BOUCHARD MARGULES & FRIEDLANDER
A PROFESSIONAL CORPORATION
SUITE 1400
222 DELAWARE AVENUE
WILMINGTON, DELAWARE 19801
(302) 573-3500
FAX (302) 573-3501

DAVID J. MARGULES

DIRECT DIAL
(302) 573-3530
DMARGULES@BMF-LAW.COM

March 17, 2008

PUBLIC VERSION

BY LEXIS-NEXIS FILE & SERVE

The Honorable William B. Chandler III
Court of Chancery
34 The Circle
P.O. Box 424
Georgetown, DE 19947

DATED:
MARCH 20, 2008

Re: *In re Yahoo! Inc. Shareholders Litigation*, Consol. C.A. No. 3561-CC

Dear Chancellor Chandler:

We, along with Bernstein Litowitz Berger & Grossmann LLP, are Court-appointed Lead Counsel in this action. We write in accordance with the Court's direction during a teleconference on March 14, 2008, that we outline the basis for our expedited trial request. On February 22, 2008, we filed a motion for expedited proceedings and supporting brief. On March 3, 2008, this Court entered a Case Management Order obligating defendants to produce documents and respond to plaintiffs' interrogatories on an expedited basis. Plaintiffs agreed at that time to defer our request to schedule an expedited trial until after we reviewed defendants' initial document production. Defendants reserved the right to oppose scheduling of a trial.

On March 7, 2008, Yahoo! Inc. ("Yahoo") made its initial document production – a mere 1211 pages, all but 52 of which consisted of publicly-available SEC filings. The 52 pages of non-public information included the terms of two change-in-control Parachute Plans covering all of Yahoo's approximately 14,000 full-time employees (the "Parachute Plans"), and a single board presentation respecting the Plans. The Parachute Plans were approved contemporaneously with Yahoo's Board's rejection of the proposal by Microsoft Corporation ("Microsoft") to acquire Yahoo for $31 per share in cash and stock, which at the time was a 62% premium over Yahoo's stock price. The Universal Parachute Plans were also adopted just two weeks after Yahoo announced that it intended to fire approximately 1,000 of its 14,000 employees as part of a "Strategic Workforce Realignment." (*See* Yahoo Form 8-K, dated February 15, 2008) (attached as Exhibit A).

Defendants' limited document production confirms our suspicions regarding the unreasonableness and improper purpose of the Universal Parachute Plans. In anticipation of trial, we have retained a leading executive compensation consultant, James F. Reda of James F. Reda & Associates, LLC, who has provided an Affirmation, attached as Exhibit B, explaining his preliminary conclusion that the Universal Parachute Plans are "atypical and unreasonable." In summary, the Universal Parachute Plans give every employee the right to obtain severance following a change-in-control if the employee terminates his or her own employment for "good reason." This "constructive termination" clause is defined broadly to include, among other things, a "substantial adverse alteration" in the employee's duties or responsibilities. Reda observes that in his experience, this type of "good reason" provision, if present at all, is reserved solely for the Chief Executive Officer and his or her direct reports, not all employees. (Reda Aff. ¶ 12) He concludes that the Universal Parachute Plans impose huge known costs on a potential acquiror by forcing it to bear not only the expense associated with employees terminated as part of an integration plan, but also the expense associated with employees who voluntarily terminate their employment, claiming "good reason" to do so – an effective transfer of value from stockholders to employees. Perhaps of greater concern, the plans create a cloud of uncertainty over any interested strategic bidder by interfering with an acquiror's opportunity to control the integration of Yahoo's workforce and the harnessing of synergies between the entities. (*Id.* ¶ 19) These costs and uncertainties for an acquiror make an acquisition of Yahoo significantly more risky.

Plaintiffs seek a prompt trial and the invalidation of the Universal Parachute Plans. This relief is necessary and appropriate on an expedited basis so that Microsoft and other potential acquirors are not deterred by the Universal Parachute Plans from acquiring Yahoo, and so the price offered to Yahoo stockholders is not artificially reduced by whatever amount an acquiror reserves on account of the uncertainties and unknown future costs imposed by the Universal Parachute Plans.

Yahoo held its last annual meeting on June 12, 2007, making it important that the validity of the Universal Parachute Plans be adjudicated promptly, before shareholders are asked to vote on Yahoo's directors in a potential contested election, and before Microsoft decides what merger price, if any, to propose in connection with its potential proxy fight. The adverse consequences to shareholders of a deterred bid or an artificially low bid are difficult, if not impossible, to quantify.

<u>Preliminary Expert Analysis of the Universal Parachute Plans</u>

As is more fully explained in the attached Reda Affirmation, the Universal Parachute Plans are atypical and unreasonable. Reda's preliminary conclusions are as follows:

a. On its face, the Severance Plans are atypical and unreasonable in that they cover every Yahoo employee, without regard to the value of that employee to the business. In Reda's twenty years of work in the field of executive compensation consulting, he cannot recall ever having seen a severance plan cover all of a major corporation's employees.

b. The Severance Plans are not aligned with their stated purpose, as set forth in internal Yahoo documents. REDACTED In addition, the Severance Plans are inconsistent with Yahoo's announcement, just weeks before the adoption of the Severance Plans, that Yahoo would reduce its headcount by as much as 1,000 employees.

c. The Severance Plans can be expected to impose a substantial economic cost on an acquiror of Yahoo.

REDACTED

d. The Severance Plans create substantial uncertainty and possible disruption for a potential acquiror, in addition to the direct costs of the benefits, because of a constructive termination or "Good Reason" provision covering all employees. Vagueness in the defined terms under which employees are entitled to benefits makes it difficult to predict what kinds of changes in circumstances will be claimed to trigger the benefits – an uncertainty increased by the number of employees granted such rights. As a result, an acquiror will not be able to predict with any degree of certainty which or how many employees will choose to leave, and how much the aggregate benefits will cost.

e. Given the inconsistency between the stated purposes of the Severance Plans and their actual provisions, there are serious questions about whether the stated purpose of the Severance Plans is a pretext. The circumstances suggest that the impact of the Plans on a potential acquiror is the purpose for which they were adopted, and not an unintended consequence.

(Reda Aff. ¶ 3)

The Legal Basis for an Expedited Trial

As the Delaware Supreme Court has observed, "Delaware courts are always receptive to expediting any type of litigation in the interests of affording justice to the parties," and the Court of Chancery is "renowned" for its "expedited decision making." *Box v. Box*, 697 A.2d 395, 398-99 (Del. 1997). The Court "traditionally has acted with a certain solicitude for plaintiffs" and "has thus followed the practice of erring on the side of more [expedited] hearings than fewer." *Giammargo v. Snapple Beverage Corp.*, 1994 Del. Ch. LEXIS 199, at *6 (Nov. 15, 1994) (Ex. C). The recognized hurdle for expedited proceedings is low – they will be ordered where "in the circumstances plaintiff has articulated a sufficiently colorable claim and shown a sufficient possibility of a threatened irreparable injury." *Id.*

The *Unocal* standard imposes on a corporation's board the burden of showing "(1) that it had reasonable grounds for believing that a danger to corporate policy and effectiveness existed; and (2) that its defensive response was reasonable in relation to the threat posed." *Unocal Corp. v. Mesa Petroleum Co.*, 493 A.2d 946, 954-56 (Del. 1985) Enhanced scrutiny is applied as to "any defensive measures taken in response to some threat to corporate policy and effectiveness which touch upon issues of control." *Gilbert v. El Paso Co.*, 575 A.2d 1131, 1144 (Del. 1990).

There can be little question that the enactment of the Universal Parachute Plans presents fact issues requiring adjudication under at least the enhanced scrutiny of *Unocal*. The Universal Parachute Plans were created contemporaneously with Yahoo's rejection of Microsoft's acquisition proposal. The highly unusual feature of affording every single full-time Yahoo employee a right to severance benefits upon a change of control and a "good reason" constructive termination – at a time when the company had announced significant layoffs – is sufficient in itself to question the reasonableness of the Universal Parachute Plans. *See Gaillard v. Natomas Co.*, 208 Cal. App. 3d 1250 (Cal. Ct. App. 1989) (reversing summary judgment for defendants since, among other things, "the 'good reason' condition to leaving Natomas during the six-month period appears to be so broad as to provide the executives with a ready justification to terminate their employment and collect the benefits immediately after the effective date of the merger, before the expiration of the six-month period").

"Injury is irreparable when a later money damage award would involve speculation" or undue "difficulty of shaping monetary relief." *Hollinger Int'l, Inc. v. Black*, 844 A.2d 1022, 1090 (Del. Ch. 2004); *see also Cantor Fitzgerald, L.P. v. Cantor*, 724 A.2d 571, 586 (Del. Ch. 1998) (injunctive relief appropriate, even where a harm may be remedied by money damages, "when [the] damages are difficult to quantify"). If not invalidated on an expedited time frame, the Universal Parachute Plans threaten irreparable injury to Yahoo's stockholders. They impose an immense cost and exceptional risk on a potential acquiror that is difficult to quantify, not least because of the uncertainty about how many employees would be empowered to trigger the right to terminate their employment for "good reason" following a change in control.

