (the "Board") and executive leadership. Sue James was elected to the Board and was named Chair of the Board's Audit Committee, effective January 2010. Ron Burkle, John Chapple and Frank J. Biondi, Jr. left our Board when their terms ended following our June 2010 annual meeting, and Brad Smith and Patti Hart were elected to our Board at that meeting. Aristotle Balogh resigned as our Executive Vice President, Products and Chief Technology Officer, and Blake Irving became our Chief Product Officer in May 2010. In November 2010, Ross Levinsohn became our Executive Vice President, Americas, replacing Hilary Schneider in that role. The Company also has announced that David Kenny will become a member of our Board and Eric Hippeau will resign from our Board effective April 1, 2011.

2010 Transactions

Completed the transition of algorithmic search results on Yahoo! Properties and on Affiliate sites in the United States ("U.S.") and Canada to Microsoft Corporation ("Microsoft"), and completed the transition from Yahoo!'s search marketing platform to Microsoft's search advertising platform (adCenter) in those markets.

Acquired Associated Content, an online publisher and distributer of original content that enables users to publish their content on any topic and distributes that content through its Website and content partners. This acquisition extends Yahoo!'s ability to provide high quality, personally relevant content for the benefit of both users of Yahoo! branded sites and advertisers.

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Acquired Dapper, a technology platform providing dynamic display ad creation and optimization. Dapper' s capabilities combined with Yahoo!' s already deep consumer insights should further enhance Yahoo!' s ability to deliver customized and relevant advertising.

Acquired Citizen Sports, a company that brings the world of sports to fans' favorite social networking sites and mobile devices through innovative applications. This acquisition will strengthen Yahoo!' s social strategy of enriching, aggregating, and distributing social content from across the entire Web, and will extend Yahoo!' s ability to offer a highly customizable social experience.

Acquired Koprol, Indonesia' s popular location-based social network, which enables users to interact and share knowledge about their community in a way that is uniquely tailored to mobile phones. This acquisition extends Yahoo!' s social, mobile, and local offerings and focuses on the intersection of location, community expertise and mobile experiences that have become important Internet trends around the globe.

Sold HotJobs.com, an online job search engine which provides tools and advice for job seekers, employers, and staffing firms.

Sold Zimbra, Inc., a provider of e-mail and collaboration software.

Yahoo! expects to continue to acquire or make investments in companies, products, services, and technologies in the future. See Note 3−"Acquisitions" of the Notes to the consolidated financial statements, which appears in Part II, Item 8 of this Annual Report on Form 10-K for additional information related to Yahoo!' s acquisitions.

2010 HIGHLIGHTS

Communications and Communities

Launched Yahoo! Mail Beta, a faster and more social communications experience that allows users to navigate easily and organize their inbox, browse photos and videos, more efficiently search for emails and benefit from improved spam protection. Launched Yahoo! Messenger Beta, which allows users to play social games from publishers including Zynga Inc. ("Zynga"), ELEX and OMGPOP, share their status across networks, and view, comment on, and "like" updates from Yahoo! Pulse, Flickr, Facebook Inc. ("Facebook"), and Twitter Inc. ("Twitter") – all from their instant messaging client.

Launched Yahoo! Mail and Yahoo! Messenger with video chat applications for Android as well as Yahoo! Search Widget for Android. The Yahoo! applications for Android provide more than 300 million Yahoo! Mail and Yahoo! Messenger users with the capability to e-mail, send instant messages, video chat, text with friends, and share message statuses on Android phones for a compelling communication experience.

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Launched a series of new, innovative applications for the iPhone and iPad – including Yahoo! Search, Yahoo! Sketch-a-Search, and Yahoo! Messenger for the iPhone and Yahoo! Entertainment and Yahoo! Sportacular HD for the iPad. Yahoo! Sketch-a-Search makes finding restaurants easier, without typing keywords or search terms. The Yahoo! Search iPhone application delivers contextually relevant results quickly and efficiently using an innovative interface. Yahoo! Messenger on the iPhone offered users the first video chat feature over 3G or Wi-Fi by a major provider. Yahoo! Entertainment allows users to explore entertainment content, television listings, videos, news, and more. Yahoo! Sportacular HD is a game day companion, enabling users to check status of games or start times and get TV programming information and more for the National Football League, Major League Baseball, and college football.

Announced a partnership with Zynga that will integrate Zynga's popular social games through Yahoo!'s global network. The partnership enables Zynga games to reach more than 600 million people worldwide across Yahoo!-branded sites, giving them access to new and deeper ways to engage with friends and make new ones. In November, Yahoo! introduced the first stage of its integration plan, which allows users to launch, play, and share Zynga's popular games like Mafia Wars and FishVille on Yahoo! Messenger, Yahoo! Games, My Yahoo!, Yahoo! Toolbar, and Yahoo! Pulse.

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Announced a strategic global partnership with Samsung to distribute Yahoo!' s industry-leading services on millions of Samsung mobile devices, including devices running Samsung bada and Android platforms. Through this partnership Samsung will distribute Yahoo! services, including Yahoo! Mail, Yahoo! Messenger, Yahoo! Homepage, Yahoo! Search, Flickr, Yahoo! News, Yahoo! Finance, Yahoo! Contacts, Yahoo! Calendar, and Yahoo! Weather on Samsung' s mobile devices globally.

Announced a worldwide strategic alliance with Nokia that allows Yahoo! and Nokia to leverage each other' s strengths in e-mail, instant messaging, and maps and navigation services to provide consumers with access to world-class experiences on both personal computers ("PCs") and mobile devices.

Entered into a global partnership with Twitter to integrate Twitter' s real-time social experiences throughout Yahoo!. In November, users were able to connect their Yahoo! and Twitter accounts globally to see and share Twitter updates on the Yahoo! Homepage, My Yahoo!, Yahoo! Messenger, Yahoo! Mail, and Yahoo! Pulse.

Deepened Yahoo!' s integration with Facebook throughout Yahoo! Properties, including allowing users to link their Yahoo! and Facebook accounts and view and share updates with friends across both networks.

Announced an extended partnership with Sprint to provide Sprint Android mobile phone customers with a Yahoo! ID pack of services, including 1-click access to 12 different Yahoo! applications.

Announced a partnership with T-Mobile to integrate Yahoo! Mail and Yahoo! Messenger (with video chat) into the latest Android powered MyTouch device delivering hi-definition video and 4G speeds.

Search and Marketplaces

Introduced a series of new search enhancements to more fully leverage Yahoo!' s rich content and robust technology platforms and help users get to the content that they care about on all connected devices. Updates to Yahoo! Search included new quick applications for taking action directly from the search results page; fast, easy, and intuitive search shortcuts with more answers and fewer links; and a range of new contextual search experiences across Yahoo! Properties.

Announced a local advertising partnership with Gannett, which brings together Gannett' s strong local media organization brands, sales capabilities, and leading Website audiences with Yahoo!' s high quality audience and display advertising leadership.

Launched Yahoo! Local Offers, a program through which Yahoo! partners with leading online and offline providers to build one of the largest and most comprehensive repositories of local offers on the Internet. Currently in limited beta in the U.S., Local Offers will make it easy for millions of consumers to find, on Yahoo!, the best local deals and savings in their area.

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Media

Launched a new global platform for Yahoo! News and Yahoo! Finance. The updated platforms enable Yahoo! to accelerate its business, enter new markets more quickly, deliver personalized content, and more rapidly improve existing user experiences.

Launched several new original video programs including “Who Knew?” with Toyota Motor Sales U.S.A. and Reveille, which consists of easy-to-digest commentaries on current events; “Behind Enemy Lines,” a weekly series sponsored by Bud Light that tackles the topic of tailgating, with a twist; “Ready, Set, Dance,” a weekly series sponsored by State Farm which is the first from Yahoo!’ s partnership with Electus; “Weekend Edition,” a new weekend program offering compelling original video and relevant editorial content; and “Ram Country,” sponsored by Ram Truck, highlighting performances by today’ s biggest country stars.

USER OFFERINGS

Our offerings to users on Yahoo! Properties currently fall into three categories: Communications and Communities, Search and Marketplaces, and Media. Our offerings are available on PCs and other devices such as mobile devices, tablets, and TVs.

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We have distribution partnerships with more than 80 carriers and original equipment manufacturers ("OEMs") around the world which distribute our offerings via mobile devices, tablets, and TVs.

Communications and Communities

Our Communications and Communities offerings, including Yahoo! Mail, Yahoo! Messenger, Yahoo! Groups, Yahoo! Answers, Flickr, and Connected TV, provide a wide range of communication and social services to users and small businesses across a variety of devices and through our broadband Internet access partners and enable users to organize into groups and share knowledge, common interests, and photos. We offer some services free of charge to our users and also provide some services on a fee or subscription basis. We generate display and search advertising revenue and fees revenue from these offerings.

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

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

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

Yahoo! Answers is a service where anyone can ask and answer questions on topics on both PCs and mobile devices.

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

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

We also have social properties tailored to users in specific international markets, which include blogging and social networking Websites such as *Wretch* in Taiwan and *Meme* in Argentina, Brazil, Mexico, Taiwan, Indonesia, and the Philippines.

Search and Marketplaces

Our Search and Marketplaces offerings are designed to provide quick answers to users' information needs by delivering to our users innovative and meaningful search, local, and listings experiences on the search results page and across Yahoo!.

Search

Our Search offerings, including Yahoo! Search and Yahoo! Local, are available free to users and are often the starting point for our users to navigate the Internet and discover content that matters to them. We generate revenue through search offerings on Yahoo! Properties and Affiliate sites.

Yahoo! Search provides users with a free search capability with rich search results ranked and organized based on relevance to the users' search query. Sponsored search results are a subset of the overall search results and provide links to paying advertisers' Web pages. We are making innovations to Yahoo! Search to deliver more answers to the millions of people who come to Yahoo! to be entertained and to stay informed and productive.

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Yahoo! Search is evolving to help people find the right information at the right time, whether by entering keywords in a search box or by discovering search-powered experiences wherever they are online. Yahoo! currently offers Yahoo! Search experiences and applications across connected devices, including PCs and mobile phones.

On December 4, 2009, Yahoo! entered into a Search and Advertising Services and Sales Agreement (the "Search Agreement") and a License Agreement with Microsoft which provides for Microsoft to be the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites. Under the Search Agreement, Yahoo! will be the exclusive worldwide relationship sales force for both companies' premium search advertisers, which include advertisers meeting certain spending or other criteria, advertising agencies that specialize in or offer search engine marketing services and their clients, and resellers and their clients seeking assistance with their paid search accounts. Algorithmic and paid search transitioned to the Microsoft platform in the U.S. and Canada in the fourth quarter of 2010. The global transition of the algorithmic and paid search platforms to Microsoft and the migration of paid search advertisers and publishers to the Microsoft platform are being done on a market by market basis and are expected to continue through early 2012. Yahoo! continues to drive technology innovation with the enhanced Yahoo! Search experience to users that surrounds the listings themselves, as served by Microsoft - such as rich results, Search Assist suggestions, site filters, related topic suggestions, and more. See "Management's Discussion and Analysis of Financial Condition and Results of Operations−Search Agreement with Microsoft Corporation."

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

Marketplaces

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

Media

Our Media offerings are designed to engage users with some of the most relevant and compelling online content and services on the Web. We offer a majority of these services free of charge to our users. On our Media properties, we generate revenue from display and search advertising and from fee-based services. Our Media properties and services include the following:

Yahoo! Homepage (www.yahoo.com) is a navigation hub and starting point into Yahoo! Properties and the Internet, via a PC or mobile device that brings together the most useful information and functionality from across the Web, giving people one place to search, preview, and access everything that matters to them most.

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

Yahoo! Sports offers free fantasy games, original editorial content, real-time statistics, scores and game updates, broadcast programming, integrated shopping, and online sports communities. Yahoo! Sports offers mobile applications for specific areas of interest to our users, such as Yahoo! Fantasy Football, along with sports content via our Yahoo! Mobile site and Yahoo! Sportacular, a leading sports application on the iPhone and Android.

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

My Yahoo! is a personalized start page that gives registered users the ability to customize their pages with information that interests them most from around the Web.

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

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

Yahoo! Contributor Network is a platform for people to publish their creative content on Yahoo!. The Yahoo! Contributor Network is an evolution of the Associated Content platform and will bring contributions from writers, photographers, and videographers to the Internet’ s largest media destinations, including Yahoo! News, Yahoo! Finance, Yahoo! Sports, and even the Yahoo! Homepage, among many others.

Yahoo! Pulse allows users to create and manage their identity on Yahoo! and connect and engage with the people, content, and applications that matter to them both on Yahoo! and on other services such as Facebook and Twitter. Users can also share updates, photos, blog posts and more with colleagues, classmates, family, and friends.

ADVERTISER AND PUBLISHER OFFERINGS AND SERVICES

Advertisers are increasing their use of online and mobile media to better align their ads with the shift of consumer media consumption away from traditional television and print media to the Internet and to mobile devices. We believe Yahoo! offers the best combination of elements needed for successful online and mobile advertising today: the science to understand and target an audience, the art to create lasting engagement with consumers through context, and the scale to reach the right person in the right setting in meaningful numbers (Science + Art + Scale).

We offer advertisers targeted solutions (such as behavioral and search retargeting), valuable insights about their customer base, and tools that leverage those insights for optimized program performance. We help advertisers develop lasting engagement with consumers through interactivity. Our premium digital canvasses−pioneering ad formats like the Yahoo! Mail Login Page and branded video content options−showcase their message in a quality context that delivers results. We also provide advertisers access to one of the largest concentrations of target audiences and premium content on the Web. We do this by bringing together quality publishers through Yahoo! Network Plus (including AT&T, Verizon, Rogers, Monster, and Comcast) and the Right Media Exchange.

We work with high-quality publishers to attract audiences, create engaging experiences, learn insightful information about the publishers’ audiences, and monetize the experiences rendered with a set of application programming interfaces (“APIs”) and tools for ease of doing business. With this offering, publishers are able to participate in the Yahoo! Search and Bing Unified Search Marketplaces as well as the Right Media Exchange for display advertising.

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We generate revenue by providing marketing services to advertisers across a majority of Yahoo! Properties and Affiliate sites. Our marketing services include display advertising, search advertising, listing-based services, and commerce-based transactions.

DEVELOPERS AND PLATFORM OFFERINGS

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

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

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

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

Yahoo! Application Platform ("Y!AP") is an application platform that third-party developers, including publishers and advertisers, can use to create innovative applications and consumer experiences that will function across the Yahoo! network and beyond. For example, Y!AP powers our partnership with Zynga to bring social gaming experiences into core Yahoo! experiences.

Yahoo! Updates allows developers and publishers to syndicate user-generated actions from Yahoo! on their Websites and vice versa, integrating social data and actions into new applications and services. Yahoo! Updates is available for commercial and non-commercial use by developers.

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

Yahoo! Search BOSS is an open search Web services platform that enables developers, start-ups, and large Internet companies to build Web-scale search products.

GLOBAL BUSINESS

We manage our business geographically. Through the first quarter of 2010, the primary areas of measurement and decision-making were the U.S. and International. Beginning in the second quarter of 2010, our business management structure was redefined along three geographies: Americas; EMEA (Europe, Middle East, and Africa); and Asia Pacific. Additional information required by this item is incorporated herein by reference to Note 13−"Segments" of the Notes to the consolidated financial statements, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

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

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

We own a majority or 100 percent of all of these international operations (except in Australia, China, Japan, and New Zealand where we have joint ventures and/or noncontrolling interests). We support these businesses through a network of offices worldwide.

Revenue is primarily attributed to individual countries according to the international online property that generated the revenue.

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

SALES

We maintain three primary channels for selling our advertising services: field, mid-market, and reseller/small business. Our field advertising sales team sells display and search advertising services to leading advertisers and agencies. Our mid-market channel sells our services to medium-sized businesses, while our reseller/small business channel enables us to sell advertising services to additional regional and small business advertisers.

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

No individual customer represented more than 10 percent of our revenue in 2008, 2009, or 2010.

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

MARKETING

The Yahoo! brand is one of the most widely recognized in the world. Maintaining and growing the Yahoo! brand enables us to attract, retain, and more deeply engage users, advertisers, publishers, and developers. We believe a great brand begins with great products, services, and content. Our marketing teams engage in each step of product and services development, deployment, and management and content design to understand and shape our offerings to better market them to our communities of potential and existing users. In 2010, we launched and completed the second phase of our global integrated marketing campaign designed to highlight specific product offerings across the Yahoo! Network including the Yahoo! Homepage, Yahoo! Search, Yahoo! Mail, Yahoo! Mobile, and more. Our goal is for users to experience first-hand how they can make Yahoo! products more personally relevant, and we are doing this by enabling product sampling, demonstrations and experiential marketing at scale.

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COMPETITION

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

Under the Search Agreement with Microsoft we have become the exclusive worldwide relationship sales force for both companies' premium search advertisers and Microsoft has become the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites in transitioned markets. However, Microsoft will still continue to compete with us on its own sites and on its partners' sites for users, advertisers, publishers, developers, and distribution partners.

We believe our principal competitive strengths relating to attracting and retaining users include the usefulness, accessibility, integration, and personalization of the online services that we offer; the quality, personalization, and presentation of our search results; and the overall user experience on Yahoo! Properties. Our principal competitive strengths relating to attracting advertisers and publishers are the reach, effectiveness, and efficiency of our marketing services as well as the creativity of the marketing solutions that we offer. "Reach" is the size of the audience and/or demographic that can be accessed through the Yahoo! network. "Effectiveness" for advertisers is the achievement of marketing objectives, which we support by developing campaigns, measuring the performance of these campaigns against their objectives, and optimizing their objectives across the Yahoo! network. "Effectiveness" for publishers is the monetization of their online audiences. "Efficiency" is the simplicity and ease of use of the services we offer advertisers and publishers.

In international markets, we also compete with local portals that are predominantly supported by local telecommunication providers or local providers of specific locally designed and marketed Internet services, some of which may have a potential competitive advantage due to an existing direct billing relationship with their users, dominant market share in their territories, greater brand recognition, focus on a single market, familiarity with local tastes and preferences, or greater regulatory and operational flexibility.

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

PRODUCT DEVELOPMENT

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

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

Our Product Development organization includes Yahoo! Labs. This organization includes our industry-leading Yahoo! Research group, our Applied Sciences group and our Academic Relations team, which has spearheaded key relationships with some of the world' s most influential universities and institutions. Yahoo! Labs is designed to foster the long-term scientific competitiveness of Yahoo! as a world leader on the Internet through cutting-edge, multi-disciplinary research in a variety of fields, including economic theory, computer science, artificial

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intelligence, and various social sciences. In addition to Yahoo! Labs, the Product Development organization contains our Cloud Computing group which provides the common computing infrastructure upon which our products are delivered, including grid computing. Finally, the Product Development organization contains our Cloud Platforms group, which focuses on the common elements that are embedded in multiple Yahoo! Products. These elements include the user data base and login, video and social connection platforms.

Our engineering and production teams are primarily located in our Sunnyvale, California headquarters, Bangalore, India and Burbank, California. Product development expenses for 2008, 2009, and 2010 totaled approximately $1.2 billion, $1.2 billion, and $1.1 billion, respectively, which included stock-based compensation expense of $178 million, $206 million, and $107 million, respectively.

INTELLECTUAL PROPERTY

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

EMPLOYEES

As of December 31, 2010, we had approximately 13,600 full-time employees. Our future success is substantially dependent on the performance of our senior management and key technical personnel, as well as our continuing ability to attract, maintain the caliber of, and retain highly qualified technical and managerial personnel. Additional information regarding certain risks related to our employees is included in Part I, Item 1A “Risk Factors” of this Annual Report on Form 10-K and is incorporated herein by reference.

AVAILABLE INFORMATION

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

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Item 1A. *Risk Factors*

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

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

Several of our competitors offer an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to Yahoo!. Among other areas, we compete against these 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.

In addition, several competitors offer products and services that directly compete for users with our offerings, including consumer e-mail, local search, instant messaging, photos, maps, video sharing, content channels, mobile applications, and shopping. Similarly, the advertising networks operated by our competitors offer services that directly compete with our offerings for advertisers, including advertising exchanges, ad serving technologies and sponsored search offerings. We also compete with traditional print and broadcast media companies to attract advertising dollars, both domestically and internationally. We further compete for users, advertisers and developers with social media and networking sites as well as the wide variety of other providers of online services. Social networking sites in particular are attracting a substantial and increasing share of users and users' online time, which could enable them to attract an increasing share of online advertising dollars.

Some of our existing competitors and possible entrants may have greater brand recognition for certain products and services, more expertise in a particular segment of the market, and greater operational, strategic, technological, financial, personnel, or other resources than we do. 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 and research and development. Further, emerging start-ups may be able to innovate and provide new products and services faster than we can. In addition, competitors may consolidate with each other or collaborate, 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, are owned by local telecommunications providers, have greater 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 are 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.

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

For the year ended December 31, 2010, 84 percent of our total revenue came from display and search. Our ability to continue to retain and grow display and search revenue depends upon:

- maintaining and growing our user base;
- maintaining and growing our popularity as an Internet destination site;
- maintaining and expanding our advertiser base on the Internet and mobile devices;

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broadening our relationships with advertisers to small- and medium-sized businesses;

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- the successful implementation of changes and improvements to our advertising management platforms and acceptance of our advertising management platforms by advertisers, Website publishers, and online advertising networks;
- continuing to innovate and improve users' search experiences;
- maintaining and expanding our Affiliate program for search and display advertising services; and
- deriving better demographic and other information about our users to enable us to offer better experiences to both our users and advertisers.

In most cases, our agreements with advertisers have a term of one year or less, and may be terminated at any time by the advertiser or by us. Search marketing agreements often have payments dependent upon usage or click-through levels. Accordingly, it is difficult to forecast display and search revenue accurately. In addition, our expense levels are based in part on expectations of future revenue, including occasional guaranteed minimum payments to our Affiliates in connection with search and/or display advertising, and are fixed over the short-term in some categories. The state of the global economy and availability of capital has impacted and could further impact the advertising spending patterns of 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.

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

Display and search expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenue from display and search, adverse economic conditions have caused, and a continuation of adverse economic conditions could cause, additional decreases in or delays in advertising spending, a reduction in our display and search revenue and a negative impact on our 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 the current economic conditions, could negatively impact our results of operations.

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

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

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

Under our Search Agreement with Microsoft, Microsoft is the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites for the transitioned markets. The parties commenced implementation of the Search Agreement on February 23, 2010. The global transition of our algorithmic and paid search platforms to Microsoft and the migration of our paid search advertisers and publishers to Microsoft's platform are being done on a market by market basis and are expected to continue

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through early 2012. The transition process is complex and requires the expenditure of significant time and resources by us. Algorithmic and paid search transitioned to the Microsoft platform in the U.S. and Canada

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in the fourth quarter of 2010, and we continue to transition algorithmic and paid search in other markets. Delays or difficulties in, or disruptions and inconveniences caused by, the transition process could result in the loss of advertisers, publishers, Affiliates, and employees, as well as delays in recognizing or reductions in the anticipated benefits of the transaction, any of which could negatively impact our business and operating results.

If Microsoft fails to perform as required under the Search Agreement for any reason or suffers service level interruptions or other performance issues, or if advertisers or users are less satisfied than expected with the services provided or results obtained under the Search Agreement, we may not realize the anticipated benefits of the Search Agreement, we may lose advertisers, publishers and Affiliates and our search revenue or our profitability could decline.

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

Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. We must continually invest in improving our users' search experience–presenting users with a search experience that is responsive to their needs and preferences–in order to continue to attract, retain, and expand our user base and paid search advertiser base.

We currently deploy our own technology to provide search results on our network, except in markets where we have transitioned to Microsoft's platform. Even after we complete the transition to Microsoft's platform in all markets, we will need to continue to invest and innovate to improve our users' search experience.

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

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

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

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

We believe that maintaining and enhancing our brands is an important aspect of our efforts to attract and expand our user, advertiser, and Affiliate base. We also believe that the importance of brand recognition will increase due to the relatively low barriers to entry in the Internet market. We have spent considerable money and resources to date on the establishment and maintenance of our brands, and we anticipate continuing to spend and devote resources to, advertising, marketing, and other brand-building efforts to preserve and enhance consumer awareness of our brands. Our brands may be negatively impacted by a number of factors, including among other issues: service outages; product malfunctions; data privacy and security issues; exploitation of our trademarks by others without permission; and poor presentation or integration of our search marketing 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 customer awareness of, and trust in, our brands in a cost-effective manner, or if we incur excessive expenses in these efforts, our business, operating results and financial condition could be harmed.

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

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

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

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

Internet, technology, media, and patent holding companies often possess a significant number of patents. Further, many of these companies and other parties are actively developing or purchasing search, indexing, electronic commerce, and other Internet-related technologies, as well as a variety of online business models and methods.

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We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection. In addition, patent holding companies may continue to seek to monetize patents they have purchased or otherwise obtained. As a result, disputes regarding the ownership of technologies and rights associated with online businesses are likely to continue to arise in the future. From time to time, parties assert patent infringement claims against us. Currently, we are engaged in a number of lawsuits regarding patent issues and have been notified of a number of other potential disputes.

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

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

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

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

A number of U.S. federal laws, including those referenced below, impact our business. The Digital Millennium Copyright Act (“DMCA”) is intended, in part, to limit the liability of eligible online service providers for listing or linking to third-party Websites that include materials that infringe copyrights or other rights of others. Portions of the Communications Decency Act (“CDA”) are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and the CDA in conducting our business. If these laws or judicial interpretations are changed to narrow their protections, or if international jurisdictions refuse to apply similar provisions in foreign lawsuits, we will be subject to greater

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risk of liability, our costs of compliance with these regulations or to defend litigation may increase, or our ability to operate certain lines of business may be limited. The Children' s Online Privacy Protection Act is intended to impose restrictions on the ability of online services to collect some types of information from children under the age of 13. In addition, Providing Resources, Officers, and Technology to Eradicate Cyber Threats to Our Children Act of 2008 ("PROTECT Act") requires online service providers to report evidence of violations of federal child pornography laws under certain circumstances. Other federal and state laws and legislative efforts designed to protect children on the Internet may impose additional requirements on us. U.S. export control laws and regulations impose requirements and restrictions on exports to certain nations and persons and on our business. The cost of compliance with these and any other laws or regulations may increase in the future as a result of changes in the laws or regulations or the interpretation of them. Further, any failure on our part to comply with any relevant laws or regulations may subject us to significant liabilities.

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

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

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

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

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' proprietary information, and security breaches could expose us to a risk of loss of this information, litigation, and potential liability. Our security measures may be breached due to the actions of outside parties, employee error, malfeasance, or otherwise, and, as a result, an unauthorized party may obtain access to our data or our users' or customers' data. Additionally, outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information in order to gain access to our data or our users' or customers' data. Any such breach or unauthorized access could result in significant legal and financial exposure, increased costs to defend litigation or damage to our reputation, and a loss of confidence in the security of our products and services that could potentially have an adverse effect on our business. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to 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.

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

We host a wide variety of services and technology products that enable 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 these online services and products for activities of their users is currently unsettled both within the U.S. and internationally. Claims have been threatened and have been brought against us for defamation, negligence, breaches of contract, copyright or 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 our users. In addition, we have been and may again in the future be subject to domestic or international actions alleging that the availability of certain content within our services violates laws in domestic and international jurisdictions. Defense of any such actions could be costly and involve significant time and attention of our management and other resources and may require us to change our business in an adverse manner.

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

It is also possible that if the manner in which information is provided or any information provided directly by us contains errors or is otherwise wrongfully provided to users, third parties could make claims against us. For example, we offer Web-based e-mail services, which expose us to potential risks, such as liabilities or claims resulting from unsolicited e-mail, lost or misdirected messages, illegal or fraudulent use of e-mail, alleged violations of policies or privacy protections, 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.

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

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

the difficulty of assimilating the operations and personnel of our acquired companies into our operations;

the potential disruption of our ongoing business and distraction of management;

the incurrence of additional operating losses and expenses of the businesses we acquired or in which we invested;

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- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;

- the failure to successfully further develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;

- the failure of strategic investments to perform as expected;

- the potential for patent and trademark infringement claims against the acquired company;

- litigation or other claims in connection with acquisitions or the acquired company;

- 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 difficulty of integrating operations and systems as a result of cultural, systems, and operational differences and 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.

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

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

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

Any failure to scale and adapt our existing technology architecture to manage expansion 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. The products and services offered by us are expected to continue to expand and change significantly and rapidly in the future to accommodate new technologies and Internet advertising solutions, and new means of content delivery.

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In addition, widespread adoption of new Internet, networking or telecommunications technologies, or other technological changes could require substantial expenditures to modify or adapt our services or infrastructure. The technology architectures and platforms utilized for our services are highly complex and may not provide satisfactory 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, or move to completely new, architectures, platforms and systems. Such changes may be technologically challenging to develop and implement, may take time to test and deploy, may cause us to incur substantial costs or data loss, and may cause delays or interruptions in service. These changes, delays, or interruptions in our service may cause our users, Affiliates and other advertising platform participants to become dissatisfied with our service and move to competing providers or seek remedial actions or compensation.

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

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

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

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

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

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

We rely on leading providers of media formats and media player technology to deliver rich media content and advertising to our users. There can be no assurance that these providers will continue to license their formats and player technologies to us on reasonable terms, or at all. Providers of rich media formats and player technologies may begin charging users or otherwise change their business model in a manner that slows the widespread

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acceptance of their technologies. In order for our rich media services to be successful, there must be a large base of users of these rich media technologies. We have limited or no control over the availability or acceptance of rich media technologies, and any change in the licensing terms, costs, availability, or user acceptance of these technologies could adversely affect our business.

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

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

- We maintain search and display advertising relationships with Affiliate sites, which integrate our advertising offerings into their Websites;

- We enter into distribution alliances with Internet service providers (including providers of cable and broadband Internet access) and software distributors to promote our services to their users; and

- We enter into agreements with mobile, tablet, netbook, and other device manufacturers and carriers as well as Internet-enabled television manufacturers and other electronics companies to promote our software and services on their devices.

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

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

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

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

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

We offer versions of many of our popular services (such as sports, finance, and news) designed to be accessed on a number of models of alternative devices. We also offer versions of some of our services (such as instant messaging) designed for specific popular devices. As new devices are introduced, it is difficult to predict the

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problems we may encounter in developing versions of our services for use on those devices, and we may need to devote significant resources to the creation, support, and maintenance of such versions or risk loss of market share. If we are unable to attract and retain a substantial number of alternative device manufacturers, distributors, content providers, and users to our services, or to capture a sufficient share of an increasingly important portion of the market for these services, we may be unsuccessful in attracting both advertisers and premium service subscribers to these services.

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

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

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

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

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

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geopolitical events, including acts of war and terrorism;

import or export regulations;

compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting corrupt payments to government officials;

seasonal volatility in business activity and local economic conditions;

laws and business practices that favor local competitors or prohibit foreign ownership of certain businesses;

different or more stringent user protection, content, data protection, privacy and other laws; and

risks related to other government regulation or required compliance with local laws.

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

New technologies could block display advertisements or search advertisements, which could harm our operating results.

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

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

A large amount of information on the Internet is provided in proprietary document formats. 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.

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

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

Our operations are susceptible to outages and interruptions due to fire, flood, earthquake, power loss, telecommunications failures, cyber attacks, terrorist attacks, and similar events.

The systems through which we provide our products and services are highly technical, complex, and interdependent. Design errors might exist in these systems, or might be introduced as we roll out improvements and upgrades, which might cause service malfunctions or require services to be taken offline while corrective responses are developed.

Despite our implementation of network security measures, our servers are vulnerable to computer viruses, worms, physical and electronic break-ins, sabotage, and similar disruptions from unauthorized access and tampering, as well as coordinated denial-of-service attacks. We are distributing servers among additional data centers around the world to create redundancies; however, we do not have multiple site capacity for all of our services and some of our systems are not fully redundant in the event of delays or disruptions to service.

We rely on third-party providers for our principal Internet connections and co-location of a significant portion of our data servers, as well as for our payment processing capabilities and key components or features of our search, e-mail and VOIP services, news, stock quote and other content delivery, chat services, mapping, streaming, geo-targeting, music, games, and other services. We have little or no control over these third-party providers. Any disruption of the services they provide us or any failure of these third-party providers to handle higher

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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.

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Prolonged delays or disruptions to our service could result in a loss of users, damage our brands and harm our operating results.

If we or our third-party service provider fail to prevent click fraud or choose to manage traffic quality in a way that advertisers find unsatisfactory, our profitability may decline.

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

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

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

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

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

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

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. In the ordinary course of our

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business, there are many transactions and calculations where the ultimate tax determination is uncertain. We earn a significant amount of our operating income from outside the U.S., and any repatriation of funds currently held in foreign jurisdictions may result in higher effective tax rates for us. In the past there have been proposals to change U.S. tax laws that could significantly impact how U.S. multinational corporations are taxed on foreign earnings. 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. We are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

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

The trading price of our common stock has been and may continue to be subject to broad fluctuations. During the year ended December 31, 2010, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $13.11 to $18.97 per share and the closing sale price on February 18, 2011 was $17.66 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in quarterly operating results, announcements and implementations of technological innovations or new services by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of other companies that investors may deem comparable to us; the operating performance of companies in which we have an equity investment, including Yahoo Japan Corporation ("Yahoo Japan") and Alibaba Group Holding Limited ("Alibaba Group"); and news reports or rumors relating to us, trends in our markets, or general economic conditions.

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

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

We have adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of our two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of our Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of our outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of our common stock or of any company into which we are merged having a value of $500. Because the rights may substantially dilute the stock ownership of a person or group attempting to take us over without the approval of our Board of Directors, our rights plan could make it more difficult for a third-party to acquire us (or a significant percentage of our outstanding capital stock) without first negotiating with our Board of Directors regarding that acquisition. The rights plan expires on March 1, 2011, and our Board of Directors does not currently intend to renew the plan.

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

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

Item 1B. *Unresolved Staff Comments*

None.

Item 2. *Properties*

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

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

Item 3. *Legal Proceedings*

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

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Part II

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

Market Information for Common Stock

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

	2009		2010	
	High	Low	High	Low
First quarter	$14.14	$10.81	$17.30	$14.48
Second quarter	$16.99	$12.60	$19.12	$13.79
Third quarter	$17.94	$13.97	$15.60	$12.94
Fourth quarter	$18.02	$14.80	$17.60	$14.13

Stockholders

We had 10,828 stockholders of record as of February 18, 2011.

Dividends

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

Issuer Repurchases of Equity Securities

We did not repurchase any equity securities during the three months ended December 31, 2010.

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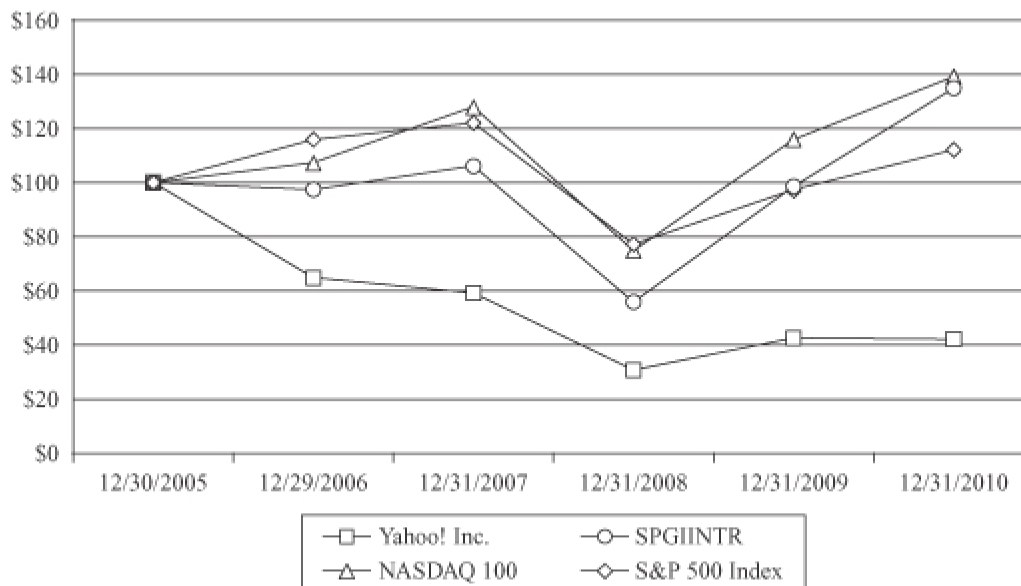
Performance Graph

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

The following graph compares, for the five-year period ended December 31, 2010, the cumulative total stockholder return for Yahoo!' s common stock, the NASDAQ 100 Index, the Standard & Poor' s North American Technology-Internet Index, formerly the Goldman Sachs Internet Trading Index (the "SPGIINTR"), and the Standard & Poor' s 500 Stock Index (the "S&P 500 Index"). Measurement points are the last trading day of each of Yahoo!' s fiscal years ended December 31, 2006, December 31, 2007, December 31, 2008, December 31, 2009, and December 31, 2010. The graph assumes that $100 was invested on December 31, 2005 in the common stock of Yahoo!, the NASDAQ 100 Index, the SPGIINTR, and the S&P 500 Index and assumes reinvestment of any dividends. The stock price performance on the following graph is not necessarily indicative of future stock price performance.



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

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and "Management' s Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The consolidated statements of income data and the consolidated balance sheets data for the years ended, and as of, December 31, 2006, 2007, 2008, 2009, and 2010 are derived from our audited consolidated financial statements.

Consolidated Statements of Income Data:

	Years Ended December 31,				
	2006	2007	2008(1)	2009(2)	2010(3)
	(In thousands, except per share amounts)				
Revenue	$6,425,679	$6,969,274	$7,208,502	$6,460,315	$6,324,651
Income from operations	$940,966	$695,413	$12,963	$386,692	$772,524
Net income attributable to Yahoo! Inc.	$731,568	$639,155	$418,921	$597,992	$1,231,663
Net income attributable to Yahoo! Inc. common stockholders per share−basic	$0.53	$0.48	$0.31	$0.43	$0.91
Net income attributable to Yahoo! Inc. common stockholders per share−diluted	$0.51	$0.47	$0.29	$0.42	$0.90
Shares used in per share calculation−basic	1,388,741	1,338,987	1,369,476	1,397,652	1,354,118
Shares used in per share calculation−diluted	1,419,248	1,366,264	1,391,230	1,415,658	1,364,612

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

(2) Our net income attributable to Yahoo! Inc. for the year ended December 31, 2009 included a pre-tax gain of $67 million in connection with the sale of our Gmarket shares and a gain on the sale of our direct investment in Alibaba.com of $98 million. In addition, in the year

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ended December 31, 2009, we recorded net restructuring charges of $127 million related to our cost reduction initiatives. In the aggregate, these items had a net positive impact of $18 million on net income attributable to Yahoo! Inc., or $0.01 per both basic and diluted share.

(3)

Our net income attributable to Yahoo! Inc. for the year ended December 31, 2010 included a pre-tax gain of $66 million in connection with the sale of Zimbra, Inc. and a pre-tax gain on the sale of HotJobs of $186 million. In addition, in the year ended December 31, 2010, we recorded net restructuring charges of $58 million related to our cost reduction initiatives. In the aggregate, these items had a net positive impact of $204 million on net income attributable to Yahoo! Inc., or $0.15 per both basic and diluted share. In addition, in the year ended December 31, 2010, we recorded $43 million pre-tax for the reimbursement of transition costs incurred in 2009 related to the Search Agreement. See Note 16−"Search Agreement with Microsoft Corporation" in the Notes to the consolidated financial statements for additional information. Our income tax provision was also reduced by the effect of certain tax benefits as discussed in Note 9−"Income Taxes" in the Notes to the consolidated financial statements.

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Consolidated Balance Sheets Data:

	December 31,				
	2006	2007[1]	2008[2]	2009	2010
			(In thousands)		
Cash and cash equivalents	$1,569,871	$1,513,930	$2,292,296	$1,275,430	$1,526,427
Marketable debt securities	$1,967,414	$849,542	$1,229,677	$3,242,574	$2,102,255
Working capital	$2,276,148	$942,652	$3,040,483	$2,877,044	$2,719,676
Total assets	$11,512,673	$12,229,554	$13,689,848	$14,936,030	$14,928,104
Long-term liabilities	$843,790	$384,208	$715,872	$699,666	$705,822
Total Yahoo! Inc. stockholders' equity	$9,186,833	$9,538,209	$11,250,942	$12,493,320	$12,558,129

(1)

As of December 31, 2007, our $750 million of outstanding zero coupon senior convertible notes were classified as short-term debt and are reflected in working capital. The zero coupon senior convertible notes were classified as long-term debt as of the end of 2006.

(2)

During the year ended December 31, 2008, our $750 million of outstanding zero coupon senior convertible notes were converted into 36.6 million shares of Yahoo! common stock. During the year ended December 31, 2008, we received a $350 million, one-time payment from AT&T Inc., of which $129 million was recorded in short-term deferred revenue and $221 million was recorded in long-term deferred revenue.

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

Forward-Looking Statements

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

- expectations about revenue, including display, search, and other revenue;
- expectations about growth in users;
- expectations about cost of revenue and operating expenses;
- expectations about the amount of unrecognized tax benefits and the adequacy of our existing tax reserves;
- anticipated capital expenditures;
- expectations about the implementation and the financial and operational impacts of our Search Agreement with Microsoft;
- impact of recent acquisitions on our business and evaluation of, and expectations for, possible acquisitions of, or investments in, businesses, products, and technologies; and
- expectations about positive cash flow generation and existing cash, cash equivalents, and investments being sufficient to meet normal operating requirements.

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

Overview

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo!," the "Company," "we," or "us"), is a premier digital media company that delivers personalized digital content and experiences, across devices and around the globe, to vast audiences. We provide engaging and innovative canvases for advertisers to connect with their target audiences using our unique blend of Science + Art + Scale. Through our proprietary technology and insights, we deliver unique content and experiences for our audience and create powerful opportunities for our

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advertisers to connect with their target audiences, in context and at scale. To users, we provide online properties and services ("Yahoo! Properties"). To advertisers, we provide a range of marketing services designed to reach and connect with users of our Yahoo! Properties, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities (our "Affiliates") that have integrated our advertising offerings into their Websites or other offerings (those Websites and offerings, "Affiliate sites"). We believe that our marketing services enable advertisers to deliver highly relevant marketing messages to their target audiences.

