

IN THE COURT OF THE CHANCERY OF THE STATE OF DELAWARE

In re Yahoo! Shareholders Litigation

Cons. C.A. No. 3561-CC

**NOTICE OF PENDENCY AND SETTLEMENT OF  
STOCKHOLDER CLASS AND DERIVATIVE ACTION**

TO: ALL PERSONS AND ENTITIES WHO OWNED YAHOO! INC. ("YAHOO!" OR THE "COMPANY") COMMON STOCK, EITHER OF RECORD OR BENEFICIALLY, AT ANY TIME BETWEEN JANUARY 31, 2008 AND DECEMBER 7, 2008, INCLUSIVE (THE "CLASS"), AND ALL CURRENT HOLDERS OF YAHOO! COMMON STOCK. EXCLUDED FROM THE CLASS ARE YAHOO!, THE SUBSIDIARY COMPANIES AND AFFILIATES OF YAHOO!, THE INDIVIDUAL DEFENDANTS AND THEIR RESPECTIVE IMMEDIATE FAMILIES, AND THE LEGAL REPRESENTATIVES, HEIRS, SUCCESSORS AND ASSIGNS OF ANY SUCH EXCLUDED PARTY.

PLEASE READ THIS NOTICE CAREFULLY. THIS NOTICE RELATES TO A PROPOSED SETTLEMENT OF THE ACTION REFERRED TO IN THE CAPTION AND CONTAINS IMPORTANT INFORMATION REGARDING YOUR RIGHTS. IF THE COURT APPROVES THE PROPOSED SETTLEMENT, YOU WILL BE FOREVER BARRED FROM CONTESTING THE FAIRNESS, REASONABLENESS OR ADEQUACY OF THE PROPOSED SETTLEMENT, AND FROM PURSUING THE SETTLED CLAIMS.

IF YOU HELD SHARES OF YAHOO! COMMON STOCK AT ANY TIME BETWEEN JANUARY 31, 2008 AND DECEMBER 7, 2008, INCLUSIVE (THE "CLASS PERIOD"), OR AS OF DECEMBER 19, 2008, FOR THE BENEFIT OF OTHERS, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO SUCH BENEFICIAL OWNERS.

**THE PURPOSE OF THIS NOTICE**

1. The purpose of this Notice is to inform you of a proposed settlement (the "Settlement") of the above-captioned stockholder class and derivative action (the "Action") pending before the Court of Chancery of the State of Delaware (the "Court"), and of a hearing to be held before the Court, in the Court of Chancery Courthouse, 34 The Circle, Georgetown, DE 19947, on February 19, 2009, at 10:30 a.m. (the "Settlement Hearing"). The purpose of the Settlement Hearing is to determine: (a) whether the Court should certify the Action as a class action, without opt-out rights, pursuant to Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2), on behalf of a Class consisting of all persons and entities who owned Yahoo! common stock, either of record or beneficially, at any time between January 31, 2008 and December 7, 2008, inclusive, excluding Yahoo!, the subsidiary companies and affiliates of Yahoo!, the Individual Defendants and their respective immediate families, and the legal representatives, heirs, successors and assigns of any such excluded party; (b) whether plaintiffs Police and Fire Retirement System of the City of Detroit and General Retirement System of the City of Detroit ("Plaintiffs") and Plaintiffs' counsel have adequately represented the Class; (c) whether the Court should approve the proposed Settlement of the Action; (d) whether the Court should enter an Order and Final Judgment dismissing the claims asserted in the Action on the merits and with prejudice as against Plaintiffs and the Class; (e) whether the Court should grant the application of Lead Counsel for an award of attorneys' fees and reimbursement of litigation expenses to be paid by Yahoo!; and (f) such other matters as may properly come before the Court.

2. The Court has the right to adjourn the Settlement Hearing without further notice. The Court also has the right to approve the Settlement with or without modifications, and to enter its Order and Final Judgment dismissing the Action on the merits and with prejudice and to order the payment of attorneys' fees and expenses, without further notice.