The undue costs of the Universal Parachute Plans are ultimately borne by Yahoo stockholders in two ways, neither of which is readily quantifiable. First, a potential acquiror, such as Microsoft, may decide that the added cost and uncertainty makes it untenable to continue the pursuit of an acquisition. Second, a potential acquiror may hold back from Yahoo stockholders more value than the acquiror otherwise would, because of the need to fund the unknown costs of future severance benefits, and because anticipated synergies are less certain and obtainable (or delayed pending resolution or expiration of employee-asserted severance rights). Absent an expedited adjudication, Yahoo stockholders cannot vote for a potential acquiror's nominees in a proxy contest with the knowledge of what the acquiror is willing to pay for Yahoo in circumstances unaffected by the distorting effect of the Universal Parachute Plans.[1]

The most appropriate remedy in these circumstances is the invalidation of the Universal Parachute Plans. There can be no question of this Court's authority to do so. In *Omnicare, Inc. v. NCS Healthcare, Inc.*, 818 A.2d 914 (Del. 2003), the Delaware Supreme Court reaffirmed the rule that contractual provisions entered in breach of a board's fiduciary duties are "invalid and unenforceable":

> In the context of this preclusive and coercive lockup case, the protection of Genesis' contractual expectations must yield to the supervening responsibility of the directors to discharge their fiduciary duties on a continuing basis. ***The merger agreement and voting agreements***, as they were combined to operate in concert in this case, ***are inconsistent with the NCS directors' fiduciary duties. To that extent, we hold that they are invalid and unenforceable.***

Id. at 939 (emphasis added). The *Omnicare* Court cited for that proposition its prior decision in *Paramount Comm's, Inc. v. QVC Network Inc.*, 637 A.2d 34, 51 (Del. 1993), in which the Court expressly rejected the argument that a third party, Viacom, obtained vested rights from contracts that unreasonably favored it to the detriment of Paramount's stockholders, who were being foreclosed from the opportunity to accept potential bids for the company:

> Viacom's protestations about vested rights are without merit. This Court has found that those defensive measures were improperly designed to deter potential bidders, and that such measures do not meet the reasonableness test to which they must be subjected. They are consequently invalid and unenforceable under the facts of this case.

Id. at 50-51.

Similarly, employees of Yahoo have no vested rights in Universal Parachute Plans created in breach of the Yahoo directors' fiduciary duties. The proper remedy for a breach of fiduciary duty is the invalidation of the Universal Parachute Plans. In *Buckhorn, Inc. v. Ropak Corp.*, 656 F. Supp. 209 (S.D. Oh. 1987), *aff'd*, 815 F.2d 76, 1987 U.S. App. LEXIS 2506 (6th Cir. 1987), the Court recognized the irreparable injury associated with the defensive measure of authorizing the accelerated vesting of existing

---

[1] "The threat of an uninformed stockholder vote constitutes irreparable harm. . . . Even where there is no 'unscrambling the eggs' problem, courts have recognized the need to enjoin a shareholders meeting rather than allow a tainted vote to occur." *ODS Techs., L.P. v. Marshall*, 832 A.2d 1254, 1262, 1263 n.39 (Del. Ch. 2003).

stock options and new stock options upon a change of control. Accelerated vesting "does little to add to the job security of [the covered] employees," and "it causes demonstrable harm to the shareholders since it significantly dilutes shareholder equity." *Id.* at 233. The District Court enjoined and declared invalid the amendments to the stock option plans, and the Sixth Circuit ruled that "the interests of the shareholders and the public interest will be advanced by maintaining the injunctions." 1987 U.S. App. LEXIS 2506, at *3 (Ex. D). *See also Black & Decker Corp. v. Am. Standard Inc.*, 682 F. Supp. 772, 786 (D. Del. 1988) (enjoining compensation plans that provided for accelerated payments upon change of control).

The case of *NCR Corp. v. AT&T Co.*, 761 F. Supp. 475 (S.D. Oh. 1991), is also instructive. After expedited discovery and trial, the Court declared that the ESOP created by NCR in the face of a tender offer was "invalid and unenforceable" and enjoined the voting of the preferred shares purchased by the ESOP. *Id.* at 502-03. The Court found that the ESOP had a "number of unusual features" and that the board was "not acting in an informed capacity" when it "suddenly resurrected" the ESOP concept in the face of AT&T's tender offer. *Id.* at 494-97. A permanent injunction was issued invalidating the ESOP contracts even though the Court found that "the ESOP was motivated, at least in part, by a legitimate corporate purpose," and even though 5,500,000 preferred shares had been issued to the ESOP and approximately 24,000 employees were entitled to enroll in it. *Id.* at 481, 496, 497.

Further, as the Universal Parachute Plans are currently injuring and threatening additional injury to Yahoo's shareholders, invalidating the plans following an expedited trial is more likely to provide full and complete relief than leaving the shareholders to pursue a money damage claim. Yahoo may argue that, even if the deal with Microsoft is lost, money damages are an adequate remedy. This is ***not*** the case. Microsoft's offer valued Yahoo at $41.5 billion. Prior to the offer, Yahoo stock was trading at $19 per share, valuing the company at $25.4 billion. Should Microsoft leave the scene, Yahoo's stock may well swiftly drop back to $19 per share, or lower. The value destroyed for shareholders will exceed $15 billion. This is not a sum that Yahoo's directors are even remotely capable of paying.

In sum, an immediate trial on the validity of the Universal Parachute Plans is the only course that can provide an adequate remedy to shareholders. We respectfully request that the Court schedule five days for trial some time in late May or early June.

Respectfully,

/s/ David J. Margules
David J. Margules
(Bar No. 2254)

cc: Register in Chancery (by e-filing)
Edward P. Welch, Esquire (by e-filing)
David C. McBride, Esquire (by e-filing)

EXHIBIT A

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 11, 2008

Yahoo! Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**000-28018**	**77-0398689**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

701 First Avenue	**94089**
Sunnyvale, California	(Zip Code)
(Address of Principal Executive Offices)	

(408) 349-3300
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ W ritten communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Solicitin g material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ P re-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ P re-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.05 Costs Associated with Exit or Disposal Activities.

On January 29, 2008, during its earnings call, Yahoo! Inc. (the "Company") reported that it plans to implement a strategic workforce realignment to more appropriately allocate resources to the Company's key strategic initiatives. The strategic realignment involves 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. The Company began, on February 11, 2008, providing notices to employees whose employment would be terminated as part of the realignment.

In connection with the strategic workforce realignment, the Company expects to incur pre-tax cash charges of $20 million to $25 million for severance pay expenses and related cash expenditures associated with the workforce reductions. Total charges will include these cash charges plus additional charges related to stock compensation expense which the Company is unable to estimate at this time. The Company expects to recognize the majority of the foregoing charges in the first quarter of 2008, with the remaining costs being recognized over the remainder of 2008.

SIGNATURE

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

YAHOO! INC.
(Registrant)

By: /s/ Michael J. Callahan
Name: Michael J. Callahan
Title: Executive Vice President, General Counsel and Secretary

Date: February 15, 2008

EXHIBIT B

IN THE COURT OF CHANCERY IN THE STATE OF DELAWARE

In Re Yahoo! Shareholders Litigation	Consolidated C.A. No. 3561-CC

AFFIRMATION OF JAMES F. REDA

COUNTY OF Cobb)
STATE OF Georgia) ss.
)

JAMES F. REDA, being duly sworn, hereby deposes and says as follows:

1. I am the Founder and Managing Director of James F. Reda & Associates, LLC, an executive compensation consulting firm located in New York City. I have been retained by Plaintiffs in the above-captioned action to advise on certain "Change in Control Employee Severance Plans" (the "Severance Plans") that were approved on February 12, 2008, by the Compensation Committee of Yahoo! Inc. ("Yahoo"). In particular, I have been asked to consider the impact of the Severance Plans on a potential acquiror of Yahoo.

2. For this report, I relied upon various materials, including but not limited to: (i) the Yahoo Change in Control Employee Severance Plan for Level I and II employees; (ii) Yahoo Change in Control Employee Severance Plan for Level III, IV and V employees; (iii) a Yahoo presentation labeled "Retention Program" dated February 12, 2008; (iv) a Yahoo "Q&A for Change In Control Employee Severance Plan" dated February 19, 2008; (v) and Securities and Exchange Commission ("SEC") filings, including Form 8-Ks filed by Yahoo on February 15 and February 19 of 2008.

Preliminary Conclusions

3. Based on my review and analysis of Yahoo's document production, I have reached the following preliminary conclusions:

a. On its face, the Severance Plans are atypical and unreasonable in that they cover every Yahoo employee, without regard to the value of that employee to the business. In my twenty years of work in the field of executive compensation consulting, I cannot recall ever having seen a severance plan cover <u>all</u> of a major corporation's employees.

b. The Severance Plans are not aligned with their stated purpose, as set forth in internal Yahoo documents. In addition, the Severance Plans are inconsistent with Yahoo's announcement, just weeks before the adoption of the Severance Plans, that Yahoo would reduce its headcount by as much as 1,000 employees.

c. The Severance Plans can be expected to impose a substantial economic cost on an acquiror of Yahoo,

REDACTED

d. The Severance Plans create substantial uncertainty and possible disruption for a potential acquiror, in addition to the direct costs of the benefits, because of a constructive termination or "Good Reason" provision covering all employees. Vagueness in the defined terms under which employees are entitled to benefits makes it difficult to predict what kinds of changes in circumstances will be claimed to trigger the benefits – an uncertainty increased by the number of employees granted such rights. As a result, an acquiror will not be able to predict with any degree of certainty which or how many employees will choose to leave, and how much the aggregate benefits will cost.

e. Given the inconsistency between the stated purposes of the Severance Plans and their actual provisions, I have serious questions about whether the stated purpose of the Severance Plans is a pretext. The circumstances suggest that the impact of the Plans on a potential acquiror is the purpose for which they were adopted, and not an unintended consequence.

4. The bases for these conclusions are set forth below. My conclusions are preliminary and are qualified by the fact that we have received very little information about the Severance Plans from Yahoo. I reserve the right to amend, modify or withdraw any or all of these opinions at any time.