Our offerings to users on Yahoo! Properties currently fall into three categories: Communications and Communities; Search and Marketplaces; and Media. The majority of what we offer is available in more than 25 languages and in more than 50 countries, regions, and territories. We have properties tailored to users in specific international markets including Yahoo! Homepage and social networking Websites such as *Meme* and *Wretch*. We manage and measure our business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific.

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Search Agreement with Microsoft Corporation

On December 4, 2009, Yahoo! entered into the Search and Advertising Services and Sales Agreement ("Search Agreement") with Microsoft, which provides for Microsoft to be the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites. Under the Search Agreement, Yahoo! will be the exclusive worldwide relationship sales force for both companies' premium search advertisers, which include advertisers meeting certain spending or other criteria, advertising agencies that specialize in or offer search engine marketing services and their clients, and resellers and their clients seeking assistance with their paid search accounts. The global transition to Microsoft as the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites are being done on a market by market basis and are expected to continue through early 2012. The transition occurred in the United States ("U.S.") and Canada in the fourth quarter of 2010, and we continue to transition algorithmic and paid search in other markets. The Search Agreement terminates in February 2020, subject to earlier termination as provided in the Search Agreement.

Under the Search Agreement, Microsoft has agreed to reimburse us for certain transition costs up to an aggregate total of $150 million during the first three years of the Search Agreement. From February 23, 2010 until the applicable services are fully transitioned to Microsoft, Microsoft will also reimburse us for the costs of running our algorithmic and paid search services subject to specified exclusions and limitations. These search operating cost reimbursements and certain employee retention costs are separate from and in addition to the $150 million of transition cost reimbursement payments.

Our results for the year ended December 31, 2010 reflect $268 million in search operating cost reimbursements from Microsoft under the Search Agreement. Search operating cost reimbursements will continue until we complete the transition to Microsoft's platform in all markets. Search operating cost reimbursements are expected to decline as we fully transition all markets and the underlying expenses will no longer be incurred under our cost structure following completion of the transition and the amounts saved will be available for reinvestment.

Our results for the year ended December 31, 2010 also reflect transition cost reimbursements from Microsoft under the Search Agreement, which were equal to the transition costs of $81 million incurred by Yahoo! related to the Search Agreement in the year ended December 31, 2010. In addition, in the year ended December 31, 2010, we recorded $43 million for reimbursement of transition costs incurred in 2009, $17 million for employee retention costs incurred in 2010, and $5 million for employee retention costs incurred in 2009. The 2009 transition cost reimbursements were recorded in 2010 after regulatory clearance in the U.S. and Europe was received, implementation of the Search Agreement commenced, and Microsoft became obligated to make such payments.

We record receivables for the reimbursements as costs are incurred and apply them against the operating expense categories in which the costs were incurred. As of December 31, 2010, we had incurred a total of $414 million of reimbursable expenses related to the Search Agreement. Of that amount, $350 million had been received from Microsoft, and $64 million was classified as part of prepaid expenses and other current assets on our consolidated balance sheets as of December 31, 2010. The $64 million of reimbursements were received during the first quarter of 2011.

During the first five years of the Search Agreement, in transitioned markets we are entitled to receive 88 percent of the revenue generated from Microsoft's services on Yahoo! Properties and we are also entitled to receive 88 percent of the revenue generated from Microsoft's services on Affiliate sites after the Affiliate's share of revenue and certain Microsoft costs are deducted. In the transitioned markets, for search revenue generated from Microsoft's services on Yahoo! Properties and Affiliate sites, we report as revenue the 88 percent revenue share, as we are not the primary obligor in the arrangement with the advertisers.

As a result of the required change in revenue presentation and the revenue share with Microsoft, our revenue and traffic acquisition costs for the first quarter of 2011 are expected to be lower than these amounts would otherwise have been by approximately $207 million and $171 million, respectively.

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See Note 16−"Search Agreement with Microsoft Corporation" in the Notes to the consolidated financial statements for additional information.

Revenue Sources

Display and Search Revenue. Display and search revenue is generated from several offerings including the display of graphical advertisements ("display advertising") and the display of text-based links to advertisers' Websites ("search advertising").

We recognize revenue from display advertising on Yahoo! Properties and Affiliate sites as "impressions" are delivered. Impressions are delivered when an advertisement appears in pages viewed by users. Arrangements for these services generally have terms of up to one year and in some cases, the terms may be up to three years. For display advertising on Affiliate sites, we pay Affiliates for the revenue generated from the display of these advertisements on the Affiliate sites or other offerings. Traffic acquisition costs ("TAC") are 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. The display revenue derived from these arrangements that involve traffic supplied by Affiliates is reported gross of the TAC paid to Affiliates as we are the primary obligor to the advertisers who are the customers of the display advertising service.

We recognize revenue from search advertising on Yahoo! Properties and Affiliate sites. Search advertising revenue is recognized based on "click-throughs". A "click-through" occurs when a user clicks on an advertiser' s search result listing. Under the Search Agreement with Microsoft described above, in the transitioned markets, we report as revenue the 88 percent revenue share as we are not the primary obligor in the arrangement with the advertisers. See Note 16−"Search Agreement with Microsoft Corporation" for a description of our Search Agreement with Microsoft.

In the non-transitioned markets, we pay Affiliates TAC for the revenue generated from the search advertisements on the Affiliates' Websites. The revenue derived from these arrangements is reported gross of the TAC paid to Affiliates, as we continue to be the primary obligor to the advertisers.

Other Revenue. Other revenue includes listings-based services revenue, transaction revenue, and fees revenue. Listings-based services revenue is generated from a variety of consumer and business listings-based services, including classified advertising such as Yahoo! Autos and other services. We recognize listings-based services revenue when the services are performed. Transaction revenue is generated from facilitating commercial transactions through Yahoo! Properties, principally from Yahoo! Small Business, Yahoo! Travel, and Yahoo! Shopping. We recognize transaction revenue when there is evidence that qualifying transactions have occurred (for example, when travel arrangements are booked through Yahoo! Travel). Fees revenue consists of revenue generated from a variety of consumer and business fee-based services, including Internet broadband services, royalties received from joint venture partners, and premium mail, as well as services for small businesses. We recognize fees revenue when the services are performed.

2010 Highlights

Operating Highlights	Years Ended December 31, 2009	2010	Dollar Change
		(In thousands)	
Revenue	$6,460,315	$6,324,651	$(135,664)
Income from operations	$386,692	$772,524	$385,832

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Cash Flow Highlights	Years Ended December 31,		
	2009	2010	Dollar Change
		(In thousands)	
Net cash provided by operating activities	$1,310,346	$1,240,190	$(70,156)
Net cash (used in) provided by investing activities	$(2,419,238)	$509,915	$2,929,153
Net cash provided by (used in) financing activities	$34,597	$(1,501,706)	$(1,536,303)

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Our revenue decrease of 2 percent for the year ended December 31, 2010, compared to 2009, can be attributed primarily to a decline in our search advertising revenue offset by an increase in display advertising revenue. The increase in income from operations for the year ended December 31, 2010 reflects a decrease in operating expenses of $277 million compared to 2009. The decrease in operating expenses is primarily attributable to decreases in stock-based compensation expense, depreciation and amortization expenses, and restructuring charges, as well as the effects of the cost savings resulting from our arrangement with Microsoft, offset by increased marketing expenses.

Cash provided by operating activities is a measure of the cash productivity of our business model. Our operating activities in 2010 generated adequate cash to meet our operating needs. Cash provided by investing activities in the year ended December 31, 2010 included net proceeds from sales, maturities, and purchases of marketable debt securities of $1,097 million and proceeds from the sales of divested businesses of $325 million, offset by $157 million used for acquisitions, net of cash acquired, and net capital expenditures of $714 million. Cash used in financing activities included $1,749 million used in the direct repurchase of common stock and $49 million used for tax withholding payments related to the net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted stock, offset by $167 million in proceeds from employee option exercises and employee stock purchases.

In February 2010, we sold Zimbra, Inc. for net proceeds of $100 million and recorded a pre-tax gain of $66 million in connection with the sale. In August 2010, we sold HotJobs for net proceeds of $225 million and recorded a pre-tax gain of $186 million in connection with the sale.

Summary

In the following Management' s Discussion and Analysis, we provide information regarding to the following areas of our financial results:

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

Results of Operations

Revenue. Revenue by groups of similar services was as follows (dollars in thousands):

	Years Ended December 31,						2008-2009	2009-2010
	2008	(*)	2009	(*)	2010	(*)	% Change	% Change
Display	$2,042,870	28 %	$1,866,984	29 %	$2,154,886	34 %	(9)%	15 %

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Search	3,753,719	52 %	3,396,396	53 %	3,161,589	50 %	(10)%	(7)%
Other	1,411,913	20 %	1,196,935	18 %	1,008,176	16 %	(15)%	(16)%
Total revenue	$7,208,502	100%	$6,460,315	100%	$6,324,651	100%	(10)%	(2)%

(*) Percent of total revenue.

We currently generate revenue principally from display advertising on Yahoo! Properties and from search advertising on Yahoo! Properties and Affiliate sites.

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To assist us in evaluating display advertising and search advertising, beginning in the fourth quarter of 2010 we began reporting the number of Web pages viewed by users ("Page Views") separately for display and search. "Search Page Views" is defined as the number of Web pages viewed by users on Yahoo! Properties and Affiliate sites resulting from search queries and "revenue per Search Page View" is defined as search revenue divided by our Search Page Views. "Display Page Views" is defined as the total number of Page Views on Yahoo! Properties less the number of Search Page Views on Yahoo! Properties, and "revenue per Display Page View" is defined as display revenue divided by our Display Page Views. While we also receive display revenue for content match links (advertising in the form of contextually relevant links to advertisers' Websites) on Yahoo! Properties and Affiliate sites and for display advertising on Affiliate sites, we do not include that revenue or those Page Views in our discussion or calculation of Display Page Views or revenue per Display Page View because the net revenue and related volume metrics associated with them are not currently material to display revenue.

We periodically review and refine our methodology for monitoring, gathering, and counting Page Views on Yahoo! Properties. Based on this process, from time to time, we update our methodology to exclude from the count of Page Views interactions with our servers that we determine or believe are not the result of user visits to Yahoo! Properties.

Display Revenue. Display revenue for the year ended December 31, 2010 increased by 15 percent, compared to 2009. Increased advertising spending in display and a shift towards higher-yielding display inventory have resulted in increased display revenue. Display revenue for the year ended December 31, 2009 decreased by 9 percent, compared to 2008. Although increased user activity levels on Yahoo! Properties contributed to a higher volume of Display Page Views during 2009, lower advertising spending due to the economic environment during the majority of 2009 resulted in decreased display revenue compared to 2008. During 2009, the effects of foreign currency exchange rate fluctuations also contributed to the decline in display revenue, compared to 2008.

For the year ended December 31, 2010, Display Page Views decreased 2 percent and revenue per Display Page View increased 20 percent, compared to 2009 due to the increase in revenue as discussed above. For the year ended December 31, 2009, Display Page Views increased 4 percent and revenue per Display Page View decreased 12 percent, compared to 2008. The decline in revenue per Display Page View in 2009 compared to 2008 was due to the decline in display revenue as discussed above.

We currently expect display revenue to increase for the first quarter of 2011, compared to the first quarter of 2010, as we continue to grow our display advertising business.

Search Revenue. Search revenue for the year ended December 31, 2010 decreased by 7 percent, compared to 2009. Search advertising revenue decreased primarily due to the required change in revenue presentation in the fourth quarter of 2010 to reflect the revenue share with Microsoft for transitioned markets and the impact of discontinuing our paid inclusion search product in the fourth quarter of 2009 as part of our advertising quality initiatives. The decreases were offset, in part, by the impact of foreign exchange fluctuations in the Asia Pacific segment and a new Affiliate in the Asia Pacific segment added in the fourth quarter of 2009.

Search revenue for the year ended December 31, 2009 decreased by 10 percent, compared to 2008. Although increased traffic contributed to a higher volume of search queries on both Yahoo! Properties and Affiliate sites during 2009, lower advertising spending due to the economic environment during the majority of 2009 and a shift towards lower yielding inventory and non-commercial search terms resulted in decreased search revenue.

For the year ended December 31, 2010, Search Page Views decreased 1 percent and revenue per Search Page View decreased 6 percent, compared to 2009. The decline in revenue per Search Page View in 2010 compared to 2009 was due to the decline in search revenue as discussed above. For the year ended December 31, 2009, Search Page Views increased 23 percent and revenue per Search Page View decreased 26 percent, compared to 2008. The decline in revenue per Search Page View in 2009 compared to 2008 was due to the decline in search revenue as discussed above.

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We expect search revenue for the first quarter of 2011 to decrease compared to the first quarter of 2010. The decrease is primarily attributable to several factors associated with the transition of algorithmic and paid search results to Microsoft' s platform in the transitioned markets, including the required change in revenue presentation for transitioned markets from a gross to a net basis and the revenue share with Microsoft in transitioned markets.

Other Revenue. Other revenue includes listings-based services revenue, transaction revenue and fees revenue. Other revenue for the year ended December 31, 2010 decreased by 16 percent, compared to 2009. The decrease can be attributable to changes in certain of our broadband access partnerships, our shift from a fee-paying user structure to other fee structures, and to the divestiture of certain business lines during the year ended December 31, 2010. In addition, revenue from other premium services declined year-over-year as we continue to outsource various offerings.

Other revenue for the year ended December 31, 2009 decreased by 15 percent, compared to 2008. The decrease can be primarily attributed to changes in certain of our broadband access partnerships, our shift from a fee-paying user structure to other fee structures, as well as the outsourcing of various offerings. In addition, the sale of Kelkoo SAS during the year ended December 31, 2008 contributed to the decline in revenue year-over-year.

We expect other revenue to decline for the first quarter of 2011, compared to the first quarter of 2010. The divestitures and outsourcing of non-core businesses and offerings, as well as changes in certain of our broadband access partnerships from a fee-paying user structure to other fee structures such as fixed fee, are among the factors expected to contribute to the decrease in other revenue.

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

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

	Years Ended December 31,						2008-2009		2009-2010	
							Dollar	Percent	Dollar	Percent
	2008	(1)	2009	(1)	2010	(1)	Change	Change	Change	Change
Cost of revenue [2]	$3,023,362	42%	$2,871,746	44%	$2,627,545	42%	$(151,616)	(5)%	$(244,201)	(9)%
Sales and marketing	$1,563,313	22%	$1,245,350	19%	$1,264,491	20%	$(317,963)	(20)%	$19,141	2%
Product development	$1,221,787	17%	$1,210,168	19%	$1,082,176	17%	$(11,619)	(1)%	$(127,992)	(11)%
General and administrative	$705,136	10%	$580,352	9 %	$488,332	8 %	$(124,784)	(18)%	$(92,020)	(16)%
Amortization of intangibles [2]	$87,550	1 %	$39,106	1 %	$31,626	1 %	$(48,444)	(55)%	$(7,480)	(19)%

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Restructuring charges, net	$106,854	1 %	$126,901	2 %	$57,957	1 %	$20,047	19 %	$(68,944)	(54)%
Goodwill impairment charge	$487,537	7 %	$–	–	$–	–	$(487,537)	N/M [3]	$–	–

(1) Percent of total revenue.

(2) For the years ended December 31, 2010, 2009, and 2008, cost of revenue included amortization expense of $96 million, $145 million, and $194 million, respectively, relating to acquired intellectual property rights and developed technology.

(3) N/M = not meaningful.

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

	Years Ended December 31,		
	2008	2009	2010
Cost of revenue	$13,813	$10,759	$3,275
Sales and marketing	182,826	141,537	71,154
Product development	178,091	205,971	106,665
General and administrative	63,113	79,820	42,384
Restructuring expense (reversals) accelerations, net	(30,236)	11,062	(4,211)
Total stock-based compensation expense	$407,607	$449,149	$219,267

See Note 1−"The Company and Summary of Significant Accounting Policies" and Note 11−"Employee Benefits" in the Notes to the consolidated financial statements, as well as our Critical Accounting Policies and Estimates, for additional information about stock-based compensation expense.

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

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

The changes in operating costs and expenses for the year ended December 31, 2010 compared to the year ended December 31, 2009 are comprised of the following (in thousands):

	Compensation	Information Technology	Depreciation and Amortization	TAC	Facilities	Other	Total
Cost of revenue	$(30,164)	$(86,046)	$ (79,220)	$(41,403)	$1,780	$(9,148)	$(244,201)

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Sales and marketing	2,815	(2,129)	(740)	–	(10,519)	29,714	19,141
Product development	(136,203)	12,516	6,509	–	(15,376)	4,562	(127,992)
General and administrative	(36,961)	(293)	(1,526)	–	7,628	(60,868)	(92,020)
Amortization of intangibles	–	–	(7,480)	–	–	–	(7,480)
Restructuring charges, net	–	–	–	–	–	(68,944)	(68,944)
Total	$(200,513)	$(75,952)	$ (82,457)	$(41,403)	$(16,487)	$(104,684)	$(521,496)

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

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

Compensation Expense. Total compensation expense decreased approximately $201 million for the year ended December 31, 2010, compared to 2009. The decrease was primarily driven by a decrease in stock-based compensation expense due to recently granted stock-based compensation awards having a lower grant date fair value than stock-based compensation awards currently vesting. The decline in stock-based compensation was offset by increased salaries and wages from increased average headcount, primarily in the product development and sales and marketing functions. For the year ended December 31, 2010, we recorded reimbursements from Microsoft of $200 million, for employee costs, for which there were no similar reimbursements in 2009. For the year ended December 31, 2010, the net impact of the reimbursements by Microsoft for our cost of running search was a reduction in compensation expense of $117 million, compared to 2009. Total compensation expense decreased approximately $281 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily due to decreases in our average total headcount across all functions, primarily in the sales and marketing function, as a result of our cost reduction initiatives.

Information Technology Expenses. Information technology expenses decreased $76 million for the year ended December 31, 2010, compared to 2009. The decline for the year ended December 31, 2010 was primarily due to reimbursements recorded from Microsoft of $95 million for information technology costs, for which there were no similar reimbursements in 2009. For the year ended December 31, 2010, the net impact of the reimbursements by Microsoft for our cost of running search was a reduction in information technology expense of $95 million compared to 2009. Information technology expenses decreased $27 million for the year ended December 31, 2009, compared to 2008. The decreases were due to decreased telecom usage as well as decreased equipment spending.

Depreciation and Amortization Expenses. Depreciation and amortization expenses decreased $82 million for the year ended December 31, 2010, compared to 2009. The decline was primarily due to decreased amortization expense for intangible assets associated with divested

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business lines as well as fully amortized intangible assets acquired in prior years. For the year ended December 31, 2010, we recorded reimbursements from Microsoft of $26 million for depreciation and amortization costs, for which there were no similar reimbursements in 2009. For the year ended December 31, 2010, the net impact of the reimbursements by Microsoft for our cost of running search was a reduction in depreciation and amortization expense of $26 million compared to 2009. Depreciation and amortization expenses decreased $51 million for the year ended December 31, 2009, compared to 2008. The decrease was due to decreased amortization expense for fully amortized intangible assets acquired in prior years slightly offset by increased investments in information technology assets and server equipment.

TAC. TAC decreased $41 million for the year ended December 31, 2010, compared to 2009. The decrease was primarily due to the change in the recording of TAC in the fourth quarter of 2010 due to the Search Agreement with Microsoft as we no longer incur TAC for transitioned markets. We now receive an 88 percent revenue share in the transitioned markets as Microsoft is the primary obligor to the advertisers. The decrease was offset by increases in TAC due to a new Affiliate in the Asia Pacific segment added in the fourth quarter of 2009 as well as increases in revenue from Affiliate sites. TAC decreased $32 million for the year ended December 31, 2009, compared to 2008. The decrease was primarily driven by the impact of foreign currency rate fluctuations, offset by changes in Affiliate mix and a small increase in average TAC rates.

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Facilities and Other Expenses. Facilities and other expenses decreased $121 million for the year ended December 31, 2010, compared to 2009 mainly due to decreases in restructuring charges of $69 million, third-party service-provider expenses of $45 million, and decreases in legal settlements of $21 million, offset by increases in marketing expenses of $33 million. For the year ended December 31, 2010, we recorded total cost reimbursements from Microsoft of $93 million for other costs, for which there were no similar reimbursements in 2009. For the year ended December 31, 2010, the net impact of the reimbursements by Microsoft for our cost of running search and transition costs incurred in 2009 was a reduction in facilities and other expenses of $73 million compared to 2009. Third-party service-provider expenses decreased primarily due to lower advisory and consulting costs. Marketing-related expenses increased during the year ended December 31, 2010 compared to 2009 due to additional 2010 marketing campaigns including our global branding campaign.

Facilities and other expenses decreased $730 million for the year ended December 31, 2009, compared to 2008 mainly due to decreases of $488 million related to the goodwill impairment charge recorded in 2008 for which there was no comparable charge in 2009, decreases in third-party service-provider expenses of $117 million, decreases in content costs of $57 million, and decreases in employee travel and entertainment costs of $39 million. Decreases in third-party service-provider expenses were primarily due to higher advisor costs incurred in 2008 related to Microsoft' s proposal to acquire all or a part of Yahoo!, other strategic alternatives, including the Google agreement, the proxy contest, and related litigation defense, compared to advisory and employee retention costs incurred in 2009 in connection with the Microsoft search arrangement. The decreases in third-party service provider expenses were also due to a decrease in temporary headcount and consulting projects related to our cost initiatives in 2009. Content costs, included in costs of revenue and driven by our rich media offerings, decreased due to lower content costs for various properties as we transition out of and/or outsource certain business lines.

We currently expect our operating costs to decrease for the first quarter of 2011, compared to the same period of 2010, primarily due to lower workforce expenses driven by restructuring activities and higher marketing expenses in 2010 than 2011 as we continue our efforts to drive efficiencies and align our spending with our strategic priorities.

Restructuring Charges, Net. For the years ended December 31, 2008, 2009, and 2010, restructuring charges, net was comprised of the following (in thousands):

	Years Ended December 31,		
	2008	**2009**	**2010**
Employee severance pay and related costs	$109,548	$48,696	$39,652
Non-cancelable lease, contract terminations, and other charges	19,617	59,285	19,737
Other non-cash charges	7,925	7,858	2,779
Sub-total before (reversals) accelerations of stock-based compensation expense	137,090	115,839	62,168
(Reversals) accelerations of stock-based compensation expense	(30,236)	11,062	(4,211)
Restructuring charges, net	$106,854	$126,901	$57,957

Q108 Restructuring Plan. During the first quarter of 2008, we implemented a strategic workforce realignment to more appropriately allocate resources to our key strategic initiatives. The strategic workforce realignment involved investing resources in some areas, reducing resources in others, and eliminating some areas of our business that did not support our strategic priorities. During the year ended December 31, 2008,

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we incurred total pre-tax charges of approximately $27 million in severance pay expenses and related cash expenses in connection with this workforce realignment, net of reversal for adjustments to original estimates totaling $2 million. The pre-tax cash charges were offset by a $12 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the net estimated total strategic workforce realignment pre-tax expense of approximately $15 million, $12 million was related to the Americas segment and $3 million was related to the EMEA segment. As of December 31, 2008, there was no remaining restructuring accrual related to the strategic workforce realignment.

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Q408 Restructuring Plan. During the fourth quarter of 2008, we implemented additional cost reduction initiatives, including a workforce reduction and consolidation of certain real estate facilities. We began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and continued this process through the second quarter of 2010. We vacated and ceased use of the facilities identified under the plan. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. Present value computations use discount rates based on published Treasury risk-free interest rates, adjusted for our credit spread, which is consistent with observable credit spreads of companies with similar credit standing. The cost of exiting and terminating our facility leases was determined by referring to the contractual terms of the agreements, by evaluating the current real estate market conditions, and, where applicable, by referring to amounts in negotiation. Our ability to generate the estimated amounts of sublease income, as well as to terminate lease obligations at the estimated amounts, is dependent upon the commercial real estate market conditions in certain geographies at the time we negotiate the lease termination and sublease arrangements with third parties. These amounts represent our best estimate of the obligations we expect to incur and could be subject to adjustment as market conditions change. The fair value measurement of the liability related to exited facilities involves the use of certain significant unobservable inputs and therefore fall within level 3 of the fair value hierarchy established by accounting guidance (described in Note 8−“Investments” in the Notes to the consolidated financial statements). The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts.

During the year ended December 31, 2008, we incurred severance, facility, and other restructuring costs of $110 million related to the Q408 restructuring plan offset by $18 million related to stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of $92 million under the Q408 restructuring plan. Of the $92 million in restructuring charges, net recorded in the year ended December 31, 2008 related to the Q408 restructuring plan, $68 million related to the Americas segment, $22 million related to the EMEA segment, and $2 million related to the Asia Pacific segment. During the year ended December 31, 2009, we incurred total pre-tax cash charges for severance, facility, and other restructuring costs of approximately $57 million related to the Q408 restructuring plan in connection with the continued implementation of these initiatives, net of reversal for adjustments to original estimates totaling $8 million. In addition to the pre-tax cash charges, we recorded a non-cash charge of approximately $8 million related to the write-off of leasehold improvements and furniture and fixtures for exited facilities. Of the $65 million in restructuring charges, net recorded in the year ended December 31, 2009 related to the Q408 restructuring plan, $63 million related to the Americas segment and $2 million related to the EMEA segment. During the year ended December 31, 2010, we incurred total pre-tax cash charges for severance, facility, and other restructuring costs of approximately $19 million related to the Q408 restructuring plan in connection with the continued implementation of these initiatives, net of reversal for adjustments to original estimates totaling $6 million. Of the $19 million in restructuring charges, net recorded in the year ended December 31, 2010 related to the Q408 restructuring plan, $18 million related to the Americas segment and $1 million related to the EMEA segment. As of December 31, 2010, the aggregate outstanding restructuring liability related to the Q408 restructuring plan was $50 million, most of which relates to non-cancelable lease costs that we expect to pay over the terms of the related obligations, which end by the second quarter of 2017.

Q209 Restructuring Plan. During the second quarter of 2009, we implemented new cost reduction initiatives to further reduce our worldwide workforce by approximately 5 percent. The restructuring plan involves reallocating resources to align with our strategic priorities including investing resources in some areas, reducing resources in others, and eliminating some areas of our business that do not support our strategic priorities. During the year ended December 31, 2009, we incurred total pre-tax cash charges of approximately $35 million in severance and other costs related to the Q209 restructuring plan. The pre-tax charges were offset by an $8 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. Of the $27 million in restructuring charges, net recorded in the year ended December 31, 2009 related to the Q209 restructuring plan, $19 million related to the Americas segment, $7 million related to the EMEA segment, and $1

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million related to the Asia Pacific segment. During the year ended December 31, 2010, we incurred insignificant charges related to the Q209 restructuring plan. As of December 31, 2010, there was no remaining restructuring accrual related to the Q209 restructuring plan.

Q409 Restructuring Charges. During the fourth quarter of 2009, we decided to close one of our EMEA facilities and began implementation of a workforce realignment at the facility to focus resources on our strategic initiatives. We exited the facility in the third quarter of 2010. During the year ended December 31, 2009, we incurred total pre-tax cash charges of approximately $16 million in severance and other costs related to this realignment. In connection with the strategic realignment efforts, a U.S. executive of one of our acquired businesses departed. We incurred $19 million of non-cash stock-based compensation expense for the acceleration of certain of the executive' s stock-based awards pursuant to the acquisition agreements. Of the $35 million in restructuring charges, recorded in the year ended December 31, 2009, $18 million related to the Americas segment, $16 million related to the EMEA segment, and $1 million related to the Asia Pacific segment. During the year ended December 31, 2010, we incurred total pre-tax cash charges of $2 million in severance, facility and other costs related to the Q409 restructuring charges, entirely related to the EMEA segment. As of December 31, 2010, the aggregate outstanding restructuring liability related to the Q409 restructuring charges was $4 million, which we expect to pay out by the second quarter of 2011.

Q410 Restructuring Plan. During the fourth quarter of 2010, we began implementation of a worldwide workforce reduction to align resources with our product strategy. We incurred total pre-tax cash charges of approximately $41 million in severance and other costs related to this workforce reduction in the fourth quarter of 2010. The pre-tax cash charges were offset by a $4 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. We expect the impact of this restructuring plan to reduce future annual operating costs by approximately $70 million to $80 million. Of the $37 million in net restructuring charges recorded in the fourth quarter of 2010, $21 million related to the Americas segment, $14 million related to the EMEA segment, and $2 million related to the Asia Pacific segment. As of December 31, 2010, the aggregate outstanding restructuring liability related to the Q410 restructuring plan was $33 million which we expect to substantially pay out by the end of the first quarter of 2012.

In addition to the charges described above, we currently expect to incur future charges of approximately $18 million to $26 million primarily related to non-cancelable operating costs and accretion related to exited facilities identified as part of the Q408 restructuring plan. Of the total future charges, $17 million to $23 million relate to the Americas segment, $1 million to $3 million relate to the EMEA segment, and no charges relate to the Asia Pacific segment. The future charges are expected to be recorded through 2017. See Note 15−"Restructuring charges, net" in the Notes to the consolidated financial statements for additional information.

Goodwill Impairment Charge. We conduct our annual goodwill impairment test as of October 31 each year. Goodwill is potentially impaired if the carrying value of the reporting unit that contains the goodwill exceeds its estimated fair value. As a result of this test in 2008, we previously concluded that the carrying value of our European reporting unit exceeded its fair value and recorded a goodwill impairment charge of approximately $488 million. At the time of this test in 2008, the fair values of our other reporting units exceeded their carrying values by a significant margin and therefore goodwill in those reporting units was not impaired. The goodwill impairment in our European reporting unit resulted from a combination of factors, including the global economic downturn, a persistent decline in business conditions, reductions in projected operating results, reductions in estimated future cash flows, and decreases in revenue and earnings multiples of comparable companies in the region. We had no goodwill impairment charges in the years ended December 31, 2009 and 2010.

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

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

	Years Ended December 31,			2008-2009	2009-2010
	2008	2009	2010	Dollar Change	Dollar Change
Interest and investment income	$86,056	$22,116	$23,062	$ (63,940)	$ 946
Gain on sale of Kelkoo SAS	25,149	–	–	(25,149)	–
Imputed interest on convertible debt	(9,088)	–	–	9,088	–
Gain on sales of marketable equity securities	–	164,851	–	164,851	(164,851)
Gain on sale of Zimbra, Inc.	–	–	66,130	–	66,130
Gain on sale of HotJobs	–	–	186,345	–	186,345
Other	(28,367)	561	22,332	28,928	21,771
Total other income, net	$73,750	$187,528	$297,869	$ 113,778	$ 110,341

Other income, net was $298 million for the year ended December 31, 2010, an increase of $110 million, compared to 2009. In February 2010, we sold Zimbra, Inc., for net proceeds of $100 million and recorded a pre-tax gain of $66 million. In August 2010, we sold HotJobs for net proceeds of $225 million and recorded a pre-tax gain of $186 million. Other consists of foreign exchange gains and losses due to re-measurement of monetary assets and liabilities denominated in non-functional currencies, gains/losses from sales of marketable debt securities and/or investments in privately-held companies, and other non-operating items.

Other income, net was $188 million for the year ended December 31, 2009, an increase of $114 million, compared to 2008. Interest and investment income for the year ended December 31, 2009 decreased due to lower average interest rates compared to the same period in 2008. Average interest rates were less than 1 percent in 2009, compared to 2.8 percent in 2008. Gains on sales of marketable equity securities include gains from sales of publicly traded companies. In May 2009, we sold all of our Gmarket shares for net proceeds of $120 million and recorded a pre-tax gain of $67 million. In September 2009, we sold our direct investment in Alibaba.com for net proceeds of $145 million and recorded a pre-tax gain of $98 million. We had no imputed interest on our convertible debt in 2009, compared to a charge of $9 million in 2008. Other charges decreased by $29 million for the year ended December 31, 2009, compared to 2008, primarily due to foreign exchange re-measurement of assets and liabilities denominated in non-functional currencies.

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

Income Taxes. The provision for income taxes for the year ended December 31, 2010 differs from the amount computed by applying the federal statutory income tax rate to income before provision for income taxes and earnings in equity interests as follows (dollars in thousands):

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	Years Ended December 31,					
	2008[2]	[1]	2009	[1]	2010	[1]
Income tax at the U.S. federal statutory rate of 35 percent	$30,349	35 %	$200,976	35%	$374,638	35 %
State income taxes, net of federal benefit	(8,925)	(10)%	(4,549)	(1)%	54,268	5 %
Change in valuation allowance	25,674	30 %	13,521	2 %	(1,315)	–
Stock-based compensation expense	44,938	52 %	28,322	5 %	4,404	–
Research tax credits	(13,954)	(16)%	(11,046)	(2)%	(10,345)	(1)%
Effect of non-U.S. operations	18,403	21 %	20,126	4 %	(17,344)	(2)%
Resolution with tax authorities	(5,245)	(6)%	–	–	(159,168)	(14)%
Tax gain in excess of book gain from sales of Zimbra, Inc. and HotJobs due to basis differences	–	–	–	–	23,184	2 %
Nondeductible goodwill	170,644	197%	–	–	–	–
Tax restructuring	–	–	(25,583)	(4)%	(43,361)	(4)%
Other	(2,878)	(4)%	(2,446)	(1)%	(3,438)	–
Provision for income taxes	$259,006	299%	$219,321	38%	$221,523	21 %

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

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

The 2010 differences above are further explained as follows:

State taxes are higher in 2010 than in prior years due to a reduction of deferred tax assets associated with an effective tax rate reduction in California starting in 2011.

Stock-based compensation increases our effective tax rate to the extent that stock-based compensation expense recorded in our financial statements is non-deductible for tax purposes. This primarily occurs with regard to options granted outside the U.S. The 2010 effective tax rate increase is lower than in prior years due to recently granted stock-based compensation awards having a lower grant date fair value than stock-based compensation awards from prior years. That effect results in a lower non-deductible expense for financial statement purposes and a lower increase to our effective tax rate. Additionally, in 2010 there is a lower effective tax rate impact associated with non-deductible stock-based compensation awards related to prior year acquisitions to the extent such awards became vested or forfeited in 2010.

Our effective tax rate in all periods is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Operating losses in some non-U.S. jurisdictions cannot be used to offset profits and thus increase the overall effective tax rate. The impact of those losses in 2010 was lower than in prior years. Additionally, in 2010, we benefited from increased profit in lower tax jurisdictions, primarily in Asia.

In 2010 we had a favorable resolution of certain issues in an IRS examination of our 2005 and 2006 U.S. federal income tax returns resulting in a reduction of reserves for tax uncertainties and the availability of capital loss carryforwards to offset the tax on the gain from the sales of Zimbra, Inc. and HotJobs.

During 2010, in connection with tax restructuring activities, we reached a formal agreement with the IRS through a pre-filing agreement to treat certain intercompany bad debts as deductible business expenses on the 2009 federal income tax return.

Our gross amount of unrecognized tax benefits as of December 31, 2010 is $597 million, of which $420 million is recorded on the consolidated balance sheets. The agreements reached in 2010 with the IRS resulted in a reduction to our gross unrecognized tax benefits of $357 million. Of this $357 million reduction in unrecognized tax benefits, $202 million resulted in an effective tax rate benefit. The reduction to the gross unrecognized tax benefits has been partially offset by increases from current year tax positions. In total, the gross unrecognized tax benefits as of December 31, 2010 decreased by $296 million from the recorded balance as of December 31, 2009.

During the year ended December 31, 2010, the IRS completed its field examination of our 2005 and 2006 tax returns and issued notices of proposed adjustment. We reached an agreement with the IRS in connection with several of the adjustments and adjusted our reserves accordingly. There are other proposed adjustments, including an intercompany transfer pricing matter which could have a significant impact on our tax liability in future years if not resolved favorably. We have not agreed to these other proposed adjustments and are contesting them through the administrative process. In the third quarter of 2010, we completed a Fast Track Settlement process with the IRS related to certain capital losses that became available for use. During the fourth quarter of 2010, we reached a formal agreement with the IRS through a pre-filing agreement to treat certain bad debt expense as a deductible business expense on the 2009 federal income tax return. We have recognized a benefit in 2010 for both capital loss and bad debt expense as a result of our resolution with the IRS.

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During the year ended December 31, 2010, the IRS commenced an examination of our 2007 and 2008 tax returns. We are also under audit by the California Franchise Tax Board for our 2005 and 2006 tax returns. We believe our existing reserves for all tax matters are adequate. We also filed with the IRS amended federal tax returns for our fiscal years 2000 to 2008, to elect foreign tax credits for foreign taxes paid versus the previous election to deduct foreign taxes from taxable income, reducing income taxes payable by $102 million. Our tax provisions for all years had been computed on the basis of foreign tax credits, and differences between book and

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tax treatment were charged to additional paid-in capital due to the interaction of stock option deductions and the foreign tax credit computations. Accordingly, the $102 million was recorded as a credit to additional paid-in capital with a corresponding reduction of $49 million in current year income taxes payable and a $53 million receivable from the IRS for taxes paid in prior years.

Earnings in Equity Interests. Earnings in equity interests for the year ended December 31, 2010 were approximately $396 million, compared to $250 million and $597 million for 2009 and 2008, respectively. Earnings in equity interests increased during the year ended December 31, 2010 compared to 2009 due primarily to Yahoo Japan' s improved financial performance and the impact of foreign currency exchange rate fluctuations. Earnings in equity interests for the year ended December 31, 2008 included a $401 million non-cash gain related to Alibaba Group' s IPO of Alibaba.com, net of tax. In connection with the IPO, we made a direct investment of 1 percent in Alibaba.com, which we sold during the third quarter of 2009 for net proceeds of $145 million. In 2008, we also recorded an impairment charge of $30 million, net of tax, within earnings in equity interests to reduce the carrying value of the Alibaba.com investment to fair value. See Note 4−"Investments in Equity Interests" in the Notes to the 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 consolidated financial statements. Noncontrolling interests were approximately $13 million in 2010, compared to $7 million and $6 million in 2009 and 2008, respectively. Noncontrolling interests recorded in 2010, 2009, and 2008, were mainly related to our Yahoo! 7 joint venture in Australia.

Business Segment Results

We manage our business geographically. Through the first quarter of 2010, the primary areas of measurement and decision-making were the U.S. and International. Beginning in the second quarter of 2010, our business management structure was redefined along three geographies: Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific. As a result, prior period presentations have been updated to conform to the segments currently being used by our management team to evaluate our operational performance.

In our Annual Report on Form 10-K for the year ended December 31, 2009, the segment profitability measure we reported was segment operating income before depreciation, amortization, and stock-based compensation expense. Our management team no longer uses this measure to evaluate the operational performance of our segments. Beginning in the first quarter of 2010, management began to rely on an internal reporting process that provided revenue and direct costs by segment and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, our segments. Beginning in the fourth quarter of 2010, management began to rely on an internal reporting process that provides revenue ex-TAC, which is defined as revenue less TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, our segments. As a result, prior period presentations have been updated to conform to the current profitability measures being used by our management team to evaluate the financial performance of our segments.

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

	Years Ended December 31,			2008-2009	2009-2010
	2008	2009	2010	% Change	% Change
Revenue by segment:					
Americas	$5,319,617	$4,852,331	$4,425,457	(9)%	(9)%
EMEA	863,544	598,300	579,145	(31)%	(3)%
Asia Pacific	1,025,341	1,009,684	1,320,049	(2)%	31%
Total revenue	7,208,502	6,460,315	6,324,651	(10)%	(2)%
TAC by segment:					
Americas	1,140,868	1,195,579	957,607	5%	(20)%
EMEA	278,324	207,844	210,261	(25)%	1%
Asia Pacific	390,722	374,403	568,554	(4)%	52%
Total TAC	1,809,914	1,777,826	1,736,422	(2)%	(2)%
Revenue ex-TAC by segment:					
Americas	4,178,749	3,656,752	3,467,850	(12)%	(5)%
EMEA	585,220	390,456	368,884	(33)%	(6)%
Asia Pacific	634,619	635,281	751,495	0%	18%

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Total revenue ex-TAC	5,398,588	4,682,489	4,588,229	(13)%	(2)%
Direct costs by segment[1]:					
Americas	918,229	620,690	568,017	(32)%	(8)%
EMEA	211,364	115,778	118,954	(45)%	3%
Asia Pacific	166,605	138,739	146,657	(17)%	6%
Global operating costs[2][3]	2,267,160	2,116,747	2,044,246	(7)%	(3)%
Restructuring charges, net	106,854	126,901	57,957	19%	(54)%
Depreciation and amortization	790,033	738,855	656,396	(6)%	(11)%
Stock-based compensation expense	437,843	438,087	223,478	0%	(49)%
Goodwill impairment charge	487,537	–	–	N/M[4]	–
Income from operations	$12,963	$386,692	$772,524	N/M[4]	100%

(1) Direct costs for each segment include cost of revenue (excluding TAC) and other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding stock-based compensation expense), local sales and marketing expenses, and facilities expenses. Beginning in the fourth quarter of 2010, we no longer include TAC in segment direct costs. For comparison purposes, prior period amounts have been revised to conform to the current presentation.

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

(3) The net cost reimbursements from Microsoft are primarily included in global operating costs for the year ended December 31, 2010.

(4) N/M = Not meaningful.

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Americas. Americas revenue ex-TAC for the year ended December 31, 2010 decreased $189 million, or 5 percent, compared to 2009. Our year-over-year decrease in revenue ex-TAC was a result of a decline in our search advertising business and our fee-based services, partially offset by an increase in our display advertising business. Search advertising revenue ex-TAC decreased due to the revenue share with Microsoft associated with the Search Agreement and the impact of discontinuing our paid inclusion search product in late 2009 as part of our advertising quality initiatives. These decreases were offset by an increase in display revenue ex-TAC driven

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by increased advertising spending and a shift towards higher-yielding display inventory by our customers. For the year ended December 31, 2010, direct costs attributable to the Americas segment decreased $53 million, or 8 percent, compared to 2009. The decrease is primarily due to lower costs for other costs of revenue including credit card costs and content costs.