**NOTICE TO PERSONS OR ENTITIES HOLDING  
OWNERSHIP ON BEHALF OF OTHERS**

3. Brokerage firms, banks and/or other persons or entities who held shares of Yahoo! common stock at any time between January 31, 2008 and December 7, 2008, inclusive, or as of December 19, 2008, for the benefit of others, are directed to immediately send this Notice to all of their respective beneficial owners. If additional copies of this Notice are needed for forwarding to such beneficial owners, any requests for such additional copies, free of charge, may be made to **Yahoo Notice Administrator, c/o US Bank – Information Consulting Group, P.O. Box 24389, Jacksonville, FL 32241-4389.**

**THE FOLLOWING RECITATION DOES NOT CONSTITUTE FINDINGS OF THE COURT AND SHOULD NOT BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION OF THE COURT AS TO THE MERITS OF ANY CLAIMS OR DEFENSES BY ANY OF THE PARTIES. IT IS BASED ON STATEMENTS OF THE PARTIES AND IS SENT FOR THE SOLE PURPOSE OF INFORMING YOU OF THE EXISTENCE OF THIS ACTION AND OF A HEARING ON A PROPOSED SETTLEMENT SO THAT YOU MAY MAKE APPROPRIATE DECISIONS AS TO STEPS YOU MAY WISH TO TAKE IN RELATION TO THIS ACTION.**

## **BACKGROUND AND DESCRIPTION OF THE ACTION**

4. The Action was initiated when two purported class actions captioned *Wayne County Employees Retirement System v. Yang, et al.*, Case No. 3538-CC, and *Dicke v. Yahoo! Inc., et al.*, Case No. 3539-CC, were filed on February 11, 2008, each on behalf of a putative class of shareholders of nominal defendant Yahoo!, challenging the response of the Board of Directors of Yahoo! (the “Board”), namely, Jerry Yang, Roy J. Bostock, Ronald W. Burkle, Eric Hippeau, Vyomesh Joshi, Arthur Kern, Robert A. Kotick, Edward R. Kozel, Mary Agnes Wilderotter, and Gary L. Wilson (collectively with Yahoo!, the “Initial Defendants”), to a merger proposal by Microsoft Corporation (“Microsoft”).

5. On February 21, 2008, Plaintiffs filed a Verified Class Action Complaint captioned *Police and Fire Retirement System of the City of Detroit v. Yahoo! Inc., et al.*, Case No. 3561-CC, against the Initial Defendants challenging the Board’s response to the merger proposal by Microsoft, including the Board’s adoption of two Change in Control Employee Severance Plans that, together, bound Yahoo! to certain severance-related benefits for all of Yahoo!’s full-time employees (the “Severance Plans”), which Plaintiffs alleged constituted an unreasonable deterrent to Microsoft or any other bidder.

6. On February 22, 2008, Plaintiffs filed a Motion For Expedited Proceedings, including expedited discovery and trial date, and shortly thereafter served interrogatories and document requests on the Initial Defendants.

7. On February 27, 2008, two purported class actions captioned *Plumbers and Pipefitters Local Union No. 630 Pension-Annuity Trust Fund v. Yang, et al.*, Case No. 3578, and *Mercier v. Yahoo! Inc., et al.*, Case No. 3579-CC, were filed, each on behalf of a putative class of shareholders of Yahoo!, challenging the Board’s response to the merger proposal by Microsoft.

8. On February 29, 2008, Plaintiffs and the Initial Defendants filed a Stipulation And Proposed Case Management Order providing for expedited discovery, which was granted by the Court on March 3, 2008.

9. Following briefing and oral argument, on March 5, 2008, the Court entered an Order of Consolidation designating the law firms of Bernstein Litowitz Berger & Grossmann LLP and Bouchard Margules & Friedlander, P.A. as plaintiffs’ Lead Counsel (“Lead Counsel”) and designating the complaint filed by Plaintiffs as the operative complaint. Three putative class actions were consolidated under the caption *In re Yahoo! Shareholders Litigation*, Cons. C.A. No. 3561-CC. An Amendment To Order Of Consolidation was entered by the Court on March 12, 2008 that consolidated two additional class actions into C.A. No. 3561-CC.

10. The production of documents by Yahoo! commenced on March 7, 2008.

11. On March 17, 2008, Plaintiffs filed a letter and a supporting preliminary expert affidavit from James F. Reda requesting an expedited trial at which Plaintiffs would seek an order invalidating the Severance Plans.

12. Following briefing and oral argument, on March 24, 2008, the Court denied Plaintiffs’ request to schedule an expedited trial, without prejudice to Plaintiffs renewing the request following further discovery or other changed circumstances.