My Qualifications

5. I attach as Appendix A a description of my qualifications, which lists relevant publications I have authored over the past ten years. As can be seen from that description, I have extensive experience in the field of executive compensation, including expertise in change in control ("CIC") severance plans, senior executive employment arrangements, competitive compensation benchmarking and long-term and short-term incentive plan design.

6. In the course of my career, I have advised the compensation committees of public and private corporations as an independent advisor on matters of executive compensation for over twenty years. Throughout my career, I have assisted hundreds of publicly-traded companies, such as J.C. Penney Company, Inc., Starbucks Corporation, Tivo, Inc., International Paper Company, and King Pharmaceuticals, Inc., in reviewing and revising change in control severance or retention plans, to balance the retention of key employees with the maximization of shareholder value. In addition, I often serve as an expert witness on executive compensation issues in various litigation matters.

Defective Plan Design

7. In a February 12 presentation entitled "Retention Program," Yahoo identifies four "Broad Based Retention Goals." As stated in the presentation, they are:

REDACTED

8. Rather than being targeted at REDACTED the Severance Plans are extended to all of Yahoo's 14,000 employees. The broad-based nature of the Severance Plans, in which all employees are covered, and the ability given to each employee to terminate for "Good Reason" and receive cash payments, stock awards and benefits, is something which I cannot recall ever having encountered in twenty years of executive compensation consulting. My experience covers hundreds of transactions, my own research, the review of numerous articles and surveys, speaking at conferences and roundtables, and writing articles and books on the subject of severance

plans.

9. The Severance Plans cover all employees from top to bottom, from Level I (the CEO and his direct reports) to Level V (including junior professionals and support staff). This results in a staggering number of implicit change-in-control agreements, which is extremely uncommon and unreasonable. Based on my experience and research, the number of employees covered by enhanced severance or retention programs is much lower. Participation is most often limited to senior executives and a few key managers alone. The work of these senior executives is most closely linked with the creation of shareholder value, unlike lower-level managers, junior professionals and support staff. Consequently, the common rationale for change in control severance or retention programs is to provide a measure of predictability for senior executives, which encourages them to seek transactions that are beneficial to shareholders, despite any added risk concerning their own employment situation.

10. The universal applicability of the Severance Plans is not aligned with the Severance Plans' stated objective of REDACTED The implicit view that each of Yahoo's 14,000 employees is is at odds with the Company's announced intent to reduce its head-counts by 1,000 (more than 7% of the total workforce).

11. In addition, the Severance Plans provide no incentives to remain in the job for those employees who may feel threatened by Yahoo's Strategic Workforce Realignment, as described in the January 29, 2008 Yahoo earnings call. The severance benefits vest **only** if Yahoo is first the subject of a change-in-control.

The Impact on an Acquiror

12. There are substantial costs associated with covering more than the key employees by a change-in-control retention severance program. Under the Severance Plans, all employees are granted a constructive termination right, or "walk-away right," typically reserved for senior-level contracts. Specifically, employees are permitted to terminate their employment for "Good Reason," and to collect severance benefits. "Good Reason" is defined as including, among other things, "a substantial adverse alteration in the Eligible Employee's duties or responsibilities from those in effect immediately prior to the Change in Control," and "the relocation of the Eligible Employee's principal place of employment to a location more than 35 miles from the Eligible Employee's principal place of employment immediately prior to the Change in Control." In my experience, this type of "Good Reason" provision, if present at all, is reserved solely for the Chief Executive Officer and his or her direct reports, not all employees.

13. Since all employees are eligible for constructive termination, the Yahoo Severance Plans complicate any potential acquisition, as every Yahoo employee may allege "adverse alterations" in duties or responsibilities during the inevitable organizational change following a sale of the Company.

14. Not only do potential bidders have to contend with the possibility of a massive number of constructive terminations, but employees who decide to stay may exert leverage created by the Severance Plans to be "made whole" for their waiver of termination rights or underwater Yahoo incentive awards.

15. The post-transaction integration costs for an eventual acquiror of Yahoo will be onerous. Those costs include more than the cash pay-out that would become due.

16. An acquiror that would otherwise be able to create value by exploiting

synergies will be constrained in doing so. It would have to weigh the cost of terminating employees – even at the lowest support staff level – against the gain in efficiency that would result. The acquiror's ability to control who stays and who leaves is also seriously impaired as all employees will have a financial incentive to allege the occurrence of "Good Reason" and the triggering of the severance benefits.

17. In addition, there will be a substantial administrative burden over the 24-month period which the constructive termination period covers. The acquiror theoretically could have to keep track of and arbitrate disputes for all 14,000 employees worldwide. Overall, it is difficult to quantify the cost of these Severance Plans, because of the ripple effect and collateral damage that any reduction in force might have, when faced with 14,000 potential interpretations of "substantial adverse alteration."

Conclusion

18. I find it difficult to reconcile the terms of the Severance Plans with the stated goals. The benefits are extended to all employees – an atypical and unreasonable feature – although the stated goal is to REDACTED The grant of change-in-control severance rights is inconsistent with the Board's almost contemporaneous conclusion that Yahoo is overstaffed and that headcount should be reduced by more than 7%.

19. The Severance Plans impose huge costs on a potential acquiror by forcing it to bear the expense associated with employees who terminate their employment, claiming "Good Reason" to do so. In addition, the Severance Plans create huge uncertainty by interfering with an acquiror's ability to control the integration of Yahoo's workforce and the harnessing of synergies between the entities.

20. Certainly, it is appropriate for Yahoo's Compensation Committee to consider some form of retention or severance program for senior executives and key managers, given the enhanced potential for a change in control. But the scope of these atypical Severance Plans greatly increases the complexity of the Company's compensation and benefit structure, such that any transaction beneficial to shareholders might be unduly compromised. Furthermore, the common rationale for such change in control programs seems absent in this instance. If these Severance Plans are not amended or removed, the value of Yahoo to a potential acquiror is likely to be severely and adversely affected.

21. I offer this Affirmation under threat of perjury this 17th day of March, 2008.

James F. Reda

Sworn before me this 17th
day of March, 2008.

Notary Public

SIMMONE ELLIS
Notary Public
Fulton County
State of Georgia
My Commission Expires Jun 19, 2011

SIMMONE ELLIS NOTARY PUBLIC FULTON COUNTY, GEORGIA

EXHIBIT 1

James F. Reda's Curriculum Vitae

James F. Reda
Founder and Managing Director
James F. Reda & Associates, LLC

James F. Reda is Founder and Managing Director of James F. Reda & Associates, LLC, a firm specializing in executive compensation based in New York City. Mr. Reda's areas of expertise include senior executive employment arrangements, change-in-control metrics, business combinations, and long-term and short-term incentive arrangements, for both public and private companies. He has authored numerous expert reports for litigation matters and testified in federal and state courts, and in arbitration proceedings. Mr. Reda is a strong advocate for an independent compensation-setting process and has testified in front of the House Committee on Oversight and Government Reform regarding the issue of the independence of compensation advisors.

Experience

Mr. Reda has 20 years of experience in executive compensation consulting. Prior to forming his own firm in early 2004, Mr. Reda worked at Buck Consultants in New York City and Atlanta, and Hewitt Associates LLC and Andersen LLP (both in Atlanta). He began his executive compensation consulting career at The Bachelder Group, where he worked nine years.

Education

Mr. Reda has a B.S., Industrial Engineering from Columbia University, and an S.M., Management of Information Systems, Finance, and Accounting & Control from the Massachusetts Institute of Technology, Sloan School of Management.

Organization of CV

Mr. Reda's CV is divided into two main areas:

Section I. Society and Association Membership

Section II. List of Conference Presentations and Recent Publications

Section I. Society and Association Membership

A. Professional Affiliations and Distinctions

- Included in Who's Who in America (55th edition) and Who's Who in Finance and Industry (2004 edition).

Memberships:

- Society of Corporate Governance Professionals.
- CFA Institute.
- National Association of Stock Plan Professionals.
- National Association of Corporate Directors.
- National Center for Employee Ownership.
- New York Society of Security Analysts.
- World at Work.

B. Distinctions as Represented by Leadership Roles

- Member of NYSSA Committees on Corporate Governance and Shareholder Rights, and Improved Corporate Reporting.
- Past President and Chair, Atlanta Chapter of the National Association of Corporate Directors.
- Commission Member, NACD Blue Ribbon Commission of "Executive Compensation and the Role of the Compensation Committee" (December 2003).
- Formerly on Board of Advisors, The Journal of Taxation of Employee Benefits.
- Formerly on Board of Advisors, Executive Compensation Advisory Service Newsletter.
- Completed Chartered Financial Analyst Exam, Level II, and Level III.
- Guest professor and lecturer at Penn State University Graduate School of Business (September 1999); University of Georgia Terry School of Business (July 1999); Northwestern University Kellogg School of Management (February 2000); and Yale School of Organization and Management (December 2001 and February 2004).
- Faculty member of National Association of Corporate Directors/Terry College of Business Directors' College (2001, 2002, 2003 and 2004).

Section II. List of Conference Presentations and Recent Publications

A. Conference Presentations (in chronological order)

"Growing Trend: Huge Payoffs for Executives Who Fail Big." Atlanta Area Compensation Association, Atlanta, Georgia, 7 October 1997.

"Stock Plan Issues Related to Privately Held Entities." National Association of Stock Plan Professionals Annual Conference, Las Vegas, Nevada, 21 October 1998 (with Stewart Reifler, and Robbi Fox).

"New Accounting Rules." New York Society of Security Analysts New York, New York, 23 April 1999 (with Fred Cook, and Alan Nadel).

"Executive Stock Ownership Guidelines: How Far Should We Go?" American Compensation Association (changed name to WorldatWork) National Conference, Boston, Mass., May 1999 (with Jane Romweber, and Pam Kimmet).