Americas revenue ex-TAC for the year ended December 31, 2009 decreased $522 million, or 12 percent, compared to 2008. Our year-over-year decrease in revenue ex-TAC was a result of a decline in advertising revenue ex-TAC across the majority of Yahoo! Properties, particularly search advertising due to the economic environment through the majority of 2009. For the year ended December 31, 2009, direct costs attributable to the Americas segment decreased $298 million, or 32 percent, compared to 2008. The decline is primarily due to decreases in compensation costs due to a lower average headcount as a result of our cost reduction initiatives as well as decreases in marketing expenses.

Revenue ex-TAC in the Americas accounted for approximately 76 percent of total revenue ex-TAC for the year ended December 31, 2010, compared to 78 percent and 77 percent in 2009 and 2008, respectively.

EMEA. EMEA revenue ex-TAC for the year ended December 31, 2010 decreased $22 million, or 6 percent, compared to 2009. Our year-over-year decrease in revenue ex-TAC was a result of a decline in our search advertising business and our fee-based services, partially offset by an increase in our display advertising business. Search advertising revenue ex-TAC decreased primarily due to traffic quality initiatives. The decrease in fees revenue is primarily attributed to changes in certain broadband access partnerships. For the year ended December 31, 2010, direct costs attributable to the EMEA segment increased $3 million, or 3 percent, compared to 2009. The increase is primarily driven by an increase in content costs, offset by decreases in marketing expenses.

EMEA revenue ex-TAC for the year ended December 31, 2009 decreased $195 million, or 33 percent, compared to 2008. Our year-over-year decrease in revenue ex-TAC was a result of a decline in advertising revenue ex-TAC across the majority of Yahoo! Properties, particularly search advertising due to the economic environment through the majority of 2009 and the effects of foreign exchange rate fluctuations. For the year ended December 31, 2009, direct costs attributable to the EMEA segment decreased $96 million, or 45 percent, compared to 2008. The decline is primarily due to decreases in compensation costs due to a lower average headcount as a result of our cost reduction initiatives as well as decreases in marketing expenses.

Revenue ex-TAC in EMEA accounted for approximately 8 percent of total revenue ex-TAC for the year ended December 31, 2010, compared to 8 percent and 11 percent in 2009 and 2008, respectively.

Asia Pacific. Asia Pacific revenue ex-TAC for the year ended December 31, 2010 increased $116 million, or 18 percent, compared to 2009. The increase in Asia Pacific revenue ex-TAC were primarily driven by a new Affiliate in the Asia Pacific segment added in the fourth quarter of 2009 and the favorable effects of foreign currency exchange rate fluctuations. For the year ended December 31, 2010, direct costs attributable to the Asia Pacific segment increased $8 million, or 6 percent, compared to 2009. The increase is primarily due to compensation costs driven by higher average headcount as well as increased content costs.

Asia Pacific revenue ex-TAC for the year ended December 31, 2009 remained flat compared to 2008. Fees revenue increased year-over-year, but was offset by a decline in our search and display advertising businesses. The increase in fees revenue was due to increased business as a result of our acquisitions in the Asia Pacific region during the third quarter of 2008. For the year ended December 31, 2009, direct costs attributable to the Asia Pacific segment decreased $28 million, or 17 percent, compared to 2008. The decline is primarily due to decreases in our data center operation expenses and marketing expenses, offset by increases in compensation expenses driven by higher average headcount.

Revenue ex-TAC in Asia Pacific accounted for approximately 16 percent of total revenue ex-TAC for the year ended December 31, 2010, compared to 14 percent and 12 percent in 2009 and 2008, respectively.

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Our international operations expose us to foreign currency exchange rate fluctuations. 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, Korean won, and Taiwan dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced 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 year ended December 31, 2009, revenue ex-TAC for the Americas segment for the year ended December 31, 2010 would have been lower than we reported by $11 million, revenue ex-TAC for the EMEA segment would have been higher than we reported by $9 million, and revenue ex-TAC for the Asia Pacific segment would have been lower than we reported by $44 million. Using the foreign currency exchange rates from the year ended December 31, 2009, direct costs for the Americas segment for the year ended December 31, 2010 would have been lower than we reported by $3 million, direct costs for the EMEA segment would have been higher than we reported by $4 million, and direct costs for the Asia Pacific segment would have been lower than we reported by $10 million.

Transactions

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

February 2008−Acquired Maven Networks, Inc. (“Maven”), a leading online video platform provider, for a total purchase price of $143 million;

May 2009−Sold our Gmarket shares for net proceeds of $120 million;

July 2009−Entered into a binding letter agreement with Microsoft to negotiate and execute a Search and Advertising Services and Sales Agreement and a License Agreement;

September 2009−Sold our direct investment in Alibaba.com for net proceeds of $145 million;

November 2009−Acquired Maktoob, a leading online portal in the Middle East, for a total purchase price of $164 million;

December 2009−Entered into the Search Agreement and a License Agreement with Microsoft which provides for Microsoft to be the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites and for Yahoo! to be the exclusive worldwide relationship sales force for Yahoo!’ s and Microsoft’ s premium search advertisers;

February 2010−Sold Zimbra, Inc. for net proceeds of $100 million; and

August 2010−Sold HotJobs for net proceeds of $225 million.

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

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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.

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Liquidity and Capital Resources

As of and for each of the three years ended December 31, 2010 (dollars in thousands):

	2008	2009	2010
Cash and cash equivalents	$2,292,296	$1,275,430	$1,526,427
Short-term marketable debt securities	1,159,691	2,015,655	1,357,661
Long-term marketable debt securities	69,986	1,226,919	744,594
Total cash, cash equivalents, and marketable debt securities	$3,521,973	$4,518,004	$3,628,682
Percentage of total assets	26 %	30 %	24 %

Cash Flow Highlights

	2008	2009	2010
Net cash provided by operating activities	$1,880,241	$1,310,346	$1,240,190
Net cash (used in) provided by investing activities	$(1,311,783)	$(2,419,238)	$509,915
Net cash provided by (used in) financing activities	$332,406	$34,597	$(1,501,706)

Our operating activities for each year in the three years ended December 31, 2010 have generated adequate cash to meet our operating needs. As of December 31, 2010, we had cash, cash equivalents, and marketable debt securities totaling $3.6 billion, compared to $4.5 billion as of December 31, 2009. The decrease is mainly due to share repurchases we made during 2010. During the year ended December 31, 2010, we repurchased 119 million shares for $1,749 million.

During the year ended December 31, 2010, we generated $1,240 million of cash from operating activities, net proceeds from sales and maturities of marketable debt securities of $1,097 million, proceeds from the sales of divested businesses of $325 million, and $167 million from the issuance of common stock as a result of the exercise of employee stock options and employee stock purchases. This was offset by a net $714 million in capital expenditures, a net $157 million for acquisitions, $1,749 million used in the direct repurchase of common stock, and $49 million in tax withholding payments related to net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted stock.

During the year ended December 31, 2009, we invested $113 million in direct stock repurchases, a net $434 million in capital expenditures, and a net $195 million in acquisitions. The cash used for these investments was offset by $1.3 billion of cash generated from operating activities, $265 million of proceeds from sales of marketable equity securities, and $113 million from the issuance of common stock as a result

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of the exercise of employee stock options. In 2009, $73 million was used for tax withholding payments related to the net share settlement of restricted stock units and tax withholding-related reacquisition of shares of restricted stock.

We have accrued U.S. federal income taxes on the earnings of our foreign subsidiaries except to the extent the earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2010, approximately $2.6 billion of earnings held by our foreign subsidiaries and a corporate joint venture are designated as indefinitely reinvested outside the U.S. If required for our operations in the U.S., most of the cash held abroad could be repatriated to the U.S. but, under current law, would be subject to U.S. federal income taxes (subject to an adjustment for foreign tax credits). Currently, we do not anticipate a need to repatriate these funds to our U.S. operations.

We invest excess cash predominantly in marketable debt securities, money market funds, and time deposits that are liquid, highly rated, and the majority of which have effective maturities of less than one year. Our marketable debt and equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income. Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The fair value for securities is determined based on quoted market prices of the historical underlying security or from readily available pricing sources for the identical underlying securities that may not be actively traded as of the valuation date. As of

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December 31, 2010, certain of our marketable debt securities had a fair value below cost due primarily to the changes in market rates of interest and yields on these securities. We evaluate these investments periodically for possible other-than-temporary impairment. We have no current requirement or intent to sell these securities. We expect to recover up to (or beyond) the initial cost of the investment.

We expect to continue to generate positive cash flow from operations for the first quarter of 2011. We use cash generated by operations as our primary source of liquidity because we believe that internally generated cash flows are sufficient to support our business operations and capital expenditures. We believe that existing cash, cash equivalents, and investments in marketable debt securities, together with any cash generated from operations will be sufficient to meet normal operating requirements including capital expenditures for the next twelve months. However, we may sell additional equity, or debt securities, or obtain credit facilities to further enhance our liquidity position, and the sale of additional equity securities could result in dilution to our stockholders.

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

Cash flow changes

Cash provided by operating activities is driven by our net income, adjusted for non-cash items, working capital changes, dividends received from equity investees, and non-operating gains from sales of investments, assets and other. Non-cash adjustments include depreciation, amortization of intangible assets, stock-based compensation expense, non-cash restructuring charges, tax benefits from stock-based awards, excess tax benefits from stock-based awards, deferred income taxes, and earnings in equity interests. Cash provided by operating activities was slightly lower than net income in the year ended December 31, 2010 due to non-cash items included in net income and changes in working capital, including lower collections on accounts receivable, higher tax payments made, and Microsoft reimbursements not yet received as cash. As of December 31, 2010, we had incurred a total of $414 million of reimbursable expenses (including $43 million related to 2009) in connection with the Search Agreement. Of that amount, $350 million had been received from Microsoft, and $64 million was classified as part of prepaid expenses and other current assets on our consolidated balance sheets. Cash provided by operating activities was greater than net income in 2009 mainly due to the net impact of non-cash adjustments to income. In the year ended December 31, 2008, operating cash flows were positively impacted by changes in working capital balances, including a one-time payment from AT&T Inc.

Cash used in investing activities is primarily attributable to capital expenditures, purchases, sales and maturities of marketable debt securities, purchases of intangible assets, as well as acquisitions including our strategic investments. Our capital expenditures totaled $714 million in 2010, $434 million in 2009, and $675 million in 2008. Our capital expenditures have been primarily used for purchases and internal development of software to support our offerings and our increased number of users. We invested a net $157 million in acquisitions in 2010, compared to $195 million and $209 million in 2009 and 2008, respectively. Acquisitions and investments in 2009 included the cash outlay for our acquisition of Maktoob. Acquisitions and investments in 2008 included the cash outlay for our acquisition of Maven. In 2010, we received net proceeds from sales, maturities, and purchases of marketable debt securities of $1,097 million. In 2009 and 2008, we utilized $2,027 million and $368 million, respectively, for net purchases of marketable debt securities. In 2010, we received net proceeds from the sales of divested businesses of $325 million for which there were no similar transactions in 2009 and 2008. In 2009, we also received proceeds of $265 million from the sales of marketable equity securities.

Cash used in financing activities is driven by stock repurchases offset by employee stock option exercises and employee stock purchases. Our cash proceeds from employee option exercises and employee stock purchases were $167 million in 2010, compared to $113 million and $363 million in 2009 and 2008, respectively.

During the year ended December 31, 2010, we used $1,749 million in the direct repurchase of 119 million shares of common stock at an average price of $14.68 per share and $49 million for tax withholding payments related to net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted

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stock. During the year ended December 31, 2009, we used $113 million in the direct repurchase of 7 million shares of common stock at an average price of $15.31 per share and $73 million for tax withholding payments related to net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted stock. During the year ended December 31, 2008, we used $79 million in the direct repurchase of 3 million shares of common stock at an average price of $23.39 per share and $77 million for tax withholding payments related to net share settlements of restricted stock units and tax withholding-related reacquisition of shares of restricted stock.

In 2010, 2009, and 2008, $131 million, $108 million, and $125 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options exercised in current and prior periods. We have accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows. See Note 11−"Employee Benefits" in the Notes to the consolidated financial statements for additional information.

Stock repurchases

In October 2006, our Board of Directors authorized a stock repurchase program for us to repurchase up to $3 billion of our outstanding shares of common stock from time to time over the next five years from the date of authorization, dependent on market conditions, stock price, and other factors. We repurchase our common stock, from time to time, in part to reduce the dilutive effects of our stock options, awards, and employee stock purchase plan. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

On June 24, 2010, our Board of Directors approved a new stock repurchase program. Under the new program, which expires in June 2013, we are authorized to repurchase up to $3 billion of our outstanding shares of common stock from time to time. The repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

During the year ended December 31, 2010, 63 million shares were repurchased under the October 2006 program for a total of $973 million, which exhausted the repurchase authorization of the October 2006 program, and 56 million shares were repurchased under the June 2010 program for a total of $776 million, resulting in aggregate repurchases during the period of 119 million shares for a total of $1,749 million at an average price of $14.68 per share. As of December 31, 2010, the June 2010 program had remaining authorized purchase capacity of $2,224 million.

As of December 31, 2010, we have repurchased and retired 335 million shares, resulting in reductions of $0.3 million in common stock, $2.5 billion in additional paid-in capital, and $4.6 billion in retained earnings. Treasury stock is accounted for under the cost method.

Capital expenditures

Capital expenditures are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, and real estate. Capital expenditures, net were $714 million in 2010, compared to $434 million in 2009 and $675 million in 2008. Our capital expenditures in 2011 are expected to be lower compared to 2010 due in part to higher infrastructure costs in 2010 in connection with our initiatives to build out our owned and operated data centers.

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Contractual obligations and commitments

The following table presents certain payments due under contractual obligations with minimum firm commitments as of December 31, 2010 (in millions):

	Payments Due by Period				
	Total	Due in 2011	Due in 2012-2013	Due in 2014-2015	Thereafter
Operating lease obligations[1]	$641	$165	$ 247	$ 159	$ 70
Capital lease obligation[2]	68	7	15	16	30
Affiliate commitments[3]	95	86	9	–	–
Non-cancelable obligations[4]	191	95	67	7	22
Uncertain tax positions, including interest and penalties[5]	420	112	–	–	308
Total contractual obligations	$1,415	$465	$ 338	$ 182	$ 430

(1) 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 13 years, expiring between 2010 and 2019. See Note 12–"Commitments and Contingencies" in the Notes to the consolidated financial statements for additional information.

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

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

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

(5) As of December 31, 2010, unrecognized tax benefits and potential interest and penalties resulted in accrued liabilities of $420 million, of which $112 million is classified as accrued expenses and other current liabilities and $308 million is classified as deferred and other long-

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term tax liabilities, net on our consolidated balance sheets. As of December 31, 2010, the settlement period for the $308 million long-term income tax liabilities cannot be determined; however, the liabilities are not expected to become due within the next twelve months.

Intellectual Property Rights. We are committed to make certain payments under various intellectual property arrangements of up to $37 million through 2023.

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

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As of December 31, 2010, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, as of December 31, 2010, 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 consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, 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, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

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

Revenue Recognition. Our revenue is generated from display, search, and other. Display revenue is generated from the display of graphical advertisements and search revenue is generated from the display of text-based links to an advertiser' s Website. Other revenue consists of listings-based services revenue, transaction revenue, and fees revenue. While the majority of our revenue transactions contain standard business terms and conditions, there are certain transactions that contain non-standard business terms and conditions. In addition, we enter into certain sales transactions that involve multiple elements (arrangements with more than one deliverable). We also enter into arrangements to purchase goods and/or services from certain customers. As a result, significant contract interpretation is sometimes required to determine the appropriate accounting for these transactions including: (1) whether an arrangement exists; (2) whether fees are fixed or determinable; (3) how the arrangement consideration should be allocated among potential multiple elements; (4) establishing selling prices for deliverables considering multiple factors; (5) when to recognize revenue on the deliverables; (6) whether all elements of the arrangement have been delivered; (7) whether the arrangement should be reported gross as a principal versus net as an agent; (8) whether we receive a separately identifiable benefit from the purchase arrangements with certain customers for which we can reasonably estimate fair value; and (9) whether the consideration received from a vendor should be characterized as revenue or a reimbursement of costs incurred. In addition, our revenue recognition policy requires an assessment as to whether collection is reasonably assured, which inherently requires us to evaluate the creditworthiness of our customers. Changes in judgments on these assumptions and estimates could materially impact the timing or amount of revenue recognition.

Income Taxes. Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. See Note 9−"Income Taxes" in the Notes to the consolidated financial statements for additional information. We establish reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are in accordance with applicable

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

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

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

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

Market comparables

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

Estimated future cash flows

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

Discount rates

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We employ a Weighted Average Cost of Capital (“WACC”) approach to determine the discount rates used in our cash flow projections. The determination of the discount rates for each reporting unit includes factors such

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as the risk-free rate of return and the return an outside investor would expect to earn based on the overall level of inherent risk. The determination of expected returns includes consideration of the beta (a measure of risk) of traded securities of comparable companies.

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

We conducted our annual goodwill impairment test as of October 31, 2010 and determined that the fair values of our reporting units exceeded their carrying values and therefore goodwill in those reporting units was not impaired.

Significant management judgment is involved in determining these estimates and assumptions. Changes in these estimates and assumptions could materially affect the determination of fair value for each reporting unit which could trigger future impairment.

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

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

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

Stock-Based Compensation Expense. We recognize stock-based compensation expense net of an estimated forfeiture rate and therefore only recognize compensation expense for those shares expected to vest over the service period of the award. Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock-based options, stock price volatility, and the pre-vesting award forfeiture rate. We estimate the expected life of options granted based on historical exercise patterns, which we believe are representative of future behavior. We estimate the volatility of our common stock on the date of grant based on the implied volatility of publicly traded options on our common stock, with a term of one year or greater. We believe that implied volatility calculated based on actively traded options on our common stock is a better indicator of expected volatility and future stock price trends than historical volatility.

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Therefore, expected volatility for the year ended December 31, 2010 was based on a market-based implied volatility. The assumptions used in calculating the fair value of stock-based awards represent our best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected pre-vesting award forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain awards will be achieved, and only recognize expense for those shares expected to vest. We estimate this forfeiture rate based on historical experience of our stock-based awards that are granted and cancelled before vesting. If our actual forfeiture rate is materially different from our original estimates, the stock-based compensation expense could be significantly different from what we have recorded in the current period. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the forfeiture rate for all current and previously recognized expense for unvested awards is recognized in the period the forfeiture estimate is changed. In addition, because many of our stock-based awards have vesting schedules of two or three years cliff vests, a significant change in our actual or expected forfeiture experience will result in the adjustment of stock-based compensation which was recorded in prior years for all unvested awards. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the consolidated financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the consolidated financial statements. See Note 11−“Employee Benefits” in the Notes to the consolidated financial statements for additional information.

Recent Accounting Pronouncements

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

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

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

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

Investments in fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. As of December 31, 2010 and 2009, we had investments in short-term marketable debt securities of approximately $1.4 billion and $2.0 billion, respectively. Such investments had a weighted-average yield of less than 1.0 percent for both periods. As of December 31, 2010 and 2009, we had investments in long-term marketable debt securities of approximately $745 million and $1.2 billion, respectively. Such investments had a weighted average yield of approximately 1.0 percent for both periods. A hypothetical 100 basis point increase in interest rates would result in an approximate $14 million and $25 million decrease in the fair value of our available-for-sale debt securities as of December 31, 2010 and 2009, respectively.

Foreign Currency Risk. Revenue 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, Korean won, and Taiwan dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable

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period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced revenue, operating expenses, and net income. Conversely, our revenue, operating expenses, and net income will increase if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from the year ended December 31, 2009, revenue for the Americas segment for the year ended December 31, 2010 would have been lower than we reported by $13 million, revenue for the EMEA segment would have been higher than we reported by $15 million, and revenue for the Asia Pacific segment would have been lower than we reported by $93 million. Using the foreign currency exchange rates from the year ended December 31, 2009, direct costs for the Americas segment for the year ended December 31, 2010 would have been lower than we reported by $3 million, direct costs for the EMEA segment would have been higher than we reported by $4 million, and direct costs for the Asia Pacific segment would have been lower than we reported by $10 million.

As mentioned above, we are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries and our investments in equity interests into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries' financial statements into U.S. dollars results in a gain or loss which is recorded as a component of accumulated other comprehensive income which is part of stockholders' equity. In addition, we have certain assets and liabilities that are denominated in currencies other than the respective entity's functional currency. Changes in the functional currency value of these assets and liabilities create fluctuations that will lead to a gain or loss. We record these foreign currency transaction gains and losses, realized and unrealized, in other income, net on the condensed consolidated statements of income. During the years ended December 31, 2010, 2009, and 2008, we recorded realized and unrealized foreign currency transaction gains of $13 million and transaction losses of $1 million, and $25 million, respectively.

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

Our cash and marketable debt securities investment policy and strategy attempts primarily to preserve capital and meet liquidity requirements. A large portion of our cash is managed by external managers within the guidelines of our investment policy. We protect and preserve invested funds by limiting default, market, and reinvestment risk. To achieve this objective, we maintain our portfolio of cash and cash equivalents and short-term and long-term investments in a variety of liquid fixed income securities, including both government and corporate obligations and money market funds. As of December 31, 2010 and 2009, net unrealized gains and losses on these investments were not material.

We invest in equity instruments of public companies for business and strategic purposes and have classified these securities as available-for-sale or investment in equity interests. These investments may be subject to significant fluctuations in fair value due to the volatility of the stock market and the industries in which these companies participate. Our investments in available-for-sale equity securities amounted to $1 million and $3 million as of December 31, 2010 and 2009, respectively. Our realized gains and losses from the sale of available-for-sale investments were not material in 2010. During the year ended December 31, 2009, we realized gains of $67 million related to the sale of our investment in Gmarket. During the year ended December 31, 2009, we sold our direct investment in Alibaba.com for net proceeds of $145 million and recorded a pre-tax gain of $98 million in other income, net.

Our objective in managing exposure to stock market fluctuations is to minimize the impact of stock market declines to earnings and cash flows. Using a hypothetical reduction of 10 percent in the stock price of these available-for-sale investments, the fair value of our equity investments would decrease by less than $1 million as of both December 31, 2010 and 2009.

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

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Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Yahoo! Inc. and its subsidiaries at December 31, 2009 and December 31, 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control–Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company' s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management' s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company' s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 28, 2011

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Yahoo! Inc.

Consolidated Statements of Income

	Years Ended December 31,		
	2008	2009	2010
	(In thousands, except per share amounts)		
Revenue	$7,208,502	$6,460,315	$6,324,651
Cost of revenue	3,023,362	2,871,746	2,627,545
Gross profit	4,185,140	3,588,569	3,697,106
Operating expenses:			
Sales and marketing	1,563,313	1,245,350	1,264,491
Product development	1,221,787	1,210,168	1,082,176
General and administrative	705,136	580,352	488,332
Amortization of intangibles	87,550	39,106	31,626
Restructuring charges, net	106,854	126,901	57,957
Goodwill impairment charge	487,537	–	–
Total operating expenses	4,172,177	3,201,877	2,924,582
Income from operations	12,963	386,692	772,524
Other income, net	73,750	187,528	297,869
Income before income taxes and earnings in equity interests	86,713	574,220	1,070,393

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Provision for income taxes	(259,006)	(219,321)	(221,523)
Earnings in equity interests	596,979	250,390	395,758
Net income	424,686	605,289	1,244,628
Less: Net income attributable to noncontrolling interests	(5,765)	(7,297)	(12,965)
Net income attributable to Yahoo! Inc.	$418,921	$597,992	$1,231,663
Net income attributable to Yahoo! Inc. common stockholders per share−basic	$0.31	$0.43	$0.91
Net income attributable to Yahoo! Inc. common stockholders per share−diluted	$0.29	$0.42	$0.90
Shares used in per share calculation−basic	1,369,476	1,397,652	1,354,118
Shares used in per share calculation−diluted	1,391,230	1,415,658	1,364,612
Stock-based compensation expense by function:			
Cost of revenue	$13,813	$10,759	$3,275
Sales and marketing	182,826	141,537	71,154
Product development	178,091	205,971	106,665
General and administrative	63,113	79,820	42,384
Restructuring expense (reversals) accelerations, net	(30,236)	11,062	(4,211)

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

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Yahoo! Inc.

Consolidated Balance Sheets

	December 31,	
	2009	2010
	(In thousands, except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$1,275,430	$1,526,427
Short-term marketable debt securities	2,015,655	1,357,661
Accounts receivable, net of allowance of $41,003 and $22,975 as of December 31, 2009 and 2010, respectively	1,003,362	1,028,900
Prepaid expenses and other current assets	300,325	432,560
Total current assets	4,594,772	4,345,548
Long-term marketable debt securities	1,226,919	744,594
Property and equipment, net	1,426,862	1,653,422
Goodwill	3,640,373	3,681,645
Intangible assets, net	355,883	255,870
Other long-term assets	194,933	235,136
Investments in equity interests	3,496,288	4,011,889
Total assets	$14,936,030	$14,928,104
LIABILITIES AND EQUITY		

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Current liabilities:		
Accounts payable	$136,769	$162,424
Accrued expenses and other current liabilities	1,169,815	1,208,792
Deferred revenue	411,144	254,656
Total current liabilities	1,717,728	1,625,872
Long-term deferred revenue	122,550	56,365
Capital lease and other long-term liabilities	83,021	142,799
Deferred and other long-term tax liabilities, net	494,095	506,658
Total liabilities	2,417,394	2,331,694
Commitments and contingencies (Note 12)	–	–
Yahoo! Inc. stockholders' equity:		
Preferred stock, $0.001 par value; 10,000 shares authorized; none issued or outstanding	–	–
Common stock, $0.001 par value; 5,000,000 shares authorized; 1,413,718 shares issued and 1,406,075 shares outstanding as of December 31, 2009 and 1,308,836 shares issued and 1,308,836 shares outstanding as of December 31, 2010	1,410	1,306
Additional paid-in capital	10,640,367	10,109,913
Treasury stock at cost, 7,643 shares as of December 31, 2009 and zero shares as of December 31, 2010	(117,331)	–
Retained earnings	1,599,638	1,942,656

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Accumulated other comprehensive income	369,236	504,254
Total Yahoo! Inc. stockholders' equity	12,493,320	12,558,129
Noncontrolling interests	25,316	38,281
Total equity	12,518,636	12,596,410
Total liabilities and equity	$14,936,030	$14,928,104

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Yahoo! Inc.

Consolidated Statements of Cash Flows

	Years Ended December 31,		
	2008	2009	2010
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$424,686	$605,289	$1,244,628
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	508,812	554,546	555,216
Amortization of intangible assets	281,221	184,309	127,293
Stock-based compensation expense, net	407,607	449,149	219,267
Non-cash restructuring charges	7,925	7,301	2,813
Goodwill impairment charge	487,537	–	–
Tax benefits from stock-based awards	117,716	6,860	43,119
Excess tax benefits from stock-based awards	(125,114)	(108,487)	(131,061)
Deferred income taxes	(39,035)	(90,562)	112,582
Earnings in equity interests	(596,979)	(250,390)	(395,758)
Dividends received from equity investees	18,942	27,628	60,918
Gains from sales of investments, assets, and other, net	(10,347)	(160,634)	(222,347)

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Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	(62,082)	81,959	(31,419)
Prepaid expenses and other	(15,777)	21,585	(168,183)
Accounts payable	(23,840)	(19,684)	23,593
Accrued expenses and other liabilities	325,030	106,096	(74,505)
Deferred revenue	173,939	(104,619)	(125,966)
Net cash provided by operating activities	1,880,241	1,310,346	1,240,190
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment, net	(674,829)	(433,795)	(714,078)
Purchases of marketable debt securities	(2,317,004)	(5,048,462)	(2,502,652)
Proceeds from sales of marketable debt securities	285,753	136,538	1,525,330
Proceeds from maturities of marketable debt securities	1,663,569	2,884,926	2,074,592
Proceeds from sales of marketable equity securities	–	265,194	–
Acquisitions, net of cash acquired	(208,958)	(195,106)	(157,442)
Purchases of intangible assets	(71,310)	(32,185)	(21,443)
Proceeds from sales of divested businesses	–	–	325,000
Other investing activities, net	10,996	3,652	(19,392)

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Net cash (used in) provided by investing activities	(1,311,783)	(2,419,238)	509,915
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net	363,354	112,673	167,388
Repurchases of common stock	(79,236)	(113,444)	(1,749,311)
Excess tax benefits from stock-based awards	125,114	108,487	131,061
Tax withholdings related to net share settlements of restricted stock awards and restricted stock units	(76,752)	(73,119)	(48,700)
Other financing activities, net	(74)	–	(2,144)
Net cash provided by (used in) financing activities	332,406	34,597	(1,501,706)
Effect of exchange rate changes on cash and cash equivalents	(122,498)	57,429	2,598
Net change in cash and cash equivalents	778,366	(1,016,866)	250,997
Cash and cash equivalents at beginning of year	1,513,930	2,292,296	1,275,430
Cash and cash equivalents at end of year	$2,292,296	$1,275,430	$1,526,427

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

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Yahoo! Inc.

Consolidated Statements of Stockholders' Equity

	Years Ended December 31,		
	2008	2009	2010
		(In thousands)	
Common stock			
Balance, beginning of year	$1,527	$1,595	$1,410
Common stock issued (retired), net	68	(185)	(104)
Balance, end of year	1,595	1,410	1,306
Additional paid-in capital			
Balance, beginning of year	10,032,252	11,643,635	10,640,367
Common stock and stock-based awards issued	363,322	112,654	167,368
Stock-based compensation expense	434,639	463,469	235,558
Tax benefits from stock-based awards	117,716	6,860	43,119
Tax withholdings related to net share settlements of restricted stock units	(49,276)	(68,344)	(48,600)
Debt conversions	749,516	–	–
Retirement of treasury stock	–	(1,516,895)	(977,970)
Other	(4,534)	(1,012)	50,071
Balance, end of year	11,643,635	10,640,367	10,109,913

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Treasury stock			
Balance, beginning of year	(5,160,772)	(5,267,484)	(117,331)
Repurchases of common stock	(79,236)	(113,444)	(1,749,311)
Tax withholdings related to net share settlements of restricted stock awards	(27,476)	(4,780)	(100)
Retirement of treasury stock	–	5,268,377	1,866,742
Balance, end of year	(5,267,484)	(117,331)	–
Retained earnings			
Balance, beginning of year	4,333,999	4,752,920	1,599,638
Net income attributable to Yahoo! Inc.	418,921	597,992	1,231,663
Retirement of treasury stock	–	(3,751,274)	(888,645)
Balance, end of year	4,752,920	1,599,638	1,942,656
Accumulated other comprehensive income			
Balance, beginning of year	331,202	120,276	369,236
Net change in unrealized (losses) gains on available-for-sale securities, net of tax	(20,017)	(1,936)	3,813
Foreign currency translation adjustment, net of tax	(190,909)	250,896	131,205
Balance, end of year	120,276	369,236	504,254
Total Yahoo! Inc. stockholders' equity	$11,250,942	$12,493,320	$12,558,129

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	Years Ended December 31,		
	2008	2009	2010
		(In thousands)	
Comprehensive income			
Net income	$424,686	$605,289	$1,244,628
Other comprehensive income (loss):			
Unrealized (losses) gains on available-for-sale securities, net of taxes of $18,736, $10,276, and $(1,214) for 2008, 2009, and 2010, respectively	(21,195)	(9,652)	3,987
Reclassification adjustment for realized losses (gains) included in net income, net of taxes of $(785), $(10,060), and $116 for 2008, 2009, and 2010, respectively	1,178	7,716	(174)
Net change in unrealized (losses) gains on available-for-sale securities, net of tax	(20,017)	(1,936)	3,813
Foreign currency translation adjustment, net of tax	(190,909)	250,896	131,205
Other comprehensive (loss) income	(210,926)	248,960	135,018
Comprehensive income	213,760	854,249	1,379,646
Less: Comprehensive income attributable to noncontrolling interests	(5,765)	(7,297)	(12,965)
Comprehensive income attributable to Yahoo! Inc.	$207,995	$846,952	$1,366,681

	Number of Outstanding Shares		
		(In thousands)	
Common stock			
Balance, beginning of year	1,330,828	1,391,560	1,406,075

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Common stock and restricted stock issued	28,609	22,227	21,946
Repurchases of common stock	(3,388)	(7,409)	(119,179)
Debt conversions	36,563	–	–
Tax withholdings related to net share settlements of restricted stock awards	(1,052)	(303)	(6)
Balance, end of year	1,391,560	1,406,075	1,308,836

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

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Yahoo! Inc.

Notes to Consolidated Financial Statements

Note 1 THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company. Yahoo! Inc., together with its consolidated subsidiaries, ("Yahoo!" or the "Company") is a premier digital media company that delivers personalized digital content and experiences, across devices and around the globe, to vast audiences. Yahoo! provides engaging and innovative canvases for advertisers to connect with their target audiences using its unique blend of Science + Art + Scale. Through its proprietary technology and insights, Yahoo! delivers unique content and experiences for its audience and create powerful opportunities for its advertisers to connect with their target audiences, in context and at scale. To users, Yahoo! provides online properties and services ("Yahoo! Properties"). To advertisers, Yahoo! provides a range of marketing services designed to reach and connect with users of its Yahoo! Properties, as well as with Internet users beyond Yahoo! Properties, through a distribution network of third-party entities ("Affiliates") that have integrated Yahoo!' s advertising offerings into their Websites or other offerings (those Websites and offerings, "Affiliate sites").

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

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

Revenue Recognition. In October 2009, FASB amended the accounting standard for multiple deliverable revenue arrangements, which provided updated guidance on whether multiple deliverables exist, how deliverables in an arrangement should be separated, and how consideration should be allocated. This standard eliminates the use of the residual method and will require arrangement consideration to be allocated based on the relative selling price for each deliverable. The selling price for each arrangement deliverable can be established based on vendor specific objective evidence ("VSOE") or third-party evidence ("TPE") if VSOE is not available. The new standard provides additional flexibility to utilize an estimate of selling price ("ESP") if neither VSOE nor TPE is available.

The Company elected to early adopt this accounting standard on January 1, 2010 on a prospective basis for applicable transactions originating or materially modified after December 31, 2009. The adoption of this standard did not have a significant impact on the Company' s revenue recognition for multiple deliverable arrangements. Upon adoption, the selling prices for certain custom advertising solutions may use the best estimate of selling price as provided under the new standard. The adoption of this standard did not have a material impact on the Company' s consolidated financial position, cash flows, or results of operations for the year ended December 31, 2010.

In all cases, revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the related fee is reasonably assured. The Company' s arrangements generally do not include a provision for cancellation, termination, or refunds that would significantly impact revenue recognition.

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Revenue is generated from several offerings including the display of graphical advertisements ("display advertising"), the display of other text-based links to advertisers' Websites ("search advertising"), and other sources.

The Company recognizes revenue from display advertising on Yahoo! Properties and Affiliate sites as "impressions" are delivered. Impressions are delivered when an advertisement appears in pages viewed by users. Arrangements for these services generally have terms of up to one year and in some cases the terms may be up to three years. For display advertising on Affiliate sites, the Company pays Affiliates for the revenue generated from the display of these advertisements on the Affiliate sites. Traffic acquisition costs ("TAC") are payments made to third-party entities that have integrated the Company's advertising offerings into their Websites or other offerings and payments made to companies that direct consumer and business traffic to Yahoo! Properties. The display revenue derived from these arrangements that involve traffic supplied by Affiliates is reported gross of the TAC paid to Affiliates as the Company is the primary obligor to the advertisers who are the customers of the display advertising service.

The Company began offering customized display advertising solutions to advertisers. These customized display advertising solutions combine the Company's standard display advertising with customized content, customer insights, and campaign analysis. Due to the unique nature of these products, the Company may not be able to establish selling prices based on historical stand-alone sales or third-party evidence; therefore, the Company may use its best estimate to establish selling prices. The Company establishes best estimates within a range of selling prices considering multiple factors including, but not limited to, class of advertiser, size of transaction, seasonality, margin objectives, observed pricing trends, available online inventory, industry pricing strategies, and market conditions. The Company believes the use of the best estimates of selling price allows revenue recognition in a manner consistent with the underlying economics of the transaction.

The Company recognizes revenue from search advertising on Yahoo! Properties and Affiliate sites. Search advertising revenue is recognized based on "click-throughs." A "click-through" occurs when a user clicks on an advertiser's search result listing. The Company has entered into a Search and Advertising Services and Sales Agreement (the "Search Agreement") with Microsoft, which provides for Microsoft to be the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites. In the transitioned markets, the Company reports as revenue the 88 percent share of revenue generated from Microsoft's services on Yahoo! Properties and Affiliate sites, as the Company is not the primary obligor in the arrangement with the advertisers. See Note 16−"Search Agreement with Microsoft Corporation" for a description of the Search Agreement with Microsoft.

In the non-transitioned markets, the Company pays Affiliates for the revenue generated from the search advertisements on the Affiliates' Websites. The revenue derived from these arrangements is reported gross of the payments to Affiliates, as the Company continues to be the primary obligor to the advertisers.

Other revenue includes listings-based services revenue, transaction revenue, and fees revenue. Listings-based services revenue is generated from a variety of consumer and business listings-based services, including classified advertising such as Yahoo! Autos and other services. The Company recognizes listings-based services revenue when the services are performed. Transaction revenue is generated from facilitating commercial transactions through Yahoo! Properties, principally from Yahoo! Small Business, Yahoo! Travel, and Yahoo! Shopping. The Company recognizes transaction revenue when there is evidence that qualifying transactions have occurred (for example, when travel arrangements are booked through Yahoo! Travel). Fees revenue consists of revenue generated from a variety of consumer and business fee-based services, including Internet broadband services, royalties received from joint venture partners, and premium mail, as well as services for small businesses. The Company recognizes fees revenue when the services are performed.

The Company accounts for cash consideration given to customers, for which it does not receive a separately identifiable benefit or cannot reasonably estimate fair value, as a reduction of revenue rather than as an expense. Cash consideration received in an arrangement with a provider may require consideration of classification of amounts received as revenue or a reimbursement of costs incurred.

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

Restructuring Charges. The Company has developed and implemented restructuring initiatives to improve efficiencies across the organization, reduce operating expenses, and better align its resources to market conditions. As a result of these plans, the Company has recorded restructuring charges comprised principally of employee severance and associated termination costs related to the reduction of its workforce, office closures, losses on subleases, and contract termination costs. Liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, as opposed to when management commits to an exit plan. In addition, (i) liabilities associated with exit and disposal activities are measured at fair value; (ii) one-time termination benefits are expensed at the date the entity notifies the employee, unless the employee must provide future service, in which case the benefits are expensed ratably over the future service period; and (iii) costs to terminate a contract before the end of its term are recognized when the entity terminates the contract in accordance with the contract terms. In addition, a portion of the Company' s restructuring costs related to international employees whose termination benefits are recognized when the amount of such termination benefits becomes estimable and payment is probable.

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

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

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

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

Advertising Costs. Advertising production costs are recorded as expense the first time an advertisement appears. Costs of communicating advertising are recorded as expense as advertising space or airtime is used. All other advertising costs are expensed as incurred. Advertising expense totaled approximately $190 million, $197 million, and $237 million for 2008, 2009, and 2010, respectively.

Stock-Based Compensation Expense. The Company recognizes stock-based compensation expense net of an estimated forfeiture rate and therefore only recognizes compensation costs for those shares expected to vest over

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the service period of the award. Stock-based awards granted on or after January 1, 2006 are valued based on the grant date fair value of these awards; the Company records stock-based compensation expense on a straight-line basis over the requisite service period, generally one to four years.

Calculating stock-based compensation expense requires the input of highly subjective assumptions, including the expected term of the stock options, stock price volatility, and the pre-vesting forfeiture rate of stock awards. The Company estimates the expected life of options granted based on historical exercise patterns, which the Company believes are representative of future behavior. The Company estimates the volatility of its common stock on the date of grant based on the implied volatility of publicly traded options on its common stock, with a term of one year or greater. The Company believes that implied volatility calculated based on actively traded options on its common stock is a better indicator of expected volatility and future stock price trends than historical volatility. The assumptions used in calculating the fair value of stock-based awards represent the Company' s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and the Company uses different assumptions, the Company' s stock-based compensation expense could be materially different in the future. In addition, the Company is required to estimate the expected pre-vesting award forfeiture rate, as well as the probability that performance conditions that affect the vesting of certain awards will be achieved, and only recognize expense for those shares expected to vest. The Company estimates the forfeiture rate based on historical experience of the Company' s stock-based awards that are granted and cancelled before vesting. If the Company' s actual forfeiture rate is materially different from the Company' s original estimate, the stock-based compensation expense could be significantly different from what the Company has recorded in the current period. Changes in the estimated forfeiture rate can have a significant effect on reported stock-based compensation expense, as the effect of adjusting the forfeiture rate for all current and previously recognized expense for unvested awards is recognized in the period the forfeiture estimate is changed. If the actual forfeiture rate is higher than the estimated forfeiture rate, then an adjustment will be made to increase the estimated forfeiture rate, which will result in a decrease to the expense recognized in the financial statements. If the actual forfeiture rate is lower than the estimated forfeiture rate, then an adjustment will be made to lower the estimated forfeiture rate, which will result in an increase to the expense recognized in the financial statements. See Note 11−"Employee Benefits" for additional information.

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

Operating and Capital Leases. The Company leases office space and data centers under operating leases and certain data center equipment under a capital lease agreement with original lease periods up to 13 years. Assets acquired under capital leases are amortized over the shorter of the remaining lease term or its estimated useful life which is generally 10 to 15 years. Certain of the lease agreements contain rent holidays and rent escalation provisions. For purposes of recognizing these lease incentives on a straight-line basis over the term of the lease, the Company uses the date of initial possession to begin amortization. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the period of straight-line recognition. For the year ended December 31, 2008, the Company expensed $3 million of interest; for each of the years ended December 31, 2009 and December 31, 2010, the Company expensed $5 million of interest. As of December 31, 2009 and 2010, the Company had a net lease commitment included in capital lease and other long-term liabilities in the consolidated balance sheets of $43 million and $40 million, respectively.

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

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Significant judgment is required in evaluating the Company' s uncertain tax positions and determining its provision for income taxes. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are in accordance with applicable tax laws. The Company adjusts these reserves in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties. Income taxes paid were $70 million, $114 million, and $232 million in the years ended December 31, 2008, 2009, and 2010, respectively. Interest paid was not material in any of the years presented. See Note 9−"Income Taxes" for additional information.