13. In April and May 2008, Plaintiffs deposed the following witnesses: Carl Statkiewicz, Yahoo!’s Director of Compensation; David Windley, Yahoo!’s Chief Human Resources Officer; George P. Paulin of Frederic W. Cook & Company, consultant to the Compensation Committee of the Board; and Timothy Sparks of Compensia, Inc., compensation consultant to Yahoo!.

14. On May 12, 2008, Plaintiffs filed a Motion For Leave To Amend, which attached a proposed First Amended Verified Consolidated Complaint (the “Amended Complaint”), which incorporated allegations based on information learned in discovery, as well as subsequent events concerning Yahoo!’s ongoing response to the Microsoft merger proposal. The Amended Complaint added as a defendant Yahoo! officer David Filo (together with the Initial Defendants, “Defendants”).

15. On June 2, 2008, the Court granted Plaintiffs’ motion to amend the complaint and ordered the unsealing of the Amended Complaint and on June 9, 2008, the Court entered a Stipulation and Order Respecting Plaintiffs’ Motion to Amend.

16. On June 9, 2008, Plaintiffs filed a Motion To Set Trial Date and an opening brief in support thereof, seeking a trial at which they would request an order invalidating the Severance Plans.

17. On June 13, 2008, Plaintiffs deposed director defendant Arthur Kern.

18. On June 13, 2008, Defendants filed an Opening Brief In Support Of Defendants’ Motion To Dismiss, which argued, among other things, that the claims asserted in the Amended Complaint are derivative in nature and should be dismissed based on Plaintiffs’ failure to plead particularized facts showing that demand on the Board was made or that such demand was excused as futile.

19. On June 16, 2008, Defendants filed a Brief in Opposition to Plaintiffs’ Motion to Set Trial Date.

20. On June 16, 2008, the Court denied Plaintiffs’ Motion to Set Trial Date.

21. On June 17, 2008, Defendants filed a Motion To Stay Discovery.

22. On June 27, 2008, Plaintiffs filed a Combined Motion to Compel and Opposition to Defendants’ Motion to Stay Discovery.

23. On July 11, 2008, the Court granted Defendants’ Motion to Stay Discovery.

24. Plaintiffs have received and reviewed over 200,000 pages in discovery from the following sources: the Initial Defendants; Compensia, Inc.; Frederic W. Cook & Company; MacKenzie Partners, Inc.; Lehman Brothers Holding Inc.; The Goldman Sachs Group, Inc.; Moelis & Company; and Microsoft.

25. On July 14, 2008, Plaintiffs filed a Motion for Leave to Amend and Supplement that attached a proposed Second Amended and Supplemental Consolidated Complaint (the "Second Amended Complaint"). The proposed Second Amended Complaint: (a) added a new claim for breach of the duty of disclosure relating to the proxy statement filed by Yahoo! on June 9, 2008; (b) added to an existing claim for breach of fiduciary duty new allegations relating to an agreement between Yahoo! and Google Inc. (the "Google Agreement"), the terms of which were disclosed on June 13, 2008; (c) added new factual allegations respecting the previously asserted claim for breach of fiduciary duty relating to the Severance Plans, including information learned in discovery, included the expert Declaration of John C. Fox, and allegations relating to the effect of such plans on the proxy contest initiated by Carl Icahn; and (d) alleged that, to the extent any of the claims asserted in the Second Amended Complaint are derivative in nature, demand on the Board is excused as futile due to alleged breaches of duties of loyalty and care by the Board.

26. On July 16, 2008, Defendants wrote to the Court, saying that they did not intend to take a position on the July 14 Motion for Leave to Amend until after Yahoo!'s annual meeting, set for August 1, 2008.

27. On July 28, 2008, Defendants issued supplemental proxy materials containing supplemental disclosures concerning the Severance Plans and Plaintiffs' claims for breach of the duty of disclosure.

28. Following the annual meeting of shareholders on August 1, 2008, Plaintiffs and Defendants have pursued extensive and vigorous settlement negotiations.