"Creating an Ownership Culture: How Far Should We Go?" National Association of Stock Plan Professionals Annual Conference, Washington, D.C., 1 November 1999 (with Stewart Reifler, Laura Thatcher, and Steven Layne).

"New Developments in Equity-Related Shareholder Proposals" National Association of Stock Plan Professionals Annual Conference, Washington, D.C., 2 November 1999 (with Patrick McGurn, Beth Young, John Olson, George Paulin, and Ann Yerger).

"Web Co., Inc.'s Governance Infrastructure: Should Dot.com Governance Practices be Different." http://www.governance2000.com, New York, New York, 20 January 2000 (with Stuart Burch, and Bernie Strom).

"Pre-IPO Strategies" http://www.governance2000.com, New York, New York, 21 January 2000.

"Deferral Compensation Strategies: Including Tax Effective Funding Strategies" Atlanta Tax Forum, Atlanta, Georgia, 21 February 2000 (with John Lagana).

"Board of Director Compensation: A Challenge for All Companies." American Society of Corporate Secretaries Regional Conference, Ft. Lauderdale, Florida, 23 March 2000 (with Robert Reed, and Katherine Combs).

"Challenges Facing Compensation Committees." American Compensation Association National Conference, Seattle, Washington, 24 May 2000 (with Patrick McGurn, Kenneth Bertsch, and Samuel Brown).

"Board of Director Compensation: How to Attract and Retain the Best." Presentation before National Association of Corporate Directors, Atlanta, Georgia, 13 September 2000 (with Laura Thatcher).

"Challenges Facing Compensation Committees." National Association of Stock Plan Professionals Annual Conference, San Francisco, Calif., 25 September 2000 (with Patrick McGurn, Dolph Bridgewater, and Stewart Reifler).

"A "Brick and Mortar" Guide to the New Economy: Innovative Ways to Attract and Retain an Internet Workforce." San Francisco, California, 27 September 2000 (with Laura Thatcher, Carol Bowie and Angela Macroupolis).

"Challenges Facing Compensation Committees." American Society of Corporate Secretaries Regional Conference, Asheville, North Carolina, 6 October 2000 (with Patrick McGurn).

"Policy, Practices, Abuses, and Best Practices in CEO Compensation." National Association of Corporate Directors National Conference, Washington, D.C., 16 October 2000 (with Pearl Meyer, Gary Strauss and Nina Dixon).

"Good Governance in Private Companies." American Society of Corporate Secretaries Essentials Course, Orlando, Florida, 25 January 2001 (with David Smith).

"Best Practices in Executive Compensation." Executive Benefits Peer Group Forum, Turnberry Isle, Florida, 9 February 2001.

"Potpourri of Executive Compensation and Benefits." Enrolled Actuary Annual National Conference, Washington, D.C., 20 March 2001 (with Max Schwartz and Michael Rosenbaum).

"Stock Option Exercise Strategies." American Institute of Certified Public Accountants National Conference on Executive Compensation, San Diego, California, 14 June 2001.

"Strategies for Improving Corporate Performance." Terry College of Business and National Association of Corporate Directors Directors' College, Atlanta, Georgia, 21 September 2001 (with Veronica Biggins and Mary Madden).

"Compensation Practices of Top-Performing Companies (Best Practices)." Benefits Management Forum & Expo, Atlanta, Georgia, 9 October 2001 (with Richard Johnson, William Mays, and Laura Thatcher).

"Compensation Committee Challenges: Seeking Solutions that Pay Off." Benefits Management Forum & Expo, Atlanta, Georgia, 10 October 2001 (with William Vesely and Steven Nord).

"The Compensation Committee." Terry College of Business and National Association of Corporate Directors Directors' College, Atlanta, Georgia, 3 May 2002 (with Charles Elson).

"Ways to Improve Corporate Performance through More Effective Compensation Programs." World at Work National Conference, Orlando, Florida, 15 May 2002 (with Steven Nord).

"Equity Compensation in a New Environment: New design practices in light of market changes and regulatory environment." NASPP Carolinas Regional Conference, Winston-Salem, North Carolina, 21 May 2002.

"Stock Option Exercise Strategies." American Institute of Certified Public Accountants National Conference on Executive Compensation, Chicago, Illinois, 14 June 2002.

"Executive Compensation". The Conference Board Conference on Corporate Governance, New York, New York, June 2003 (with Alan Rudnick, Jerry Dempsey and Steve Nord).

"Director Compensation." NASPP Chicago Regional Conference, Chicago, Illinois, September 2003 (with Scott Witz).

"The Compensation Committee." Terry College of Business and National Association of Corporate Directors Directors' College, Atlanta, Georgia, June 2003 (with Earnie Deavenport).

"Executive Compensation." The Conference Board Conference on Corporate Governance, New York, New York, February 2004 (with Alan Rudnick and Dan Ryterband).

"The Compensation Committee." Terry College of Business and National Association of Corporate Directors Directors' College, Atlanta, Georgia, June 2004 (with Bob Womack).

"Structuring Incentive Plans." American Institute of Certified Public Accountants National Conference on Executive Compensation, Orlando, Florida, 10 June 2005.

"Critical Issues Facing Compensation Committees." The Conference Board Conference on Executive Compensation, New York, New York, 21 June 2005 (with Jerry Carter, Barbara Diamond, Bob Lamm and Steve Nord).

"Taking Stock: Equity and Other Long-Term Incentives." The Conference Board Conference on Executive Compensation, New York, New York, 4 April 2006 (with Chet Kuchinad and Steve Nord).

"Taking Stock: Equity and Other Long-Term Incentives." The Conference Board Conference on Executive Compensation, Chicago, New York, 2 May 2006 (with Allison McBride and Steve Nord).

"Compensation Committee Workshop." World at Work National Conference, Anaheim, California, 9 May 2006 (with Stewart Reifler).

"Equity Compensation: How New FAS123R will Radically Impact Stock-Based Compensation Plans" American Institute of Certified Public Accountants National Conference on Executive Compensation, New York, New York, 5-6 June 2006 (with Andrew Gibson, Stephan Tackney and Jaleigh White).

"Executive Compensation: What Have the New Rules Wrought?" American Bar Association (ABA) Section of Business Law, Spring Meeting 2007, Washington, D.C., 17 March 2007 (with Charles Elson, John Gates, Claire Keyles, Ron Mueller, and Martha Steinman).

"Taking Stock: Equity and Other Long-Term Incentives." The Conference Board Conference on Executive Compensation, San Francisco, Chicago, New York, 25 April 2007, 8 May 2007, 6 June 2007 (with Allison McBride, Nancy Mesereau, Steve Nord, John Gates, Jerry Carter, and Earnest Deavenport).

"Executive Compensation Disclosure and Analysis." as part of 14th Annual Financial Reporting Conference at The New York Society of Security Analysts, New York, October 25, 2007.

"Executive Compensation: Pay, Performance and Perception." for the National Association of Corporate Directors (NACD) Philadelphia Chapter, Philadelphia, PA, with Patrick McGurn of Institutional Shareholder Services/RiskMetrics Group, February 14, 2008

B. Publications (in reverse chronological order)

"How Independent is Your Compensation Advisor?" The Corporate Board, March/April 2008.

The Compensation Committee Handbook, 3rd Edition. December 2007. New York: John Wiley & Sons (with Stewart Reifler and Laura Thatcher).

"Executive Compensation: How much is enough?" *FinancierWorldwide*, May 2006.

"Importance of a Compensation Philosophy." *Directors & Boards Boardroom Briefing*, (Winter 2005): 30-31.

The Compensation Committee Handbook, 2nd Edition. 2004. New York: John Wiley & Sons (with Stewart Reifler and Laura Thatcher).

"Till Wealth Do Us Part: The Truth Behind Executive Employment Arrangements." *World at Work Journal,* 11, 2 (Second Quarter 2002): 34-43.

"Committees: A Glimpse at the Future Boardroom." *Corporate Board,* 23, 133 (March/April 2002): 21-25.

The Compensation Committee Handbook. 2001. New York: John Wiley & Sons.

"Compensation Committee Structure: Blueprint for Success." *National Association of Corporate Directors' Director's Monthly*, 25, 10 (October 2001): 6-10.

"Executive Pay Today and Tomorrow." *Corporate Board,* 22, 126 (January/February 2001): 18-21.

"Option Plans for Tax Exempt Employers." *Journal of Deferred Compensation, 5, 2* (Winter 2000): 1-17 (with Laura Thatcher and Daniel Kennedy).

"CEO Stock Ownership Guidelines." *Directors & Boards*, 25, 1 (Fall 2000): 46-47.

2000 Pay to Win: How America's Most Successful Companies Pay Their Executives. 2000. San Diego: Harcourt (with James McMahon and Eric Lane).

"Executive Compensation in the New Economy." *Compensation and Benefits Solutions*, April 2000, 48-50 (with Kent Graham).

"The Compensation Committee: A Potential Strategic Asset." *ACA Journal* 9, 1 (First Quarter 2000): 39-46.

"The Six Habits of a Highly Effective Compensation Committee." Directorship 26, 1 (January 2000): 6-9, 12-13, 16.

"The New World of the Compensation Committee." *Corporate Board,* 20, 119 (November/December 1999): 18-21.

"Imperatives for Compensation Committees." *National Association of Corporate Directors' Director's Monthly,* 23, 10 (October 1999): 1-5 (with John Chandler).

"Change-in-Control Severance Arrangements: Practical Considerations." *Journal of Compensation and Benefits*, 15, 2 (September/October 1999): 21-26.