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

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

The Company' s marketable debt and equity securities are classified as available-for-sale and are reported at fair value, with unrealized gains and losses, net of tax, recorded in accumulated other comprehensive income (loss). Realized gains or losses and declines in value judged to be other-than-temporary, if any, on available-for-sale securities are reported in other income, net. The Company evaluates the investments periodically for possible other-than-temporary impairment. A decline of fair value below amortized costs of debt securities is considered an other-than-temporary impairment if the Company has the intent to sell the security or it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis. In those instances, an impairment charge equal to the difference between the fair value and the amortized cost basis is recognized in earnings. Regardless of the Company' s intent or requirement to sell a debt security, an impairment is considered other-than-temporary if the Company does not expect to recover the entire amortized cost basis; in those instances, a credit loss equal to the difference between the present value of the cash flows expected to be collected based on credit risk and the amortized cost basis of the debt security is recognized in earnings. The Company has no current requirement or intent to sell its debt securities as of December 31, 2010. The Company expects to recover up to (or beyond) the initial cost of investment for securities held. When assessing other-than-temporary impairment of equity securities, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the issuer, the Company' s intent to hold the investment for a period of time which may be sufficient for an anticipated recovery in market value, and whether its cash flow needs may require the Company to sell the investment. If appropriate, the Company records impairment charges equal to the amount that the carrying value of an equity security exceeds the estimated fair value of such security as of the evaluation date. In computing realized gains and losses on available-for-sale securities, the Company determines cost based on amounts paid, including direct costs such as commissions to acquire the security, using the specific identification method. During the year ended December 31, 2008, gross realized gains and losses on available-for-sale debt and equity securities were not material. During the year ended

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December 31, 2009, the Company recognized a gain of $42 million, net of tax, in connection with the sale of its investment in Gmarket. During the year ended December 31, 2010, gross realized gains and losses on available-for-sale debt and equity securities were not material.

Concentration of Risk. Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash, cash equivalents, marketable debt securities, and accounts receivable. The primary focus of the Company' s investment strategy is to preserve capital and meet liquidity requirements. A large portion of the Company' s cash is managed by external managers within the guidelines of the Company' s investment policy. The Company' s investment policy addresses the level of credit exposure by limiting the concentration in any one corporate issuer or sector and establishing a minimum allowable credit rating. To manage the risk exposure, the Company maintains its portfolio of cash and cash equivalents and short-term and long-term investments in a variety of fixed income securities, including government, municipal and highly rated corporate debt obligations and money market funds. Accounts receivable are typically unsecured and are derived from revenue earned from customers. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. Historically, such losses have been within management' s expectations. As of December 31, 2009 and 2010, no one customer accounted for 10 percent or more of the accounts receivable balance and no one customer accounted for 10 percent or more of the Company' s revenue for 2008, 2009, or 2010.

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

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

Internal Use Software and Website Development Costs. The Company capitalized certain internal use software and Website development costs totaling approximately $149 million, $90 million, and $110 million during 2008, 2009, and 2010, respectively. The estimated useful life of costs capitalized is evaluated for each specific project and ranges from one to three years. During 2008, 2009, and 2010, the amortization of capitalized costs totaled approximately $81 million, $128 million, and $108 million, respectively. Capitalized internal use software and Website development costs are included in property and equipment, net. Included in the capitalized amounts above are $22 million, $14 million, and $16 million, respectively, of stock-based compensation expense in the years ended December 31, 2008, 2009, and 2010.

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

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determines fair value based on estimated future cash flows of each reporting unit discounted by an estimated weighted-average cost of capital, which reflects the overall level of inherent risk of a reporting unit and the rate of return an outside investor would expect to earn. The cash flow projections for each reporting unit are based on a five-year forecast of cash flows, derived from the most recent annual financial forecast, and a terminal value based on the Perpetuity Growth Model. The sum of the fair values of the reporting units is reconciled to the Company' s market capitalization adjusted for an estimated control premium. If the carrying value of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. The Company conducted its annual goodwill impairment test as of October 31, 2010 and determined that the fair values of its reporting units exceeded their carrying values and therefore goodwill in those reporting units was not impaired. See Note 5 −"Goodwill" for additional information.

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

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

Foreign Currency. The functional currency of the Company' s international subsidiaries is evaluated on a case-by-case basis and is often the local currency. The financial statements of these subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. In addition, the Company records translation gains (losses) related to its foreign equity method investments in accumulated other comprehensive income (loss). The Company records foreign currency transaction gains and losses, realized and unrealized in other income, net in the consolidated statements of income. The Company recorded $25 million and $1 million of net losses in 2008 and 2009, respectively, and $13 million of net gains in 2010.

Note 2 BASIC AND DILUTED NET INCOME ATTRIBUTABLE TO YAHOO! COMMON STOCKHOLDERS PER SHARE

Basic and diluted net income attributable to Yahoo! 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 awards granted under the Company' s 1995 Stock Plan and restricted stock units granted under the 1996 Directors' Stock Plan (the "Directors' Plan")). Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares are calculated using the treasury stock method and consist of unvested restricted stock and shares underlying unvested restricted stock units, the incremental

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common shares issuable upon the exercise of stock options, and shares to be purchased under the 1996 Employee Stock Purchase Plan, as amended and restated in June 2009 (the "Employee Stock Purchase Plan"). The Company calculates potential tax windfalls and shortfalls by including the impact of pro forma deferred tax assets.

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

For 2008, 2009, and 2010, potentially dilutive securities representing approximately 140 million, 122 million, and 80 million shares of common stock, respectively, were excluded from the computation of diluted earnings per share for these periods because their effect would have been anti-dilutive.

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

	Years Ended December 31,		
	2008	**2009**	**2010**
Basic:			
Numerator:			
Net income attributable to Yahoo! Inc.	$418,921	$597,992	$1,231,663
Less: Net income allocated to participating securities	(435)	(552)	(178)
Net income attributable to Yahoo! Inc. common stockholders−basic	$418,486	$597,440	$1,231,485
Denominator:			
Weighted average common shares	1,369,476	1,397,652	1,354,118
Net income attributable to Yahoo! Inc. common stockholders per share−basic	$0.31	$0.43	$0.91
Diluted:			
Numerator:			
Net income attributable to Yahoo! Inc.	$418,921	$597,992	$1,231,663

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Less: Net income allocated to participating securities	(265)	(54)	(94)
Less: Effect of dilutive securities issued by equity investees	(11,501)	(343)	(2,928)
Net income attributable to Yahoo! Inc. common stockholders−diluted	$407,155	$597,595	$1,228,641
Denominator:			
Denominator for basic calculation	1,369,476	1,397,652	1,354,118
Weighted average effect of Yahoo! Inc. dilutive securities:			
Restricted stock and restricted stock units	5,240	10,371	5,169
Stock options and employee stock purchase plan	16,514	7,635	5,325
Denominator for diluted calculation	1,391,230	1,415,658	1,364,612
Net income attributable to Yahoo! Inc. common stockholders per share−diluted	$0.29	$0.42	$0.90

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Note 3 **ACQUISITIONS**

The following table summarizes significant acquisitions (including business combinations and asset acquisitions) completed during the three years ended December 31, 2010 (in millions):

	Purchase Price	Goodwill	Amortizable Intangibles
2008			
Maven	$ 143	$ 87	$ 65
Other acquisitions	$ 97	$ 51	$ 51
2009			
Maktoob	$ 164	$ 141	$ 19
Other acquisitions	$ 30	$ 16	$ 16
2010			
All acquisitions	$ 159	$ 105	$ 50

Transactions completed in 2008

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

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

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

Cash acquired	$257

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

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

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

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

The Company' s business combinations completed in 2008 did not have a material impact on the Company' s consolidated financial statements, and therefore pro forma disclosures have not been presented.

Transactions completed in 2009

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

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

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

Cash acquired	$830
Other tangible assets acquired	6,219
Amortizable intangible assets:	
Customer contracts and related relationships	1,900
Developed technology and patents	13,100

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Trade name, trademark, and domain name	4,400
Goodwill	140,958
Total assets acquired	167,407
Liabilities assumed	(2,970)
Total	$164,437

The amortizable intangible assets have useful lives not exceeding five years and a weighted average useful life of five years. No amounts have been allocated to in-process research and development and $141 million has been

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

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

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

Transactions completed in 2010

All Acquisitions–Business Combinations. During the year ended December 31, 2010, the Company acquired four companies, which were accounted for as business combinations. The total purchase price for these acquisitions was $159 million. The total cash consideration of $159 million less cash acquired of $2 million resulted in a net cash outlay of $157 million. Of the purchase price, $105 million was allocated to goodwill, $50 million to amortizable intangible assets, $27 million to tangible assets, $2 million to cash acquired, and $25 million to net assumed liabilities. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

The Company' s business combinations completed in 2010 did not have a material impact on the Company' s consolidated financial statements, and therefore pro forma disclosures have not been presented.

Note 4 INVESTMENTS IN EQUITY INTERESTS

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

	2009	2010	Percent Ownership of Common Stock
Alibaba Group	$2,167,007	$2,280,602	43 %
Yahoo Japan	1,329,281	1,731,287	35 %
Total	$3,496,288	$4,011,889	

Equity Investment in Alibaba Group. On October 23, 2005, the Company acquired approximately 46 percent of the outstanding common stock of Alibaba Group, which represented approximately 40 percent on a fully diluted basis, in exchange for $1.0 billion in cash, the contribution of the Company' s China-based businesses, including 3721 Network Software Company Limited ("Yahoo! China"), and direct transaction costs of $8 million. Another investor in Alibaba Group is SOFTBANK. Alibaba Group is a privately-held company. Through its investment in Alibaba Group, the Company has combined its search capabilities with Alibaba Group' s leading online marketplace and online payment

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

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

The Company' s initial purchase price was based on acquiring a 40 percent equity interest in Alibaba Group on a fully diluted basis; however, the Company acquired a 46 percent interest based on outstanding shares. In allocating the initial excess of the carrying value of the investment in Alibaba Group over its proportionate share of the net assets of Alibaba Group, the Company allocated a portion of the excess to goodwill to account for the estimated reductions in the carrying value of the investment in Alibaba that may occur as the Company' s equity interest is diluted to 40 percent. As of December 31, 2009 and 2010, the Company' s ownership interest in Alibaba Group was approximately 44 percent and 43 percent, respectively.

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

As of December 31, 2010 the difference between the Company' s carrying value of its investment in Alibaba Group and its proportionate share of the net assets of Alibaba Group is summarized as follows (in thousands):

Carrying value of investment in Alibaba Group	$2,280,602
Proportionate share of Alibaba Group stockholders' equity	1,652,344
Excess of carrying value of investment over proportionate share of Alibaba Group' s stockholders' equity(*)	$628,258

(*) The excess carrying value has been primarily assigned to goodwill.

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

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

	Twelve Months Ended September 30,		
	2008	2009	2010
Operating data:			
Revenue	$456,808	$730,336	$1,298,229

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Gross profit	$317,139	$534,974	$986,455
Loss from operations[1]	$(236,017)	$(39,460)	$(14,355)
Net income (loss)[2]	$1,909,009	$(19,932)	$42,463
Net income (loss) attributable to Alibaba Group[2]	$1,870,093	$(57,346)	$(10,743)

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	September 30, 2009	September 30, 2010
Balance sheet data:		
Current assets	$3,191,097	$4,399,571
Long-term assets	$2,308,099	$2,436,976
Current liabilities	$1,559,974	$2,660,043
Long-term liabilities	$24,082	$58,679
Non-voting participating redeemable securities	$1,733	$860
Noncontrolling interests	$223,783	$338,419

(1) The loss from operations of $236 million and $14 million for the years ended September 30, 2008 and 2010, respectively, are primarily due to Alibaba Group' s impairment loss on goodwill and intangible assets for which the Company has no basis in its investment balance.

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

Since acquiring its interest in Alibaba Group, the Company has recorded, in retained earnings, cumulative earnings in equity interests of $308 million and $350 million, respectively as of December 31, 2009 and 2010.

The Company also has commercial arrangements with Alibaba Group to provide technical, development, and advertising services. For the years ended December 31, 2009 and 2010, these transactions were not material.

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

Equity Investment in Yahoo Japan. During April 1996, the Company signed a joint venture agreement with SOFTBANK, which was amended in September 1997, whereby Yahoo Japan Corporation ("Yahoo Japan") was formed. Yahoo Japan was formed to establish and manage a local version of Yahoo! in Japan.

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

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statements. The Company makes adjustments to the earnings in equity interests line in the consolidated statements of income for any differences between U.S. GAAP and Japanese GAAP.

The fair value of the Company' s approximate 35 percent ownership in the common stock of Yahoo Japan, based on the quoted stock price, was approximately $8 billion as of December 31, 2010.

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

As of December 31, 2009 and 2010, the Company' s ownership interest in Yahoo Japan was approximately 35 percent. Prior to and during 2001, Yahoo Japan acquired the Company' s equity interests in certain entities in Japan for total consideration of approximately $65 million, paid partially in shares of Yahoo Japan common stock and partially in cash. As a result of the acquisition, the Company increased its investment in Yahoo Japan, which resulted in approximately $41 million of goodwill. The carrying value of the Company' s investment in Yahoo Japan differs from the amount of the underlying equity in net assets of Yahoo Japan primarily as a result of the goodwill resulting from these transactions. Goodwill is not deductible for tax purposes.

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During the years ended December 31, 2008, 2009 and 2010, the Company received cash dividends from Yahoo Japan in the amounts of $19 million, $26 million, and $61 million, net of tax, respectively, which were recorded as reductions in the Company’ s investment in Yahoo Japan.

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

	Twelve Months Ended September 30,		
	2008	**2009**	**2010**
Operating data:			
Revenue	$2,697,518	$3,172,106	$3,563,989
Gross profit	$2,298,364	$2,652,513	$2,882,992
Income from operations	$1,217,895	$1,443,374	$1,679,221
Net income	$659,867	$813,759	$981,388
Net income attributable to Yahoo Japan	$653,132	$810,059	$975,715

	September 30,	
	2009	**2010**
Balance sheet data:		
Current assets	$1,599,624	$2,332,325
Long-term assets	$2,395,863	$2,679,566
Current liabilities	$997,722	$938,985
Long-term liabilities	$3,556	$30,132

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Noncontrolling interests	$26,662	$28,774

Since acquiring its equity interest in Yahoo Japan, the Company has recorded cumulative earnings in equity interests, net of dividends received and related taxes, of $1.1 billion and $1.5 billion as of December 31, 2009 and 2010, respectively.

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 $296 million, $303 million, and $308 million, respectively, for the years ended December 31, 2008, 2009, and 2010. As of December 31, 2009 and 2010, the Company had net receivable balances from Yahoo Japan of approximately $41 million and $40 million, respectively.

Note 5 GOODWILL

The changes in the carrying amount of goodwill for the years ended December 31, 2009 and 2010 were as follows (in thousands):

	Americas[1]	EMEA[2][4]	Asia Pacific[3][5]	Total
Net balance as of January 1, 2009	$2,608,708	$452,682	$ 379,499	$3,440,889
Acquisitions	10,678	142,056	6,350	159,084
Foreign currency translation adjustments	6,729	23,697	9,974	40,400
Net balance as of December 31, 2009	$2,626,115	$618,435	$ 395,823	$3,640,373
Acquisitions and other[6]	44,386	(1,098)	(318)	42,970
Foreign currency translation adjustments	805	(32,277)	29,774	(1,698)
Net balance as of December 31, 2010	$2,671,306	$585,060	$ 425,279	$3,681,645

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(1) Gross goodwill balances for the Americas segment were $2.6 billion and $2.7 billion as of January 1, 2009 and December 31, 2010, respectively.

(2) Gross goodwill balances for the EMEA segment were $0.9 billion and $1.1 billion as of January 1, 2009 and December 31, 2010, respectively.

(3) Gross goodwill balances for the Asia Pacific ("APAC") segment were $0.4 billion and $0.5 billion as of January 1, 2009 and December 31, 2010, respectively.

(4) EMEA segment includes accumulated impairment losses of $488 million as of both January 1, 2009 and December 31, 2010.

(5) APAC segment includes accumulated impairment losses of $64 million as of both January 1, 2009 and December 31, 2010.

(6) Other includes reductions of $19 million and $41 million, respectively, of goodwill in the Americas segment related to the sales of Zimbra, Inc. and HotJobs.

Note 6 INTANGIBLE ASSETS, NET

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

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

	December 31, 2010		
	Gross Carrying Amount	Accumulated Amortization(*)	Net

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Customer, affiliate, and advertiser related relationships	$ 132,298	$ (70,194)	$62,104
Developed technology and patents	393,036	(225,139)	167,897
Trade names, trademarks, and domain names	69,346	(43,477)	25,869
Total intangible assets, net	$ 594,680	$ (338,810)	$255,870

(*) Foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, totaled approximately $15 million as of December 31, 2009 and $18 million as of December 31, 2010.

The intangible assets have original estimated useful lives as follows:

Customer, affiliate, and advertiser related relationships−three to eight years;

Developed technology and patents−less than one year to eight years; and

Trade names, trademarks, and domain names−one year to indefinite lived.

The Company recognized amortization expense of intangible assets of approximately $281 million, $184 million, and $127 million for 2008, 2009, and 2010, respectively, including $194 million, $145 million, and $96 million, respectively, included in cost of revenue. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for each of the succeeding years is as follows: 2011: $104 million; 2012: $76 million; 2013: $36 million; 2014: $21 million; 2015: $3 million; and cumulatively thereafter: less than $1 million.

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Note 7 CONSOLIDATED FINANCIAL STATEMENT DETAILS

Other income, net

Other income, net for 2008, 2009, and 2010 were as follows (in thousands):

	Years Ended December 31,		
	2008	2009	2010
Interest and investment income	$86,056	$22,116	$23,062
Gain on sale of Kelkoo SAS	25,149	–	–
Imputed interest on convertible debt	(9,088)	–	–
Gain on sales of marketable equity securities	–	164,851	–
Gain on sale of Zimbra, Inc.	–	–	66,130
Gain on sale of HotJobs	–	–	186,345
Other	(28,367)	561	22,332
Total other income, net	$73,750	$187,528	$297,869

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

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

Imputed interest on convertible debt relates to the Company’ s $750 million of zero coupon senior convertible notes (the “Notes”) issued in 2003 and converted into shares of Yahoo! common stock during the year ended December 31, 2008. Authoritative guidance from the FASB requires interest to be imputed on the Notes using the Company’ s borrowing rate at the time of issuance, estimated to be 5 percent.

Gains on sales of marketable equity securities include gains from sales of publicly traded companies. In May 2009, the Company sold all of its Gmarket shares for net proceeds of $120 million and recorded a pre-tax gain of $67 million. In September 2009, the Company sold its direct investment in Alibaba.com for net proceeds of $145 million and recorded a pre-tax gain of $98 million.

In February 2010, the Company sold Zimbra, Inc. for net proceeds of $100 million and recorded a pre-tax gain of $66 million. In August 2010, the Company sold HotJobs for net proceeds of $225 million and recorded a pre-tax gain of $186 million.

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Other consists of foreign exchange gains and losses due to re-measurement of monetary assets and liabilities denominated in non-functional currencies, gains/losses from sales of marketable debt securities and/or investments in privately-held companies, and other non-operating items.

Prepaid expenses and other current assets

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

	2009	2010
Prepaid expenses	$74,409	$61,964
Deferred income taxes (Note 9)	201,614	148,648
Other receivables non-trade	19,474	71,288
Other	4,828	150,660
Total prepaid expenses and other current assets	$300,325	$432,560

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Property and equipment, net

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

	2009	2010
Land	$170,949	$208,481
Buildings	256,215	480,412
Leasehold improvements	304,421	236,576
Computers and equipment[1]	1,844,776	1,392,452
Furniture and fixtures	62,685	57,427
Assets not yet in use	142,899	175,830
	2,781,945	2,551,178
Less: accumulated depreciation and amortization[2]	(1,355,083)	(897,756)
Total property and equipment, net	$1,426,862	$1,653,422

(1) Includes data center equipment acquired under a capital lease of approximately $43 million and $40 million, respectively, as of December 31, 2009 and 2010.

(2) Includes $6 million and $9 million of accumulated depreciation related to the capital lease as of December 31, 2009 and 2010, respectively.

Other long-term assets

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

	2009	2010
Deferred income taxes (Note 9)	$74,299	$42,960
Investments in privately-held companies	44,220	45,013

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Investments in publicly-held companies	2,597	1,469
Other	73,817	145,694
Total other long-term assets	$194,933	$235,136

Accrued expenses and other current liabilities

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

	2009	2010
Accrued content, connection, traffic acquisition, and other costs	$356,462	$271,354
Deferred income taxes (Note 9)	2,622	1,923
Accrued compensation and related expenses	337,387	368,368
Accrued taxes payable	59,515	28,031
Accrued professional service expenses	56,684	66,803
Accrued sales and marketing related expenses	52,484	28,564
Accrued restructuring costs	45,936	58,125
Current liability for uncertain tax contingencies	53,858	111,997
Other	204,867	273,627
Total accrued expenses and other current liabilities	$1,169,815	$1,208,792

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Deferred and other long-term tax liabilities, net

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

	2009	2010
Deferred income taxes	$59,473	$199,011
Long-term liability for uncertain tax contingencies(*)	434,622	307,647
Total deferred and other long-term tax liabilities, net (Note 9)	$494,095	$506,658

(*) Includes interest and penalties.

Accumulated other comprehensive income

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

	2009	2010
Unrealized gains and losses on available-for-sale securities, net of tax	$4,921	$8,734
Foreign currency translation, net of tax	364,315	495,520
Accumulated other comprehensive income	$369,236	$504,254

Note 8 INVESTMENTS

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

	December 31, 2009			
	Gross Amortized Costs	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$1,781,674	$ 868	$(1,825)	$1,780,717
Municipal bonds	465,823	739	(3)	466,559
Corporate debt securities, commercial paper, and bank certificates of deposit	995,291	1,305	(1,298)	995,298

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Corporate equity securities	2,597	–	–	2,597
Total investments in available-for-sale securities	$3,245,385	$ 2,912	$ (3,126)	$3,245,171

	December 31, 2010			
	Gross Amortized Costs	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Fair Value**
Government and agency securities	$1,353,064	$ 1,513	$ (514)	$1,354,063
Municipal bonds	6,609	8	–	6,617
Corporate debt securities, commercial paper, and bank certificates of deposit	740,043	1,608	(76)	741,575
Corporate equity securities	2,597	–	(1,128)	1,469
Total investments in available-for-sale securities	$2,102,313	$ 3,129	$ (1,718)	$2,103,724

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	December 31,	
	2009	2010
Reported as:		
Short-term marketable debt securities	$2,015,655	$1,357,661
Long-term marketable debt securities	1,226,919	744,594
Other assets	2,597	1,469
Total	$3,245,171	$2,103,724

Available-for-sale securities included in cash and cash equivalents on the consolidated balance sheets are not included in the table above as the gross unrealized gains and losses were immaterial for both 2009 and 2010 as the carrying value approximates fair value because of the short maturity of those instruments.

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

	December 31,	
	2009	2010
Due within one year	$2,015,655	$1,357,661
Due after one year through five years	1,226,919	744,594
Total available-for-sale marketable debt securities	$3,242,574	$2,102,255

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

	December 31, 2009					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$886,657	$(1,825)	$ –	$ –	$886,657	$(1,825)

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	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Municipal bonds	8,760	(3)	–	–	8,760	(3)
Corporate debt securities, commercial paper, and bank certificates of deposit	352,031	(1,298)	–	–	352,031	(1,298)
Total investments in available-for-sale securities	$1,247,448	$(3,126)	$ –	$ –	$1,247,448	$(3,126)

	December 31, 2010					
	Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$539,287	$(514)	$ –	$ –	$539,287	$(514)
Corporate debt securities, commercial paper, and bank certificates of deposit	153,209	(75)	6,006	(1)	159,215	(76)
Corporate equity securities	1,469	(1,128)	–	–	1,469	(1,128)
Total investments in available-for-sale securities	$693,965	$(1,717)	$ 6,006	$ (1)	$699,971	$(1,718)

The Company' s investment portfolio consists of liquid high-quality fixed income government, agency, municipal, and corporate debt securities, money market funds, and time deposits with financial institutions.

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

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

Basis of Fair Value Measurement

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

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

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

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

	Fair Value Measurements at Reporting Date Using		
Assets	**Level 1**	**Level 2**	**Total**
Money market funds[1]	$364,602	$–	$364,602
Available-for-sale securities:			
Government and agency securities[1]	–	1,938,608	1,938,608
Municipal bonds[1]	–	470,031	470,031
Commercial paper and bank certificates of deposit[1]	–	445,786	445,786
Corporate debt securities[1]	–	641,104	641,104
Available-for-sale securities at fair value	$364,602	$3,495,529	$3,860,131

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Corporate equity securities[2]	2,597	–	2,597
Total assets at fair value	$367,199	$3,495,529	$3,862,728

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

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

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

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The following table sets forth the financial assets, measured at fair value, by level within the fair value hierarchy as of December 31, 2010 (in thousands):

	Fair Value Measurements at Reporting Date Using		
Assets	**Level 1**	**Level 2**	**Total**
Money market funds[1]	$291,268	$–	$291,268
Available-for-sale securities:			
Government and agency securities[1]	–	1,401,991	1,401,991
Municipal bonds[1]	–	26,269	26,269
Commercial paper and bank certificates of deposit[1]	–	218,485	218,485
Corporate debt securities[1]	–	576,378	576,378
Available-for-sale securities at fair value	$291,268	$2,223,123	$2,514,391
Corporate equity securities[2]	1,469	–	1,469
Total assets at fair value	$292,737	$2,223,123	$2,515,860

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

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

The amount of cash and cash equivalents as of December 31, 2010 includes $1.1 billion in cash deposited with commercial banks, of which $425 million are time deposits.

The fair values of the Company' s Level 1 financial assets are based on quoted market prices of the identical underlying security. The fair values of the Company' s Level 2 financial assets are obtained from readily-available pricing sources for the identical underlying security that may not be actively traded. The Company utilizes a pricing service to assist in obtaining fair value pricing for the majority of this investment

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portfolio. The Company conducts reviews on a quarterly basis to verify pricing, assess liquidity, and determine if significant inputs have changed that would impact the fair value hierarchy disclosure. During the year ended December 31, 2010, the Company did not make significant transfers between Level 1 and Level 2 assets. As of December 31, 2009 and December 31, 2010, the Company did not have any significant Level 3 financial assets.

Note 9 INCOME TAXES

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

	Years Ended December 31,		
	2008	2009	2010
United States	$448,175	$387,212	$872,042
Foreign(*)	(361,462)	187,008	198,351
Income before provision for income taxes and earnings in equity interests	$86,713	$574,220	$1,070,393

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

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

	Years Ended December 31,		
	2008	2009	2010
Current:			
United States federal	$228,209	$191,845	$26,342
State	16,603	51,662	39,258
Foreign	53,229	66,376	43,341
Total current provision for income taxes	298,041	309,883	108,941
Deferred:			
United States federal	8,987	(32,385)	67,621
State	(35,064)	(58,660)	37,438
Foreign	(12,958)	483	7,523
Total deferred provision (benefit) for income taxes	(39,035)	(90,562)	112,582
Provision for income taxes	$259,006	$219,321	$221,523

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

	Years Ended December 31,		
	2008	2009	2010
Income tax at the U.S. federal statutory rate of 35 percent	$30,349	$200,976	$374,638
State income taxes, net of federal benefit	(8,925)	(4,549)	54,268

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Change in valuation allowance	25,674	13,521	(1,315)
Stock-based compensation expense	44,938	28,322	4,404
Research tax credits	(13,954)	(11,046)	(10,345)
Effect of non-U.S. operations	18,403	20,126	(17,344)
Resolution with tax authorities	(5,245)	–	(159,168)
Tax gain in excess of book gain from sales of Zimbra, Inc. and HotJobs due to basis differences	–	–	23,184
Nondeductible goodwill	170,644	–	–
Tax restructuring	–	(25,583)	(43,361)
Other	(2,878)	(2,446)	(3,438)
Provision for income taxes	$259,006	$219,321	$221,523

The 2010 differences above are further explained as follows:

State taxes are higher in 2010 than in prior years due to a reduction of deferred tax assets associated with an effective tax rate reduction in California starting in 2011.

Stock-based compensation increases the Company' s effective tax rate to the extent that stock-based compensation expense recorded in the Company' s financial statements is non-deductible for tax purposes. This primarily occurs with regard to options granted outside the U.S. The 2010 effective tax rate increase is lower than in prior years due to recently granted stock-based compensation awards having a lower grant date fair value than stock-based compensation awards from prior years. That effect results in a lower non-deductible expense for financial statement purposes and a lower increase to the Company' s effective tax rate. Additionally, in 2010 there is a lower effective tax rate impact associated with non-deductible stock-based compensation awards related to prior year acquisitions to the extent such awards became vested or forfeited in 2010.

The Company' s effective tax rate in all periods is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Operating losses in some non-U.S. jurisdictions cannot be used to offset profits and thus increase the overall effective tax rate. The impact of those losses in 2010 was lower than in prior years. Additionally, in 2010, the Company benefited from increased profit in lower tax jurisdictions, primarily in Asia.

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In 2010, the Company had a favorable resolution of certain issues in an IRS examination of its 2005 and 2006 U.S. federal income tax returns resulting in a reduction of reserves for tax uncertainties and the availability of capital loss carryforwards to offset the tax on the gain from the sales of Zimbra, Inc. and HotJobs.

During 2010, in connection with tax restructuring activities, the Company reached a formal agreement with the IRS through a pre-filing agreement to treat certain intercompany bad debts as deductible business expenses on the 2009 federal income tax return.

The 2008 provision for income taxes reflects a $488 million goodwill impairment charge, the majority of which was non-deductible for tax purposes. In addition, the 2008 effective tax rate also included the cumulative tax benefit of a favorable state tax ruling granted in 2008 and retroactive to 2007.

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

	December 31,	
	2009	2010
Deferred income tax assets:		
Net operating loss and tax credit carryforwards	$171,883	$152,138
Stock-based compensation expense	234,108	178,294
Non-deductible reserves and expenses	268,015	166,015
Intangible assets	14,336	9,283
Gross deferred income tax assets	688,342	505,730
Valuation allowance	(63,364)	(60,176)
Deferred income tax assets	$624,978	$445,554
Deferred income tax liabilities:		

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Unrealized investment gains	$4,404	$3,192
Purchased intangible assets	(9,684)	(11,050)
Investments in equity interests	(405,880)	(447,022)
Deferred income tax liabilities	$(411,160)	$(454,880)
Net deferred income tax assets (liabilities)	$213,818	$(9,326)

As of December 31, 2010, the Company' s federal and state net operating loss carryforwards for income tax purposes were approximately $211 million and $26 million, respectively. If not utilized, the federal and state net operating loss carryforwards will begin to expire in 2021. The Company' s federal and state research tax credit carryforwards for income tax purposes are approximately $115 million and $183 million, respectively. If not utilized, the federal research tax credit carryforwards will begin to expire in 2019. The state research tax credit carryforwards will not expire. Federal and state net operating loss and tax credit carryforwards that result from the exercise of employee stock options are not recorded on the Company' s consolidated balance sheets. Federal and state net operating loss and tax credit carryforwards that result from the exercise of employee stock options are accounted for as a credit to additional paid-in capital if and when realized through a reduction in income taxes payable.

The Company has a valuation allowance of approximately $60 million as of December 31, 2010 against certain deferred income tax assets that are not more likely than not to be realized in future periods. In evaluating the Company' s ability to realize its deferred income tax assets, the Company considers all available positive and negative evidence, including operating results, ongoing tax planning, and forecasts of future taxable income on a jurisdiction by jurisdiction basis. The valuation allowance as of December 31, 2010 relates primarily to foreign net operating loss and credit carryforwards that will reduce the provision for income taxes if and when recognized.

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The Company provides U.S. income taxes on the earnings of foreign subsidiaries unless the subsidiaries' earnings are considered indefinitely reinvested outside the U.S. As of December 31, 2010, U.S. income taxes were not provided for on a cumulative total of $2.6 billion of undistributed earnings for certain foreign subsidiaries and a corporate joint venture. If these earnings were to be repatriated, the Company would be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

The total amount of gross unrecognized tax benefits was $597 million as of December 31, 2010, of which up to $437 million would affect the Company's effective tax rate if realized. A reconciliation of the beginning and ending amount of unrecognized tax benefits in 2009 and 2010 is as follows (in thousands):

	2009	2010
Unrecognized tax benefits balance at January 1	$798,057	$893,475
Gross increase for tax positions of prior years	18,027	44,978
Gross decrease for tax positions of prior years	(16,044)	(370,363)
Gross increase for tax positions of current year	102,855	48,570
Gross decrease for tax positions of current year	–	–
Settlements	(9,420)	(19,293)
Lapse of statute of limitations	–	(312)
Unrecognized tax benefits balance at December 31	$893,475	$597,055

The total unrecognized tax benefits as of December 31, 2009 and 2010 include approximately $420 million and $193 million, respectively, of unrecognized tax benefits that have been netted against the related deferred tax assets. The remaining balances are recorded on the Company's consolidated balance sheets as follows (in thousands):

	December 31,	
	2009	2010
Total unrecognized tax benefits balance	$893,475	$597,055
Amounts netted against related deferred tax assets	(419,782)	(193,275)

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Unrecognized tax benefits recorded on consolidated balance sheets	$473,693	$403,780
Amounts classified as accrued expenses and other current liabilities	$53,858	$111,997
Amounts classified as deferred and other long-term tax liabilities, net	419,835	291,783
Unrecognized tax benefits recorded on consolidated balance sheets	$473,693	$403,780

The Company recognizes interest and/or penalties related to uncertain tax positions in income tax expense. To the extent accrued interest and penalties do not ultimately become payable, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision in the period that such determination is made. During 2009 and 2010, interest and penalties recorded in the consolidated statements of income were $3 million and $4 million, respectively. The amounts of accrued interest and penalties recorded on the consolidated balance sheets as of December 31, 2009 and 2010 were approximately $15 million and $16 million, respectively.

The Company' s gross amount of unrecognized tax benefits as of December 31, 2010 is $597 million, of which $420 million is recorded on the consolidated balance sheets. The agreements reached in 2010 with the IRS resulted in a reduction to the Company' s gross unrecognized tax benefits of $357 million. Of this $357 million reduction in unrecognized tax benefits, $202 million resulted in an effective tax rate benefit. The reduction to the gross unrecognized tax benefits has been partially offset by increases from current year tax positions. In total, the gross unrecognized tax benefits as of December 31, 2010 decreased by $296 million from the recorded balance as of December 31, 2009.

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The Company files income tax returns in the U.S. federal jurisdiction and in many U.S. states and foreign jurisdictions. The tax years 1995 to 2009 remain open to examination by the major taxing jurisdictions in which the Company is subject to tax.

During the year ended December 31, 2010, the IRS completed its field examination of the Company' s 2005 and 2006 tax returns and issued notices of proposed adjustment. The Company reached an agreement with the IRS in connection with several of the adjustments and adjusted its reserves accordingly. There are other proposed adjustments, including an intercompany transfer pricing matter which could have a significant impact on its tax liability in future years if not resolved favorably. The Company has not agreed to these other proposed adjustments and is contesting them through the administrative process. In the third quarter of 2010, the Company completed a Fast Track Settlement process with the IRS related to certain capital losses that became available for use. In the fourth quarter of 2010, the Company reached a formal agreement through a pre-filing agreement with the IRS to treat certain bad debt expense as a deductible business expense on the 2009 federal income tax return. The Company has recognized a benefit in 2010 for both capital loss and bad debt expense as a result of the resolution with the IRS.

During the year ended December 31, 2010, the IRS commenced an examination of the Company' s 2007 and 2008 tax returns. The Company is also under audit by the California Franchise Tax Board for its 2005 and 2006 tax returns. The Company believes its existing reserves for all tax matters are adequate. The Company also filed with the IRS amended federal tax returns for its fiscal years 2000 to 2008, to elect foreign tax credits for foreign taxes paid versus the previous election to deduct foreign taxes from taxable income, reducing income taxes payable by $102 million. The Company' s tax provisions for all years had been computed on the basis of foreign tax credits, and differences between book and tax treatment were charged to additional paid-in capital due to the interaction of stock option deductions and the foreign tax credit computations. Accordingly, the $102 million was recorded as a credit to additional paid-in capital with a corresponding reduction of $49 million in current year income taxes payable and a $53 million receivable from the IRS for taxes paid in prior years.

The Company is in various stages of the examination and appeals process in connection with all of its tax audits worldwide and it is difficult to determine when these examinations will be settled. It is reasonably possible that over the next twelve-month period the Company may experience an increase or decrease in its unrecognized tax benefits. It is not possible to determine either the magnitude or the range of any increase or decrease at this time.

Note 10 STOCKHOLDERS' EQUITY

Stockholder Rights Plan. The Company adopted a stockholder rights plan and initially declared a dividend distribution of one right for each outstanding share of common stock to stockholders of record as of March 20, 2001. As a result of the Company' s two-for-one stock split effective May 11, 2004, each share of common stock is now associated with one-half of one right. Each right entitles the holder to purchase one unit consisting of one one-thousandth of a share of the Company' s Series A Junior Participating Preferred Stock for $250 per unit. Under certain circumstances, if a person or group acquires 15 percent or more of the Company' s outstanding common stock, holders of the rights (other than the person or group triggering their exercise) will be able to purchase, in exchange for the $250 exercise price, shares of its common stock or of any company into which the Company is merged having a value of $500. Because the rights may substantially dilute the stock ownership of a person or group attempting to take over the Company without the approval of the Company' s Board of Directors (the "Board"), the Company' s rights plan could make it more difficult for a third-party to acquire the Company (or a significant percentage of its outstanding capital stock) without first negotiating with the Board regarding that acquisition. The rights plan expires on March 1, 2011, and the Board does not currently intend to renew the plan.

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

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by the stockholders. The stockholder rights plan was not adopted in response to any effort to acquire control of the Company. The Company repurchases its common stock from time to time in part to reduce the dilutive effects of its stock options, awards, and employee stock purchase plan.

Stock Repurchases. In October 2006, the Board authorized a stock repurchase program allowing the Company to repurchase up to $3 billion of its outstanding shares of common stock from time to time over the next five years from the date of authorization, dependent on market conditions, stock price, and other factors. Repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

On June 24, 2010, the Board approved a new stock repurchase program. Under the new program, which expires in June 2013, the Company is authorized to repurchase up to $3 billion of its outstanding shares of common stock from time to time. The repurchases may take place in the open market or in privately negotiated transactions, including derivative transactions, and may be made under a Rule 10b5-1 plan.

Under the October 2006 program, in the year ended December 31, 2008, the Company repurchased 3 million shares of common stock directly at an average price of $23.39 per share, for total consideration of $79 million. Under the October 2006 program, in the year ended December 31, 2009, the Company repurchased 7 million shares of common stock directly at an average price of $15.31 per share, for total consideration of $113 million. During the year ended December 31, 2010, 63 million shares were repurchased under the October 2006 program for a total of $973 million, which exhausted the repurchase under the October 2006 program, and 56 million shares were repurchased under the June 2010 program for a total of $776 million, resulting in aggregate repurchases during the period of 119 million shares for a total of $1,749 million at an average price of $14.68 per share. As of December 31, 2010, the June 2010 program had remaining authorized purchase capacity of $2,224 million.

As of December 31, 2010, the Company has repurchased and retired 335 million shares, resulting in reductions of $0.3 million in common stock, $2.5 billion in additional paid-in capital, and $4.6 billion in retained earnings. Treasury stock is accounted for under the cost method.

Note 11 EMPLOYEE BENEFITS

Benefit Plans. The Company maintains a Yahoo! Inc. 401(k) Plan (the "401(k) Plan") for its full-time employees in the U.S. The 401(k) Plan allows employees of the Company to contribute up to the Internal Revenue Code prescribed maximum amount. Employees may elect to contribute from 1 to 50 percent of their annual compensation to the 401(k) Plan. The Company matches employee contributions at a rate of 25 percent. During 2008 and 2009, employee contributions were fully vested, whereas vesting in matching Company contributions occurred at a rate of 33 percent per year of employment. Beginning in 2010, both employee and employer contributions vest immediately upon contribution. During 2008, 2009, and 2010, the Company' s contributions to the 401(k) Plan amounted to approximately $21 million, $18 million, and $21 million, respectively. The Company also contributed approximately $26 million, $20 million, and $23 million to its other benefit plans outside of the U.S. for 2008, 2009, and 2010, respectively.

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

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

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

The 1995 Stock Plan provides for the issuance of a maximum of 754 million shares of which 123 million shares were still available for issuance as of December 31, 2010.

The Directors' Plan provides for the grant of nonqualified stock options and restricted stock units to non-employee directors of the Company. The Directors' Plan provides for the issuance of up to 9 million shares of the Company' s common stock, of which approximately 5 million were still available for issuance as of December 31, 2010. Each share of the Company' s common stock issued in settlement of restricted stock units granted under the Directors' Plan is counted as 1.75 shares against the Directors' Plan' s share limit.

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

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

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

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

The Employee Stock Purchase Plan provides for the issuance of a maximum of 75 million shares of common stock of which 31 million shares were available as of December 31, 2010. For the years ended December 31, 2008, 2009, and 2010, stock-based compensation expense related to the activity under the plan was $52 million, $55 million, and $26 million, respectively. As of December 31, 2010, there was $60 million of unamortized stock-based compensation cost related to the Employee Stock Purchase Plan which will be recognized over a weighted average period of 1.2 years.

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

	Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2009	119,593	$ 25.74	3.78	$ 209,807
Options granted	11,138	$ 14.85		
Options assumed	649	$ 2.27		
Options exercised[1]	(7,629)	$ 9.36		
Options cancelled/forfeited	(10,424)	$ 17.90		
Options expired	(32,351)	$ 37.21		
Outstanding at December 31, 2010	80,976	$ 22.02	3.87	$ 147,887
Vested and expected to vest at December 31, 2010[2]	77,203	$ 22.19	3.78	$ 138,988
Exercisable at December 31, 2010	52,671	$ 24.83	3.05	$ 82,158

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

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

The weighted average grant date fair value of options granted in the years ended December 31, 2008, 2009, and 2010 was $7.66, $5.59, and $5.27 per share, respectively.