29. On November 18, 2008, Plaintiffs filed an Amended Motion for Leave to Amend and Supplement that attached a proposed revised Second Amended and Supplemental Consolidated Complaint (the "Proposed Revised Second Amended Complaint") that added: (a) new allegations relating to the purpose and effect of the Google Agreement, the subsequent antitrust investigation into the Google Agreement, and Google's decision to terminate the Google Agreement and (b) factual allegations relating to the Severance Plans, including allegations that the failure of the Defendants to terminate or amend the Severance Plans following the termination of Carl Icahn's proxy contest is itself a breach of fiduciary duty.

30. On December 9, 2008, the parties submitted an unsigned version of the Stipulation and Agreement of Settlement (the "Stipulation") to the Court, and advised the Court that the amendments to the Severance Plans contemplated by the Stipulation would become effective upon the signing of the Stipulation.

31. On December 18, 2008, the parties submitted the Stipulation to the Court, which which resulted in the Court entering a scheduling order (the "Scheduling Order") in this Action on December 19, 2008.

#### **REASONS FOR THE SETTLEMENT**

32. Lead Counsel have conducted an investigation relating to the claims and the underlying events and transactions alleged in the Action. Lead Counsel have analyzed the evidence adduced during their investigation and have researched the applicable law with respect to the claims of Plaintiffs, individually and on behalf of Yahoo!, and the Class against Defendants and the potential defenses thereto.

33. Based upon their investigation, Lead Counsel and the respective boards of trustees of Plaintiffs have concluded that the terms and conditions of this Stipulation are fair, reasonable and adequate to Plaintiffs, Yahoo! and the Class, and in their best interests, and have agreed to settle the claims raised in the Action pursuant to the terms and provisions of this Stipulation, after considering (a) the substantial benefits that Plaintiffs, Yahoo! and the members of the Class will receive from resolution of the Action, (b) the attendant risks of litigation, and (c) the desirability of permitting the Settlement to be consummated as provided by the terms of the Stipulation.

34. Each of the Defendants denies each and every one of the claims and contentions alleged by Plaintiffs in the Action. Each of the Defendants expressly denies all charges of wrongdoing or liability arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Action. Each of the Individual Defendants further asserts that at all material times, he or she acted in good faith and in a manner he or she reasonably believed to be in the best interests of Yahoo! and its shareholders.

35. Defendants have concluded that the further conduct of the Action would be protracted and expensive, and that it is desirable that the Action be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation in order to limit further expense, inconvenience and distraction, to dispose of burdensome and protracted litigation, to permit the operation of Yahoo!'s business without further expensive litigation and the distraction and diversion of Yahoo! executive personnel and directors with respect to matters in issue in the Action, and to permit Plaintiffs, Yahoo! and the Class to receive the benefits of the proposed Settlement.

36. Defendants therefore have determined that it is desirable and beneficial that the Action be settled in the manner and upon the terms and conditions set forth in the Stipulation.

#### **SUMMARY OF THE SETTLEMENT TERMS**

37. In consideration for the full settlement and release of all Settled Claims (as defined below) against the Released Parties (as defined below), Yahoo! has agreed to amend the Severance Plans in the following ways, it being understood that such changes will not be applicable in certain jurisdictions outside the United States where (i) country-specific definitions or terms and conditions were adopted to the Severance Plans in accordance with applicable law, (ii) the

amendments to the Severance Plans would modify or otherwise alter the country-specific definitions or terms and conditions as adopted to the Severance Plans in accordance with applicable law, (iii) such changes to the Severance Plans are prohibited by applicable law, or (iv) applicable law requires Yahoo! or its subsidiaries or affiliates to provide notice, obtain approval or obtain consent for such changes and modifications to the Severance Plans to or by local labor courts, tribunals, governmental entities, works councils, unions, employee representatives or similar bodies or employees:

(i) The “Change in Control” definition is amended to eliminate fundamental changes in the composition of the Board (“Fundamental Board Change”) as a Change in Control event and the Board’s ability to deem a transaction to be a Change in Control event. Specifically, Sections 1.4 (b) and (e) of the Severance Plans is deleted.

(ii) The “Potential Change in Control” definition is amended to eliminate the Board’s ability to declare that a Potential Change in Control has occurred. Specifically, Section 1.18 (d) of the Severance Plans is deleted.

(iii) The protection period following a Change in Control is amended to last for one year following a Change in Control instead of two years. Specifically, Section 1.5 of the Severance Plans is amended to state as follows:

“Change in Control Protection Period” shall mean the period commencing on the date a Change in Control occurs and ending on the first anniversary of such date.