"Reload Stock Options: Facts and Fictions." *Journal of Compensation and Benefits*, 14, 6 (May/June 1999): 38-43 (with Thomas Hemmer)

"Repricing Stock Options: How to Win a Loser's Game." *Journal of Taxation of Employee Benefits*, 7, 1 (May/June 1999): 45-48.

"What You Need to Know about Pooling of Interests Accounting." *Journal of Compensation and Benefits* 14, 5 (March/April 1999): 33-39.

"What's New in Accounting for Executive Stock Awards." *Journal of Taxation of Employee Benefits*, 6, 5 (January/February 1999): 214-220.

"Repricing Stock Options: Surviving the Great American Blowout," *NACD Director's Monthly Newsletter*, 22, 12 (December1998): 7-10 (with Stewart Reifler).

"Repricing Stock Options: Current Trends and Dangers." *Journal of Compensation and Benefits*, 14, 3 (November/December 1998): 5-10 (with Stewart Reifler).

EXHIBIT 2

YAHOO INC.
CHANGE IN CONTROL EMPLOYEE SEVERANCE PLAN
FOR
LEVEL I AND LEVEL II EMPLOYEES

The Company hereby adopts the Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees for the benefit of certain employees of the Company and its subsidiaries, on the terms and conditions hereinafter stated. The Plan, as set forth herein, is intended to help retain qualified employees, maintain a stable work environment and provide economic security to eligible employees in the event of certain terminations of employment. The Plan, as a "severance pay arrangement" within the meaning of Section 3(2)(B)(i) of ERISA, is intended to be excepted from the definitions of "employee pension benefit plan" and "pension plan" set forth under section 3(2) of ERISA, and is intended to meet the descriptive requirements of a plan constituting a "severance pay plan" within the meaning of regulations published by the Secretary of Labor at Title 29, Code of Federal Regulations §2510.3-2(b).

SECTION 1. DEFINITIONS. As hereinafter used:

1.1 "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.

1.2 "Board" means the Board of Directors of the Company.

1.3 "Cause" shall mean that the Eligible Employee has: (a) willfully and continually failed to substantially perform, or been willfully grossly negligent in the discharge of, his or her duties to the Company or any of its subsidiaries (in any case, other than by reason of a disability, physical or mental illness or analogous condition), which failure or negligence continues for a period of 10 business days after a written demand for performance is delivered to the Eligible Employee by the Board, which specifically identifies the manner in which the Board believes that the Eligible Employee has not substantially performed, or been grossly negligent in the discharge of, his or her duties; (b) been convicted of or pled nolo contendere to a felony; or (c) materially and willfully breached any agreement with the Company, any of its subsidiaries or any Affiliate of the Company or any of its subsidiaries. No act or failure to act on the part of the Eligible Employee shall be deemed "willful" unless done, or omitted to be done, by the Eligible Employee not in good faith or without reasonable belief that the Eligible Employee's act or failure to act was in the best interests of the Company.

1.4 A "Change in Control" shall be deemed to mean the first of the following events to occur after the Effective Date:

(a) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its affiliates, but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the

Y0001225

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); or

(b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the Effective Date, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) 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;

(d) the shareholders 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;

(e) the occurrence of any transaction or series of transaction deemed by the Board or the Plan Administrator to constitute a change in control of the Company under this Section 1.4.

1.5 "Change in Control Protection Period" shall mean the period commencing on the date a Change in Control occurs and ending on the second anniversary of such date.

1.6 "Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

1.7 "Company" means Yahoo! Inc., its subsidiaries or any successors thereto.

1.8 "Disability" means a physical or mental condition entitling the Eligible Employee to benefits under the applicable long-term disability plan of the Company or any its subsidiaries, or if no such plan exists, a "permanent and total disability" (within the meaning of Section 22(e)(3) of the Code) or as determined by the Company in accordance with applicable laws.

1.9 "Effective Date" shall mean February 12, 2008.

1.10 "Eligible Employee" means any Level I Employee or Level II Employee, who is employed on the date of a Change in Control, other than: (i) an employee who has entered into a separation agreement with the Company prior to a Change in Control; (ii) interns, casual or temporary employees; and (iii) employees on a fixed-term employment agreement.

1.11 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

1.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.13 "Good Reason" means (a) a substantial adverse alteration in the Eligible Employee's duties or responsibilities from those in effect immediately prior to the Change in Control (including in the case of a Level I Employee who reports directly to the chief executive officer of the Company immediately prior to a Change in Control, if, after such Change in Control, such Level I Employee no longer reports directly to the chief executive officer of a public company); (b) a reduction in the Eligible Employee's annual base salary as of immediately prior to the Change in Control (or as the same may be increased from time to time); (c) a material reduction in the Eligible Employee's annual target bonus opportunity as of immediately prior to the Change in Control; or (d) the relocation of the Eligible Employee 's principal place of employment to a location more than 35 miles from the Eligible Employee 's principal place of employment immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with the Eligible Employee's business travel obligations as of immediately prior to the Change in Control. The Eligible Employee's continued employment shall not constitute consent to, or a waiver of rights with respect to, any act or failure to act constituting Good Reason hereunder, provided that the Eligible Employee provides the Company with a written notice of resignation within ninety (90) days following the occurrence of the event constituting Good Reason and the Company shall have failed to remedy such act or omission within thirty (30) days following its receipt of such notice.

1.14 "Level I Employee" means any full-time employee of the Company or its subsidiaries with the job level immediately prior to a change in control of: E4, E5 or EX..

1.15 "Level II Employee" means any full-time employee of the Company or its subsidiaries with the job level immediately prior to a change in control of E3.

1.16 "Plan" means the Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees, as set forth herein, and as it may be amended from time to time.

1.17 "Plan Administrator" means the Compensation Committee of the Board or such other person or persons appointed from time to time by the Compensation Committee of the Board to administer the Plan.

1.18 "Potential Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) the Company enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;

(b) the Company or any Person publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;

(c) any Person becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 15% or more of either the then outstanding shares of common stock of the Company or 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); or

(d) the Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control has occurred.

1.19 "Potential Change in Control Period" means the period beginning upon the occurrence of a Potential Change in Control and ending upon the earliest to occur of the: (i) consummation of the Change in Control or (ii) one-month anniversary of the abandonment of the transaction or series of transactions that constitute a Potential Change in Control (as determined by the Plan Administrator in its sole discretion).

1.20 "Severance" means (a) the involuntary termination of an Eligible Employee's employment by the Company or any subsidiary thereof, other than for Cause, death or Disability or (b) a termination of an Eligible Employee's employment by the Eligible Employee for Good Reason, in each case, following a Change in Control and during the Change in Control Protection Period, other than a termination of an Eligible Employee's employment by the Company as part of a global integration after a Change in Control when such Eligible Employee is rehired by the Company as part of such integration.

1.21 "Severance Date" means the date on which an Eligible Employee incurs a Severance.

SECTION 2. CHANGE IN CONTROL SEVERANCE BENEFITS

2.1 Generally. Subject to Sections 2.7, 2.8, 4 and 6.2 hereof, each Eligible Employee shall be entitled to the greater of either the: (a) severance payments and benefits pursuant to the applicable provisions of Section 2 of this Plan if such Eligible Employee incurs a Severance during the Change in Control Protection Period or (b) severance benefits under any negotiated severance agreement between such Eligible Employee and the Company (if applicable). With respect to an Eligible Employee who is entitled to benefits under the Workers Adjustment Retraining Notification Act of 1988, or any similar state or local statute or ordinance (collectively the "WARN Act"), such benefits under this Plan shall be reduced dollar-for-dollar by any benefits received pursuant to the WARN Act.

2.2 Payment of Accrued Obligations. Subject to Sections 2.8, 4 and 6.2 hereof, the Company shall pay to each Eligible Employee who incurs a Severance during the Change in Control Protection Period a lump sum payment in cash, paid in accordance with applicable law, as soon as practicable but no later than 10 days after the Severance Date, equal to the sum of (a) the Eligible Employee's accrued annual base salary and any accrued vacation pay through the Severance Date, and (b) the Eligible Employee's annual bonus earned for the fiscal year immediately preceding the fiscal year in which the Severance Date occurs if such bonus has not been paid as of the Severance Date.

2.3 Level I Employees. Each Level I Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to (i) continuation of his or her annual base salary, as in effect immediately prior to the Severance Date (or, if higher, as in effect on the date on which the Change in Control occurs), for twenty-four (24) months following the Severance and (ii) payment of up to $15,000 (payable in equivalent local currency with respect to Eligible Employees outside the United States) for outplacement services utilized by the Eligible Employee within twenty-four (24) months following the Severance Date, such reimbursement to be paid not later than the end of the calendar year following the year in which the expense is incurred.

2.4 Level II Employees. Each Level II Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to (i) continuation of his or her annual base salary, as in effect immediately prior to the Severance Date (or, if higher, as in effect on the date on which the Change in Control occurs), for eighteen (18) months following the Severance, and (ii) payment of up to $15,000 (payable in equivalent local currency with respect to Eligible Employees outside the United States) for outplacement services utilized by the Eligible Employee within twenty-four (24) months following the Severance Date, such reimbursement to be paid not later than the end of the calendar year following the year in which the expense is incurred.

2.5 Acceleration of Vesting. In addition to the benefits provided pursuant to Sections 2.3, 2.4 and 2.6 hereof (as applicable), each Level I and Level II Employee who incurs a Severance during the Change in Control Protection Period shall be entitled to full vesting of all stock options, restricted stock units and any other equity-based awards granted or assumed by the Company outstanding as of the Severance Date (whether or not such award was outstanding as of the Effective Date); provided, however, that this Section 2.5 shall not apply with respect to a grant or award of stock options, restricted stock units or any other equity-based compensation made after the Effective Date if the agreement granting or awarding the applicable stock options, restricted stock units or any other equity-based compensation provides that the grant shall not be subject to the provisions of this Section 2.5.