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the aggregate difference between the closing stock price of the Company' s common stock on December 31, 2010 and the exercise price for in-the-money options) that would have been received by the option holders if all in-the-money options had been exercised on December 31, 2010.

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The total intrinsic value of options exercised in the years ended December 31, 2008, 2009, and 2010 was $233 million, $51 million, and $49 million, respectively.

As of December 31, 2010, there was $115 million of unamortized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 2.3 years.

Cash received from option exercises and purchases of shares under the Employee Stock Purchase Plan for the year ended December 31, 2010 was $167 million.

The total tax benefit attributable to stock options exercised in the year ended December 31, 2010 was $72 million.

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

	Stock Options			Purchase Plans[5]		
	Years Ended December 31,			Years Ended December 31,		
	2008	2009	2010	2008	2009	2010
Expected dividend yield[1]	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Risk-free interest rate[2]	2.6 %	1.9 %	1.6 %	2.4 %	2.7 %	2.1 %
Expected volatility[3]	47.4 %	45.8 %	34.7 %	71.8 %	63.2 %	60.5 %
Expected life (in years)[4]	3.97	4.00	4.06	1.15	1.04	0.55

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

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

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

(4) The expected life of stock options granted under the Plans is based on historical exercise patterns, which the Company believes are representative of future behavior. New grants issued by the Company had an expected life of 4 years in 2008 and 2009 and 4.5 years in 2010. Options assumed in acquisitions had expected lives of less than 4 years. The expected life of options granted under the Employee Stock Purchase Plan represents the amount of time remaining in the 24-month offering period.

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

Restricted stock awards activity for the year ended December 31, 2010 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value
Awarded and unvested at December 31, 2009	26,189	$ 21.14
Granted	20,259	$ 15.65
Assumed	546	$ 15.55
Vested	(8,485)	$ 22.90
Forfeited	(7,114)	$ 16.88
Awarded and unvested at December 31, 2010	31,395	$ 17.99

As of December 31, 2010, there was $248 million of unamortized stock-based compensation cost related to unvested restricted stock awards, which is expected to be recognized over a weighted average period of 2.6 years. The total fair value of restricted stock awards vested during the years ended December 31, 2008, 2009, and 2010 was $301 million, $375 million, and $195 million, respectively.

During the year ended December 31, 2010, 8.5 million shares subject to previously granted restricted stock awards and restricted stock units vested. A majority of these vested restricted stock awards and restricted stock units were net share settled. The Company withheld 3.1 million

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shares based upon the Company' s closing stock price on the vesting date to settle the employees' minimum statutory obligation for the applicable income and other employment taxes. The Company then remitted cash to the appropriate taxing authorities.

Total payments for the employees' tax obligations to the relevant taxing authorities were $49 million for the year ended December 31, 2010 and are reflected as a financing activity within the 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.

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

In 2008, 2009, and 2010, $125 million, $108 million, and $131 million, respectively, of excess tax benefits from stock-based awards for options exercised in current and prior periods were included as a source of cash flows from financing activities. These excess tax benefits represent the reduction in income taxes otherwise payable during the period, attributable to the actual gross tax benefits in excess of the expected tax benefits for options

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exercised in current and prior periods. The Company has accumulated excess tax deductions relating to stock options exercised prior to January 1, 2006 available to reduce income taxes otherwise payable. To the extent such deductions reduce income taxes payable in the current year, they are reported as financing activities in the consolidated statements of cash flows.

CEO Inducement Option and Make-up Equity. On January 30, 2009, Carol Bartz, the Company' s CEO, was granted a stock option covering 5.0 million shares of the Company' s common stock, with a per share exercise price of $11.73 (the closing price of the common stock on the grant date) and a maximum term of seven years ("Inducement Option"). Vesting of the Inducement Option is dependent on whether the average closing price for the Company' s common stock for 20 consecutive trading days prior to January 1, 2013 (or the price immediately preceding a change in control of the Company if it occurs pursuant to an agreement signed before that date) exceeds certain levels that range from 150 percent to 300 percent ($17.60 to $35.19) of Yahoo!' s closing stock price on the date of grant of the Inducement Option. As of December 31, 2010, no portion of the award has vested. Any shares acquired by Ms. Bartz upon exercise of the Inducement Option must be held until January 1, 2013, except in the event of her death or a change in control. The Company determined the grant-date fair value of the Inducement Option to be $27 million and the weighted average derived requisite service period of the award to be 1.2 years. The grant-date fair value of the Inducement Option was expensed over the weighted average derived requisite service period.

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

Performance-Based Executive Incentive Restricted Stock Units. In February 2009, the Compensation Committee approved long-term performance-based incentive equity awards to Ms. Bartz and other senior officers, including two types of restricted stock units that vest based on the Company' s achievement of certain performance goals. For both types of restricted stock units, the number of shares which ultimately vest will range from 0 percent to 200 percent of the target amount stated in each executive' s award agreement based on the performance of the Company relative to the applicable performance target. The first type of restricted stock unit generally will vest on the third anniversary of the grant date based on the Company' s attainment of certain annual financial performance targets as well as the executive' s continued employment through that vesting date. The annual financial performance targets are established at the beginning of each fiscal year and, accordingly, the tranche of the award subject to each annual target is treated as a separate annual grant for accounting purposes. The fair value of each of the 2009 tranche and the 2010 tranche of the February 2009 annual financial performance restricted stock unit grant was $3 million. Based on the Company' s relative attainment of the 2009 performance target, 75 percent of the target amount of the 2009 tranche shares will vest, provided each executive remains employed through the third anniversary of the grant date. For accounting purposes, the 2009 and 2010 tranches are being recognized as stock-based compensation expense over a three- and two-year service period, respectively. The second type of restricted stock unit generally will vest following the third anniversary of the grant date based on the Company' s attainment of certain levels of total stockholder return relative to the returns for the NASDAQ 100 Index companies as well as the executive' s continued employment through that vesting date. The fair value of these restricted stock units is $13 million and is being recognized as stock-based compensation expense over a three-year service period.

Separately in February 2010, the Compensation Committee approved additional long-term performance-based incentive equity awards to Ms. Bartz and other senior officers, including two types of restricted stock units that vest based on the Company' s achievement of certain performance goals. For both types of restricted stock units, the number of shares which ultimately vest will range from 0 percent to 200 percent of the target amount stated in each executive' s award agreement based on the performance of the Company relative to the applicable

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performance target. The first type of restricted stock unit generally will vest on the third anniversary of the grant date based on the Company' s attainment of certain annual financial performance targets as well as the executive' s continued employment through that vesting date. The annual financial performance targets are established at the beginning of each fiscal year and, accordingly, the portion of the award subject to each annual target is treated as a separate annual grant for accounting purposes. The amount of stock-based compensation recorded for the first type of restricted stock unit will vary depending on the Company' s attainment of annual financial performance targets and the completion of the service period. The fair value of the 2010 tranche of the February 2010 annual financial performance restricted stock unit grant is $4 million and is being recognized as stock-based compensation expense over a three-year service period. The second type of restricted stock unit generally will vest following the third anniversary of the grant date based on the Company' s attainment of certain levels of total stockholder return relative to the returns for the NASDAQ 100 Index companies as well as the executive' s continued employment through that vesting date. The fair value of these restricted stock units is $15 million and is being recognized as stock-based compensation expense over a three-year service period.

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 up to 13 years which expire between 2010 and 2019.

In 2008, the Company entered into an 11-year lease agreement for a data center in the western U.S. Of the total expected minimum lease commitment of $105 million, $21 million was classified as an operating lease for real estate and $84 million was classified as a capital lease for equipment. As of December 31, 2010, the Company had total expected and remaining minimum lease commitments of approximately $86 million over the lease term. The Company has the option to renew this lease for up to an additional 10 years.

During the second quarter of 2010, the Company acquired certain office space for a total of $72 million ($7 million in cash and the assumption of $65 million in debt). In the first quarter of 2010, the property was reclassified from an operating lease to a capital lease as a result of a commitment to purchase the property. Accordingly, in the second quarter the Company reduced the capital lease obligation for the $7 million cash outlay and reclassified the remaining $65 million as assumed debt in its consolidated balance sheets.

Rent expense for all operating leases was approximately $103 million, $90 million, and $81 million for 2008, 2009, and 2010, respectively.

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

Gross and net lease commitments as of December 31, 2010 can be summarized as follows (in millions):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Years ending December 31,			
2011	$ 165	$ (8)	$ 157
2012	134	(8)	126
2013	113	(7)	106

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2014	89	(8)	81
2015	70	(6)	64
Due after 5 years	70	(1)	69
Total gross and net lease commitments	$ 641	$ (38)	$ 603

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	Capital Lease Commitment
Years ending December 31,	
2011	$ 7
2012	7
2013	8
2014	8
2015	8
Due after 5 years	30
Gross lease commitment	$ 68
Less: interest	(28)
Net lease commitment included in capital lease and other long-term liabilities	$ 40

Affiliate Commitments. In connection with contracts to provide advertising services to Affiliates, the Company is obligated to make payments, which represent TAC, to its Affiliates. As of December 31, 2010, these commitments totaled $95 million, of which $86 million will be payable in 2011, $6 million will be payable in 2012, and $3 million will be payable in 2013.

Non-cancelable Obligations. The Company is obligated to make payments under various non-cancelable arrangements with vendors and other business partners, principally for marketing, bandwidth, co-location, and content arrangements. As of December 31, 2010, these commitments totaled $191 million, of which $95 million will be payable in 2011, $42 million will be payable in 2012, $25 million will be payable in 2013, $4 million will be payable in 2014, $3 million will be payable in 2015, and $22 million will be payable thereafter.

Intellectual Property Rights. The Company is committed to make certain payments under various intellectual property arrangements of up to $37 million through 2023.

Other Commitments. In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, joint ventures and business partners, purchasers of assets or subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company' s breach of agreements or representations and warranties made by the Company, services to be provided by the Company, intellectual property infringement claims made by third parties or, with respect to the sale

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

As of December 31, 2010, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market, or credit risk that could arise if the Company had engaged in such relationships. In addition, the Company identified no variable interests currently held in entities for which it is the primary beneficiary.

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See Note 16−"Search Agreement with Microsoft Corporation" for a description of the Company's Search and Advertising Services and Sales Agreement and License Agreement with Microsoft.

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

On July 12, 2001, the first of several purported securities class action lawsuits was filed in the U.S. District Court for the Southern District of New York against certain underwriters involved in Overture Services Inc.'s ("Overture") IPO, Overture, and certain of Overture's former officers and directors. The court consolidated the cases against Overture. Plaintiffs allege, among other things, violations of the Securities Act of 1933 and the Securities Exchange Act of 1934 (the "Exchange Act") involving undisclosed compensation to the underwriters, and improper practices by the underwriters, and seek unspecified damages. Similar complaints were filed in the same court against numerous public companies that conducted IPOs of their common stock since the mid-1990s. All of these lawsuits were consolidated. On October 5, 2009, the court granted class certification and granted final approval of a stipulated global settlement and plan of allocation. On October 6, 2010, various individuals objecting to the settlement filed opening appeal briefs with the U.S. Court of Appeals for the Second Circuit, and in early February 2011 Yahoo! and other appellees filed reply briefs in support of the settlement.

On June 14, 2007, a stockholder derivative action was filed in the U.S. District Court for the Central District of California by Jill Watkins against members of the Board and selected officers. The complaint filed by the plaintiff alleged breaches of fiduciary duties and corporate waste, similar to the allegations in a former class action relating to stock price declines during the period April 2004 to July 2006, and alleged violation of Section 10(b) of the Exchange Act. On July 16, 2009, the plaintiff Watkins voluntarily dismissed the action against all defendants without prejudice. On July 17, 2009, plaintiff Miguel Leyte-Vidal, who had substituted in as plaintiff prior to the dismissal of the federal Watkins action, re-filed a shareholder derivative action in Santa Clara County Superior Court against members of the Board and selected officers. The Santa Clara County Superior Court derivative action purports to assert causes of action on behalf of the Company for violation of specified provisions of the California Corporations Code, for breaches of fiduciary duty regarding financial accounting and insider selling and for unjust enrichment. The court sustained Yahoo!'s demurrer, which challenged the sufficiency of the claim. Plaintiff filed an amended complaint on June 21, 2010. On January 28, 2011, the court granted Yahoo!'s demurrer to the amended complaint with leave to amend.

Plaintiff Congregation Beth Aaron voluntarily dismissed an action filed in Santa Clara County Superior Court and, on December 3, 2008, re-filed in the U.S. District Court for the Northern District of California alleging claims for breach of fiduciary duty and corporate waste in connection with Yahoo!'s consideration of proposals by Microsoft to purchase all or a part of Yahoo! in 2008, adoption of severance plans, and the June 12, 2008 agreement between Google Inc. and Yahoo!. Plaintiff filed an amended complaint on February 20, 2009. The complaint also alleged claims under Section 14(a) of the Exchange Act for alleged false statements or omissions in Yahoo!'s June 9, 2008 proxy statement regarding the severance plans and for control person liability under Section 20(a) of the Exchange Act, and also alleged that the defendants' decision to settle similar Microsoft-related Delaware lawsuits constituted an independent breach of fiduciary duty. The complaint sought unspecified compensatory damages, injunctive relief, and an award of plaintiffs' attorneys' fees and costs. On October 21, 2010, the U.S. Court of Appeals for the Ninth Circuit affirmed the lower court's dismissal of all of Congregation Beth Aaron's claims. The dismissal is final as no further appeal was taken.

Based on current knowledge, the Company does not believe that the aggregate amount of liability that is reasonably possible with respect to the foregoing legal proceedings or claims would have a material adverse

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effect on its financial position, results of operations, or cash flows. In the event of a determination adverse to Yahoo!, its subsidiaries, directors, or officers, in these matters, however, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these could have a material adverse effect on the Company' s financial position, results of operations, or cash flows. The Company may also incur substantial expenses in defending against these claims.

Note 13 SEGMENTS

The Company manages its business geographically. Through the first quarter of 2010, the primary areas of measurement and decision-making were the U.S. and International. Beginning in the second quarter of 2010, the business management structure of the Company was redefined along three geographies: Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. As a result, prior period presentations have been updated to conform to the segments currently being used by the Company' s management team to evaluate the operational performance of the Company.

In the Company' s Annual Report on Form 10-K for the year ended December 31, 2009, the segment profitability measure reported by the Company was segment operating income before depreciation, amortization, and stock-based compensation expense. Management no longer uses this measure to evaluate the operational performance of the Company' s segments. Beginning in the first quarter of 2010, management began to rely on an internal reporting process that provided revenue and direct costs by segment and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, the Company' s segments. Beginning in the fourth quarter of 2010, management began to rely on an internal reporting process that provides revenue ex-TAC, which is defined as revenues less TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, the Company' s segments. As a result, prior period presentations have been updated to conform to the current profitability measures being used by the Company' s management team to evaluate the financial performance of the Company' s segments.

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

	Years Ended December 31,		
	2008	2009	2010
Revenue by segment:			
Americas	$5,319,617	$4,852,331	$4,425,457
EMEA	863,544	598,300	579,145
Asia Pacific	1,025,341	1,009,684	1,320,049
Total revenue	7,208,502	6,460,315	6,324,651
TAC by segment:			
Americas	1,140,868	1,195,579	957,607
EMEA	278,324	207,844	210,261
Asia Pacific	390,722	374,403	568,554
Total TAC	1,809,914	1,777,826	1,736,422
Revenue ex-TAC by segment:			
Americas	4,178,749	3,656,752	3,467,850
EMEA	585,220	390,456	368,884
Asia Pacific	634,619	635,281	751,495
Total revenue ex-TAC	5,398,588	4,682,489	4,588,229

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Direct costs by segment[1]:

Americas	918,229	620,690	568,017
EMEA	211,364	115,778	118,954
Asia Pacific	166,605	138,739	146,657
Global operating costs[2][3]	2,267,160	2,116,747	2,044,246
Restructuring charges, net	106,854	126,901	57,957
Depreciation and amortization	790,033	738,855	656,396
Stock-based compensation expense	437,843	438,087	223,478
Goodwill impairment charge	487,537	–	–
Income from operations	$12,963	$386,692	$772,524

(1) Direct costs for each segment include cost of revenue (excluding TAC) and other operating expenses that are directly attributable to the segment such as employee compensation expense (excluding stock-based compensation expense), local sales and marketing expenses, and facilities expenses. Beginning in the fourth quarter of 2010, the Company no longer includes TAC in segment direct costs. For comparison purposes, prior period amounts have been revised to conform to the current presentation.

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

(3) The net cost reimbursements from Microsoft are primarily included in global operating costs for the year ended December 31, 2010.

	Years Ended December 31,		
	2008	2009	2010
Capital expenditures, net:			

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Americas	$592,278	$379,287	$563,129
EMEA	34,086	21,030	58,533
Asia Pacific	48,465	33,478	92,416
Total capital expenditures, net	$674,829	$433,795	$714,078

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	December 31,	
	2009	2010
Property and equipment, net:		
Americas	$1,314,712	$1,475,021
EMEA	40,312	63,820
Asia Pacific	71,838	114,581
Total property and equipment, net	$1,426,862	$1,653,422

See also Note 5−"Goodwill" and Note 15−"Restructuring Charges, Net" for additional information regarding segments.

Enterprise Wide Disclosures:

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

	Years Ended December 31,		
	2008	2009	2010
Display	$2,042,870	$1,866,984	$2,154,886
Search	3,753,719	3,396,396	3,161,589
Other	1,411,913	1,196,935	1,008,176
Total revenue	$7,208,502	$6,460,315	$6,324,651

	Years Ended December 31,		
	2008	2009	2010
Revenue:			
U.S.	$5,182,308	$4,714,436	$4,259,157
International	2,026,194	1,745,879	2,065,494

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Total revenue	$7,208,502	$6,460,315	$6,324,651

Revenue is attributed to individual countries according to the online property that generated the revenue. No single foreign country was material to revenue in 2008, 2009, and 2010, respectively.

	December 31,	
	2009	2010
Property and equipment, net:		
U.S.	$1,310,677	$1,471,536
International	116,185	181,886
Total property and equipment, net	$1,426,862	$1,653,422

Note 14 RELATED PARTY TRANSACTIONS

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

Revenue from related parties, excluding Yahoo Japan and Alibaba Group, represented approximately 1 percent of total revenue for the years ended December 31, 2008, 2009, and 2010. Management believes that the terms of the agreements with these related parties are comparable to the terms obtained in arm' s-length transactions with unrelated similarly situated customers of the Company.

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

Note 15 RESTRUCTURING CHARGES, NET

Restructuring charges, net consists of costs associated with the five restructuring activities initiated in 2008, 2009, and 2010. It includes employee severance pay and related costs, accelerations and reversals of stock-based compensation expense, facility restructuring costs, and other non-cash charges associated with the exit of facilities, as well as reversals of restructuring charges arising from changes in estimates.

For the years ended December 31, 2008, 2009, and 2010, restructuring charges, net was comprised of the following (in thousands):

	Years Ended December 31,		
	2008	2009	2010
Employee severance pay and related costs	$109,548	$48,696	$39,652
Non-cancelable lease, contract terminations, and other charges	19,617	59,285	19,737
Other non-cash charges	7,925	7,858	2,779
Sub-total before (reversals) accelerations of stock-based compensation expense	137,090	115,839	62,168
(Reversals) accelerations of stock-based compensation expense	(30,236)	11,062	(4,211)
Restructuring charges, net	$106,854	$126,901	$57,957

Although the Company does not allocate restructuring charges to its segments, the amounts of the restructuring charges relating to each segment are presented below. For the years ended December 31, 2008, 2009, and 2010 restructuring charges, net consists of the following (in thousands):

	Year Ended December 31, 2008		
	Q108 Restructuring Plan	Q408 Restructuring Plan	Total
Americas	$ 12,130	$ 67,861	$79,991
EMEA	3,181	22,135	25,316
Asia Pacific	–	1,547	1,547

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Restructuring charges, net	$ 15,311	$ 91,543	$106,854

	Year Ended December 31, 2009			
	Q408 Restructuring Plan	Q209 Restructuring Plan	Q409 Restructuring Charges	Total
Americas	$ 63,247	$ 19,289	$ 18,390	$100,926
EMEA	2,171	6,276	15,823	24,270
Asia Pacific	–	1,211	494	1,705
Restructuring charges, net	$ 65,418	$ 26,776	$ 34,707	$126,901

	Year Ended December 31, 2010				
	Q408 Restructuring Plan	Q209 Restructuring Plan	Q409 Restructuring Plan	Q410 Restructuring Plan	Total
Americas	$ 18,657	$ (151)	$ –	$ 20,459	$38,965
EMEA	827	32	1,811	14,065	16,735
Asia Pacific	–	–	–	2,257	2,257
Restructuring charges, net	$ 19,484	$ (119)	$ 1,811	$ 36,781	$57,957

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

Q408 Restructuring Plan. During the fourth quarter of 2008, the Company implemented additional cost reduction initiatives, including a workforce reduction and consolidation of certain real estate facilities. The Company began to consolidate and exit selected facilities beginning in the fourth quarter of 2008 and continued this process through the second quarter of 2010. The Company vacated and ceased use of the facilities identified under the plan. Non-cancelable lease costs were determined based on the present value of remaining lease payments reduced by estimated sublease income. Present value computations use discount rates based on published Treasury risk-free interest rates, adjusted for the Company' s credit spread, which is consistent with observable credit spreads of companies with similar credit standing. The cost of exiting and terminating the Company' s facility leases was determined by referring to the contractual terms of the agreements, by evaluating the current real estate market conditions, and, where applicable, by referring to amounts in negotiation. The Company' s ability to generate the estimated amounts of sublease income, as well as to terminate lease obligations at the estimated amounts, is dependent upon the commercial real estate market conditions in certain geographies at the time the Company negotiates the lease termination and sublease arrangements with third parties. These amounts represent the Company' s best estimate of the obligations the Company expects to incur and could be subject to adjustment as market conditions change. The fair value measurement of the liability related to exited facilities involves the use of certain significant unobservable inputs and therefore falls within level 3 of the fair value hierarchy established by accounting guidance. The remaining lease obligations will be settled over the remaining lease terms which expire through fiscal 2017 and will be adjusted for changes in estimates or the impact of sublease contracts.

During the year ended December 31, 2008, the Company incurred severance, facility, and other restructuring costs of $110 million related to the Q408 restructuring plan offset by $18 million related to stock-based compensation expense reversals for unvested stock awards, resulting in a net restructuring charge of $92 million. During the year ended December 31, 2009, the Company incurred total pre-tax cash charges for severance, facility, and other restructuring costs of approximately $57 million related to the Q408 restructuring plan, net of reversal for adjustments to original estimates totaling $8 million. In addition to the pre-tax cash charges, the Company recorded a non-cash charge of approximately $8 million related to the write-off of leasehold improvements, furniture and fixtures for exited facilities. During the year ended December 31, 2010, the Company incurred total pre-tax cash charges for severance, facility, and other restructuring costs of approximately $19 million related to the Q408 restructuring plan in connection with the continued implementation of these initiatives, net of reversal for adjustments to original estimates totaling $6 million.

Q209 Restructuring Plan. During the second quarter of 2009, the Company implemented new cost reduction initiatives to further reduce the Company' s worldwide workforce by approximately 5 percent. The restructuring plan involved reallocating resources to align with the Company' s strategic priorities including investing resources in some areas, reducing resources in others, and eliminating some areas of the Company' s business that do not support the Company' s strategic priorities. During the year ended December 31, 2009, the Company incurred total pre-tax cash charges of approximately $35 million in severance and other costs related to the Q209 restructuring plan. The pre-tax charges were offset by an $8 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited. During the year ended December 31, 2010, the Company incurred insignificant charges related to the Q209 restructuring plan.

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Q409 Restructuring Charges. During the fourth quarter of 2009, the Company decided to close one of its EMEA facilities and began implementation of a workforce realignment at the facility to focus resources on its strategic initiatives. The Company exited the facility in the third quarter of 2010. During the year ended December 31, 2009, the Company incurred total pre-tax cash charges of approximately $16 million in severance and other costs related to this realignment. In connection with the strategic realignment efforts, a U.S. executive of one of the Company' s acquired businesses departed. The Company incurred $19 million of non-cash stock-based compensation expense for the acceleration of certain of the executive' s stock-based awards pursuant to the acquisition agreements. During the year ended December 31, 2010, the Company incurred total pre-tax cash charges of $2 million in severance, facility and other costs related to the Q409 restructuring charges.

Q410 Restructuring Plan. During the fourth quarter of 2010, the Company began implementation of a worldwide workforce reduction to align resources with its product strategy. The Company incurred total pre-tax cash charges of approximately $41 million in severance and other costs related to this workforce reduction in the fourth quarter of 2010. The pre-tax cash charges were offset by a $4 million credit related to non-cash stock-based compensation expense reversals for unvested stock awards that were forfeited.

In addition to the charges described above, the Company currently expects to incur future charges of approximately $18 million to $26 million primarily related to non-cancelable operating costs and accretion related to exited facilities identified as part of the Q408 restructuring plan. Of the total future charges, $17 million to $23 million relate to the Americas segment, $1 million to $3 million relate to the EMEA segment, and no charge relates to the Asia Pacific segment. The future charges are expected to be recorded through 2017.

Restructuring Accruals. The $87 million restructuring liability as of December 31, 2010 consists of $37 million for employee severance pay expenses which the Company expects to substantially pay out by the end of the first quarter of 2012 and $50 million relate to non-cancelable lease costs which the Company expects to pay over the terms of the related obligations which extend to the second quarter of 2017.

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The activity in the Company' s restructuring accruals for the years ended December 31, 2009 and 2010 is summarized as follows (in thousands):

	Q408 Restructuring Plan	Q209 Restructuring Plan	Q409 Restructuring Plan	Q410 Restructuring Plan	Total
Balance as of January 1, 2009	$ 89,887	$ –	$ –	$ –	$89,887
Employee severance pay and related costs	6,430	35,749	14,710	–	56,889
(Reversals) accelerations of stock-based compensation expense	–	(7,600)	18,662	–	11,062
Non-cancelable lease, contract termination, and other charges	59,429	–	1,335	–	60,764
Other non-cash charges	7,858	–	–	–	7,858
Reversal of previous charges	(8,299)	(1,373)	–	–	(9,672)
Restructuring charges, net for the year ended December 31, 2009	$ 65,418	$ 26,776	$ 34,707	$ –	$126,901
Cash paid	(94,668)	(30,560)	(863)	–	(126,091)
Non-cash reversals (accelerations) of stock-based compensation expense	–	7,600	(18,662)	–	(11,062)
Non-cash adjustments	(672)	486	(417)	–	(603)
Balance as of December 31, 2009	$ 59,965	$ 4,302	$ 14,765	$ –	$79,032
Employee severance pay and related costs	431	344	975	40,992	42,742
Reversals of stock-based compensation expense	–	–	–	(4,211)	(4,211)

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Non-cancelable lease, contract termination, and other charges	24,525	–	792	–	25,317
Other non-cash charges	72	–	2,725	–	2,797
Reversal of previous charges	(5,544)	(463)	(2,681)	–	(8,688)
Restructuring charges, net for the year ended December 31, 2010	$ 19,484	$ (119)	$ 1,811	$ 36,781	$57,957
Cash paid	(30,650)	(3,666)	(8,386)	(7,100)	(49,802)
Non-cash reversals of stock-based compensation expense	–	–	–	4,211	4,211
Non-cash adjustments	685	(517)	(3,904)	(560)	(4,296)
Balance as of December 31, 2010	$ 49,484	$ –	$ 4,286	$ 33,332	$87,102

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

	2009	**2010**
Accrued expenses and other current liabilities	$42,940	$58,151
Capital lease and other long-term liabilities	36,092	28,951
Total restructuring accruals	$79,032	$87,102

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

	2009	**2010**
Americas	$52,860	$68,268
EMEA	25,869	$16,895
Asia Pacific	303	1,939

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Total restructuring accruals	$79,032	$87,102

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Note 16 SEARCH AGREEMENT WITH MICROSOFT CORPORATION

On December 4, 2009, the Company entered into the Search Agreement with Microsoft, which provides for Microsoft to be the exclusive algorithmic and paid search services provider on Yahoo! Properties and non-exclusive provider of such services on Affiliate sites. The Company also entered into a License Agreement with Microsoft. Under the License Agreement, Microsoft acquired an exclusive 10-year license to the Company' s core search technology and will have the ability to integrate this technology into its existing Web search platforms. The Company received regulatory clearance from both the U.S. Department of Justice and the European Commission on February 18, 2010 and commenced implementation of the Search Agreement on February 23, 2010. Under the Search Agreement, the Company will be the exclusive worldwide relationship sales force for both companies' premium search advertisers, which include advertisers meeting certain spending or other criteria, advertising agencies that specialize in or offer search engine marketing services and their clients, and resellers and their clients seeking assistance with their paid search accounts. The term of the Search Agreement is 10 years from February 23, 2010, subject to earlier termination as provided in the Search Agreement.

During the first five years of the term of the Search Agreement, in the transitioned markets the Company is entitled to receive 88 percent of the revenue generated from Microsoft' s services on Yahoo! Properties (the "Revenue Share Rate") and the Company is also entitled to receive 88 percent of the revenue generated from Microsoft' s services on Affiliate sites after the Affiliate' s share of revenue is deducted. For new Affiliates during the term of the Search Agreement, and for all Affiliates after the first five years of such term, the Company will receive 88 percent of the revenue generated from Microsoft' s services on Affiliate sites after the Affiliate' s share of revenue and certain Microsoft costs are deducted. On the fifth anniversary of the date of implementation of the Search Agreement, Microsoft will have the option to terminate the Company' s sales exclusivity for premium search advertisers. If Microsoft exercises its option, the Revenue Share Rate will increase to 93 percent for the remainder of the term of the Search Agreement, unless the Company exercises its option to retain the Company' s sales exclusivity, in which case the Revenue Share Rate would be reduced to 83 percent for the remainder of the term. If Microsoft does not exercise such option, the Revenue Share Rate will be 90 percent for the remainder of the term of the Search Agreement. In the transitioned markets, the Company reports as revenue the 88 percent revenue share as the Company is not the primary obligor in the arrangement with the advertisers and publishers. The underlying search advertising services are provided by Microsoft. As of December 31, 2010, the Company has collected a total amount of $93 million on behalf of Microsoft and affiliates, which is included in cash and cash equivalents as of December 31, 2010, with a corresponding liability in accrued expenses and other current liabilities, that the Company will remit to Microsoft in the first quarter of 2011. The Company' s uncollected 88 percent revenue share in connection with the Search Agreement was $172 million as of December 31, 2010.

The global transition of the algorithmic and paid search platforms to Microsoft' s platform and migration of the paid search advertisers and publishers are being done on a market by market basis and are expected to continue through early 2012. Algorithmic and paid search transitioned to the Microsoft platform in the U.S. and Canada in the fourth quarter of 2010, and the Company continues to transition algorithmic and paid search in other markets.

Microsoft has agreed to reimburse the Company for certain transition costs up to an aggregate total of $150 million during the first three years of the Search Agreement. From February 23, 2010 until the applicable services are fully transitioned to Microsoft, Microsoft will also reimburse the Company for the costs of running its algorithmic and paid search services subject to specified exclusions and limitations. These search operating cost reimbursements and certain employee retention costs are separate from and in addition to the $150 million of transition cost reimbursement payments.

The Company' s results for the year ended December 31, 2010 reflect $268 million in search operating cost reimbursements from Microsoft under the Search Agreement. Search operating cost reimbursements began during the quarter ended March 31, 2010 and will continue until the Company has fully transitioned to Microsoft' s platform.

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The Company' s results for the year ended December 31, 2010 also reflect transition cost reimbursements from Microsoft under the Search Agreement, which were equal to the transition costs of $81 million incurred by Yahoo! related to the Search Agreement in the year ended December 31, 2010. In addition, in the year ended December 31, 2010, $43 million was recorded for reimbursement of transition costs incurred in 2009, $17 million for employee retention costs incurred in 2010, and $5 million for employee retention costs incurred in 2009. The 2009 transition cost reimbursements were recorded in 2010 after regulatory clearance in the U.S. and Europe was received, implementation of the Search Agreement commenced, and Microsoft became obligated to make such payments.

Reimbursement receivables are recorded as the reimbursable costs are incurred and are applied against the operating expense categories in which the costs were incurred. As of December 31, 2010, a total of $414 million of reimbursable expenses had been incurred by the Company related to the Search Agreement. Of that amount, $350 million had been received from Microsoft and $64 million was classified as part of prepaid expenses and other current assets on the Company' s consolidated balance sheets as of December 31, 2010.

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Schedule II−Valuation and Qualifying Accounts
Years Ended December 31, 2008, 2009, and 2010

	Balance at Beginning of Year	Charged to Expenses	Write-Offs Net of, Recoveries	Balance at End of Year
	(In thousands)			
Accounts receivable				
Allowance for doubtful accounts				
2008	46,521	24,937	(19,858)	51,600
2009	51,600	4,607	(15,204)	41,003
2010	41,003	4,944	(22,972)	22,975

	Balance at Beginning of Year	Charged to Expenses	Charged (Credited) to Other Accounts(*)	Balance at End of Year
	(In thousands)			
Deferred tax asset valuation allowance				
2008	66,488	25,674	(8,612)	83,550
2009	83,550	13,521	(33,707)	63,364
2010	63,364	(1,315)	(1,873)	60,176

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

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Selected Quarterly Financial Data
(Unaudited)

	Quarters Ended							
	March 31, 2009[1]	June 30, 2009[2]	September 30, 2009[3]	December 31, 2009[4]	March 31, 2010[5]	June 30, 2010[6]	September 30, 2010[7]	December 31, 2010[8]
	(In thousands, except per share amounts)							
Revenue	$1,580,042	$1,572,897	$1,575,399	$1,731,977	$1,596,960	$1,601,379	$1,601,203	$1,525,109
Gross profit	$879,305	$860,444	$866,501	$982,319	$890,577	$918,657	$920,449	$967,423
Net income attributable to Yahoo! Inc.	$117,558	$141,387	$186,093	$152,954	$310,191	$213,321	$396,131	$312,020
Net income attributable to Yahoo! Inc. common stockholders per share−basic	$0.08	$0.10	$0.13	$0.11	$0.22	$0.15	$0.30	$0.24
Net income attributable to Yahoo! Inc. common stockholders per share−diluted	$0.08	$0.10	$0.13	$0.11	$0.22	$0.15	$0.29	$0.24
Shares used in per share calculation−basic	1,391,526	1,394,783	1,401,961	1,402,339	1,398,308	1,378,374	1,333,753	1,306,036
Shares used in per share calculation−diluted	1,406,510	1,414,295	1,424,854	1,416,974	1,413,432	1,390,240	1,343,094	1,311,682

(1) Net income attributable to Yahoo! Inc. for the quarter ended March 31, 2009 includes net restructuring charges of $5 million.

(2) Net income attributable to Yahoo! Inc. for the quarter ended June 30, 2009 includes a pre-tax gain of $67 million in connection with the Company' s sale of its Gmarket shares and net restructuring charges of $65 million.

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(3)

Net income attributable to Yahoo! Inc. for the quarter ended September 30, 2009 includes Yahoo!' s gain on sale of the Company' s direct investment in Alibaba.com of $98 million and net restructuring charges of $17 million.

(4)

Net income attributable to Yahoo! Inc. for the quarter ended December 31, 2009 includes net restructuring charges of $40 million.

(5)

Net income attributable to Yahoo! Inc. for the quarter ended March 31, 2010 includes a pre-tax gain of $66 million in connection with the sale of Zimbra, Inc. and net restructuring charges of $4 million. During the quarter ended March 31, 2010, Yahoo! recorded $43 million for the reimbursement of transition costs incurred in 2009.

(6)

Net income attributable to Yahoo! Inc. for the quarter ended June 30, 2010 includes net restructuring charges of $10 million.

(7)

Net income attributable to Yahoo! Inc. for the quarter ended September 30, 2010 includes a pre-tax gain of $186 million in connection with the sale of HotJobs and net restructuring charges of $6 million.

(8)

Net income attributable to Yahoo! Inc. for the quarter ended December 31, 2010 includes net restructuring charges of $38 million. Beginning in the fourth quarter of 2010 when Yahoo! completed the transition of algorithmic and paid search services to the Microsoft platform in the U.S. and Canada, revenue was impacted by the required change in revenue presentation and the revenue share with Microsoft associated with the transition pursuant to the Search Agreement. For transitioned markets, Yahoo! now reports an 88 percent revenue share for

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search advertising services provided by Microsoft. Yahoo!' s income tax provision was also reduced by the effect of certain tax benefits as discussed in Note 9−"Income Taxes" in the Notes to the consolidated financial statements.

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

None.

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

Evaluation of Disclosure Controls and Procedures

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

Management' s Report on Internal Control Over Financial Reporting

The Company' s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of the Company' s management, including its principal executive officer and principal financial officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on criteria established in the framework in *Internal Control−Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company' s management concluded that its internal control over financial reporting was effective as of December 31, 2010.

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

The Company' s independent registered public accounting firm has issued an attestation report regarding its assessment of the Company' s internal control over financial reporting as of December 31, 2010, which appears on page 59.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of 2010, the Company began the transition of algorithmic and paid search services to Microsoft under the Search Agreement. As a result, the Company' s management changed certain of the Company' s systems and processes including the use of Microsoft' s systems and processes for certain activities related to these services. During the fourth quarter of 2010, the Company' s management made appropriate changes to the Company' s internal controls and processes designed to ensure the accuracy, integrity and completeness of the financial information the Company reports with respect to these services.

There have been no other changes in Yahoo!' 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 quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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Item 9B. *Other Information*

Executive Incentive Plan

On February 25, 2011, the Compensation Committee approved the Company' s annual cash bonus plan for senior executives (the Executive Incentive Plan, or "EIP"), which will be effective for 2011. Each participant in the EIP is assigned a target bonus percentage each year that is expressed as a percentage of the participant' s annual base salary. The aggregate bonus pool available under the EIP for a particular year will equal the aggregate amount of the participants' target bonus opportunities, multiplied by a factor that may range from 50 percent to 200 percent based on Yahoo!' s revenue ex-TAC growth rate and ex-TAC operating margin (each as defined in the EIP) for that year. Payout of 70 percent of each participant' s target bonus will be determined based on the Company' s performance, and the remainder of the participant' s bonus will be determined based on that participant' s individual performance. The individual performance component of a participant' s bonus will be determined by the Compensation Committee with respect to executive officers of the Company and by management with respect to the other participants in the EIP, except that in no event will the total amount of bonuses paid under the EIP for a particular year exceed the aggregate bonus pool for that year. A participant generally must remain employed by the Company until EIP bonuses are actually paid in order to be eligible for a bonus. The foregoing summary of the EIP is qualified in its entirety by the provisions of the EIP.

The following table sets forth the 2011 EIP target bonus percentage, expressed as a percentage of the participant' s annual base salary, for the Company' s principal executive officer, principal financial officer, and the other executive officers who were named in the Summary Compensation Table of the Company' s Proxy Statement filed with the SEC on April 29, 2010 and who are currently employed as executive officers of the Company and will participate in the EIP:

Name and Principal Position	2011 Target Bonus (% of Base Salary)	
Carol Bartz Chief Executive Officer	200	%
Timothy R. Morse Executive Vice President and Chief Financial Officer	120	%
Michael J. Callahan Executive Vice President, General Counsel and Secretary	90	%

Executive Severance Agreements

In addition, on February 25, 2010, the Compensation Committee approved the Company' s entering into agreements with the Company' s executive vice presidents, including Mr. Morse and Mr. Callahan, to provide severance benefit protections to these executives should their employment terminate in certain circumstances (each a "Severance Agreement").

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Under each Severance Agreement, in the event that the Company terminates the executive' s employment without cause (as defined in the agreement), the executive would generally be entitled to receive cash severance equal to (i) the executive' s base salary for 12 months, (ii) the executive' s annual target bonus for the year in which the termination notice is provided, and (iii) a prorated portion of the annual bonus the executive would have received for the year in which the termination notice is provided (or, if less, the executive' s target bonus for such year) based on the number of months the executive was actively employed with the Company during the year. The executive would also be entitled to payment by the Company of the executive' s COBRA premiums for 12 months following termination.

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In addition, the Severance Agreement provides that if an executive' s employment terminates and the executive is entitled to severance as described above, then:

any portion of the executive' s outstanding stock options and time-based restricted stock unit awards granted prior to the date of the Severance Agreement that is scheduled to vest within six months following such a termination of the executive' s employment will vest on the termination date; and

the executive' s outstanding restricted stock unit awards granted prior to the date of the Severance Agreement that vest based on the Company' s achievement of annual financial goals (but not awards that vest based on total stockholder return) will vest as to any stock units credited under the award based on Company performance for any year prior to the year in which the termination occurs, and if the executive is employed with the Company for at least six months of the year in which the termination occurs, the award will vest as to a prorated portion of the stock units that would have been credited under the award based on the Company' s performance for that year.

Any equity awards granted to the executive on or after the date of the Severance Agreement will accelerate on such a termination as and to the extent provided in the applicable award agreements.

In each case, the executive' s right to receive the severance benefits described above is contingent on the executive' s executing and not revoking a release of claims in favor of the Company and complying with the executive' s obligations under any confidentiality or similar agreement with the Company. The Company' s Change in Control Employee Severance Plan for Level I and Level II Employees (the "CIC Plan") will continue in effect. If an executive is entitled to benefits triggered by a termination of employment under the CIC Plan (or another plan or agreement) and the executive' s Severance Agreement, the executive will be entitled to the greater benefit (but not both benefits).

Ms. Bartz' s 2009 employment agreement provides that, if the terms of any standard equity grants made to other senior executives, issued at the same time and of the same type of grants as grants to Ms. Bartz, contain terms that would be more favorable to Ms. Bartz, she should have the benefit of such terms. Accordingly, in connection with the approval of the Severance Agreements, the Compensation Committee approved a letter agreement with Ms. Bartz amending her 2010 stock option and 2010 time-based RSU award (the "Bartz Letter Amendment") to provide that, in the event the Company terminates Ms. Bartz' s employment without cause (as defined in the applicable agreements, and other than during the 12 months following a change in control), such awards will vest according to their terms, but at a minimum, any portions of the awards that are scheduled to vest within six months following the termination date will vest on the termination date.

The foregoing summary of the terms of the Severance Agreement and related award amendments is qualified in its entirety by the provisions of the Severance Agreement and the Bartz Letter Amendment.