(iv) The right of Yahoo! employees to claim a right to receive severance benefits based on “Good Reason” pursuant to the Severance Plans is modified. Specifically, Section 1.13 of the Severance Plans is amended to state as follows (in pertinent part):

amend language of “Good Reason” definition to replace current language with the bolded language: “(a) a **material diminution** in the Eligible Employee’s duties or responsibilities. . . (b) a **material** reduction in the Eligible Employee’s annual base salary ...”.

(b) amend definition of “Good Reason” to exclude any change in the Eligible Employee’s duties or responsibilities or any relocation of the Eligible Employee’s principal place of employment that was requested by the affected employee, that the affected employee volunteers to undertake, or to which the affected employee consents in writing.

(c) amend language of “Good Reason” definition to clarify that: (a) “a material diminution in the Eligible Employee’s duties or responsibilities” is not established by one or more of the following changes, whether alone or in combination: (i) a change in job title; (ii) a change in reporting relationships; (iii) any change in an Eligible Employee’s duties or responsibilities of a type that Yahoo! has historically caused or permitted in the two years prior to the Change of Control; (b) under no circumstances will a promotion or an increase in the number of employees or projects to be managed or an increase in the budget to be managed constitute “a material diminution in the Eligible Employee’s duties or responsibilities”; and (c) a decrease in the number of employees to be managed or a decrease in the budget to be managed, standing alone, shall not constitute “a material diminution in the Eligible Employee’s duties or responsibilities” if resulting from a reduction in force.

(d) amend language of “Good Reason” definition to further clarify that “a material diminution in the Eligible Employee’s duties or responsibilities” would be established if an employee is reassigned to perform job functions in a discipline that is materially different than the discipline in which the employee worked prior to the Change in Control (e.g., a software engineer is assigned to work in the accounting department or an in-house lawyer is assigned to work in the corporate communications department), without regard to similarity of job level.

(v) Section 5 of the Severance Plans is amended to provide that, provided that no Fundamental Board Change has occurred in connection with a Potential Change in Control, the Board in place prior to a Change in Control may during any Potential Change in Control Period terminate the Plan or amend the Plan in any manner as part of any Board-approved transaction that would constitute a Change in Control.

(vi) Section 7 of the Severance Plans is amended to provide that any dispute between an Eligible Employee and Yahoo! concerning an application for benefits based upon a claimed material diminution in the Eligible Employee’s duties and responsibilities will be subject to binding arbitration. Specifically, Section 7.6 is amended to read, and a new Section 7.7 is added, as follows:

7.6 Exhaustion of Remedies. No claim for benefits under the Plan may be brought in any forum until the claimant (a) has submitted a written application for benefits in accordance with the procedures described by Section 7.1 above, (b) has been notified by the Plan Administrator that the application is denied (or the application is deemed denied due to the Plan Administrator’s failure to act on it within the established time period), (c) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 7.3 above and (d) has been notified in writing that the Plan Administrator has denied the appeal (or the appeal is deemed to be denied due to the Plan Administrator’s failure to take any action on the claim within the time prescribed by Section 7.4 above).

7.7 Binding Arbitration. Any and all disputes (including but not limited to claims in contract, tort, or claims for the interpretation, scope, or validity of the Plan, or this arbitration clause) between an applicant for benefits under the Plan, the Plan Administrator, and/or the Company premised in whole or in part upon a claimed material diminution in the Eligible Employee’s duties and responsibilities that remains unresolved

after the exhaustion of the claims procedure outlined in Sections 7.1 through 7.6 above, shall be resolved through binding arbitration by a single arbitrator. The arbitration shall be conducted in the State where the applicant was employed as of the date of separation and will be governed by the Federal Arbitration Act (9 U.S.C. § 1 et. al). The arbitration will be conducted under the JAMS Streamlined Rules, except as modified or expanded by this provision. The arbitrator shall apply the standard of a reviewing court under ERISA and may provide all remedies and relief available under ERISA. The arbitrator shall permit reasonable pre-hearing discovery of facts sufficient to permit the parties to adequately arbitrate their claim(s) and defense(s), including access to essential documents and witnesses. The arbitrator shall give a written determination to the parties stating the arbitrator's determination and the facts and law supporting the determination and shall furnish to the parties a signed copy of such determination. The determination of the arbitrator shall be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. To the extent required by applicable law, the expenses of the arbitration shall be borne by the Company except that each party shall be responsible for their own legal fees and expenses, subject to any decision by the arbitrator under ERISA to award attorney's fees.