2.6 Benefit Continuation. In the case of each Eligible Employee who incurs a Severance during the Change in Control Protection Period, commencing on the date immediately following such Eligible Employee's Severance Date and continuing for the period set forth below (the "Welfare Benefit Continuation Period"), the Company shall provide to each such Eligible Employee (and anyone entitled to claim under or through such Eligible Employee) all Company-paid benefits under any group health plan or dental plan of the Company (as in effect immediately prior to such Eligible Employee's Severance Date) for which Eligible Employees of the Company are eligible, to the same extent as if such Eligible Employee had continued to be an Eligible Employee of the Company during the Welfare Benefit Continuation Period. To the extent that such Eligible Employee's participation in Company benefit plans is not practicable, the Company shall arrange to provide, at the Company's sole expense, such Eligible Employee (and anyone entitled to claim under or through such Eligible Employee) with equivalent health and dental benefits under an alternative arrangement during the Welfare Benefit Continuation Period. The coverage period for purposes of the group health continuation requirements of Section 4980B of the Code shall commence at the Severance Date, and shall run concurrently with the Welfare Benefit Continuation Period. The Welfare Benefit Continuation Period shall be for a number of months equal to the number of months (including fractions thereof) during which the Eligible Employee receives base salary continuation payments pursuant to this Section 2.

2.7 Release; Restrictive Covenants; Benefit Commencement Date. No Eligible Employee who incurs a Severance during the Change in Control Protection Period shall be eligible to receive any payments or other benefits under the Plan (other than payments under Section 2.2 hereof) unless, within forty-five (45) days following such Employee's Severance Date, he or she first executes a Release (substantially in the form of Exhibit A hereto, or in such other form as is required to comply with applicable law) in favor of the Company and others set forth on said Exhibit A, or in such other form as is required to comply with applicable law, relating to all claims or liabilities of any kind relating to his or her employment with the Company or a subsidiary thereof and the termination of the Employee's employment, and such Release becomes effective and has not been revoked by the employee by the fifty-fifth (55th) day following the date of termination. Provided that the Eligible Employee executes the Release in accordance with the requirements of this Section 2.7, any payments or other benefits under the Plan shall commence (the "Benefit Commencement Date") on or before the sixtieth (60th) business day following the Severance Date; all payments or benefits accrued during the period between the Severance Date and Benefit Commencement Date shall be provided in full on the Benefit Commencement Date. If the Eligible Employee does not execute and return such Release such that it does not become effective within the aforesaid period, the Eligible Employee shall cease to be entitled to any payments or benefits under this Plan. In addition, payment and other benefits under this Plan shall cease as of the date that the Eligible Employee breaches any of the provisions of such Eligible Employee's Confidentiality, Proprietary Information and Assignment of Inventions Agreement, or other similar agreement.

2.8 409A. Notwithstanding any provision to the contrary in this Plan, no payment or distribution under this Plan which constitutes an item of deferred compensation under Section 409A of the Code and becomes payable by reason of the Eligible Employee's termination of employment with the Company will be made to the Eligible Employee unless the Eligible Employee's termination of employment constitutes a "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code). In addition, no such payment or distribution will be made to the Eligible Employee prior to the earlier of (i) the expiration of the six (6)-month period measured from the date of the Eligible Employee's "separation from service" (as such term is defined in Treasury Regulations issued under Section 409A of the Code) or (ii) the date of the Eligible Employee's death, if the Eligible Employee is deemed at the time of such separation from service to be a "key employee" within the meaning of that term under Section 416(i) of the Code and to the extent such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code. All payments and benefits which had been delayed pursuant to the immediately preceding sentence shall be paid to the Eligible Employee in a lump sum upon expiration of such six-month period (or if earlier upon the Eligible Employee's death). It is intended that this Plan shall comply with the provisions of Section 409A of the Code and the Treasury Regulations relating thereto so as not to subject the Eligible Employee to the payment of additional taxes and interest under Section 409A of the Code. In furtherance of this intent, this Plan shall be interpreted, operated, and administered in a manner consistent with these intentions.

SECTION 3. PLAN ADMINISTRATION.

3.1 The Plan Administrator shall administer the Plan and may interpret the Plan, prescribe, amend and rescind rules and regulations under the Plan and make all other determinations necessary or advisable for the administration of the Plan, subject to all of the provisions of the Plan.

3.2 The Plan Administrator may delegate any of its duties hereunder to such person or persons from time to time as it may designate.

3.3 The Plan Administrator is empowered, on behalf of the Plan, to engage accountants, legal counsel and such other personnel as it deems necessary or advisable to assist it in the performance of its duties under the Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under the Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the management of the Plan. All reasonable expenses thereof shall be borne by the Company.

3.4 Following the occurrence of a Change in Control, the Company may not remove from office the individual or individuals who served as Plan Administrator immediately prior to the Change in Control; provided, however, if any such individual ceases to be affiliated with the Company, the Company may appoint another individual or individuals as Plan Administrator so long as the substitute Plan Administrator consists solely of an individual or individuals who (a) were officers of the Company immediately prior to the Change in Control, (b) were directors of the Company immediately prior to the Change in Control and are not affiliated with the acquiring entity in the Change in Control or (c) were selected or approved by an officer or director described in clause (a) or (b).

SECTION 4. LIMITATION ON BENEFITS. If any payment or benefit received or to be received by an Eligible Employee (including any payment or benefit received pursuant to the Plan or otherwise) would be (in whole or part) subject to the excise tax imposed by Section 4999 of the 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, the salary continuation payments provided under Section 2.3 or 2.4, as applicable, shall first be reduced (and thereafter, if necessary, the accelerated vesting provided in Section 2.5 shall 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 the Eligible Employee after taking into account the Excise Tax and any additional taxes the Eligible Employee would pay if such payments and benefits were not reduced.

SECTION 5. PLAN MODIFICATION OR TERMINATION. The Plan may not be terminated during the Potential Change in Control Period or during the Change in Control Protection Period. The Plan may be amended by the Board at any time; provided, however, that during the Potential Change in Control Period and the Change in Control Protection Period, the Plan may not be amended if such amendment would in any manner be adverse to the interests of any Eligible Employee, except that, notwithstanding the foregoing, the Plan Administrator may amend the Plan at any time and in any manner necessary to comply with applicable law, including, but not limited to Section 409A of the Code. For the avoidance of doubt, (a) any action taken by the Company or the Plan Administrator during the Change in Control Protection Period to cause an Eligible Employee to no longer be designated as a Level I Employee or Level II Employee, or to decrease the payments or benefits for which an Eligible Employee is eligible, and (b) any amendment to Section 3.4 or this Section 5 during the Change in Control Protection Period shall be treated as an amendment to the Plan which is adverse to the interests of any Eligible Employee.

SECTION 6. GENERAL PROVISIONS.

6.1 Except as otherwise provided herein or by law, no right or interest of any Eligible Employee under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Eligible Employee under the Plan shall be liable for, or subject to, any obligation or liability of such Eligible Employee. When a payment is due under this Plan to a severed employee who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

6.2 If the Company or any subsidiary thereof is obligated by law or by contract to pay severance pay, a termination indemnity, notice pay, or the like, or if the Company or any subsidiary thereof is obligated by law or by contract to provide advance notice of separation ("Notice Period"), then any severance pay hereunder shall be reduced by the amount of any such severance pay, termination indemnity, notice pay or the like, as applicable, and by the amount of any compensation received during any Notice Period.

6.3 Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Eligible Employee, or any person whomsoever, the right to be retained in the service of the Company or any subsidiary thereof, and all Eligible Employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

6.4 If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and this Plan shall be construed and enforced as if such provisions had not been included.

6.5 This Plan shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Eligible Employee, present and future, and any successor to the Company. If a severed employee shall die, all accrued but unpaid amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executor, personal representative or administrators of the severed employee's estate.

6.6 The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

6.7 The Plan shall not be required to be funded unless such funding is authorized by the Board. Regardless of whether the Plan is funded, no Eligible Employee shall have any right to, or interest in, any assets of any Company which may be applied by the Company to the payment of benefits or other rights under this Plan.

6.8 Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States Mail, first class, postage prepaid (or such local equivalent thereof), addressed to the intended recipient at his, her or its last known address.

6.9 This Plan shall be construed and enforced according to the laws of the State of Delaware to the extent not preempted by federal law or other applicable local law, which shall otherwise control.

6.10 All benefits hereunder shall be reduced by applicable withholding and shall be subject to applicable tax reporting, as determined by the Plan Administrator, or as required by applicable law.

SECTION 7. CLAIMS, INQUIRIES, APPEALS.

7.1 Applications for Benefits and Inquiries. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Plan Administrator in writing, as follows:

Plan Administrator
c/o Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attention: Head of Human Resources

7.2 Denial of Claims. In the event that any application for benefits is denied in whole or in part, the Plan Administrator must notify the applicant, in writing, of the denial of the application, and of the applicant's right to review the denial. The written notice of denial will be set forth in a manner designed to be understood by the employee, and will include specific reasons for the denial, specific references to the Plan provision upon which the denial is based, a description of any information or material that the Plan Administrator needs to complete the review and an explanation of the Plan's review procedure.

This written notice will be given to the employee within ninety (90) days after the Plan Administrator receives the application, unless special circumstances require an extension of time, in which case, the Plan Administrator has up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90)-day period.

This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render his or her decision on the application. If written notice of denial of the application for benefits is not furnished within the specified time, the application shall be deemed to be denied. The applicant will then be permitted to appeal the denial in accordance with the Review Procedure described below.