Stock Trading Plan

In February 2011, David Filo, co-founder and Chief Yahoo of the Company, established a plan for the trading of Yahoo! common stock. Under the plan, Mr. Filo will sell up to 2.8 million shares of Yahoo! common stock in accordance with a prearranged trading schedule over a twelve-month period beginning in May 2011. The shares will be sold on the open market at prevailing market prices. This plan is intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934 and Yahoo!' s Rule 10b5-1 Trading Plan Policy.

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Part III

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

The information required by this item is incorporated by reference to Yahoo!' s Proxy Statement for its 2011 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to Yahoo!' s Proxy Statement for its 2011 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

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

The information required by this item is incorporated by reference to Yahoo!' s Proxy Statement for its 2011 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

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

The information required by this item is incorporated by reference to Yahoo!' s Proxy Statement for its 2011 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

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

The information required by this item is incorporated by reference to Yahoo!' s Proxy Statement for its 2011 Annual Meeting of Shareholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2010.

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Part IV

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

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

1. *Consolidated Financial Statements:*

Index To Consolidated Financial Statements

Consolidated Financial Statements:

	Page
Report of Independent Registered Public Accounting Firm	59
Consolidated Statements of Income for each of the three years in the period ended December 31, 2010	60
Consolidated Balance Sheets as of December 31, 2009 and 2010	61
Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2010	62
Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 2010	63
Notes to Consolidated Financial Statements	65

2. *Financial Statement Schedules:*

Financial Statement Schedules:

II−Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2010	107

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto

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Supplementary Financial Data:

Selected Quarterly Financial Data (unaudited) for the two years ended December 31, 2010 108

3. *Exhibits:*

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

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 28th day of February 2011.

YAHOO! INC.

By:

/S/ TIMOTHY R. MORSE

Timothy R. Morse
Chief Financial Officer
(Principal Financial Officer)

Power of Attorney

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

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

Signature	Title	Date
/S/ CAROL BARTZ **Carol Bartz**	Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2011
/S/ TIMOTHY R. MORSE **Timothy R. Morse**	Chief Financial Officer (Principal Financial Officer)	February 28, 2011
/S/ AMAN S. KOTHARI **Aman S. Kothari**	SVP, Global Controller and Chief Accounting Officer (Principal Accounting Officer)	February 28, 2011
/S/ ROY BOSTOCK **Roy Bostock**	Chairman of the Board	February 28, 2011
/S/ PATTI S. HART **Patti S. Hart**	Director	February 23, 2011
/S/ ERIC HIPPEAU **Eric Hippeau**	Director	February 28, 2011

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/S/ SUSAN M. JAMES **Susan M. James**	Director	February 28, 2011
/S/ VYOMESH JOSHI **Vyomesh Joshi**	Director	February 28, 2011
/S/ ARTHUR KERN **Arthur Kern**	Director	February 25, 2011

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Signature	Title	Date
/S/ BRAD SMITH **Brad Smith**	Director	February 18, 2011
/S/ GARY WILSON **Gary Wilson**	Director	February 28, 2011
/S/ JERRY YANG **Jerry Yang**	Director	February 28, 2011

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EXHIBIT INDEX

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

Exhibit Number	Description
2.1	Stock Purchase and Contribution Agreement, dated as of August 10, 2005, between the Registrant and Alibaba.com Corporation (previously filed as Exhibit 2.1 to the Registrant' s Current Report on Form 8-K filed August 16, 2005 and incorporated herein by reference).
2.2	Amendment to the Stock Purchase and Contribution Agreement, dated as of October 24, 2005, between the Registrant and Alibaba.com Corporation (previously filed as Exhibit 2.2 to the Registrant' s Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.3	Tao Bao Share Purchase Agreement, dated as of October 24, 2005, among the Registrant, SOFTBANK CORP. and SB TB Holding Limited (previously filed as Exhibit 2.3 to the Registrant' s Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.4	Secondary Share Purchase Agreement, dated as of October 24, 2005, among the Registrant and certain shareholders of Alibaba.com Corporation (previously filed as Exhibit 2.4 to the Registrant' s Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
2.5	Shareholders Agreement, dated as of October 24, 2005, among Alibaba.com Corporation, the Registrant, SOFTBANK CORP., the Management Members, and the other shareholders named therein (previously filed as Exhibit 2.5 to the Registrant' s Current Report on Form 8-K filed October 27, 2005 and incorporated herein by reference).
3.1(A)	Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.1 to the Registrant' s Quarterly Report on Form 10-Q filed July 28, 2000 and incorporated herein by reference).
3.1(B)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant (included as Exhibit A within the Amended and Restated Rights Agreement, filed as Exhibit 4.1 below).
3.2	Amended and Restated Bylaws of the Registrant (previously filed as Exhibit 3.1 to the Registrant' s Current Report on Form 8-K/A filed December 20, 2010 and incorporated herein by reference).
4.1	Amended and Restated Rights Agreement (including the form of Rights Certificate), dated as of April 1, 2005, by and between the Registrant and Equiserve Trust Company, N.A., as rights agent (previously filed as Exhibit 4.1 to the Registrant' s Current Report on Form 8-K filed April 4, 2005 and incorporated herein by reference).
10.1+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (previously filed as Exhibit 10.1 to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(A)+	Yahoo! Inc. 1995 Stock Plan, as amended and restated on June 25, 2009 (previously filed as Exhibit 10.1 to the Registrant' s Current Report on Form 8-K filed June 29, 2009 and incorporated herein by reference).
10.2(B)+	Form of Stock Option Agreement, including Notice of Stock Option Grant, under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(B) to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).

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Exhibit Number	Description
10.2(C)+*	Form of Stock Option Agreement for Executives, including Notice of Stock Option Grant to Executive, under the Yahoo! Inc. 1995 Stock Plan.
10.2(D)+	Form of Restricted Stock Unit Award Agreement under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(D) to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(E)+*	Form of Restricted Stock Unit Award Agreement for Executives under the Yahoo! Inc. 1995 Stock Plan.
10.2(F)+	Form of Performance Restricted Stock Unit Award Agreement (TSR version) under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(F) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.2(G)+	Form of Performance Restricted Stock Unit Award Agreement (OCF version) under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(I) to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.2(H)+	Form of First Letter Amendment (2010) to Performance Restricted Stock Unit Award Agreement (OCF version) under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(H) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.2(I)+*	Form of Second Letter Amendment (2011) to Performance Restricted Stock Unit Award Agreement (OCF version) under the Yahoo! Inc. 1995 Stock Plan.
10.2(J)+	Form of Performance Restricted Stock Unit Award Agreement (AFP version) under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.2(I) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.2(K)+*	Form of Letter Amendment (2011) to Performance Restricted Stock Unit Award Agreement (AFP version) under the Yahoo! Inc. 1995 Stock Plan.
10.2(L)+*	Form of Performance Restricted Stock Unit Award Agreement under the Yahoo! Inc. 1995 Stock Plan.
10.2(M)+	Form of Restricted Stock Award Agreement under the Yahoo! 1995 Stock Plan (previously filed as Exhibit 10.2(F) to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.2(N)+	Form of Stock Appreciation Rights Award Agreement under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.23(D) to the Registrant' s Quarterly Report on Form 10-Q filed August 8, 2007 and incorporated herein by reference).
10.3(A)+*	Yahoo! Inc. 1996 Employee Stock Purchase Plan, as amended and restated on February 7, 2011.
10.3(B)+	Form of Enrollment Agreement under the Yahoo! Inc. Amended and Restated 1996 Employee Stock Purchase Plan (previously filed as Exhibit 10.3(B) to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.4(A)+	Yahoo! Inc. 1996 Directors' Stock Plan, as amended and restated June 24, 2010 (previously filed as Exhibit 10.4(A) to the Registrant' s Quarterly Report on Form 10-Q filed August 9, 2010 and incorporated herein by reference).
10.4(B)+	Form of Director Nonstatutory Stock Option Agreement, including Notice of Grant, under the Yahoo! Inc. 1996 Directors' Stock Plan (previously filed as Exhibit 10.4(B) to the Registrant' s Quarterly Report on Form 10-Q filed August 9, 2010 and incorporated herein by reference).

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Exhibit Number	Description
10.4(C)+	Form of Notice of Restricted Stock Unit Grant and Director Restricted Stock Unit Award Agreement under the Yahoo! Inc. 1996 Directors' Stock Plan (previously filed as Exhibit 10.4(C) to the Registrant' s Quarterly Report on Form 10-Q filed August 9, 2010 and incorporated herein by reference).
10.5	Joint Venture Agreement dated April 1, 1996 by and between the Registrant and SOFTBANK Corporation (previously filed as Exhibit 10.7 to the Registrant' s Annual Report on Form 10-K filed March 21, 2003 and incorporated herein by reference).
10.6	Amendment Agreement dated September 17, 1997 by and between Registrant and SOFTBANK Corporation (previously filed as Exhibit 10.11 to the Registrant' s Annual Report on Form 10-K filed March 21, 2003 and incorporated herein by reference).
10.7	Consent and Resale Agreement dated as of March 25, 2002, between the Registrant and SOFTBANK Corp. (previously filed as Exhibit 10.40 to the Registrant' s Quarterly Report on Form 10-Q filed May 10, 2002 and incorporated herein by reference).
10.8	Waiver and Voting Agreement between the Registrant and SOFTBANK Corp. dated February 26, 2004 (previously filed as Exhibit 10.38 to the Registrant' s Quarterly Report on Form 10-Q filed May 7, 2004 and incorporated herein by reference).
10.9	Yahoo Japan License Agreement dated April 1, 1996 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.43 to Amendment No. 2 to the Registrant' s Registration Statement on Form S-3, Registration No. 333-100298, filed on December 23, 2002 and incorporated herein by reference).
10.10	Amendment to Yahoo Japan License Agreement dated September 17, 1997 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.40 to Amendment No. 1 of the Registrant' s Registration Statement on Form S-3, Registration No. 333-100298, filed on November 27, 2002 and incorporated herein by reference).
10.11	Amendment No. 2 to Yahoo Japan License Agreement dated January 31, 2005 by and between the Registrant and Yahoo Japan Corporation (previously filed as Exhibit 10.30 to the Registrant' s Annual Report on Form 10-K filed March 11, 2005 and incorporated herein by reference).
10.12+*	Summary of Compensation Payable to Named Executive Officers.
10.13+*	Yahoo! Inc. Executive Incentive Plan.
10.14+*	Form of Severance Agreement.
10.15+	Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees, as amended on December 10, 2008 (previously filed as Exhibit 10.15 to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.16(A)+	Employment Agreement Letter, dated January 13, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.1 to the Registrant' s Current Report on Form 8-K filed January 15, 2009 and incorporated herein by reference).
10.16(B)+	Notice of Stock Option Grant and Stock Option Award Agreement, dated January 30, 2009, between the Registrant and Carol Bartz (previously filed as Exhibits 10.17(B) and 10.17(C), respectively, to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.16(C)+	Stock Option Award Agreement, including Notice of Stock Option Grant, dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(E) to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).

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Exhibit Number	Description
10.16(D)+	Restricted Stock Unit Award Agreement, dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(F) to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.16(E)+	Performance Restricted Stock Unit Award Agreement (TSR version), dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(G) to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.16(F)+	Performance Restricted Stock Unit Award Agreement (OCF version), dated February 25, 2009, between the Registrant and Carol Bartz (previously filed as Exhibit 10.17(H) to the Registrant' s Annual Report on Form 10-K filed February 27, 2009 and incorporated herein by reference).
10.16(G)+	Form of Stock Option Award Agreement, including Notice of Stock Option Grant – 2010, between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.14(H) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.16(H)+	Form of Restricted Stock Unit Award Agreement – 2010 between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.14(I) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.16(I)+*	Form of Letter Amendment (2011) to 2010 Time-Based Award Agreements between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.16(J)+	Form of Performance Restricted Stock Unit Award Agreement (TSR version) – 2010 between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.14(J) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.16(K)+	Form of Performance Restricted Stock Unit Award Agreement (AFP version) – 2010 between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan (previously filed as Exhibit 10.14(K) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).
10.16(L)+*	Form of Stock Option Award Agreement, including Notice of Stock Option Grant, between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.16(M)+*	Form of Restricted Stock Unit Award Agreement between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.16(N)+*	Form of Performance Restricted Stock Unit Award Agreement between the Registrant and Carol Bartz under the Yahoo! Inc. 1995 Stock Plan.
10.17+	Employment Letter Agreement, dated June 5, 2009, between the Registrant and Timothy R. Morse (previously filed as Exhibit 10.20 to the Registrant' s Quarterly Report on Form 10-Q filed August 7, 2009 and incorporated herein by reference).
10.18(A)†	Letter Agreement, dated July 29, 2009, between the Registrant and Microsoft Corporation (previously filed as Exhibit 10.21(A) to the Registrant' s Quarterly Report on Form 10-Q filed November 6, 2009 and incorporated herein by reference).
10.18(B)†	Search and Advertising Services and Sales Agreement, dated December 4, 2009, between the Registrant and Microsoft Corporation (previously filed as Exhibit 10.18(B) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).

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10.18(C)†	License Agreement, dated December 4, 2009, between the Registrant and Microsoft Corporation (previously filed as Exhibit 10.18(C) to the Registrant' s Annual Report on Form 10-K filed February 26, 2010 and incorporated herein by reference).

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Exhibit Number	Description
10.19+	Separation Agreement, dated October 1, 2010, between the Registrant and Hilary Schneider (previously filed as Exhibit 10.19 to the Registrant' s Quarterly report on Form 10-Q filed November 8, 2010 and incorporated herein by reference).
21.1*	List of Subsidiaries.
23.1*	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney (see the signature page of this Annual Report on Form 10-K.)
31.1*	Certificate of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 28, 2011.
31.2*	Certificate of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated February 28, 2011.
32*	Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(b) and 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated February 28, 2011.
101.INS*‡	XBRL Instance
101.SCH*‡	XBRL Taxonomy Extension Schema
101.CAL*‡	XBRL Taxonomy Extension Calculation
101.DEF*‡	XBRL Taxonomy Extension Definition
101.LAB*‡	XBRL Taxonomy Extension Labels
101.PRE*‡	XBRL Taxonomy Extension Presentation

* Filed herewith.

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

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

‡ Pursuant to applicable securities laws and regulations, the Company is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions or other liability provisions of the federal securities laws as long as the Company has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In addition, users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

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Exhibit 10.2(C)

YAHOO! INC.
1995 STOCK PLAN

NOTICE OF STOCK OPTION GRANT
TO EXECUTIVE

[Name]
[Address]

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

Date of Grant:	[______]
Vesting Commencement Date:	[______]
Exercise Price Per Share:	[______]
Total Number of Shares Granted:	[______]
Total Price of Shares Granted:	[______]
Type of Option:	Nonstatutory Stock Option
Term/Expiration Date:	[______]
Vesting Schedule:	This Option may be exercised, in whole or in part, in accordance with the following schedule: **[Vesting provisions to be determined at time of grant]**
Post Termination Exercise Period:	This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7 and 8 of the Stock Option Agreement for Executives (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement for Executives).

By your signature and the signature of the Company' s representative below, or by indicating your acceptance of this award through the Company' s online acceptance procedure, you and the Company agree that this Option is granted under and governed by the terms and conditions of the 1995 Stock Plan and the Stock Option Agreement for Executives, which are hereby incorporated by reference and made a part of this document.

OPTIONEE:

____
[EMPLOYEE NAME]

YAHOO! INC.

By: ______________________________
Chief Executive Officer

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YAHOO! INC.
1995 STOCK PLAN
STOCK OPTION AGREEMENT
FOR EXECUTIVES

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

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

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

   (i) *Right to Exercise*.

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

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

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

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

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(ii) *Method of Exercise*.

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

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

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

3. *Continuance of Employment/Service Required*. The Vesting Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6, 7 and 8 below or under the Plan.

4. *Method of Payment*. Payment of the Exercise Price shall be by any of, or a combination of, the following methods at the election of the Optionee: (i) cash; (ii) check; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised; or (iv) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the exercise price; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative.

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5. *Restrictions on Exercise*. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship*.

(i) In the event of termination of the Optionee' s Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date") and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Section 6(ii) or Section 9, exercise this Option during the Post Termination Exercise Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the Termination Date, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the Termination Date, the Optionee' s right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.

(ii) If the Optionee' s Continuous Status as an Employee or Consultant is terminated by the Company, Parent or any Subsidiary without Cause (as such term is defined below) and other than during the period of twelve (12) months following a Change in Control (as such term is defined in Section 9), any installment of the then-outstanding and unvested portion of the Option that is scheduled to vest within six (6) months following the Termination Date shall become fully vested and shall be exercisable as of the Termination Date in accordance with Section 6(i). Any portion of the Option that is not vested after giving effect to the preceding sentence shall terminate as of the Termination Date.

7. *Disability of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of Total Disability, the Optionee may, but only within twelve (12) months from the Termination Date (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), exercise this Option to the extent otherwise so entitled at the Termination Date. To the extent that the Optionee was not entitled to exercise this Option at the Termination Date, or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

8.

Death of Optionee. Notwithstanding the provisions of Section 6 above, in the event of the death of the Optionee during the period of the Optionee' s Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination of the Optionee' s Continuous Status as an Employee or Consultant, this Option may be

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exercised, at any time within twelve (12) months following the date of the Optionee' s death (but in no event later than the date of expiration of the term of this Option as set forth in Section 11 below), by the Optionee' s estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death or, if earlier, the date of termination of the Optionee' s Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee' s estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

9. *Change in Control*. The following provisions shall apply in the event of a Change in Control (as such term is defined below):

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Optionee' s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Optionee for Good Reason (as such terms are defined below), this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the Termination Date in accordance with Section 6.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company' s then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement

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for the sale or disposition by the Company of all or substantially all of the Company' s assets, provided, however, that a sale of the Company' s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Optionee' s employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Optionee has not cured within fourteen (14) days after the Optionee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Optionee' s refusal or material failure to perform the Optionee' s job duties and responsibilities (other than by reason of the Optionee' s serious physical or mental illness, injury or medical condition); (2) the Optionee' s failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Optionee' s material breach of any contract or agreement between the Optionee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between Optionee and the Company), or the Optionee' s material breach of any statutory duty, fiduciary duty or any other obligation that the Optionee owes to the Company; (4) the Optionee' s commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Optionee' s engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Optionee' s indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Optionee' s employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Optionee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Optionee specifying in reasonable detail the reasons the Optionee believes one of the following events or conditions has occurred (provided such notice is delivered by the Optionee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Optionee' s then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Optionee' s prior written agreement; (2) the material diminution of the Optionee' s authority, duties or responsibilities as an employee of the Company without the Optionee' s prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Optionee' s position with the Company to a location that is greater than 50 miles from the Optionee' s current principal place of employment with the Company, and that is also further from the Optionee' s principal place of residence, without the Optionee' s prior written agreement, provided that in all events the termination of the Optionee' s service with the Company shall not be treated as a termination for "Good Reason" unless such

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termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

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

10. *Non-Transferability of Option*. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

11. *Term of Option*. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

12. *No Additional Employment Rights*. The Optionee understands and agrees that the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with his or her right or the Company' s right to terminate his or her employment or consulting relationship at any time, with or without cause.

13. *Notice of Disqualifying Disposition of Incentive Stock Option Shares*. If this Option is an Incentive Stock Option, and if the Optionee sells or otherwise disposes of any of the Shares acquired pursuant to the Incentive Stock Option on or before the later of (a) the date two years after the Date of Grant, or (b) the date one year after transfer of such Shares to the Optionee upon exercise of the Incentive Stock Option, the Optionee shall notify the Company in writing within thirty (30) days after the date of any such disposition. The Optionee agrees that the Optionee may be subject to the tax withholding provisions of Section 14 below in connection with such sale or disposition of such Shares.

14. *Tax Withholding*. The Optionee shall pay to the Company promptly upon request, and in any event at the time the Optionee recognizes taxable income in respect of the Option, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Option. Such payment may be made by any of, or

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a combination of, the following methods: (i) cash or check; (ii) out of the Optionee' s current compensation; (iii) surrender of other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; (iv) by electing to have the Company withhold from the Shares to be issued upon exercise of this Option that number of Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld or (v) delivery of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld; provided that the Administrator may from time to time limit the availability of any non-cash payment alternative. For these purposes, the Fair Market Value of the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by the Optionee to have Shares withheld to satisfy tax withholding obligations shall be made in writing in a form acceptable to the Administrator and shall be subject to the following restrictions:

(i) the election must be made on or prior to the applicable Tax Date;

(ii) once made, the election shall be irrevocable as to the particular Shares of this Option as to which the election is made;

(iii) all elections shall be subject to the consent or disapproval of the Administrator;

(iv) if the Optionee is subject to Section 16 of the Exchange Act, the election must comply with the applicable provisions of Rule 16b-3 promulgated under the Exchange Act and shall be subject to such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

15 *Notices*. Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee' s address appearing on the books of the Company or to the Optionee' s residence or to such other address as may be designated in writing by the Optionee. Notices may also be delivered to the Optionee, during his or her employment, through the Company' s inter-office or electronic mail systems.

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

17.

Imposition of Other Requirements. If the Optionee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the

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Optionee' s participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Optionee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

19. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

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

21. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

22. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

23. *Recoupment*. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards shall apply to the Option and any Shares that may be issued in respect of the Option to the extent the Administrator designates the policy as applicable to the Option at the time the policy is adopted.

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

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Exhibit 10.2(E)

YAHOO! INC.
1995 STOCK PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR EXECUTIVES

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of ______ , 201__ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and __________ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units ("RSUs");

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

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

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of RSUs.* The Company hereby grants to the Grantee ______ RSUs (the "Award") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. Terms and Conditions of Award

The grant of RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* 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.

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(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*. **[Vesting provisions to be determined at the time of grant]**

(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.*

(i) Except as expressly provided in Section 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee' s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the 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 so forfeited.

(ii) If the Grantee' s employment or service with the Company, Parent or any Subsidiary is terminated by the Company, Parent or any Subsidiary without Cause (as such term is defined below) and other than in the period of twelve (12) months following a Change in Control (as such term is defined in Section 2(g)), any installment of the then-outstanding and unvested portion of the Award that is scheduled to vest within six (6) months following the Termination Date will immediately vest upon the Termination Date. Any portion of the Award that is not vested after giving effect to the preceding sentence shall be automatically forfeited by the Grantee as of the Termination Date, and 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 so forfeited.

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(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 such term is 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), the RSUs subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable 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

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outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity) more than 50% of the combined voting power of the voting securities of the Company, such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; or

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company' s assets, provided, however, that a sale of the Company' s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Cause" shall mean termination of the Grantee' s employment with the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee' s refusal or material failure to perform the Grantee' s job duties and responsibilities (other than by reason of the Grantee' s serious physical or mental illness, injury or medical condition); (2) the Grantee' s failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee' s material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between the Grantee and the Company), or the Grantee' s material breach of any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee' s commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee' s engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee' s indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee' s employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) For purposes of this Agreement, "Good Reason" shall be deemed to exist only if the Company shall fail to correct within 30 days after receipt of written notice from the Grantee specifying in reasonable detail the reasons the Grantee believes one of the following events or conditions has occurred (provided such notice is delivered by the Grantee no later than 30 days after the initial existence of the occurrence): (1) a material diminution of the Grantee' s then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee' s prior written agreement; (2) the material diminution of the Grantee' s authority,

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duties or responsibilities as an employee of the Company without the Grantee' s prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee' s position with the Company to a location that is greater than 50 miles from the Grantee' s current principal place of employment with the Company, and that is also further from the Grantee' s principal place of residence, without the Grantee' s prior written agreement, provided that in all events the termination of the Grantee' s service with the Company shall not be treated as a termination for "Good Reason" unless such termination occurs not more than six (6) months following the initial existence of the occurrence of the event or condition claimed to constitute "Good Reason." For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(v) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This grant of 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 Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee' s address appearing on the books of the Company or to the Grantee' s residence or to such other

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address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company' s inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

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

(d) *Imposition of Other Requirements*. If the Grantee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Grantee' s participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

(f) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(g) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

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

(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Recoupment*. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards shall apply to

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the Award and any Shares that may be issued in respect of the Award to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee' s signature and the signature of the Company' s representative below, or by Grantee' s acceptance of this Award through the Company' s online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: ______________________________

Its: ______________________________

GRANTEE

Signature: ___________________________

Printed Name: ________________________

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Exhibit 10.2(I)

[Yahoo! Inc. Letterhead]

__________, 2011

Re: ***Letter Amendment to Performance Restricted Stock Unit Award Agreement (OCF Version - 2009)***

Dear ________:

Reference is made to the Performance Restricted Stock Unit Award Agreement (OCF Version) between you and Yahoo! Inc. (the "Company") dated February 25, 2009 (the "Award Agreement"), and the letter agreement amending the Award Agreement between you and the Company dated February 25, 2010 (the "Amendment"). Capitalized terms used in this letter agreement and the attached exhibit and not otherwise defined herein or therein will have the meanings ascribed to such terms in the Award Agreement.

The purpose of this letter agreement is to amend the Award Agreement and the Amendment to provide that, for the 2011 Performance Year, the number of the Restricted Stock Units (if any) that will be credited to you with respect to such Performance Year will not be determined under Exhibit A attached to the Award Agreement or Exhibit 1 attached to the Amendment but will instead be determined in accordance with Exhibit 1 attached to this letter agreement.

This letter agreement does not modify any other terms of the Award Agreement or the Amendment except as expressly set forth above (including, without limitation, the crediting of any Restricted Stock Units to you with respect to the 2009 and 2010 Performance Years and the vesting and payment provisions applicable to any such units).

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

Sincerely,

Yahoo! Inc.
[NAME, TITLE]

Acknowledged and Agreed:

By: ____
[NAME]

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Exhibit 10.2(K)

[Yahoo! Inc. Letterhead]

__________, 2011

Re: ***Letter Amendment to Performance Restricted Stock Unit Award Agreement (AFP Version - 2010)***

Dear ________:

Reference is made to the Performance Restricted Stock Unit Award Agreement (AFP Version) between you and Yahoo! Inc. (the "Company") dated February 25, 2010 (the "Award Agreement"). Capitalized terms used in this letter agreement and the attached exhibit and not otherwise defined herein or therein will have the meanings ascribed to such terms in the Award Agreement.

The purpose of this letter agreement is to amend the Award Agreement to provide that (1) for the 2011 Performance Year, the number of the Restricted Stock Units (if any) that will be credited to you with respect to such Performance Year will not be determined under Exhibit A attached to the Award Agreement but will instead be determined in accordance with Exhibit 1 attached to this letter agreement, and (2) for the 2012 Performance Year, the Company will provide you the methodology for establishing the number of Restricted Stock Units to be credited with respect to such Performance Year during the first quarter of the Performance Year.

This letter agreement does not modify any other terms of the Award Agreement except as expressly set forth above (including, without limitation, the crediting of any Restricted Stock Units to you with respect to the 2010 Performance Year and the vesting and payment provisions applicable to any such units).

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

Sincerely,

Yahoo! Inc.
[NAME, TITLE]

Acknowledged and Agreed:

By: ____
[NAME]

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Exhibit 10.2(L)

YAHOO! INC.
1995 STOCK PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of ______, 20__ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and ______________ (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units ("RSUs") that are subject to performance-based vesting conditions;

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

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

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of RSUs.* The Company hereby grants to the Grantee __________ RSUs (such number, the "Target Number" of RSUs) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* 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

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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) For 20__ (the "Performance Year"), the Grantee shall be credited with a number of RSUs equal to the Target Number of RSUs multiplied by a percentage that (1) will be determined by the Administrator after the Performance Year based on the Company's achievement of financial performance goals established for the Performance Year and (2) 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 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 the Performance Year, determine whether and the extent to which the performance targets for the Performance Year have been satisfied and the number of RSUs to be credited to the Grantee. Such determinations by the Administrator shall be final and binding. Any RSUs that are not credited to the Grantee in accordance with the foregoing provisions of this Section 2(c)(i) shall terminate upon the date of such determinations by the Administrator.

(ii) Subject to Sections 2(e) through 2(g) below, the RSUs credited to the Grantee pursuant to Section 2(c)(i) shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs during the Performance Year, the number of RSUs that shall vest upon the third anniversary of the Date of Grant shall equal the Target Number of RSUs.

(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.

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(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee' s employment or service with the Company, Parent or any Subsidiary:

(i) *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 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 so forfeited.

(ii) *Termination Without Cause*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the termination of the Grantee' s employment is by the Company, Parent or Subsidiary without Cause (as defined below and other than due to the Grantee' s death or disability) and occurs more than six (6) months after the start of the Performance Year and prior to the third anniversary of the Date of Grant, the number of RSUs that shall vest shall equal (i) the number of RSUs (if any) that would have vested in accordance with Section 2(c) if Grantee' s employment had continued through the third anniversary of the Date of Grant, multiplied by (ii) 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 thirty-six (36). Any RSUs that vest pursuant to this clause (ii) 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. Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii) shall terminate 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) will not apply to any such termination that occurs during the first six months of the Performance Year or 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 (1), (2) and (3) below, if curable, the Grantee has not cured within fourteen (14) days after the Grantee receives written notice from the Company specifying with reasonable particularity such occurrence: (1) the Grantee' s refusal or material failure to perform the Grantee' s job duties and responsibilities (other than by reason of the Grantee' s serious physical or mental illness, injury or medical condition); (2) the Grantee' s failure or refusal to comply in any material respect with material Company policies or lawful directives; (3) the Grantee' s material breach of any contract or agreement between the Grantee and the Company (including but not limited to any Employee Confidentiality and Assignment of Inventions Agreement or similar agreement between the Grantee and the Company), or the Grantee' s material breach of

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any statutory duty, fiduciary duty or any other obligation that the Grantee owes to the Company; (4) the Grantee' s commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or the Grantee' s engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company; or (5) the Grantee' s indictment or conviction or *nolo contendre* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate the Grantee' s employment for Cause without notice and opportunity to cure. However, should the Company choose to offer the Grantee another opportunity to cure, it shall not be deemed a waiver of its rights under this provision. For purposes of this definition, the term "Company" shall include a Parent or any Subsidiary of the Company.

(iv) *Death or Disability*. Notwithstanding the foregoing clause (i), in the event of a termination of the Grantee' s employment due to the Grantee' s death or Total Disability (as defined in the Plan) that occurs after the end of the Performance Year and prior to the third anniversary of the Date of Grant, the number of RSUs that shall vest shall equal the number of RSUs (if any) that would have vested in accordance with Section 2(c) if Grantee' s employment had continued through the third anniversary of the Date of Grant. Any RSUs that vest pursuant to this clause (iv) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date. Any RSUs that do not vest in accordance with the foregoing provisions of this clause (iv) shall terminate as of the Termination Date. For avoidance of doubt, this clause (iv) will not apply to any such termination that occurs during the Performance Year.

(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.

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(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee' s employment or service is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined below), the number of RSUs (if any) that would have vested in accordance with Section 2(c) if Grantee' s employment had continued through the third anniversary of the Date of Grant shall become fully vested and non-forfeitable 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): (1) a material

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diminution of the Grantee' s then current aggregate base salary and target bonus amount (other than reductions that also affect other similarly situated employees) without the Grantee' s prior written agreement; (2) the material diminution of the Grantee' s authority, duties or responsibilities as an employee of the Company without the Grantee' s prior written agreement (except that change in title or assignment to a new supervisor by itself shall not constitute Good Reason); or (3) the relocation of the Grantee' s position with the Company to a location that is greater than 50 miles from the Grantee' s current principal place of employment with the Company, and that is also further from the Grantee' s principal place of residence, without the Grantee' s prior written agreement, provided that in all events the termination of the Grantee' s employment or 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 Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or in the event that the RSUs are paid in cash (as opposed to Shares), the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by reducing the amount of any cash otherwise payable to Grantee with respect to the RSUs; (iii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iv) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld;. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

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Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee' s address appearing on the books of the Company or to the Grantee' s residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company' s inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

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

(d) *Imposition of Other Requirements*. If the Grantee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Grantee' s participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

(f) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(g) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

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

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(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Recoupment*. Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards shall apply to the Award and any Shares that may be issued in respect of the Award to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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By Grantee’ s signature and the signature of the Company’ s representative below, or by Grantee’ s acceptance of this Award through the Company’ s online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: ______________________________

Its: ______________________________

GRANTEE

Signature: ______________________________

Printed Name: ______________________________

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Exhibit 10.3(A)

YAHOO! INC.

1996 EMPLOYEE STOCK PURCHASE PLAN

(as amended and restated on February 7, 2011)

The following constitute the provisions of the 1996 Employee Stock Purchase Plan of Yahoo! Inc., as amended and restated on February 7, 2011. This version of the Plan is effective for Offering Periods (as defined below) under the Plan commencing on and after May 11, 2011. For Offering Periods under the Plan ending on or before May 10, 2011, refer to the version of the Plan as in effect for the applicable Offering Period.

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

   (a) "Board" shall mean the Board of Directors of the Company or a committee thereof designated by the Board of Directors to administer the Plan.

   (b) "Code" shall mean the Internal Revenue Code of 1986, as amended.

   (c) "Common Stock" shall mean the Common Stock of the Company.

   (d) "Company" shall mean Yahoo! Inc., a Delaware corporation.

   (e) "Compensation" shall mean the total compensation paid to an Employee, including all salary, wages (including amounts elected to be deferred by the Employee, that would otherwise have been paid, under any cash or deferred arrangement or other deferred compensation program established by the Company or the Employer), overtime pay, commissions, bonuses, and other remuneration paid directly to the Employee, but excluding referral and hiring bonuses, profit sharing, the cost of employee benefits paid for by the Company or the Employer, education, tuition or other similar reimbursements, imputed income arising under any Company group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, restricted stock or restricted stock unit grants, or other equity based awards, contributions made by the Company or the Employer under any employee benefit plan, and similar items of compensation.

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(f) "Continuous Status as an Employee" shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company or the Employer, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract, statute or as a matter of local law.

(g) "Contributions" shall mean all amounts credited to the account of a participant pursuant to the Plan.

(h) "Designated Subsidiaries" shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(i) "Employee" shall mean any person, including an Officer, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries, provided that, in certain jurisdictions outside the United States, the term "Employee" may, if so provided by the Company in writing, also include a person employed for less than twenty (20) hours per week or less than five (5) months in a calendar year if such person must be permitted to participate in the Plan pursuant to local laws (as determined by the Company).

(j) "Employer" shall mean the Designated Subsidiary that employs a participant, if the employer is not the Company.

(k) "Exchange Act" shall mean the U.S. Securities Exchange Act of 1934, as amended.

(l) "Fair Market Value" shall have the meaning set forth in Section 7(b).

(m) "Offering Date" shall mean the first business day of each Offering Period of the Plan, except that in the case of an individual who becomes an eligible Employee or who begins to participate in an Offering Period after the first business day of an Offering Period, the term "Offering Date" with respect to such individual means the first business day of the first Purchase Period in which such individual participates within the Offering Period. Options granted after the first business day of an Offering Period will be subject to the same terms and conditions as the options granted on the first business day of such Offering Period except that they will have a different grant date (and thus, potentially, a different Purchase Price) and, because they expire at the same time as the options granted on the first business day of such Offering Period, a shorter term.

(n) "Offering Period" shall have the meaning set forth in Section 4(a).

(o) "Officer" shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

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(p) "Parent" shall mean any corporation (other than the Company), domestic or foreign, in an unbroken chain of corporations ending with the Company if, on an Offering Date, each corporation (other than the Company) owns stock possessing 50% or more of the total combined voting power or all classes of stock in one or more of the other corporations in the chain, as described in Section 424(e) of the Code.

(q) "Plan" shall mean this 1996 Employee Stock Purchase Plan, as amended from time to time.

(r) "Purchase Date" shall mean the last business day of each Purchase Period.

(s) "Purchase Period" shall have the meaning set forth in Section 4(b).

(t) "Purchase Price" shall mean, with respect to any Purchase Period, an amount equal to 85% of the Fair Market Value of a Share of Common Stock on the Offering Date of the Offering Period in which such Purchase Period occurs or on the Purchase Date, whichever is lower; provided however that in the event (i) of any increase in the number of Shares available for issuance under the Plan as a result of a stockholder-approved amendment to the Plan, and (ii) all or a portion of such additional Shares are to be issued with respect to an Offering Period that is underway at the time of such increase ("Additional Shares"), and (iii) the Fair Market Value of a Share of Common Stock on the date of such stockholder approval (the "Approval Date Fair Market Value") is higher than the Fair Market Value on the Offering Date for any such Offering Period, then in such instance the Purchase Price with respect to Additional Shares shall be 85% of the Approval Date Fair Market Value or the Fair Market Value of a Share of Common Stock on the Purchase Date, whichever is lower.

(u) "Share" shall mean a share of Common Stock, as adjusted in accordance with Section 18 of the Plan.

(v) "Subsidiary" shall mean any corporation (other than the Company), domestic or foreign, that is in an unbroken chain of corporations beginning with the Company if, on an Offering Date, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain, as described in Section 424(f) of the Code.

3. Eligibility.

(a) Any person who is an Employee as of the beginning of any Purchase Period of a given Offering Period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code; provided, however, that the Board may impose a requirement, prior to the start of an Offering Period, that an individual be employed with the Company or a Designated Subsidiary for a specified period of time (which shall be less than two years) prior to the applicable Offering Date to be eligible to participate in that Offering Period.

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(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company, any Subsidiary or any Parent, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company, any Subsidiary or any Parent to accrue at a rate which exceeds Twenty-Five Thousand Dollars ($25,000) of Fair Market Value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. Offering Periods and Purchase Periods.

(a) Offering Periods.

(i) Effective November 1, 2007, the Plan shall be implemented by a series of Offering Periods of approximately twenty-four (24) months duration, with the first such Offering Period to commence on November 11, 2007; provided, however, that if the Fair Market Value of the Common Stock on a Purchase Date is lower than the Fair Market Value of the Common Stock on the first business day of the Offering Period, the Offering Period then in progress will terminate and a new Offering Period would commence on the next May 11 or November 11, as applicable, and extend for a twenty-four (24) month period ending on May 10 or November 10, as applicable.

(ii) The Plan shall continue until terminated in accordance with Section 19 hereof. The Board shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without shareholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected; provided, however, that in no event shall any Offering Period exceed twenty-seven (27) months in duration.

(b) Purchase Periods. With respect to each Offering Period that commences on and after November 1, 2007, the Purchase Periods for each such Offering Period shall commence on November 11 and May 11 of each year. The last business day of each Purchase Period shall be the Purchase Date for such Purchase Period. A Purchase Period commencing on May 11 shall end on the next November 10 and a Purchase Period commencing on November 11 shall end on the next May 10. The Board shall have the power to change the duration and/or frequency of Purchase Periods with respect to future purchases without stockholder approval if such change is announced prior to the scheduled beginning of the first Purchase Period to be affected.

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5. Participation.

(a) An eligible Employee may become a participant in the Plan as of an Offering Date by accepting the terms of an enrollment agreement on the form provided by the Company (which may be in written or electronic form, as prescribed by the Company) at such times and in accordance with such procedures as may be established by the Board (or its delegate) for the Offering Period commencing with that Offering Date. The enrollment agreement shall set forth the percentage of the participant' s Compensation (subject to Section 6(a) below) to be paid as Contributions pursuant to the Plan (or shall otherwise provide for the participant to elect such percentage).

(b) An eligible Employee may contribute to the Plan by means of payroll deductions, unless payroll deductions are not permitted under local law, as determined by the Company, in which case eligible Employees may be permitted to contribute to the Plan by an alternative method, as determined by the Company. Payroll deductions, or, if payroll deductions are not permitted under local law, payments made under an alternative method, shall commence as of the first payday following the Offering Date and shall end on the last payday paid on or prior to the Purchase Date of the Offering Period to which the enrollment agreement is applicable, unless the Employee' s participation is sooner terminated as provided in Section 10.

6. Method of Payment of Contributions.

(a) Where permitted under local law, the participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than fifteen percent (15%) of such participant' s Compensation on each such payday (or such other maximum percentage as the Board may establish from time to time before an Offering Date). Where payroll deductions are not permitted under local law, the participant may be permitted to contribute to the Plan by an alternative method, as determined by the Company. All payroll deductions or other payments made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(b)

A participant may, on one occasion only during a Purchase Period, elect to decrease the rate of his or her Contributions (but not below one percent (1%) of such participant' s Compensation) by submitting such election to the Company (or its delegate) on such form and in such manner (which may be online) as is provided by the Company (or its delegate). The change in rate shall be effective as soon as administratively practicable following the submission date of the new election; provided that the Board may establish in advance of a particular Purchase Period a deadline by which any such change must be submitted before the end of that Purchase Period, in which case any such change election submitted thereafter but before the end of that Purchase Period shall not take effect during the Purchase Period then in progress, shall be treated by the Company as a new election for the first new Purchase Period to commence after the submission date and shall be subject to any deadlines and procedures established by the Board for that new Purchase Period. A participant may change the rate of his or her Contributions effective as of the beginning of any Purchase

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Period within an Offering Period by submitting a new contribution rate election to the Company (or its delegate) at such times and in accordance with such procedures as may be established by the Board prior to the beginning of such Purchase Period. Unless otherwise provided by the Board, any election by a participant pursuant to this Section 6(b) to reduce his or her Contributions to zero shall be deemed to be a withdrawal by that participant from the Plan for that Purchase Period and the balance of that Offering Period pursuant to Section 10(a).

(c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a participant' s payroll deductions or other payments may be decreased to 0% at any time during an Offering or Purchase Period, as applicable. Payroll deductions or other payments shall re-commence at the rate provided in (or pursuant to) such participant' s enrollment agreement at the beginning of the first Offering or Purchase Period, as applicable, which is scheduled to end in the following calendar year, unless the participant' s participation is terminated as provided in Section 10. In addition, a participant' s payroll deductions or other payments may be decreased by the Company to 0% at any time during a Purchase Period in order to avoid unnecessary contributions as a result of application of the maximum Share limit set forth in Section 7(a), or as a result of the limitations set forth in Section 3(b), in which case payroll deductions or payments shall re-commence at the rate provided in (or pursuant to) such participant' s enrollment agreement at the beginning of the next Purchase Period, unless terminated by the participant as provided in Section 10.