(vii) Other than amendments made as part of a Board-approved merger, consolidation or sale of all or substantially all of Yahoo!'s assets that would constitute a Change in Control under Section 1.4(b) or Section 1.4(c) of the Severance Plans, the Board shall not for a period of 18 months following the Effective Date adopt a new change in control severance plan or amend the Severance Plans in any material respect that, in either case, expands the definition of "Good Reason," lengthens the Change of Control Protection Period, increases the amount of severance benefits or otherwise materially alters any of the terms specifically identified above unless, upon a showing by Yahoo! of substantial need, such new plan or amended terms are approved in advance by the Court after a public announcement by Yahoo! that relief from the Court is being sought.

38. The amendments to the Severance Plans described in Paragraph 37 above took effect on December 10, 2008, immediately upon the execution of the Stipulation. Except as the Board may otherwise direct, the amendments to the Severance Plans shall be of no further force or effect 90 days after execution of the Stipulation unless, prior to such date, the Court finally approves the proposed Settlement. In the event that the Court's Order and Final Judgment granting final approval to the Settlement is overturned on appeal and the Stipulation is terminated pursuant to the terms hereof, the amendments to the Severance Plans shall be of no further force or effect, except as the Board may otherwise direct.

#### **RELEASE OF CLAIMS**

39. If the Settlement is approved, the Court will enter an Order and Final Judgment (the "Final Judgment"). The Final Judgment will dismiss with prejudice the claims asserted against Defendants in the Action and will provide that Plaintiffs, Yahoo! and the Class Members, on behalf of themselves, their heirs, executors, administrators, predecessors, successors and assigns, shall be deemed to have – and by operation of the Final Judgment shall have – released, waived, discharged and dismissed any and all Settled Claims (as defined below in paragraph 41 below), and shall forever be barred and enjoined from instituting, commencing or prosecuting any and all Settled Claims, against all Released Parties (as defined below in paragraph 42 below).

40. The Final Judgment also will provide that Defendants and each of the other Released Parties, on behalf of themselves, their heirs, executors, administrators, predecessors, successors and assigns, shall be deemed to have – and by operation of the Final Judgment shall have – released, waived, discharged and dismissed any and all Settled Defendants' Claims (as defined in paragraph 43 below), and shall forever be barred and enjoined from instituting, commencing or prosecuting any and all Settled Defendants' Claims, against Plaintiffs, all Class Members and their counsel.

41. "Settled Claims" means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including any claims for damages, interest, attorneys' fees, expert or consulting fees, and any other costs, expenses or liability whatsoever, and including any claims arising under the federal securities laws or under federal, state, local, statutory or common law or any other law, rule or regulation), whether fixed or contingent, accrued or un-accrued, liquidated or un-liquidated, at law or in equity, matured or un-matured, whether class, individual or derivative in nature, including both known claims and Unknown Claims, (i) that have been asserted in this Action by Plaintiffs, on behalf of themselves, the Class or Yahoo!, against any of the Released Parties, or (ii) that could have been asserted in any forum by Plaintiffs or any Class Member, on behalf of themselves, the Class or Yahoo!, against any of the Released Parties which arise out of, relate to, or are based upon alleged breaches of fiduciary duty to Yahoo! and its shareholders or other alleged violations of law, including the federal securities laws or other federal, state or local law, arising from or in connection with Defendants' responses to Microsoft's proposal to acquire the Company, the Google Agreement or the proxy contest initiated by Carl Icahn, prior to the last day of the Class Period, including without limitation the matters alleged in the Second Amended Complaint and the Proposed Revised Second Amended Complaint (except for claims to enforce the Settlement and any claims by the Individual Defendants or Yahoo! respecting indemnification or advancement of expenses as provided by contract, the Company's bylaws or DGCL § 145).

42. “Released Parties” means any and all of the Defendants and their respective Related Defendant Parties (as defined in paragraph 45 below), *provided that*, in connection with the releases being provided by Yahoo!, “Released Parties” means the Individual Defendants and their respective Related Defendant Parties.