7.3 Request for a Review. Any person (or that person's authorized representative) for whom an application for benefits is denied (or deemed denied), in whole or in part, may appeal the denial by submitting a request for a review to the Plan Administrator within 60 days after the application is denied (or deemed denied). The Plan Administrator will give the applicant (or his or her representative) an opportunity to review pertinent documents in preparing a request for a review and submit written comments, documents, records and other information relating to the claim. A request for a review shall be in writing and shall be addressed to:

Plan Administrator
c/o Yahoo! Inc.
701 First Avenue
Sunnyvale, CA 94089
Attention: Head of Human Resources

A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are pertinent. The Plan Administrator may require the applicant to submit additional facts, documents or other material as he or she may find necessary or appropriate in making his or her review.

7.4 Decision on Review. The Plan Administrator will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be furnished to the applicant within the initial sixty (60)-day period. The Plan Administrator will give prompt, written notice of his or her decision to the applicant. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will outline, in a manner calculated to be understood by the applicant, the specific Plan provisions upon which the decision is based. If written notice of the Plan Administrator's decision is not given to the applicant within the time prescribed in this Section 7.4 the application will be deemed denied on review.

7.5 Rules and Procedures. The Plan Administrator may establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying out his or her responsibilities in reviewing benefit claims. The Plan Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial (or deemed denial) of benefits to do so at the applicant's own expense.

7.6 Exhaustion of Remedies. No legal action for benefits under the Plan may be brought 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).

EXHIBIT A

FORM OF RELEASE

(To be signed on or after the Separation Date)

In return for payment of severance benefits pursuant to the Yahoo! Inc. Change in Control Severance Plan for Level I and Level II Employees (the "Plan"), as amended, I hereby generally and completely release the Yahoo, Inc. (the Company") and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively "Released Party") from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release. This general release includes, but is not limited to: (1) all claims arising out of or in any way related to my employment with the Company or the termination of that employment; (2) all claims related to my compensation or benefits from the Company, including wages, salary, bonuses, commissions, vacation pay, expense reimbursements (to the extent permitted by applicable law), severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including without limitation claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including without limitation claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Worker Adjustment and Retraining Notification Act (as amended) and similar laws in other jurisdictions, the Employee Retirement Income Security Act of 1974 (as amended), the Family and Medical Leave Act of 1993, and California Fair Employment and Housing Act (as amended), the California Family Rights Act (as amended), California Labor Code section 1400 *et. seq.* and any similar laws in other jurisdictions; provided, however, that this Release does not waive, release or otherwise discharge any claim or cause of action arising after the date I sign this Agreement.

This Agreement includes a release of claims of discrimination or retaliation on the basis of workers' compensation status, but does not include workers' compensation claims. Excluded from this Agreement are any claims which by law cannot be waived in a private agreement between employer and employee, including but not limited to claims under California Labor Code section 2802 and the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission ("EEOC") or any state or local fair employment practices agency. I waive, however, any right to any monetary recovery or other relief should the EEOC or any other agency pursue a claim on my behalf.

I acknowledge and represent that I have not suffered any age or other discrimination, harassment, retaliation, or wrongful treatment by any Released Party. I also acknowledge and represent that I have not been denied any rights including, but not limited to, rights to a leave or reinstatement from a leave under the Family and Medical Leave Act of 1993, the California Family Rights Act, the Uniformed Services Employment and Reemployment Rights Act of 1994, or any similar law of any jurisdiction.

I agree that I am voluntarily executing this Release. I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA and that the consideration given for this Release is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release specified in this paragraph does not apply to any rights or claims that may arise after the date I sign this Release; (b) I have been advised to consult with an attorney prior to signing this Release; (c) I have received a disclosure from the Company that includes a description of the class, unit or group of individuals covered by this employment termination program, the eligibility factors for such program, and any time limits applicable to such program and a list of job titles and ages of all employees selected for this group termination and ages of those individuals in the same job classification or organizational unit who were not selected for termination ("Disclosures"); (d) I have at least forty-five (45) days from the date that I receive the Disclosures to consider this Release (although I may choose to sign it any time on or after my Separation Date); (e) I have seven (7) calendar days after I sign this Release to revoke it ("Revocation Period"); and (f) this Release will not be effective until I have signed it and returned it to the Company's Human Resources Department and the Revocation Period has expired (the "Effective Date").

I UNDERSTAND THAT THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. In giving this release, which includes claims which may be unknown to me at present, I acknowledge that I have read and understand Section 1542 of the California Civil Code, which states: **"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."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any unknown or unsuspected claims I may have against the Company.

____
[name]

____
Date

EXHIBIT 3

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

EXHIBIT 4

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

EXHIBIT 5

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

REDACTED IN ITS ENTIRETY

EXHIBIT 6

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 12, 2008

Yahoo! Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware (State or Other Jurisdiction of Incorporation)	**000-28018** (Commission File Number)	**77-0398689** (I.R.S. Employer Identification No.)

701 First Avenue **Sunnyvale, California** (Address of Principal Executive Offices)	**94089** (Zip Code)

(408) 349-3300
(Registrant's Telephone Number, Including Area Code)

Not applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ W ritten communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ P re-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ P re-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(e) Compensatory Arrangements of Certain Officers.

On February 12, 2008, the Compensation Committee of the Board of Directors of Yahoo! Inc. (the "Company") approved two change in control severance plans (the "Severance Plans") that, together, cover all full time employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and the executive officers currently employed by the Company who were named in the Summary Compensation Table of the Company's Proxy Statement for its 2007 Annual Meeting of Stockholders (together, the "named executive officers"). The Severance Plans are designed to help retain the employees, help maintain a stable work environment and provide certain economic benefits to the employees in the event their employment is terminated in the circumstances described below.

The Severance Plans provide that if an eligible employee's employment with the Company is terminated by the Company without "cause" or by the employee for "good reason" (as these terms are defined in the applicable Severance Plan) within two years after a change in control of the Company, the employee will generally be entitled to receive the following severance benefits:

(1) Continuation of the employee's annual base salary, as severance pay, over a designated number of months following the employee's severance date. The number of months will range from four months to 24 months, depending on the employee's job level.

(2) Reimbursement for outplacement services for 24 months following the employee's severance date, subject to a maximum reimbursement that ranges from $3,000 to $15,000, depending on the employee's job level.

(3) Continued medical group health and dental plan coverage for the period the employee receives severance pay.

(4) Accelerated vesting of all stock options, restricted stock units and any other equity-based awards previously granted or assumed by the Company and outstanding as of the severance date, unless otherwise set forth in the applicable award agreement for grants or awards made after February 12, 2008.

The number of months used to calculate the severance benefit for each named executive officer is 24 months and the maximum outplacement benefit applicable to each named executive officer is $15,000.

Payment of the foregoing severance benefits is conditioned upon the employee's execution of a release of claims in favor of the Company and compliance with the employee's confidentiality, proprietary information and assignment of inventions obligations to the Company.

SIGNATURE

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

YAHOO! INC.
(Registrant)

By: /s/ Michael J. Callahan
Name: Michael J. Callahan
Title: Executive Vice President, General Counsel and Secretary

Date: February 19, 2008

EXHIBIT C

LEXSEE 1994 DEL. CH. LEXIS 199

Positive
As of: Mar 17, 2008

Giammargo, et al. v. Snapple Beverage Corp., et al.

Civil Action No. 13845

COURT OF CHANCERY OF DELAWARE, NEW CASTLE

1994 Del. Ch. LEXIS 199

November 15, 1994, Decided

SUBSEQUENT HISTORY: [*1] Released for Publication by the Court February 20, 1995.

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiffs, public shareholders, sought entry of an order for the immediate commencement of a hearing on an application for a preliminary injunction that plaintiffs intended to file in their action against defendants, corporation, directors, and controlling shareholders, concerning a proposed merger agreement and shareholders' agreement.

OVERVIEW: Plaintiffs, public shareholders, moved for the immediate commencement of discovery and a hearing on an application for a preliminary injunction that plaintiffs sought to enjoin defendants, corporation, directors, and controlling shareholders, concerning a proposed merger agreement and shareholders' agreement. Plaintiffs asserted that the agreements constituted a breach of a fiduciary duty by defendants towards plaintiffs. The court denied plaintiffs' application, as a money judgment would have fully compensated plaintiffs for any loss actually suffered as a result of the execution of the proposed agreements. The court held that plaintiffs were free to press their various arguments of differential treatment and unfairness, and that if they succeeded a sufficient money judgment could have been entered that would have in effect redistributed pro rata the value of any illicit side payments. Accordingly, the court refused to impose upon defendants the extra costs of an expedited, intense preliminary injunction proceeding.

OUTCOME: The court denied the motion by plaintiffs, public shareholders, for expedited proceedings for the imposition of a preliminary injunction, as a money award was a fully sufficient means by which the court could have shaped a decree that compensated plaintiffs for any loss eventually suffered.

COUNSEL: Norman M. Monhait, Esquire, Rosenthal, Monhait, Gross & Goddess, Wilmington, DE.

Pamela S. Tikellis, Esquire, Chimicles Jacobsen & Tikellis, Wilmington, DE.

R. Franklin Balotti, Esquire, Richards, Layton & Finger, Wilmington, DE.

Anthony W. Clark, Esquire, Skadden, Arps, Slate, Meagher & Flom, Wilmington, DE.