(d) As may be further specified in the enrollment agreement, at the time the option is exercised, in whole or in part, or at the time some or all of the Company' s Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company' s and/or the Employer' s federal, state, or other tax and social insurance withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock. At any time, the Company and the Employer may, but shall not be obligated to, withhold from the participant' s compensation the amount necessary for the Company and/or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Common Stock by the participant.

7. Grant of Option.

(a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Purchase Date occurring within the Offering Period a number of Shares determined by dividing such Employee' s Contributions accumulated prior to such Purchase Date and retained in the participant' s account as of the Purchase Date by the applicable Purchase Price; provided however, that the maximum number of Shares an Employee may purchase during any one Purchase Period shall be 10,000 Shares, subject to adjustment as provided in Section 18, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 12.

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(b) The fair market value of the Company's Common Stock on a given date (the "Fair Market Value") means, as of any date, the value of Common Stock determined by the Board in its discretion, provided that, to the extent the Common Stock is listed or admitted to trade on a national securities exchange at the relevant time, (A) the Fair Market Value as of an Offering Date shall be the closing sales price of the Common Stock as reported on such exchange for the last business day immediately preceding the Offering Date on which the sales of the Common Stock are reported, and (B) the Fair Market Value of the Common Stock as of a Purchase Date shall be the closing sales price of the Common Stock as reported on such exchange for the Purchase Date (or if there is no trading of the Common Stock on the Purchase Date, the closing sales price of the Common Stock as reported on such exchange on the next preceding date on which there was trading in the Common Stock), in each case as reported in *The Wall Street Journal* or by such other source as the Board deems reliable.

8. Exercise of Option.

(a) Unless a participant's participation is terminated as provided in Section 10, his or her option for the purchase of Shares will be exercised automatically on each applicable Purchase Date of an Offering Period, and the maximum number of full Shares subject to the option will be purchased at the applicable Purchase Price with the accumulated Contributions in his or her account (subject to such limitations as are specified in the Plan). The Shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Purchase Date. During his or her lifetime, a participant's option to purchase Shares hereunder is exercisable only by him or her.

(b) No fractional Shares shall be purchased. Any payroll deductions or other payments accumulated in a participant's account which are not sufficient to purchase a full Share shall be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant or termination of such participant's participation as provided in Section 10 below. Any other amounts left over in a participant's account after a Purchase Date shall be returned to the participant.

9. Delivery. As promptly as practicable after each Purchase Date of each Offering Period, the Company shall arrange the delivery to each participant (by electronic or other means), as appropriate, of a certificate representing the Shares purchased upon exercise of his or her option. Notwithstanding the foregoing, the Board may require that all Shares purchased under the Plan be held in an account (the participant's "ESPP Stock Account") established in the name of the participant (or in the name of the participant and his or her spouse, as designated by the participant on his or her enrollment agreement or pursuant to procedures established by the Company or its delegate), subject to such rules as determined by the Board and uniformly applied to all participants, including designation of a brokerage or other financial services firm (an "ESPP Broker") to hold such Shares for the participant's ESPP Stock Account with registration of such Shares in the name of such ESPP Broker for the benefit of the participant (or for the benefit of the participant and his or her spouse, as designated by the participant on his or her enrollment agreement or pursuant to procedures established by the Company or its delegate).

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10. Voluntary Withdrawal: Termination of Employment.

(a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan, by giving notice of withdrawal from the Plan in accordance with the withdrawal procedures established by the Board for the Purchase Period for which such election is to be given effect. All of the participant' s Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for that Offering Period will be automatically terminated, and no further Contributions for the purchase of Shares may be made by the participant with respect to that option.

(b) Upon termination of the participant' s Continuous Status as an Employee prior to the last day of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be promptly returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 14, if any, his or her option for that Offering Period will be automatically terminated, and no further Contributions for the purchase of Shares may be made by the participant with respect to that option. If a Subsidiary ceases to be a Subsidiary, each person employed by that Subsidiary will be deemed to have terminated employment for purposes of the Plan, unless the person continues as an employee of the Company or another Subsidiary.

(c) In the event an Employee fails to remain in Continuous Status as an Employee for at least twenty (20) hours per week during an Offering Period in which the Employee is a participant, unless such Employee is on an approved leave of absence or a temporary reduction of hours, or unless otherwise required by local law, he or she will be deemed to have elected to withdraw from the Plan, the Contributions credited to his or her account will be returned to him or her, his or her option for that Offering Period will be automatically terminated, and no further Contributions for the purchase of Shares may be made by the participant with respect to that option.

(d) A participant' s withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any succeeding Offering Period or in any similar plan which may hereafter be adopted by the Company.

(e)

Automatic Withdrawal. To the extent permitted by any applicable laws, regulations or stock exchange rules, if the Fair Market Value of the Shares on a Purchase Date within an Offering Period then in progress is lower than was the Fair Market Value of the Shares on the first business day of such Offering Period, then every participant in such Offering Period shall automatically be deemed (i) to have withdrawn from such Offering Period at the close of the Purchase Period ending on such Purchase Date, and (ii) to have enrolled in a new Offering Period commencing on the next November 11 or May 11, as applicable, in accordance with Section 4(a). In addition, if the Fair Market Value of the Shares on a Purchase Date within an Offering Period then in progress is lower than the Fair Market Value of the Shares on the Offering Date with respect to an individual who began participation in an Offering Period after the first business day of an Offering Period, such individual shall be automatically deemed (x) to have withdrawn from such Offering Period at the close of the Purchase Period

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ending on such Purchase Date, and (y) to have enrolled in the Plan as of the beginning of the next Purchase Period to commence within such Offering Period, with such individual having a new Offering Date in accordance with Section 2(1).

11. Interest. No interest shall accrue on the Contributions of a participant in the Plan, unless required by local law.

12. Stock.

(a) Subject to adjustment as provided in Section 18, the maximum number of Shares of the Company' s Common Stock which shall be made available for sale under the Plan shall be 75,000,000 Shares.

(b) If the Board determines that, on a given Purchase Date, the number of Shares with respect to which options are to be exercised may exceed (i) the number of Shares that were available for sale under the Plan on the Offering Date of the applicable Offering Period, or (ii) the number of Shares available for sale under the Plan on such Purchase Date, the Board may in its sole discretion provide (x) that the Company shall make a pro rata allocation of the Shares of Common Stock available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and continue the Offering Period then in effect, or (y) that the Company shall make a pro rata allocation of the Shares available for purchase on such Offering Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Purchase Date, and terminate the Offering Period then in effect pursuant to Section 19 below. The Company may make pro rata allocation of the Shares available on the Offering Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company' s stockholders subsequent to such Offering Date.

(c) The participant will have no interest or voting right in Shares covered by his or her option until such option has been exercised and such Shares have actually been delivered to and held of record by the participant. No adjustment will be made for dividends or other rights as a stockholder for which a record date is prior to such date of delivery.

(d) Shares to be delivered (by electronic or other means) to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse, as designated by the participant in his or her enrollment agreement or pursuant to procedures established by the Company or its delegate; provided that if the Board has determined that Shares shall be held in an ESPP Stock Account held by an ESPP Broker in accordance with Section 9. Shares shall be registered in the name of such ESPP Broker for the benefit of the participant or the participant and his or her spouse, as designated by the participant in his or her enrollment agreement or pursuant to procedures established by the Company or its delegate.

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13. Administration.

(a) The Board shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Any action taken by, or inaction of, the Company, any Subsidiary, or the Board relating or pursuant to the Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons.

(b) The Board has discretion to adopt any rules regarding administration of the Plan to conform to local laws. Without limiting the generality of the foregoing, the Board is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest and handling of stock certificates which vary according to local requirements. The Board has the authority to suspend or limit participation in the Plan by employees of any particular Subsidiary for any reason, including administrative or economic reasons. The Board may also designate separate offerings under the Plan and adopt rules, procedures or sub-plans applicable to particular Subsidiaries or locations, which separate offerings or sub-plans may be designed to be outside the scope of Section 423 of the Code.

(c) In making any determination or in taking or not taking any action under the Plan, the Board may obtain and may rely upon the advice of experts, including professional advisors to the Company. No director, officer or agent of the Company or any Subsidiary shall be liable for any such action or determination taken or made or omitted in good faith. The Board may delegate ministerial, non-discretionary functions relating to the Plan to individuals who are officers or employees of the Company or a Subsidiary.

(d) Neither the Board nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with the Plan, and all such persons shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

14. Designation of Beneficiary.

(a)

Unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any Shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering or Purchase Period, as applicable, but prior to delivery to him or her of such Shares and/or cash. In addition, unless otherwise determined by the Company, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the

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Purchase Date of an Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Unless otherwise determined by the Company, such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by written notice to the Company in a manner acceptable to the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant' s death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate or determine to be the appropriate recipient of the Shares and/or cash under applicable local law.

15. Transferability. Neither Contributions credited to a participant' s account nor any rights with regard to the exercise of an option or to receive Shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 14) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

16. Use of Funds. All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions, unless required by local law.

17. Reports. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees as promptly as practically feasible following the Purchase Date, which statements will set forth the amounts of Contributions, the per Share Purchase Price, the number of Shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization: Corporate Transactions.

(a)

Adjustment. Subject to any required action by the stockholders of the Company, the number of Shares covered by each option under the Plan which has not yet been exercised and the number of Shares which have been authorized for issuance under the Plan but have not yet been placed under option, the maximum number of Shares an Employee may purchase during each Offering Period or each Purchase Period, as well as the price per Share covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any dividend of stock or other property (other than cash) by the Company, any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of Shares effected without receipt of consideration; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been

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"effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an option.

(b) Corporate Transactions. In the event of the proposed dissolution or liquidation of the Company, the Plan, any Offering Period and Purchase Period then in progress, and any outstanding option granted with respect to such Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. If a participant' s option is terminated pursuant to the preceding sentence, the Contributions then credited to such participant' s account will be paid to him or her in cash without interest. 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, unless otherwise determined by the Board, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, or, if not so assumed or substituted, the Offering Period then in progress shall be shortened and the Board shall set a new Purchase Date (the "New Purchase Date"). The New Purchase Date shall be on or before the date of consummation of the transaction and the Board shall notify each participant in writing, at least ten (10) days prior to the New Purchase Date, that the Purchase Date for his or her option (including for purposes of determining the Purchase Price of such option) has been changed to the New Purchase Date and that his or her option will be exercised automatically on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 10. For purposes of this paragraph, an option granted under the Plan shall be deemed to be assumed if, following the sale of assets or merger, the option confers the right to purchase, for each Share subject to the option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each Share held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares of Common Stock); provided, however, that if such consideration received in the sale of assets or merger was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in Fair Market Value to the per Share consideration received by holders of Common Stock and the sale of assets or merger.

19. Amendment or Termination.

(a)

The Board may at any time and for any reason terminate or amend the Plan. Except as provided in Sections 13(b) and 18, no such termination of the Plan may affect options previously granted, provided that the Plan or an Offering Period may be terminated by the Board on a Purchase Date or by the Board' s setting a new Purchase Date with respect to an Offering Period and Purchase Period then

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in progress if the Board determines that termination of the Plan and/or the Offering Period is in the best interests of the Company and the stockholders or if continuation of the Plan and/or the Offering Period would cause the Company to incur adverse accounting charges as a result of a change after the effective date of the Plan in the generally accepted accounting rules applicable to the Plan. Except as provided in Section 18 and in this Section 19, no amendment to the Plan shall make any change in any option previously granted which adversely affects the rights of any participant without such participant' s written consent. In addition, to the extent necessary to comply with the requirements of Rule 16b-3 under the Exchange Act, Section 423 of the Code (or any successor rule or provision or any applicable law or regulation) or any stock exchange on which the Shares are then listed, the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board shall be entitled to change the Offering Periods and Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company' s processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Shares for each participant properly correspond with amounts withheld from the participant' s Compensation, and establish such other limitations or procedures as the Board determines in its sole discretion advisable which are consistent with the Plan.

20. Notices. All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

21. Conditions Upon Issuance of Shares. The Company shall have no obligation to issue Shares with respect to an option unless the exercise of such option and the issuance and delivery of such Shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

22. Term of Plan. Subject to earlier termination under Section 19, no new Offering Period shall commence after May 10, 2029.

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23. Additional Restrictions of Rule 16b-3. The terms and conditions of options granted hereunder to, and the purchase of Shares by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3. This Plan shall be deemed to contain, and such options shall contain, and the Shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

24. No Employment Rights. Nothing in the Plan (or in any enrollment agreement or other document related to this Plan) will confer upon any Employee or participant any right to continue in the employ or other service of the Company or any Subsidiary, constitute any contract or agreement of employment or other service or effect an employee' s status as an employee at will, nor shall interfere in any way with the right of the Company or any Subsidiary to change such person' s compensation or other benefits or to terminate his or her employment or other service, with or without cause. Nothing contained in this Section 24, however, is intended to adversely affect any express independent right of any such person under a separate employment or service contract other than a enrollment agreement.

25. No Right to Assets of the Company. No participant or other person will have any right, title or interest in any fund or in any specific asset (including Shares) of the Company or any Subsidiary by reason of any option hereunder. Neither the provisions of the Plan (or of any enrollment agreement or other document related to the Plan), nor the creation or adoption of the Plan, nor any action taken pursuant to the provisions of the Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company or any Subsidiary and any participant, beneficiary or other person. To the extent that a participant, beneficiary or other person acquires a right to receive payment pursuant to the Plan, such right will be no greater than the right of any unsecured general creditor of the Company.

26. Miscellaneous.

(a) The Plan, the options, enrollment agreements and other documents related to the Plan shall be governed by, and construed in accordance with, the laws of the State of Delaware. If any provision of the Plan shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of the Plan shall continue in effect.

(b) Captions and headings are given to the sections of the Plan solely as a convenience to facilitate reference. Such captions and headings shall not be deemed in any way material or relevant to the construction of interpretation of the Plan or any provision hereof.

(c)

The adoption of the Plan shall not affect any other Company or Subsidiary compensation or incentive plans in effect. Nothing in the Plan will limit or be deemed to limit the authority of the Board (1) to establish any other forms of incentives or compensation for employees of the Company or any Subsidiary (with or without reference to the Common Stock), or (2) to grant or assume options (outside the scope of and in addition to those contemplated by the Plan) in connection with any proper corporate purpose, to the extent consistent with any other plan or authority. Benefits received by a participant under an option

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granted pursuant to the Plan shall not be deemed a part of the participant' s compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company or any Subsidiary, except where the Board (or the Board of Directors of the Subsidiary that sponsors such plan or arrangement, as applicable) expressly otherwise provides or authorizes in writing.

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Exhibit 10.12

Summary of Compensation Payable to Named Executive Officers

Base Salary. The Compensation Committee (the "Committee") of the Board of Directors of Yahoo! Inc. ("Yahoo!") has approved the 2011 base salaries of Yahoo!' s principal executive officer, principal financial officer, and the other persons named in the Summary Compensation Table of Yahoo!' s Proxy Statement filed with the Securities and Exchange Commission on April 29, 2010 who are currently employed as executive officers by Yahoo! (together, the "Named Executive Officers"). The following table shows for each of the Named Executive Officers the annual base salary for 2011, which will become effective on April 1, 2011 (with the exception of the base salaries for Ms. Bartz and Mr. Yang, which are unchanged from 2010):

Name and Principal Position	2011 Annual Base Salary ($)
Carol Bartz Chief Executive Officer	1,000,000
Jerry Yang Chief Yahoo	1
Timothy R. Morse Executive Vice President and Chief Financial Officer	600,000
Michael J. Callahan Executive Vice President, General Counsel and Secretary	500,000

Bonus. In addition to receiving a base salary, Yahoo!' s Named Executive Officers are also generally eligible to receive an annual bonus.

Yahoo!' s Named Executive Officer bonuses for 2011 will be determined under Yahoo!' s Executive Incentive Plan. The Named Executive Officers' respective target bonus opportunities (expressed as a percentage of annual base salary) under the Executive Incentive Plan for 2011 are as follows: Ms. Bartz - 200%, Mr. Morse - 120%, and Mr. Callahan - 90%. Mr. Yang will not participate in the Executive Incentive Plan. The Committee also has the ability to award discretionary bonuses from time to time in circumstances the Committee determines to be appropriate.

Long-Term Incentives. The Named Executive Officers are also eligible to receive equity-based incentives and other awards from time to time at the discretion of the Committee. Equity-based incentives granted by Yahoo! to the Named Executive Officers are reported on Form 4 filings with the Securities and Exchange Commission.

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Exhibit 10.13

Yahoo! Executive Incentive Plan

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I. Introduction

A. Applicability

1. Employees eligible to participate in the Yahoo! Inc. Executive Incentive Plan (the "EIP" or "this Plan") are those employees of Yahoo! Inc. and its subsidiaries (collectively, the "Company") at job levels E3, E4, E5 and EX. The Compensation Committee of Yahoo!' s Board of Directors (the "Compensation Committee") has the sole discretion to determine whether the EIP will be offered to any executive for whom the Compensation Committee sets the executive' s compensation level (an "Executive Officer"). Yahoo!' s Chief Executive Officer ("CEO") or his or her designee will determine whether any other eligible person (other than an Executive Officer) is a participant. Participants will be notified in writing of their participation in this Plan and will be provided with a copy of the EIP, which they must sign and accept in order to participate (any person so notified who timely accepts participation is referred to as a "Participant").
2. The Compensation Committee reserves the right to amend, modify or terminate the EIP, in whole or in part, at any time, in its sole discretion including, without limitation, to comply with applicable local law, rules and regulations. The Compensation Committee may remove any individual (and the CEO may remove any individual other than an Executive Officer) from participation in the EIP at any time.

B. Objectives of the EIP

To enhance the Company' s competitiveness and the Company' s ability to attract, motivate and retain top talent;

To recognize the role of senior leadership in the success of the Company;

To reward annual financial and individual performance that complements the Company' s longer-term strategic focus; and

To encourage collaboration and teamwork across the Company.

II. EIP Elements

A. Target Awards

A target cash bonus award ("Target Award") will be established for each Participant. Target Awards are determined by position level and will be typically expressed as a percentage of a Participant' s annual base salary rate as of the last day of the applicable fiscal year, where such salary rate does not include other forms of compensation (such as, without limitation, expense reimbursements, superannuation, bonus payments, long-term incentives, overtime compensation, and other variable compensation). Target Awards may also be a specified fixed dollar (or local currency) amount.

Target Awards for Executive Officers may be reviewed and revised in the sole discretion of the Compensation Committee. Target Awards for other Participants may be reviewed and revised in the sole discretion of the CEO or his or her designee.

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

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B. EIP Bonus Pool Funding

Individual Target Awards will be aggregated to determine the Company' s target bonus pool (the "Target Bonus Pool") for the applicable fiscal year. The actual EIP bonus pool (the "EIP Bonus Pool") for the applicable fiscal year may vary from 50% to 200% of the Target Bonus Pool for that year based on the Company' s achievement of performance goals established by the Compensation Committee for the applicable fiscal year, such performance goals to be established not later than ninety (90) days after the start of the fiscal year. The methodology to determine the EIP Bonus Pool is set forth in Appendix A attached hereto.

C. EIP Bonus Pool Allocation and Individual Awards

Allocation of the EIP Bonus Pool among the Participants in a particular fiscal year will be determined based on a combination of Company performance and individual performance. Payout of seventy percent (70%) of each Participant' s EIP Target Award will be determined based on the Company' s achievement of performance goals established by the Compensation Committee for the applicable fiscal year. The remainder of a Participant' s EIP bonus will be determined based on the Participant' s individual performance and relative contribution as determined by the CEO or his or her designee (or by the Compensation Committee in the case of Executive Officers) in his/her or its sole discretion.

The calculation of a Participant' s EIP bonus will be made in conjunction with the Company' s year-end review process for the applicable fiscal year, which shall occur in the first quarter of the following fiscal year and follow the process below.

Step 1: Determine the total EIP Bonus Pool as described in Section B.

Step 2: Determine the portion of the EIP Bonus Pool payable to each Participant for Company performance:

Individual Target Award (Dollars) × EIP Bonus Pool Funding % × 70% = EIP Bonus for Company Performance

Step 3: Determine the portion of the EIP Bonus Pool payable to each Participant for individual performance.

Step 4: Calculate the total EIP bonus to be paid to each Participant:

a) Portion of EIP Bonus for Company Performance	=	Amount determined in Step 2
b) Portion of EIP Bonus for Individual Performance	=	Amount determined in Step 3
Total EIP Bonus	=	Sum of (a + b)

The CEO or his or her designee shall determine the EIP bonus for the non-Executive Officer Participants. The Compensation Committee shall determine the EIP bonus for Executive Officers.

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The aggregate total of bonuses payable to all Participants under this Plan for a particular fiscal year shall not exceed the EIP Bonus Pool determined as described in Section B above for that year.

Any EIP bonus payable to a Participant under this Plan shall not be considered as "salary" in any circumstance and shall not be included in calculations for overtime pay, retirement benefits, severance, or any other benefits under any applicable plan, policy, agreement or applicable law.

III. TERMS AND CONDITIONS

A. EIP Effective Period

Each fiscal year covered by this Plan is the period from January 1 to December 31 of the applicable fiscal year. This EIP supersedes all previous executive cash incentive plans, management incentive plans (MIP), or leadership bonus plans and agreements and all other previous or contemporaneous oral or written statements by the Company on this subject.

B. Date for Incentive Payments

EIP bonuses paid under this Plan are not earned until paid and in all events remain subject to Section III.M. It is a condition for EIP 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 EIP bonuses (except as otherwise provided in Section I – Terminations of Employment). Payment will not occur until after financial results for the applicable fiscal year are determined by the Company and the year end review process for the applicable year is completed.

C. Form and Timing of Payment

If the conditions for payment described above are met, the EIP bonus will be payable in a lump sum cash payment (in local currency), subject to required payroll deductions and tax withholdings no later than March 15 of the year following the end of the applicable fiscal year (except that, in the case of Participants not on the United States payroll of the Company at the start of the applicable fiscal year and who are not added to the United States payroll of the Company during the applicable fiscal year, payment will occur not later than March 31 of the year following the end of the applicable fiscal year).

D. New Hires

If an employee is hired on or before October 1 of the applicable fiscal year into a position that qualifies for the EIP, the employee will participate in the EIP only if the Company notifies the employee in writing that he or she is a Participant under the EIP for that year. The employee's Target Award amount for the fiscal year may be prorated based on the date of hire.

Employees who are hired after October 1 of the applicable fiscal year will not be considered Participants under the EIP for that fiscal year.

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E. Transfers

If a Participant transfers from one EIP-eligible position to another during the applicable fiscal year, the following guidelines may apply:

If the Participant has a different Target Award upon transfer, his/her annual Target Award amount may be prorated based on the Target Award percentages for the amount of time spent in each position during the fiscal year.

If a Participant transfers mid-year from an EIP-eligible position to one that is not EIP eligible (for example, a transition from a role that participates in the EIP to a position that is covered by a sales incentive plan), the Compensation Committee with respect to Executive Officers (or the CEO or his or her designee with respect to non-Executive Officers), in its sole discretion, may award the employee an EIP bonus based on a prorated EIP Target Award. Any such payment will be paid at the same time as other EIP payments are paid.

EIP eligibility for employees participating in a global assignment during the applicable fiscal year will be handled on a case-by-case basis based on individual facts and circumstances.

The Compensation Committee with respect to Executive Officers (and the CEO or his or her designee with respect to non-Executive Officers) has the sole discretion to pro-rate, reduce, offset, or eliminate EIP bonuses to account for advances or payouts to employees under other bonus plans in effect during the same fiscal year, or for other reasons as it deems appropriate.

F. Promotions into EIP-Eligible Positions

If a Participant is promoted from one EIP-eligible position to another during the applicable fiscal year, the payouts will be administered the same as described above for Transfers. If an employee is not in a position that is eligible for the EIP and is promoted to an EIP-eligible position during the applicable fiscal year, the Compensation Committee or the CEO or his or her designee as applicable, may select the employee for participation in the EIP by notifying the employee that he or she is a Participant under the EIP. The employee’ s Target Award amount for the fiscal year shall be prorated based on the date of the promotion.

G. Adjustments to Target Awards

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Executive Officers during the applicable fiscal year. The CEO or his or her designee in his or her sole discretion may approve adjustments to Target Awards for other Participants during the applicable fiscal year. Any such changes will be communicated to the Participant in writing. Any payout amount may be prorated based on the effective date of the change to the Target Award as determined by the Compensation Committee or the CEO or designee thereof, as applicable. Any adjustment to a Target Award will result in a corresponding adjustment to the Target Bonus Pool.

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H. Leaves of Absence and Part-Time Employees

To the extent permitted by applicable law, the amount of the EIP bonus may be prorated for Participants who have been on an approved leave of absence of more than 90 days during the fiscal year and for Participants who work less than full-time.

I. Terminations of Employment

To the extent permitted by applicable law, and except as otherwise approved by the Compensation Committee (or the CEO in the case of non-Executive Officer Participants), Participants whose employment is voluntarily or involuntarily terminated (with or without cause) by the Participant or the Company or are under notice of termination given by either party (if applicable) prior to the payment date of the EIP bonus will not be eligible for and shall not receive any EIP bonus.

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

J. EIP Interpretation

The EIP shall be interpreted by the Compensation Committee. The Compensation Committee has the sole discretion to interpret or construe ambiguous, unclear or implied (but omitted) terms and shall resolve any and all questions regarding interpretation and/or administration.

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

The provisions of this EIP are severable and if any provision is held to be unenforceable by any court of competent jurisdiction then such unenforceability shall not affect the enforceability of the remaining EIP provisions.

This Plan shall be construed and interpreted consistent with, and so as to avoid the imputation of any tax, penalty or interest under, Section 409A of the United States Internal Revenue Code of 1986, as amended.

K. Exceptions and Modifications

All exceptions, adjustments, additions, or modifications to the EIP require the written approval of the Compensation Committee, or its designee(s).

This version of the EIP is first effective with respect to 2011. All aspects of the EIP (including, but not limited to, financial targets, Target Awards, performance measures,

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and funding formulas) may be reviewed and revised at any time without advance notice in the sole discretion of the Compensation Committee.

L. Employment At-Will (U.S. Employees only)

The employment of all Participants in the United States is "at will" and is terminable by either the Participant or Yahoo! at any time, with or without advance notice and with or without cause. This EIP shall not be construed to create a contract of employment for a specified period of time between Yahoo! and any U.S. Participant.

M. Recoupment

Notwithstanding any other provision herein, any recoupment or "clawback" policies adopted by the Compensation Committee and applicable to incentive awards shall apply to this EIP and any bonuses paid or payable under this EIP to the extent that the Compensation Committee designates the policy as applicable to this EIP and any such bonuses at the time the policy is adopted.

[signature page follows]

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N. EIP Acknowledgement

By signing below, the Participant acknowledges that the Participant has read, comprehended, and agreed to this EIP and will abide by the guidelines outlined herein for all bonus payments. The EIP sets forth the entire agreement and understanding between the Company and the Participant relating to the subject matter herein and supersedes and replaces any and all prior plans, agreements, discussions and understandings whether oral or written regarding these subject matters including but not limited to any provision regarding cash incentive plan compensation contained in a Participant' s employment agreement, if any.

I have read and understood the provisions of this EIP and hereby agree to and accept its terms:

Participant (print name)

____

Signature

____

Title

____

Date

____

CC: Personnel File

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Appendix A - 2011 EIP

For fiscal 2011, the Compensation Committee has approved the following method for determining the EIP Bonus Pool.

The EIP Bonus Pool will be funded at an amount equal to (1) 100% of the Target Bonus Pool, multiplied by (2) a percentage (the "Funding Percentage") determined based on the actual Revenue ex-TAC Growth Rate and the actual Ex-TAC Operating Margin for fiscal 2011 in comparison with target levels of Revenue ex-TAC Growth Rate and Ex-TAC Operating Margin established by the Compensation Committee for the fiscal year.

The Funding Percentage will be determined based on the formulas set forth on the "EIP Pool Funding Methodology" chart attached as Exhibit 1 to this Appendix A (the "Funding Methodology"). A matrix illustrating the Funding Percentage at different levels of actual Revenue ex-TAC Growth Rate and Ex-TAC Operating Margin in comparison with the target levels is attached as Exhibit 2 to this Appendix A.

In applying the formulas set forth in the Funding Methodology, the Funding Percentage will be prorated to give effect to actual performance between the levels specified in the Funding Methodology (e.g., if the Funding Methodology provides that the Funding Percentage will be increased by 3% for each 1% by which actual performance exceeds the target level and actual performance exceeds the target level for the fiscal year by 0.5%, the Funding Percentage will be increased by 1.5%).

In no event, however, will the EIP Bonus Pool be funded at a level less than 50% of the Target Bonus Pool or at a level greater than 200% of the Target Bonus Pool.

Notwithstanding anything herein to the contrary, the Compensation Committee may, in its sole discretion, reduce the amount of bonuses payable hereunder from the levels provided above.

Definitions

For purposes of the EIP, the following definitions will apply:

"Ex-TAC Operating Margin" means the Company' s Operating Income divided by Revenue ex-TAC (prior to any adjustments of the MIP funding pool) expressed as a percentage.

"GAAP" means U.S. generally accepted accounting principles.

"Microsoft Transition" means the global transition of the Company' s algorithmic and paid search platforms and migration of the Company' s paid search advertisers and publishers to Microsoft Corporation ("Microsoft") under the Search Agreement based on the Company' s timetable and operational plans as of the date of the Plan.

"Operating Income" as to a particular fiscal year means the Company' s income from operations for that fiscal year as determined by the Company in accordance with GAAP and reflected in its annual financial statements.

"Plan" as to a particular fiscal year means the Company' s financial plan for that fiscal year used by the Compensation Committee to set the Revenue ex-TAC Growth Rate and Ex-TAC Operating Margin targets for that fiscal year.

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"Revenue" as to a particular fiscal year means the Company' s revenue for that fiscal year as determined by the Company in accordance with GAAP and reflected in its annual financial statements.

"Revenue ex-TAC" as to a particular fiscal year means Revenue less TAC as determined by the Company and reflected in the Company' s annual financial statements.

"Revenue ex-TAC Growth Rate" as to a particular fiscal year means (a) the difference between that fiscal year' s Revenue ex-TAC and the Revenue ex-TAC for the immediately preceding year, divided by (b) Revenue ex-TAC for the preceding year.

"Search Agreement" means the Search and Advertising Services and Sales Agreement between the Company and Microsoft.

"TAC" as to a particular fiscal year means total traffic acquisition costs as determined by the Company and reflected in its annual financial statements.

For purposes of calculating Revenue ex-TAC and Ex-TAC Operating Margin for a particular fiscal year, the Revenue ex-TAC and Ex-TAC Operating Margin for that year shall be adjusted (without duplication) for the following items to the extent such items were not included in the Plan:

(a) increased or decreased to eliminate the financial statement impact of acquisitions and costs associated with such acquisitions and the costs incurred in connection with potential acquisitions that are required to be expensed under GAAP;

(b) increased or decreased to eliminate the financial statement impact of divestitures and costs associated with such divestitures and the costs incurred in connection with potential divestitures that are required to be expensed under GAAP;

(c) increased or decreased to eliminate the financial statement impact of financing costs or costs related to the restructuring of any of the Company' s equity investments (that are accounted for under the equity method of accounting) that are required to be expensed under GAAP;

(d) 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;

(e) increased or decreased to eliminate the financial statement impact of restructuring charges that are required to be expensed (or reversed) under GAAP;

(f) increased or decreased to eliminate the financial statement impact of goodwill and intangible asset impairment charges that are required to be recorded under GAAP;

(g) increased or decreased to eliminate the financial statement impact of legal settlements that are required to be recorded under GAAP;

(h) increased or decreased to eliminate the financial statement impact of search costs to the extent such search costs are less than or exceed the estimated search costs expected to be paid or reimbursed by Microsoft reflected in the Plan solely as a result of the Microsoft Transition occurring earlier or later than the implementation plan incorporated in the Plan;

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(i) increased or decreased to eliminate the financial statement impact of Microsoft revenue sharing solely as a result of the Microsoft Transition occurring earlier or later than the implementation plan incorporated in the Plan; and

(j) with respect to calculating the Company' s Revenue ex-TAC Growth Rate, increased or decreased to eliminate the financial statement impact of changes in foreign exchange rates compared to the foreign exchange rates incorporated in the Plan. No adjustment shall be made for changes in foreign exchange rates in calculating the Company' s ex-TAC Operating Margin Rate.

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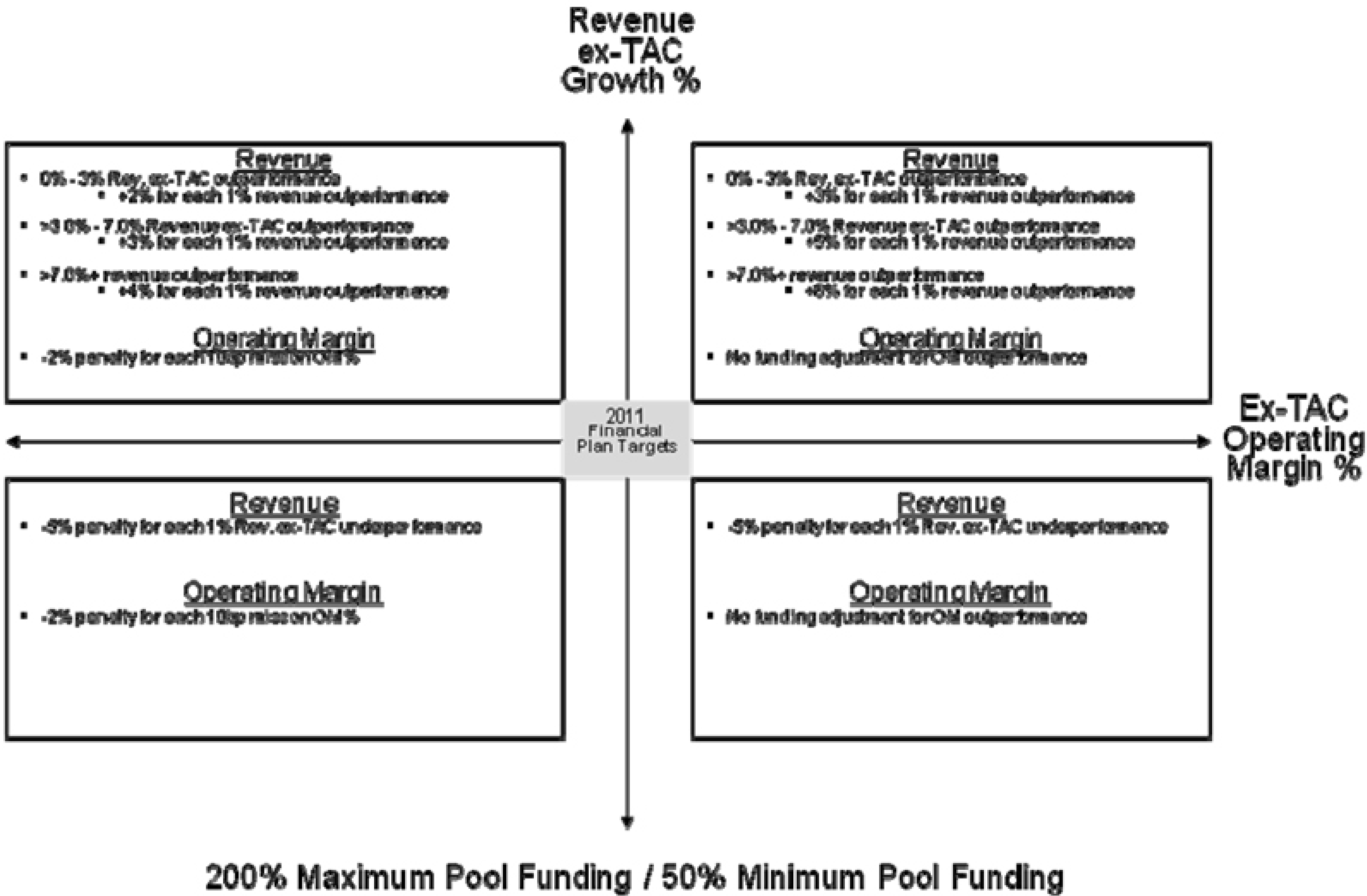
Exhibit 1 - EIP Pool Funding Methodology



200% Maximum Pool Funding / 50% Minimum Pool Funding

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Exhibit 2 - EIP Funding Matrix

Revenue ex-TAC Growth Rate	Ex-TAC Operating Margin																			
	-5.5%	-5%	-4%	-3.5%	-3%	-2.5%	-2%	-1.5%	-1%	-0.5%	Target	+0.4%	+1%	+1.5%	+2%	+2.5%	+3%	+3.5%	+4%
+13%	50%	52%	72%	82%	92%	102%	112%	122%	132%	142%	200%	200%	200%	200%	200%	200%	200%	200%	200%
+12%	50%	50%	68%	78%	88%	98%	108%	118%	128%	138%	196%	196%	196%	196%	196%	196%	196%	196%	196%
+11%	50%	50%	64%	74%	84%	94%	104%	114%	124%	134%	188%	188%	188%	188%	188%	188%	188%	188%	188%
+10%	50%	50%	60%	70%	80%	90%	100%	110%	120%	130%	180%	180%	180%	180%	180%	180%	180%	180%	180%
+9%	50%	50%	56%	66%	76%	86%	96%	106%	116%	126%	172%	172%	172%	172%	172%	172%	172%	172%	172%
+8%	50%	50%	52%	62%	72%	82%	92%	102%	112%	122%	164%	164%	164%	164%	164%	164%	164%	164%	164%
+7%	50%	50%	50%	51%	61%	71%	81%	91%	101%	111%	135%	135%	135%	135%	135%	135%	135%	135%	135%
+6%	50%	50%	50%	50%	58%	68%	78%	88%	98%	108%	130%	130%	130%	130%	130%	130%	130%	130%	130%
+5%	50%	50%	50%	50%	55%	65%	75%	85%	95%	105%	125%	125%	125%	125%	125%	125%	125%	125%	125%
+4%	50%	50%	50%	50%	52%	62%	72%	82%	92%	102%	120%	120%	120%	120%	120%	120%	120%	120%	120%
+3%	50%	50%	50%	50%	50%	56%	66%	76%	86%	96%	109%	109%	109%	109%	109%	109%	109%	109%	109%
+2%	50%	50%	50%	50%	50%	54%	64%	74%	84%	94%	106%	106%	106%	106%	106%	106%	106%	106%	106%
+1%	50%	50%	50%	50%	50%	52%	62%	72%	82%	92%	103%	103%	103%	103%	103%	103%	103%	103%	103%
Target	50%	50%	50%	50%	50%	50%	60%	70%	80%	90%	100%	100%	100%	100%	100%	100%	100%	100%	100%
-1%	50%	50%	50%	50%	50%	50%	55%	65%	75%	85%	95%	95%	95%	95%	95%	95%	95%	95%	95%
-2%	50%	50%	50%	50%	50%	50%	50%	60%	70%	80%	90%	90%	90%	90%	90%	90%	90%	90%	90%
-3%	50%	50%	50%	50%	50%	50%	50%	55%	65%	75%	85%	85%	85%	85%	85%	85%	85%	85%	85%
-4%	50%	50%	50%	50%	50%	50%	50%	50%	60%	70%	80%	80%	80%	80%	80%	80%	80%	80%	80%
-5%	50%	50%	50%	50%	50%	50%	50%	50%	55%	65%	75%	75%	75%	75%	75%	75%	75%	75%	75%
-6%	50%	50%	50%	50%	50%	50%	50%	50%	50%	60%	70%	70%	70%	70%	70%	70%	70%	70%	70%
-7%	50%	50%	50%	50%	50%	50%	50%	50%	50%	55%	65%	65%	65%	65%	65%	65%	65%	65%	65%
-8%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	60%	60%	60%	60%	60%	60%	60%	60%	60%
-9%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	55%	55%	55%	55%	55%	55%	55%	55%	55%
-10%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%

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«date»

«full_name»
«address_line_1»
«city», «state» «zip_code»

Dear «first_name»:

On behalf of Yahoo! Inc. ("Yahoo!" or the "Company"), I am pleased to inform you that Yahoo! will provide you with the severance protections described in this letter agreement ("Agreement"). This Agreement is being offered to you to provide both you and Yahoo! with certainty in the event that your employment with Yahoo! is terminated by Yahoo! without Cause.[1] You will not be entitled to any severance benefits under this Agreement if your employment is terminated with Cause, if you voluntarily resign from your employment with Yahoo!, or if your employment terminates due to your death or disability.[2]

1

For purposes of this Agreement, "Cause" means termination of your employment by the Company based upon the occurrence of one or more of the following which, with respect to clauses (1), (2) and (3) below, if curable, you have not cured within fourteen (14) days after you receive written notice from the Company specifying with reasonable particularity such occurrence: (1) your refusal or material failure to perform your job duties and responsibilities (other than by reason of your serious physical or mental illness, injury or medical condition), (2) your failure or refusal to comply in any material respect with material Company policies or lawful directives, (3) your material breach of any contract or agreement between you and the Company (including but not limited to this Agreement and the Employee Confidentiality and Assignment of Inventions Agreement between you and the Company), or your material breach of any statutory duty, fiduciary duty or any other obligation that you owe to the Company, (4) your commission of an act of fraud, theft, embezzlement or other unlawful act against the Company or involving its property or assets or your engaging in unprofessional, unethical or other intentional acts that materially discredit the Company or are materially detrimental to the reputation, character or standing of the Company, or (5) your indictment or conviction or *nolo contendere* or guilty plea with respect to any felony or crime of moral turpitude. Following notice and cure as provided in the preceding sentence, upon any additional one-time occurrence of one or more of the events enumerated in that sentence, the Company may terminate your employment for Cause without notice and opportunity to cure. However, should the Company choose to offer you another opportunity to cure, it will not be deemed a waiver of its rights under this provision.

2

In no event will you be considered to have terminated employment for purposes of this letter if your employment by Yahoo! (including a subsidiary or affiliate) terminates and, immediately after such termination, you continue as an employee of another subsidiary or affiliate of Yahoo! (or Yahoo! Inc. if you had previously been employed by a subsidiary).