43. “Settled Defendants’ Claims” means any and all claims, debts, demands, rights or causes of action or liabilities whatsoever (including any claims for damages, interest, attorneys’ fees, expert or consulting fees, and any other costs, expenses or liability whatsoever, and including any claims arising under the federal securities laws or under federal, state, local, statutory or common law or any other law, rule or regulation), whether fixed or contingent, accrued or unaccrued, liquidated or unliquidated, at law or in equity, matured or un-matured, whether class or individual in nature, including both known claims and Unknown Claims, that have been or could have been asserted in the Action or any forum by the Released Parties or any of them or the successors and assigns of any of them against any Plaintiff, any Class Member or any of their attorneys, which arise out of or relate in any way to the institution, prosecution, or settlement of the Action (except for claims to enforce the Settlement).

44. “Unknown Claims” means any claim that any Plaintiff, Yahoo! or any Class Member does not know or suspect exists in his, her or its favor at the time of the release of the Settled Claims as against the Released Parties, and any claims that any Released Party does not know or suspect to exist in his, her or its favor at the time of the release of the Settled Defendants’ Claims as against Plaintiffs, Class Members and their counsel, including without limitation those claims which, if known, might have affected the decision to enter into, or not object to, the Stipulation and/or Settlement. With respect to the Settled Claims and the Settled Defendants’ Claims, the Parties stipulate and agree that upon the Effective Date, each of Plaintiffs, Defendants and the Class Members shall be deemed to have, and by operation of the Order and Final Judgment shall have, expressly waived, relinquished and released any and all provisions, rights and benefits conferred by or under Cal. Civ. Code § 1542 or any other law of the United States or any state or territory of the United States, or principle of common law, which is similar, comparable or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Plaintiffs and Defendants acknowledge, and the Class Members by operation of law shall be deemed to have acknowledged, that they may discover facts in addition to or different from those now known or believed to be true by them with respect to the Settled Claims or the Settled Defendants’ Claims, as the case may be, but that it is the intention of Plaintiffs and Defendants, and by operation of law the intention of the Class Members, to completely, fully, finally and forever compromise, settle, release, discharge and extinguish any and all Settled Claims and Settled Defendants’ Claims, known or unknown, suspected or unsuspected, contingent or absolute, accrued or unaccrued, apparent or unapparent, which now exist, or heretofore existed, or may hereafter exist, and without regard to the subsequent discovery of additional or different facts. Plaintiffs and Defendants acknowledge, and the other Class Members by operation of law shall be deemed to have acknowledged, that “Unknown Claims” are expressly included in the definition of “Settled Claims” and “Settled Defendants’ Claims,” and that such inclusion was separately bargained for and was a key element of the Settlement and was relied upon by Plaintiffs and Defendants and their counsel in entering into this Stipulation.

45. “Related Defendant Parties” means a Defendant’s past or present subsidiaries, parents, successors and predecessors, officers, directors, agents, employees, attorneys, advisors, and investment advisors, auditors, accountants, and any firm, trust, corporation, officer, director or other individual or entity in which the Defendant has a controlling interest, and the legal representatives, heirs, successors in interest or assigns of the Defendant.

#### **TEMPORARY BAR AND INJUNCTION**

46. Pursuant to the Scheduling Order, pending final determination by the Court of whether the Settlement should be approved, Plaintiffs, Yahoo!, all Class Members and all current Yahoo! stockholders are barred and enjoined from instituting, commencing or prosecuting any Settled Claims as against the Released Parties. In addition, all proceedings in the Action, other than such proceedings as may be necessary to carry out the terms and conditions of the Settlement, have been stayed and suspended until further order of the Court.

#### **APPLICATION FOR ATTORNEYS’ FEES AND EXPENSES**

47. Defendants acknowledge that Plaintiffs’ Counsel have established a right to an award of attorneys’ fees and reimbursement of litigation expenses (“Attorneys’ Fees”) in the Action based upon the benefits that the Settlement has and will provide to the Class and Yahoo!. Concurrent with seeking final approval of the Settlement, Lead Counsel will apply to the Court for an award of Attorneys’ Fees in an amount not to exceed \$12,000,000 (the “Fee Application”). Defendants have not agreed to this amount and reserve all rights to object to, to consent to or to take no position on the Fee Application. Defendants have agreed that Yahoo! will pay such Attorneys’ Fees as awarded by the Court. The Court may consider and rule upon the fairness, reasonableness and adequacy of the Settlement independently of any award of Attorneys’ Fees.