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Severance. If your employment is terminated by Yahoo! without Cause (and other than due to your death or disability) and you comply with the release and other requirements described below, then you will be entitled to the benefits set forth below this paragraph. Yahoo! will provide you with written notice that your employment will terminate (the "Termination Notice"). You will remain employed by Yahoo! for a period of time as determined by Yahoo!, in its sole discretion, after the Termination Notice is provided (the "Notice Period"), but such period will not exceed ______ months. (For purposes of clarity, a Notice Period is not required, and the Company may terminate your employment immediately at any time upon delivery of a Termination Notice without providing a Notice Period.) The date your employment with Yahoo! terminates will be considered your "Termination Date."

1. Yahoo! will pay you the following amounts in cash as severance:

    a. an amount equal to your base salary (at the monthly rate in effect at the time the Termination Notice is provided to you) for a period of [EVPs: twelve (12); SVPs: six (6)] months less the number of months in the Notice Period (including partial months), such amount to be paid in a single lump sum;

    b. a lump sum payment equal to [EVPs: one hundred percent (100%); SVPs: fifty percent (50%)] of your annual target bonus for the year in which your Termination Notice is provided; and

    c. a lump sum payment of a prorated bonus for the year in which your Termination Notice is provided, determined by multiplying (i) the lesser of your annual target bonus for such year or the annual bonus you would have been entitled to receive for such year if your employment had not terminated by (ii) a fraction, the numerator of which is the number of whole months of your active employment with Yahoo! during such year and the denominator of which is twelve (12).

    The severance payments described above will be made on or before the sixtieth (60th) business day following your Termination Date, provided that if such period of 60 business days spans two calendar years, such payments will be made in the second of the two calendar years, and provided, further, that the prorated bonus referred to in 1(c) above will be paid at the same time bonuses for the applicable year are paid to the Company' s employees generally.

2. Provided that you timely elect continued coverage under COBRA, Yahoo! will pay you an amount equal to your premium for continued group health coverage for the period you continue COBRA coverage (up to a maximum of [EVPs: twelve (12); SVPs: six (6)] months following your Termination Date), provided that Yahoo!' s obligation to make such payments will cease if you become eligible for coverage under the health plan of another employer or Yahoo! ceases to offer group medical coverage to its active executive employees or otherwise is under no obligation to offer you COBRA continuation coverage.

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3. **[**You will be entitled to accelerated vesting of your then-outstanding equity awards as provided under "Equity Awards" below.**]** ***[For executives who hold awards granted prior to February 2011 or any non-executive awards granted after January 2011.]***

4. **[**You will be entitled to accelerated vesting of your then-outstanding equity awards if and only to the extent provided in the applicable award agreements.***] [For executives who hold only executive form awards granted after January 2011.]***

[For executives who hold awards granted prior to February 2011 or any non-executive awards granted after January 2011.] [**Equity Awards**. To the extent that you hold equity-based awards granted by Yahoo! under its equity incentive plans that are outstanding and unvested as of the date of this Agreement (your "Outstanding Awards"), the award agreement that evidences each such Outstanding Award is hereby amended to provide as follows:

1. Stock Options. If your employment with Yahoo! is terminated by Yahoo! without Cause (and other than as a result of your death or disability), each of your Outstanding Awards that is a stock option will vest and become exercisable on your Termination Date with respect to each installment of such stock option that is scheduled to vest within six (6) months after your Termination Date. The vested portion of the option will be exercisable following your termination for the period specified in the applicable option agreement, and any portion of the option that is not vested (after giving effect to the foregoing acceleration provision) will terminate on your Termination Date.

2. Time-Based RSUs. If your employment with Yahoo! is terminated by Yahoo! without Cause (and other than as a result of your death or disability), each of your Outstanding Awards that is a restricted stock unit award ("RSU") that vests based solely on the passage of time will vest on your Termination Date with respect to each installment of such award that is scheduled to vest within six (6) months after your Termination Date and will be paid as provided in the award agreement. Any portion of the award that is not vested (after giving effect to the foregoing acceleration provision) will terminate on your Termination Date.

3. Performance-Based RSUs (OCF and AFP). If your employment with Yahoo! is terminated by Yahoo! without Cause (and other than as a result of your death or disability), each of your Outstanding Awards that is an RSU that vests based on the Company' s achievement of financial performance goals (other than total stockholder return) will be subject to the following provisions:

   any RSUs credited (or to be credited) to you in accordance with the terms of the award with respect to Company performance for any fiscal year ended prior to the year in which your Termination Date occurs, to the extent not then vested, will vest as of your Termination Date and be paid as provided in the award agreement;

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if you are employed with Yahoo! for six months or more of the fiscal year in which your Termination Date occurs, you will be credited with an additional number of RSUs for that fiscal year equal to (a) the number of RSUs that would have been credited at the end of such year based on Company performance under the terms of the award, multiplied by (b) a fraction, the numerator of which is the number of whole months of your employment with Yahoo! during such year and the denominator of which is twelve (12), such credited units to be paid after the end of such year as provided in the award agreement; and

any RSUs subject to the award that do not vest in accordance with the preceding provisions will terminate as of your Termination Date.

In the event that a termination of your employment under the circumstances described above occurs and you would be entitled to greater accelerated vesting of any Outstanding Award in the circumstances under the terms of the applicable award agreement (or other agreement with, or applicable plan of, the Company) than under the applicable provisions of this Agreement, you will be entitled to the accelerated vesting of the award provided in the Outstanding Award agreement (or such other agreement or plan), and the provisions of this Agreement will be disregarded as to that award. In no event will you be entitled to accelerated vesting of an Outstanding Award under both this Agreement and another agreement or plan. For purposes of clarity, this agreement does not limit any right that you may have to accelerated vesting of your awards in any other circumstances (for example, and without limitation, upon a change in control) pursuant to the applicable agreement or plan.

You will be entitled to accelerated vesting of any then-outstanding equity awards that are granted after the date of this Agreement as and to the extent provided in the applicable award agreements.

Except as expressly set forth above, this Agreement does not modify any other terms of any of your Outstanding Awards. For avoidance of doubt, this Agreement does not modify any provisions of any of your Outstanding Awards that are RSUs that vest based on the Company' s total stockholder return.**]**

Conditions of Severance; Exclusive Remedy. All benefits specified in this Agreement are conditioned on (1) you signing a full release of any and all claims against Yahoo! in a release form acceptable to Yahoo! (within the period specified in it by the Company, which in no event shall be more than fifty days following your Termination Date) and your not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) your compliance with your obligations under your Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. To the extent that you are otherwise entitled to Company-paid COBRA coverage as provided above, such benefit shall not be suspended during the period of time you consider such a release, but shall terminate immediately in the event that you do not timely provide (or in the event that you revoke) such release. You agree that the benefits specified in this Agreement (and any applicable acceleration of vesting of an equity-based award in accordance with its terms) will constitute the exclusive and sole remedy for any termination of your employment and you covenant not to assert or pursue any other remedies, at law or in equity, with respect to your termination.

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Tax Matters.

(a) Withholding. Yahoo! will withhold required federal, state and local taxes from any and all payments contemplated by this Agreement.

(b) Section 280G. If any payment or benefit received or to be received by you (including any payment or benefit received pursuant to this Agreement or otherwise) would be (in whole or part) subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, or any successor provision thereto, or any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then, any cash severance benefits contemplated by Section 1 under "Severance" above and any accelerated vesting of time-based RSUs, performance-based RSUs, and stock options will be reduced to the extent necessary to make such payments and benefits not subject to such Excise Tax, but only if such reduction results in a higher after-tax payment to you after taking into account the Excise Tax and any additional taxes you would pay if such payments and benefits were not reduced. If a reduction in cash severance and/or acceleration of vesting is so required, then, unless you elect a different order of reduction in advance (to the extent such an election may be made without resulting in any tax, penalty or interest under Code Section 409A), any cash severance payable in installment payments will be reduced first (with the installments scheduled to be paid latest in time reduced first), then any cash severance payable as a lump sum shall be reduced, then any accelerated vesting of equity incentive awards will be reduced (with time-based RSUs, performance-based RSUs, and stock options to be reduced in that order with the reduction made first as to the awards scheduled to vest latest in time).

(c) Responsibility for Taxes. Other than Yahoo!' s obligation and right to withhold federal, state and local taxes, you will be responsible for any and all taxes, interest, and penalties that may be imposed with respect to the payments contemplated by this Agreement (including, but not limited to, those imposed under Internal Revenue Code Section 409A). To the extent that this Agreement is subject to Internal Revenue Code Section 409A, you and Yahoo! agree that the terms and conditions of this Agreement will be construed and interpreted to the maximum extent reasonably possible, without altering the fundamental intent of this Agreement, to comply with and avoid the imputation of any tax, penalty or interest under Code Section 409A.

Notwithstanding any provision of this letter to the contrary, if you are a "specified employee" as defined in Section 409A of the U.S. Internal Revenue Code, you will not be entitled to any payments in connection with the termination of your employment until the date which is six (6) months and one (1) day after your Termination Date (or, if earlier, the date of your death) and any payment otherwise due in such period will be made within the thirty (30) day period following the six (6) month anniversary of your Termination Date (or, if earlier, within the thirty (30) day period after the date of your death). The provisions of this paragraph will only apply if, and to the extent, required to comply with Code Section 409A. For purposes of Code Section 409A, each payment made under this letter is designated as a "separate payment" within the meaning of Code Section 409A.

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Change in Control Severance. Notwithstanding the foregoing provisions, in the event that you are otherwise entitled to receive severance benefits in connection with a termination of your employment under both this Agreement and the Company' s Change in Control Employee Severance Plan, as amended, or any successor plan thereto (the "CIC Plan"), you will receive either the cash severance and COBRA payments provided under the CIC Plan or under this Agreement, whichever is greater, but in no event will you be entitled to receive such benefits under both the CIC Plan and this Agreement.

By executing this Agreement, you and the Company agree that Section 2.7 of the CIC Plan, as it applies to any benefits you may receive thereunder, is hereby amended, effective immediately, to provide that, if the period of 60 business days following the Severance Date (as defined in the CIC Plan) referred to in such section spans two calendar years, the Benefit Commencement Date (as defined in the CIC Plan) will occur in the second of the two calendar years.

Amendment. Except as provided in the next sentence, this Agreement may be amended only by a written agreement signed by both you and by an authorized officer of the Company. Effective as of December 31, 2013 or the end of any subsequent year, the Company may modify this Agreement in any manner, provided (1) the Company has notified you of the pending modification at least ninety days in advance of the proposed effective date of such modification, and (2) your employment is not terminated by the Company prior to the effective date of any such modification in circumstances that entitle you to severance under this Agreement.

Entire Agreement. This Agreement, together with the agreements that evidence any equity-based awards granted to you by Yahoo!, constitute the entire agreement between you and Yahoo! with respect to the subject matter hereof and supersede any and all prior or contemporaneous oral or written representations, understandings, agreements or communications between you and Yahoo! concerning such subject matter including, but not limited to, any provisions relating to severance and/or acceleration of equity detailed in your offer letter. The CIC Plan and any Employee Confidentiality and Assignment of Inventions Agreement (or similar agreement) are outside the scope of the foregoing integration provision.

At-Will Employment. Nothing in this letter alters the at-will nature of your employment relationship with Yahoo! or creates a contract for employment for a specified period of time. Either you or Yahoo! may terminate the employment relationship at any time, with or without cause and with or without advance notice.

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IF THIS AGREEMENT IS ACCEPTABLE TO YOU, PLEASE SIGN BELOW AND RETURN THE ORIGINAL TO __________ **BY __________, 2011.**

Sincerely,

YAHOO! INC.

By:

____

NAME
TITLE
Yahoo! Human Resources

I accept and agree to the terms and conditions outlined in this Agreement.

______________________________________ ______________________________

Employee name Date

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Exhibit 10.16(I)

[Yahoo! Inc. Letterhead]

______, 2011

Carol Bartz

Re: ***Letter Amendment to 2010 Time-Based Award Agreements***

Dear __________:

Reference is made to the Stock Option Agreement (the "Option Agreement") and the Restricted Stock Unit Award Agreement (the "RSU Agreement"), each dated February 25, 2010, between you and Yahoo! Inc. (the "Company"). The purpose of this letter agreement is to amend each of the Option Agreement and the RSU Agreement, effective immediately, as set forth below.

Section 9 of the Option Agreement is hereby amended and restated to read in its entirety as follows:

"9. *Termination Without Cause, Good Reason Termination, Certain Other Terminations*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of a termination by the Company without Cause, a termination by the Optionee with Good Reason or any termination at or after Expiration other than a termination by the Company for Cause (a "Qualifying Termination"), this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee' s Continuous Status as an Employee or Consultant, and the denominator of which is forty-eight (48) (the "Pro-Rata Portion"); provided, however, in the event that such Qualifying Termination is a termination by the Company without Cause (other than a termination during the period of twelve (12) months following a Change in Control), this Option will be vested as of the date of such termination with respect to the greater of (i) the Pro-Rata Portion or (ii) the portion of this Option that was vested as of the date of such termination plus any portion of this Option that was scheduled to vest within six (6) months after the date of such termination pursuant to the original vesting schedule of this Option. The Optionee may, but only within twelve (12) months from the date of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of a Qualifying Termination (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 9), or if the Optionee does not exercise such Option (to the extent

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otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Cause," "Good Reason" and "Expiration" shall have the same meanings as in the Employment Agreement."

Section 2(e)(i) of the RSU Agreement is hereby amended and restated to read in its entirety as follows:

"(i) If the Grantee' s employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee' s death or Disability, (B) by the Company, Parent or any Subsidiary without Cause, (C) by the Grantee with Good Reason or (D) for any reason at or after Expiration other than a termination by the Company for Cause, the Restricted Stock Units subject to the Award shall vest and become non-forfeitable to the extent necessary to cause the aggregate number of Restricted Stock Units subject to the Award that are vested and non-forfeitable (including any Restricted Stock Units previously paid pursuant to Section 2(d)) to equal the total number of Restricted Stock Units subject to the Award multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee' s termination, and the denominator of which is forty-eight (48) (the "Pro-Rata Portion"); provided, however, in the event that such a termination of Grantee' s employment or service is a termination by the Company, Parent or any Subsidiary without Cause (other than a termination during the period of twelve (12) months following a Change in Control (as defined below)), the Award will be vested as of the date of such termination with respect to the greater of (i) the Pro-Rata Portion or (ii) the portion of the Award that was vested as of the date of such termination plus any portion of the Award that was scheduled to vest within six (6) months after the date of such termination pursuant to the original vesting schedule of the Award."

This letter agreement does not modify any other terms of the Option Agreement or the RSU Agreement except as expressly set forth above. For avoidance of doubt, this letter agreement does not apply to any awards subject to time-based vesting requirements granted in any year other than 2010 or to any awards subject to performance-based vesting requirements.

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

Sincerely,

Yahoo! Inc.
[NAME, TITLE]

Acknowledged and Agreed:

By: ______________________________________

Carol Bartz

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Exhibit 10.16(L)

YAHOO! INC.
1995 STOCK PLAN
NOTICE OF STOCK OPTION GRANT

Carol Bartz
701 First Avenue
Sunnyvale, CA 94089

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

Date of Grant:	[______]
Vesting Commencement Date:	[______]
Exercise Price Per Share:	$[____]
Total Number of Shares Granted:	[____]
Total Price of Shares Granted:	$[____]
Type of Option:	[Nonstatutory Stock Option]
Term/Expiration Date:	[______]
Vesting Schedule:	[This Option may be exercised, in whole or in part, in accordance with the following schedule: **[Vesting provisions to be determined at time of grant]**.]
Termination Period:	This Option may be exercised for a period of ninety (90) days after termination of your employment relationship except as set out in Sections 7, 8 and 9 of the Stock Option Agreement (but in no event later than the Expiration Date). You understand and agree that termination of your employment relationship for purposes of this Option shall occur on the Termination Date (as defined in Section 6 of the Stock Option Agreement).

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

OPTIONEE:	**YAHOO! INC.**
______________________________	By: ______________________________
Carol Bartz	[Officer]

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YAHOO! INC.
1995 STOCK PLAN
STOCK OPTION AGREEMENT
FOR CAROL BARTZ

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

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

(i) *Right to Exercise*.

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

(b) In the event of the Optionee' s termination of employment or a Change in Control (as such term is defined below), the vesting and exercisability of this Option is governed by Sections 6 through 10 below, subject to the limitations contained in Section 2(i)(c).

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

(ii) *Method of Exercise*.

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

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

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

3. *Continuance of Employment/Service Required*. The Vesting Schedule requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this Option and the rights and benefits under this Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Sections 6 through 10 below or under the Plan.

4. *Method of Payment*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the Exercise Price ("Net Exercise"). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such Exercise Price in such method (including because doing so would disqualify the Option from being exempt under Section 409A of the Code) or the parties otherwise agree in writing, the Exercise Price shall be paid by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which said Option is exercised; or (iii) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the Exercise Price.

5.

Restrictions on Exercise. This Option may not be exercised until such time as the Plan has been approved by the stockholders of the Company, or if the issuance of such Shares upon such exercise or the method of payment of consideration for such shares would constitute a violation of any applicable federal or state securities or other law or regulation, including any rule under Part 207 of Title 12 of the Code of Federal Regulations ("Regulation G") as promulgated by the Federal Reserve Board. As a condition to the exercise of this Option, the Company may require the Optionee to make

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any representation and warranty to the Company as may be required by any applicable law or regulation.

6. *Termination of Relationship*. In the event of termination of the Optionee' s Continuous Status as an Employee or Consultant, the Optionee may, to the extent otherwise so entitled at the date of such termination (the "Termination Date") or thereafter and after giving effect to any accelerated vesting that may be required in the circumstances pursuant to Sections 7, 8, 9 and 10, exercise this Option during the Termination Period set out in the Notice of Grant. To the extent that the Optionee was not entitled to exercise this Option at the date of such termination, or if the Optionee does not exercise this Option within the time specified in the Notice of Grant, this Option shall terminate. Further, to the extent allowed by applicable law, if the Optionee is indebted to the Company on the date of termination, the Optionee' s right to exercise this Option shall be suspended until such time as the Optionee satisfies in full any such indebtedness.

7. *Disability of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of Disability, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee' s Continuous Status as an Employee or Consultant, and the denominator of which is thirty-six (36). The Optionee may, but only within twelve (12) months from the date of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of Disability (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 7), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Disability" shall have the same meaning as in the Optionee' s employment agreement with the Company entered into on January 13, 2009 (as it may be amended from time to time, the "Employment Agreement").

8. *Death of Optionee*. Notwithstanding the provisions of Section 6 above, in the event of the death of the Optionee during the period of the Optionee' s Continuous Status as an Employee or Consultant, this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee' s Continuous Status as an Employee or Consultant, and the denominator of which is thirty-six (36). In the event of the death of the Optionee during the period of the Optionee' s Continuous Status as an Employee or Consultant, or within thirty (30) days following the termination

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of the Optionee' s Continuous Status as an Employee or Consultant, this Option may be exercised, at any time within twelve (12) months following the date of the Optionee' s death (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), by the Optionee' s estate or by a person who acquired the right to exercise this Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise this Option at the date of death (after giving effect to any accelerated vesting pursuant to this Section 8) or, if earlier, the date of termination of the Optionee' s Continuous Status as an Employee or Consultant. To the extent that the Optionee was not entitled to exercise this Option at the date of death or termination, as the case may be, or if the Optionee' s estate or the person who acquired the right to exercise this Option by bequest or inheritance does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate.

9. *Termination Without Cause, Good Reason Termination, Certain Other Terminations*. Notwithstanding the provisions of Section 6 above, in the event of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of a termination by the Company without Cause, a termination by the Optionee with Good Reason or any termination at or after Expiration other than a termination by the Company for Cause (a "Qualifying Termination"), this Option will vest to the extent necessary to cause the aggregate number of Shares subject to this Option that are vested and exercisable (including any Shares previously acquired on exercise of the Option) to equal the total number of Shares multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Optionee was employed following the Vesting Commencement Date through the date of termination of the Optionee' s Continuous Status as an Employee or Consultant, and the denominator of which is thirty-six (36) (the "Pro-Rata Portion"); provided, however, in the event that such Qualifying Termination is a termination by the Company without Cause (other than a termination during the period of twelve (12) months following a Change in Control), this Option will be vested as of the date of such termination with respect to the greater of (i) the Pro-Rata Portion or (ii) the portion of this Option that was vested as of the date of such termination plus any portion of this Option that was scheduled to vest within six (6) months after the date of such termination pursuant to the original vesting schedule of this Option. The Optionee may, but only within twelve (12) months from the date of termination of the Optionee' s Continuous Status as an Employee or Consultant as a result of a Qualifying Termination (but in no event later than the date of expiration of the term of this Option as set forth in Section 13 below), exercise this Option to the extent otherwise so entitled at the date of such termination. To the extent that the Optionee was not entitled to exercise this Option at the date of termination (after giving effect to any accelerated vesting pursuant to this Section 9), or if the Optionee does not exercise such Option (to the extent otherwise so entitled) within the time specified in this Agreement, this Option shall terminate. For purposes of this Agreement, "Cause," "Good Reason" and "Expiration" shall have the same meanings as in the Employment Agreement.

10. *Change in Control*. The following provisions shall apply in the event of a Change in Control (as such term is defined below):

(i) In the event that, during the period of twelve (12) months following the

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Change in Control, the Optionee' s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Optionee for Good Reason, this Option, to the extent then outstanding and not vested, shall become fully vested and exercisable as of the date of such termination in accordance with Section 6.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company' s then outstanding securities;

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company' s assets, provided, however, that a sale of the Company' s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

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

11.

Release. The Optionee' s rights to receive any accelerated vesting and other benefits in connection with a termination of the Optionee' s Continuous Status as an Employee or

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Consultant pursuant to Sections 7, 8, 9 and 10 shall require the Optionee to execute and deliver to the Company (with the period to revoke expiring without the Optionee' s revocation) within sixty (60) days of such termination (and in all cases prior to any exercise of any accelerated portion of this Option) a release in the form annexed to the Employment Agreement. The Optionee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Optionee' s Continuous Status as an Employee or Consultant.

12. *Non-Transferability of Option*. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution. The designation of a beneficiary does not constitute a transfer. This Option may be exercised during the lifetime of the Optionee only by the Optionee. The terms of this Option shall be binding upon the executors, administrators, heirs, successors and assigns of the Optionee.

13. *Term of Option*. This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option.

14. *No Additional Employment Rights*. The Optionee understands and agrees that the vesting of Shares pursuant to the Vesting Schedule is earned only by continuing as an Employee or Consultant at the will of the Company (not through the act of being hired, being granted this Option or acquiring Shares under this Agreement). The Optionee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Optionee any right with respect to continuation as an Employee or Consultant with the Company, nor shall it interfere in any way with her right or the Company' s right to terminate her employment or consulting relationship at any time, with or without cause.

15. *Tax Withholding*. Except as provided in the next sentence, the Company shall withhold a number of Shares to be issued upon exercise of the Option which Shares have a Fair Market Value equal to the minimum statutory amount required to be withheld with respect to the portion of the Option exercised. In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method or the parties otherwise agree in writing, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Optionee to pay such amount in cash or check; (ii) by deducting such amount out of the Optionee' s current compensation; (iii) by allowing the Optionee to surrender other shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Optionee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld; or (iv) by delivery by the Optionee of a properly executed Exercise Notice together with irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds required to pay the amount required to be withheld. For these purposes, the Fair Market Value of

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the Shares to be withheld shall be determined on the date that the amount of tax to be withheld is to be determined.

16. *Notices*. Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Optionee, to the Optionee' s address appearing on the books of the Company or to the Optionee' s residence or to such other address as may be designated in writing by the Optionee. Notices may also be delivered to the Optionee, during his or her employment, through the Company' s inter-office or electronic mail systems.

17. *Bound by Plan.* By signing this Agreement, the Optionee acknowledges that she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

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

19. *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

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

21. *Adjustments*. For purposes of this Option, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

22. *Governing Law.* This Agreement and the rights of the Optionee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

23. *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

24. *Recoupment*. Notwithstanding any other provision herein, the Option and any Shares that may be issued in respect of the Option shall be subject to any recoupment or "clawback" policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Option at the time the policy is adopted.

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

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Exhibit 10.16(M)

YAHOO! INC.
1995 STOCK PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR CAROL BARTZ

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of **[__ , 20 __]** (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units;

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

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

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee **[____]** Restricted Stock Units (the "Award") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

(b) *Restrictions.* Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws

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of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. [Subject to Sections 2(e) through 2(g) below, **[Vesting provisions to be determined at time of grant].]**

(d) *Timing and Manner of Payment of Restricted Stock Units.* Any Restricted Stock Units subject to the Award that become non-forfeitable shall be paid as soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (such date, the "Payment Date"). Such Restricted Stock Units shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee' s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. The Grantee shall not be required to pay any cash consideration for the Restricted Stock Units 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 Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* Except as expressly provided in this Section 2(e) or in Section 2(g), in the event of the termination of the Grantee' s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee' s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(i) If the Grantee' s employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee' s death or Disability, (B) by the Company, Parent or any Subsidiary without Cause, (C) by the Grantee with Good Reason or (D) for any reason at or after Expiration other than a termination by the Company for Cause, the Restricted Stock Units subject to the Award shall vest and become non-forfeitable to the extent necessary to cause the aggregate number of Restricted Stock Units subject to the Award that are vested and non-forfeitable (including any Restricted Stock Units previously paid pursuant to Section 2(d)) to equal the total number of Restricted Stock Units subject to the Award multiplied by a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services following the Date of Grant through the date of the Grantee' s termination, and the denominator of which is thirty-six (36) (the "Pro-Rata Portion"); provided, however, in the event that such a termination of Grantee' s employment or service is a termination by the Company, Parent or any Subsidiary without Cause (other than a termination during the period of twelve (12) months following a Change in Control

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(as defined below)), the Award will be vested as of the date of such termination with respect to the greater of (i) the Pro-Rata Portion or (ii) the portion of the Award that was vested as of the date of such termination plus any portion of the Award that was scheduled to vest within six (6) months after the date of such termination pursuant to the original vesting schedule of the Award.

(ii) For purposes of this Agreement, "Disability," "Cause," "Good Reason" and "Expiration" shall have the same meanings as in the Grantee' s employment agreement with the Company entered into on January 13, 2009 (the "Employment Agreement").

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the date the Restricted Stock Units have either become vested and non-forfeitable or have been forfeited pursuant to this Agreement:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee' s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason, the Restricted Stock Units subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their

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ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company' s then outstanding securities;

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company' s assets, provided, however, that a sale of the Company' s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This grant of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld.

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For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release*. The Grantee' s rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee' s employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee' s revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee' s employment or service.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee' s address appearing on the books of the Company or to the Grantee' s residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during her employment, through the Company' s inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

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

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

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

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

(h) *Adjustments*. For purposes of the Restricted Stock Units subject to the Award, the term “stock dividend” under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(i) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(j) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(k) *Recoupment*. Notwithstanding any other provision herein, the Award and any Shares that may be issued in respect of the Award shall be subject to any recoupment or “clawback” policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

By Grantee’ s signature and the signature of the Company’ s representative below, or by Grantee’ s acceptance of this Award through the Company’ s online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: ____________________________________

Its: ____________________________________

CAROL BARTZ

Signature: ______________________________

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Exhibit 10.16(N)

YAHOO! INC.
1995 STOCK PLAN
PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR CAROL BARTZ

THIS PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT (the "Agreement"), dated as of ______, 20__ (the "Date of Grant"), is made by and between Yahoo! Inc., a Delaware corporation (the "Company"), and Carol Bartz (the "Grantee").

WHEREAS, the Company has adopted the Yahoo! Inc. 1995 Stock Plan, as amended (the "Plan"), pursuant to which the Company may grant Restricted Stock Units that are subject to performance-based vesting conditions;

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

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

Section 1. **Grant of Restricted Stock Unit Award**

(a) *Grant of Restricted Stock Units.* The Company hereby grants to the Grantee ______ Restricted Stock Units (such number, the "Target Number" of Restricted Stock Units) on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. **Terms and Conditions of Award**

The grant of Restricted Stock Units provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with Units.* The Restricted Stock Units are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the Restricted Stock Units.

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(b) *Restrictions.* The Restricted Stock Units and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any Restricted Stock Units in contravention of the above restriction shall be null and void and without effect.

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

(i) For 20__ (the "Performance Year"), the Grantee shall be credited with a number of Restricted Stock Units equal to the Target Number of Restricted Stock Units multiplied by a percentage that (1) will be determined by the Administrator after the Performance Year based on the Company' s achievement of financial performance goals established for the Performance Year and (2) will be between 0% and 200%. The performance goals and the methodology for establishing the number of Restricted Stock Units to be credited will be established by the Administrator not later than ninety (90) days after the start of the 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 Restricted Stock Unit crediting percentage will be communicated to the Grantee after it is established by the Administrator. The Administrator shall, following the end of the Performance Year, determine whether and the extent to which the performance targets for the Performance Year have been satisfied and the number of Restricted Stock Units to be credited to the Grantee. Such determinations by the Administrator shall be final and binding. Any Restricted Stock Units that are not credited to the Grantee in accordance with the foregoing provisions of this Section 2(c)(i) shall terminate upon the date of such determinations by the Administrator.

(ii) Subject to Sections 2(e) through 2(g) below, the Restricted Stock Units credited to the Grantee pursuant to Section 2(c)(i) shall vest and become non-forfeitable upon the third anniversary of the Date of Grant; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs during the Performance Year, the number of Restricted Stock Units that shall vest upon the third anniversary of the Date of Grant shall equal the Target Number of Restricted Stock Units.

(d) *Timing and Manner of Payment of Restricted Stock Units.* As soon as practicable after (and in no case more than seventy-four days after) the date any Restricted Stock Units subject to the Award become non-forfeitable (the "Payment Date"), such Restricted Stock Units shall be paid by the Company delivering to the Grantee, a number of Shares equal to the number of Restricted Stock Units that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee' s last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. 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 Restricted Stock Units that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue

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Shares in payment of the Restricted Stock Units unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment.* The following provisions shall apply in the event of the termination of the Grantee' s employment or service with the Company, Parent or any Subsidiary:

(i) Except as expressly provided below in Sections 2(e)(ii) or Section 2(g), in the event of the termination of the Grantee' s employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the Restricted Stock Units granted hereunder, such portion of the Restricted Stock Units held by Grantee shall be automatically forfeited by the Grantee as of the date of termination. Neither the Grantee nor any of the Grantee' s successors, heirs, assigns or personal representatives shall have any rights or interests in any Restricted Stock Units that are so forfeited.

(ii) Notwithstanding the foregoing clause (i) but subject to Section 2(g) below, in the event the Grantee' s employment or service with the Company, Parent or any Subsidiary is terminated (A) as a result of the Grantee' s death or Disability (except as provided in clause (iv) below), (B) by the Company, Parent or any Subsidiary without Cause or (C) by the Grantee with Good Reason (a "Qualifying Termination"), the Restricted Stock Units shall be subject to pro-rata vesting such that the number of Restricted Stock Units that shall become vested and non-forfeitable shall equal (x) any Restricted Stock Units that would have vested in accordance with Section 2(c) (assuming no termination of employment had occurred), multiplied by (y) a fraction (not greater than 1), the numerator of which is the number of full months the Grantee was employed or rendering services between January 1 of the Performance Year and the date on which the Grantee' s Qualifying Termination occurs and the denominator of which is thirty-six (36). Any Restricted Stock Units that vest pursuant to this clause (ii) shall be paid as soon as practicable after (and in no case more than seventy-four (74) days after) the later of the last day of the Performance Year or the date of the Qualifying Termination. Any Restricted Stock Units that do not vest in accordance with the two preceding sentences shall terminate as of the date of Qualifying Termination (or, in the case of a termination during the Performance Year, on the last day of the Performance Year). For avoidance of doubt, this paragraph will not apply to a termination of the Grantee' s employment by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason that occurs at any time within the 12-month period following a Change in Control.

(iii) For purposes of this Agreement, "Disability," "Cause," and "Good Reason" shall have the same meanings as in the Grantee' s employment agreement with the Company entered into on January 13, 2009 (the "Employment Agreement").

(iv) Notwithstanding the foregoing clauses (i) and (ii), in the event of a termination of the Grantee' s employment due to the Grantee' s death or Disability that occurs after the end of the Performance Year and prior to the third anniversary of the Date of Grant, the number of Restricted Stock Units that shall vest shall equal the number of Restricted Stock Units (if any) that would have vested in accordance with Section 2(c)

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if Grantee' s employment had continued through the third anniversary of the Date of Grant. Any Restricted Stock Units that vest pursuant to this clause (iv) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the termination date. Any Restricted Stock Units that do not vest in accordance with the foregoing provisions of this clause (iv) shall terminate as of the termination date. For avoidance of doubt, this clause (iv) will not apply to any such termination that occurs during the Performance Year.

(f) *Corporate Transactions.* Subject to any better treatment provided for in Section 2(g) below, the following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including Restricted Stock Units as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control prior to the third anniversary of the Date of Grant:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee' s employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as defined above), the number of Restricted Stock Units (if any) that would have vested in accordance with Section 2(c) if the Grantee' s employment had continued through the third anniversary of the Date of Grant shall become fully vested and non-forfeitable as of the date of such termination.

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as

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defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company' s then outstanding securities;

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company' s assets, provided, however, that a sale of the Company' s search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of Restricted Stock Units shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Severance Plan for Level I and Level II.

(h) *Income Taxes.* Except as provided in the next sentence, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the Restricted Stock Units having a Fair Market Value equal to the taxes that the Company determines it or the Employer is required to withhold under applicable tax laws with respect to the Restricted Stock Units (with such withholding obligation determined based on any applicable minimum statutory withholding rates). In the event the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (a) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company' s earnings, and (b) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as

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applicable, shall be determined on the date that the amount of tax to be withheld is to be determined.

(i) *Release*. The Grantee' s rights to receive any accelerated vesting of the Restricted Stock Units subject to the Award in connection with a termination of the Grantee' s employment or service pursuant to Section 2 shall require the Grantee to execute and deliver to the Company (with the period to revoke expiring without the Grantee' s revocation) within sixty (60) days of such termination (or, if earlier, the date the Company is required to make payment hereunder in connection with such termination) a release in the form annexed to the Employment Agreement. The Grantee shall also be required to promptly resign from the Board and all officerships, directorships or fiduciary positions with the Company and its Affiliates upon a termination of the Grantee' s employment or service.

Section 3. **Miscellaneous**

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee' s address appearing on the books of the Company or to the Grantee' s residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company' s inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* Nothing in the Plan or in this Agreement shall confer upon the Grantee any right to continue in the employ of the Company, a Parent or any Subsidiary or shall interfere with or restrict in any way the right of the Company, Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

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

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

(e) *Invalid Provision.* The invalidity or unenforceability of any particular provision thereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(f) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

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

(h) *Recoupment*. Notwithstanding any other provision herein, the Award and any Shares that may be issued in respect of the Award shall be subject to any recoupment or "clawback" policies in the Employment Agreement and any other such policies adopted by the Administrator to the extent the Administrator designates the policy as applicable to the Award at the time the policy is adopted.

(i) *Adjustments*. For purposes of the Restricted Stock Units subject to the Award, the term "stock dividend" under Section 16 of the Plan shall include dividends or other distributions of the stock of the subsidiaries of the Company.

(j) *Governing Law.* This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware.

(k) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(l) *Counterparts.* This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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By Grantee' s signature and the signature of the Company' s representative below, or by Grantee' s acceptance of this Award through the Company' s online acceptance procedure, this Agreement shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

YAHOO! INC.

By: ______________________________________

Its: ______________________________________

CAROL BARTZ

Signature: _________________________________

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Exhibit 21.1

Subsidiaries of Yahoo! Inc.

Name of Entity	Jurisdiction of Formation	Economic Interest (if not 100%)
Actionality Deutschland GmbH	Germany	
Actionality, Inc.	Delaware	
Associated Content Inc.	Delaware	
BlueLithium, Inc.	Delaware	
Citizen Sports, Inc.	Delaware	
Dapper (Israel) Limited	Israel	
Dapper Inc.	Delaware	
Farechase, Inc.	Delaware	
HJ Former Corp.	Delaware	
Java SNV Holdings LLC	Delaware	
JBS Sports, Inc.	Delaware	
Kenet Works AB	Sweden	
Kimo.com (Cayman) Corporation	Cayman Islands	
Maktoob.com Inc.	British Virgin Islands	
Overture Asia-Pac Services K.K.	Japan	

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Overture Korea Yuhan Hoesa	Korea
Overture Marketing Services Limited	Ireland
Overture Search Services (Asia) Limited	Ireland
Overture Search Services (Ireland) Limited	Ireland
Overture Search Services Holdco (Ireland) Limited	Cayman Islands
Overture Services Europe, Ltd.	Cayman Islands
Overture Services Limited	UK
Overture Spain S.L.	Spain
PT Yahoo Indonesia	Indonesia
Right Media LLC	Delaware
SKS-21 Vermogensverwaltungs-Gesellschaft mbH	Germany
Whereonearth Limited	UK
Xoopit Inc.	Delaware
Yahoo de Mexico, SA de CV	Mexico
Yahoo India Private Limited	India
Yahoo Software Development India Private Limited	India
Yahoo Software Research and Development (Beijing) Co., Ltd.	China

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Yahoo! 350 SAS	France	
Yahoo! 390 GmbH	Germany	
Yahoo! Asia Holdings Limited	Hong Kong	
Yahoo! Australia & NZ (Holdings) Pty Limited	Australia	50%
Yahoo! Digital Media (Content) Pty Limited	Australia	50%
Yahoo!7 Communications Australia Pty Limited	Australia	50%
Yahoo!7 Pty Limited	Australia	50%
Yahoo!7 Travel Pty Limited	Australia	50%
TotalTravel.com International Limited	UK	50%
TotalTravel.com Ltd	UK	50%

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Name of Entity	Jurisdiction of Formation	Economic Interest (if not 100%)
TotalTravel.com Pty Limited	Australia	50%
Yahoo!Xtra New Zealand Limited	New Zealand	25.5%
Yahoo! Canada Co.	Canada	
Yahoo! Cayman Asia Holdings Limited	Cayman Islands	
Yahoo! Communications Europe, Ltd.	Ireland	
Yahoo! CV, LLC	Delaware	
Yahoo! de Argentina SRL	Argentina	
Yahoo! Deutschland GmbH	Germany	
Yahoo! Deutschland Services GmbH	Germany	
Yahoo! Digital Marketing Limited	Taiwan	
Yahoo! do Brasil Internet Ltda	Brazil	
Yahoo! Egypt Services, a Limited Liability Company	Egypt	
Yahoo! Emerging Markets (Singapore) Pte. Ltd.	Singapore	
Yahoo! Europe Limited	UK	
Yahoo! France Holdings SAS	France	
Yahoo! France SAS	France	
Yahoo! Hispanic Americas, LLC	Delaware	

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Subsidiary	Jurisdiction
Yahoo! Holdings Limited	UK
Yahoo! Hong Kong Limited	Hong Kong
Yahoo! Hungary Labs Kft.	Hungary
Yahoo! Iberia S.L.	Spain
Yahoo! International Services Holdings, Inc.	Delaware
Yahoo! International Services, Inc.	Delaware
Yahoo! Ireland Services Limited	Ireland
Yahoo! Israel Labs Ltd.	Israel
Yahoo! Italia Srl	Italy
Yahoo! Jordan Services PSC	Jordan
Yahoo! Korea Yuhan Hoesa	Korea
Yahoo! Malaysia Sdn. Bhd.	Malaysia
Yahoo! Netherlands B.V.	Netherlands
Yahoo! Netherlands Holdings C. V.	Netherlands
Yahoo! Philippines Services Inc.	Philippines
Yahoo! Realty Inc.	California
Yahoo! Sàrl	Switzerland

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Yahoo! Search Marketing Australia Pty Limited	Australia
Yahoo! Southeast Asia PTE Ltd.	Singapore
Yahoo! Switzerland Server Services Sàrl	Switzerland
Yahoo! Taiwan Holdings Limited	Hong Kong
Yahoo! Taiwan Inc.	Taiwan
Yahoo! Technologies Norway AS	Norway
Yahoo! UK Limited	UK
Yahoo! Vietnam Company Limited	Vietnam
Zimbra Software Asia Pacific Private Limited	India

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Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-170933, 333-168296, No. 333-166712, No. 333-163853, No. 333-161808, No. 333-161806, No. 333-149417, No. 333-149416, No. 333-147125, No. 333-147124, No. 333-145046, No. 333-145044, No. 333-140917, No. 333-138422, No. 333-132226, No. 333-127322, No. 333-126581, No. 333-120999, No. 333-118093, No. 333-118088, No. 333-118067, No. 333-112596, No. 333-109914, No. 333-104137, No. 333-39105, No. 333-46492, No. 333-54426, No. 333-56781, No. 333-60828, No. 333-66067, No. 333-76995, No. 333-79675, No. 333-80227, No. 333-81635, No. 333-83770, No. 333-89948, No. 333-93497), and the Registration Statement on Form S-4 (No. 333-62694) of Yahoo! Inc. of our report dated February 28, 2011 relating to the consolidated financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Jose, California
February 28, 2011

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Exhibit 31.1

Certification of Chief Executive Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, Carol Bartz, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Dated: February 28, 2011

By: /S/ CAROL BARTZ

Carol Bartz
Chief Executive Officer

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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, Timothy R. Morse, certify that:

1. I have reviewed this Form 10-K of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant' s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant' s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant' s internal control over financial reporting that occurred during the registrant' s most recent fiscal quarter (the registrant' s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant' s internal control over financial reporting; and

5. The registrant' s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of the registrant' s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant' s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant' s internal control over financial reporting.

Dated: February 28, 2011

By: /S/ TIMOTHY R. MORSE

Timothy R. Morse
Chief Financial Officer

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Exhibit 32

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

In connection with the Annual Report on Form 10-K of Yahoo! Inc. (the "Company") for the year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Carol Bartz, as Chief Executive Officer of the Company, and Timothy R. Morse, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of her and his knowledge, respectively, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ CAROL BARTZ

Name:	**Carol Bartz**
Title:	**Chief Executive Officer**
Dated:	**February 28, 2011**

/S/ TIMOTHY R. MORSE

Name:	**Timothy R. Morse**
Title:	**Chief Financial Officer**
Dated:	**February 28, 2011**

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.

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