#### **RIGHT TO APPEAR AND OBJECT**

48. Any member of the Class or current Yahoo! stockholder who objects to the certification of the Class, the Settlement and/or the Final Judgment to be entered by the Court, and/or Lead Counsel’s Fee Application, or otherwise wishes

to be heard, may appear personally or by counsel at the Settlement Hearing and present evidence or argument that may be proper and relevant; *provided, however*, that no member of the Class or current Yahoo! stockholder may be heard and no papers or briefs submitted by or on behalf of any member of the Class or current Yahoo! stockholder shall be received and considered, except by Order of the Court for good cause shown, unless, no later than ten (10) business days prior to the Settlement Hearing, copies of: (a) a written notice of intention to appear, identifying the name, address, and telephone number of the objector and, if represented, their counsel; (b) a written detailed statement of such person's specific objections to any matter before the Court; (c) proof of membership in the Class or of current ownership of Yahoo! common stock, including a listing of all transactions in Yahoo! common stock during the Class Period; (d) the grounds for such objections and any reasons for such person's desiring to appear and be heard; and (e) all documents and writings such person desires the Court to consider, shall be served electronically or by hand or overnight mail upon each of the following counsel:

Mark Lebovitch  
BERNSTEIN LITOWITZ BERGER  
GROSSMANN LLP  
1285 Avenue of the Americas  
New York, New York 10019

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BOUCHARD MARGULES  
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Attorneys for Defendants Jerry Yang, David Filo, Roy Bostock, Ron Burkle, Eric Hippeau, Vyomesh Joshi, Arthur Kern, Robert Kotick, Edward Kozel, Maggie Wilderotter, and Gary Wilson

at the same time these papers must be filed with the Register in Chancery, Court of Chancery Courthouse, 34 The Circle, Wilmington, Georgetown, Delaware 19947. Unless the Court otherwise directs, no member of the Class or current Yahoo! stockholder shall be entitled to object to the Settlement, or to the Final Judgment to be entered in the Action, or to the award of attorneys' fees and expenses to Plaintiffs' Counsel, or otherwise to be heard, except by serving and filing written objections as described above. Any person who fails to object in the manner provided above shall be deemed to have waived such objection and shall forever be barred from making any such objection in the Action or in any other action or proceeding.

#### **THE ORDER AND FINAL JUDGMENT OF THE COURT**

49. If the Court determines that the Settlement, as provided for in the Stipulation, is fair, reasonable, adequate and in the best interests of the Class, Yahoo! and its stockholders, the parties to the Action will ask the Court to enter the Order and Final Judgment, which will, among other things:

- (a) approve the Settlement as fair, reasonable, adequate and in the best interests of the Class, Yahoo! and its stockholders and direct consummation of the Settlement in accordance with its terms and conditions;
- (b) finally certify the Class pursuant to Court of Chancery Rules 23(a), 23(b)(1) and 23(b)(2);
- (c) dismiss the Action with prejudice on the merits and release all Settled Claims as against Defendants and all other Released Parties;
- (d) permanently bar and enjoin Plaintiffs, Yahoo! and all Class Members from instituting, commencing or prosecuting the Settled Claims as against Defendants and all other Released Parties in any court or tribunal of this or any other jurisdiction; and
- (e) retain jurisdiction over all matters relating to the consummation of the Settlement provided for herein.

50. In the event the Settlement is not approved, or such approval does not become final, then the Settlement shall be of no further force and effect and each party then shall be returned to his, her or its respective position immediately prior to the Settlement without prejudice and as if the Settlement had not been entered into.

**SCOPE OF THIS NOTICE AND FURTHER INFORMATION**

51. The foregoing description of the Settlement Hearing, the Action, the terms of the proposed Settlement and other matters described herein does not purport to be comprehensive. Accordingly, members of the Class and Yahoo! stockholders are referred to the documents filed with the Court in the Action. **PLEASE DO NOT WRITE OR CALL THE COURT.** Inquiries or comments about the Settlement may be directed to the attention of Plaintiffs' Lead Counsel as follows:

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jfriedlander@bmf-law.com

Dated: Georgetown, Delaware  
December 19, 2008

BY ORDER OF THE COURT:

\_\_\_\_\_/s/\_\_\_\_\_  
Register in Chancery