A. Gilchrist Sparks, III, Esquire, Morris, Nichols, Arsht & Tunnell, Wilmington, DE.

JUDGES: WILLIAM T. ALLEN, CHANCELLOR

OPINION BY: WILLIAM T. ALLEN

OPINION

Plaintiffs brought this action individually and as a class action on behalf of the public shareholders of Snapple Beverage Corp., a Delaware corporation. They now seek the entry of an order authorizing the immediate commencement of discovery and the setting of a hearing date on an application for a preliminary injunction that tionally has acted with a certain solicitude for plaintiffs in this procedural setting and thus has followed the practice of erring on the side of more hearings rather than fewer. We continue that tradition of solicitude. But our responsibility to all parties and to the public's interest in efficient justice requires, nevertheless, that where there clearly is no demonstrable need for the remedy of preliminary injunction or, in the rarer case when there is not even any colorable claim pleaded, that we decline to impose the costs associated with such a proceeding. *See, e.g., Union Pacific Corporation v. Sante Fe Corporation,* Del. Ch., C.A. 13778, Jacobs, V.C. (Oct. 18, 1994).

In this instance the balancing of various [*7] factors leads me to conclude that plaintiffs have not sufficiently articulated a threat of irreparable injury that would justify the imposition of the costs of the preliminary injunction process. Of course their claims remain for adjudication and it is the central component of my analysis of this application, that should those claims later be adjudicated as having merit, the court will be in a position to shape a decree that will fully compensate plaintiffs for any loss they may suffer. Under the traditional test, this fact would preclude the granting of a preliminary injunction.

There is no plausible reason why a money award would not be fully sufficient in this case. Plaintiffs will be free to press their various arguments of differential treatment and unfairness. But if they were to succeed on any of them a money judgment could be entered that would in effect redistribute pro rata the value of any illicit "side-payments." Given the 68% stock ownership of defendants, even if there is an argument concerning "side-payments" (or mal-distribution of sale proceeds), the argument that those side-payments interfered with the incentive of the directors to get the highest overall price seems [*8] at this stage very strained. Were the management group to own a small portion of the Company's stock this obviously might not be the case. [1] It is also a relevant consideration in this instance that among the defendants are persons who will quite evidently be capable of responding in damages to any award that might be made.

1 Compare, *Paramount Communications v. QVC Network, Del. Supr., 637 A.2d 34 (1993)* (where transaction would subject public shareholders to the effects that may flow from becoming minority shareholders, directors required to show that their efforts were reasonably related to achieving the highest available value).

I add only the concluding observation that were this a company without a dominant shareholders group or in which the minority was to receive less consideration for its stock than the controlling shareholders were to receive for their stock, it is unlikely that I would, in effect, relegate the public shares to an *ex post* remedy so early in the proceeding. [*9] In such circumstances I would be alert to a higher potential for unfairness than I do perceive here. Here it is quite certain that the legal remedy (money damages) will be completely sufficient, if plaintiffs are correct in their claims. Thus I cannot responsibly impose upon defendants the extra costs of an expedited, intense preliminary injunction proceeding. The motion for expedited proceedings will therefore be declined at this time.

William T. Allen

EXHIBIT D

LEXSEE 1987 U.S. APP. LEXIS 2506

BUCKHORN, INC., Plaintiff-Appellant, v. ROPAK CORPORATION; ROPAK HOLDINGS CORPORATION; WILLIAM H. ROPER; NAGELVOORT & COMPANY, INC., Defendants-Appellees

No. 87-3127

UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

1987 U.S. App. LEXIS 2506

February 24, 1987, Filed

NOTICE: [*1] NOT RECOMMENDED FOR FULL-TEXT PUBLICATION SIXTH CIRCUIT RULE 24 LIMITS CITATION TO SPECIFIC SITUATIONS. PLEASE SEE RULE 24 BEFORE CITING IN A PROCEEDING IN A COURT IN THE SIXTH CIRCUIT. IF CITED, A COPY MUST BE SERVED ON OTHER PARTIES AND THE COURT. THIS NOTICE IS TO BE PROMINENTLY DISPLAYED IF THIS DECISION IS REPRODUCED.

SUBSEQUENT HISTORY: Reported as Table Case at: *815 F.2d 76, 1987 U.S. App. LEXIS 17971.*

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff sued defendants. A United States District Court entered judgment granting permanent and preliminary injunctions. Plaintiff appealed and moved for a stay pending appeal.

OVERVIEW: The appellate court held that the factual findings on the injunctions were not clearly erroneous and that the district court had applied the relevant legal standards. Plaintiff had shown a substantial likelihood as to those matters covered by the preliminary injunction and had made the requisite showing of irreparable injury and the inadequacy of state remedies. The interest of the shareholders and the public interest would be advanced by maintaining the injunctions.

OUTCOME: The judgment was affirmed. The motion was rendered moot.

LexisNexis(R) Headnotes

Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions

[HN1] In determining whether a preliminary injunction should be granted, a court should consider and balance four factors: (1) the likelihood that the moving party will be irreparably harmed absent the injunction; (3) the prospect that others will be harmed if the court grants the injunction; and (4) the public interest in granting the injunction.

Civil Procedure > Remedies > Injunctions > Permanent Injunctions

[HN2] In determining whether a permanent injunction should be granted, a court should consider whether the party seeking the injunction has proved: (1) that it has prevailed on the merits; (2) that it will suffer continuing irreparable injury unless an injunction is issued; and (3) that it has no adequate remedy at law.

JUDGES: BEFORE: MARTIN and NELSON, Circuit Judges; and CONTIE, Senior Circuit Judge.

OPINION

This case is before us on Buckhorn, Inc.'s appeal from permanent and preliminary injunctions entered on February 11, 1987, and on Buckhorn's motion for stay they intend to file. The action was brought on November 2, 1994 in reaction to the announcement that day of the signing of two agreements, one between Snapple Beverage Corp. and Quaker Oats Company and the other among Quaker Oats and certain controlling shareholders of Snapple. The agreements include a merger agreement which contemplates the acquisition of all [*2] of the stock of Snapple by an affiliate of Quaker Oats at $ 14 per share cash or $ 1.7 billion in total. The acquisition is to be effectuated in a two step process, with the first stage tender offer scheduled to close on December 5, 1994 and the remaining shares to be acquired thereafter in a merger at the same price. The second agreement is a shareholders' agreement described briefly below.

Snapple is controlled by a small group of shareholders, including the company's three founders: Mr. Hyman Golden, Mr. Leonard Marsh and Mr. Arnold Greenberg. These three men (and their families) each own about nine million shares (7% each) of Snapple common stock. In addition, Mr. Thomas Lee and his affiliates own approximately thirty-eight million shares of Snapple common stock. Together these individuals and their affiliates own approximately 68% of Snapple's common stock. Each of these individuals sits on the board of directors of Snapple. As part of the negotiation of this acquisition, each of these shareholders granted Quaker Oats an option, exercisable within 90 days of any termination of the Merger Agreement or any withdrawal of the tender offer, to buy their stock at $ 14 per share. Thus [*3] assuming those shareholder options are valid, Quaker is now in a position to specifically enforce a contract right to acquire control of Snapple.

Defendants include the directors identified above together with the remaining directors, as well as Quaker Oats and the subsidiary that is intended to be used to effectuate this triangular merger. Plaintiffs assert that the Quaker acquisition transaction constitutes a breach of the fiduciary duty that, as directors and controlling shareholders, defendants owe to the Company's public shareholders. Specifically the amended complaint alleges that the $ 14 per share cash price is too low ("grossly unfair, inadequate, and substantially below the fair or inherent value of the Company"); that defendants "have not considered seriously other potential purchasers of Snapple. . .in a manner designed to obtain the highest possible price for Snapple's public stockholders"; it is said that it is the wrong time to sell the company; that the negotiation process was fatally flawed by not having an independent director committee and by not having a "market check" process; finally it is said that the transaction is a self-interested one from the board's point [*4] of view since members of the board are alleged to receive various side payments in the deal.

At the presentation of the motion for expedited treatment of the case and the setting of a date for a hearing on a preliminary injunction application, plaintiffs' theory explaining the self-inflicted wound that their complaint seemed to contemplate was amplified. At that time plaintiffs' account was that side payments to Snapple directors imbedded in the transaction explain the dereliction of the Snapple directors that the plaintiffs see. For example, it was said that the three founders of the company, each of whom has been an officer of the company under an incentive-structured compensation agreement, will be paid an additional two million dollars at closing as compensation for the termination of these employment contracts. Plaintiffs acknowledge that each of these officer-director-stockholder was paid approximately two million dollars in incentive compensation last year and that their employment contracts have more than one year to go. Whether such payments referable to the buying-out of an employment contract are material, in the context of sale of stock that will apparently generate approximately [*5] $ 125 million for each founder is a question of fact to be decided at another time. But surely "side-payments" of the type posited could constitute a form of inappropriate diversion from shareholders. *Cf. In re USA Cafes L.P. Litig., Del. Ch., 600 A.2d 43, 56 (1991).*

With respect to director Thomas Lee, plaintiffs refer to a certain distribution agreement by which, it appears, Quaker Oats covenants that an affiliated company of Lee's will continue to distribute certain Snapple products and will have certain rights to distribute in and around Chicago, Gatorade, a Quaker Oats Company branded soft drink. Plaintiffs are in no position at this time responsibly to guess what value that agreement might have to Mr. Lee.

Thus plaintiffs explain what they apparently see as a very bad deal as the result not of gross negligence and certainly not as a result of a good faith disagreement about an important business decisions. Rather they see it as a self interested transaction done with less concern about the price than with a solution to the problem of illiquidity that the defendants face by reason of their large stock positions.

* * *

The court is not required or [*6] able on this application to judge the merits or even the legal sufficiency of these pleadings. The question presented is a more specialized one: whether in the circumstances the plaintiff has articulated a sufficiently colorable claim and shown a sufficient possibility of a threatened irreparable injury, as would justify imposing on the defendants and the public the extra (and sometimes substantial) costs of an expedited preliminary injunction proceeding. This court tradipending appeal. The injunctions issued by the district court are affirmed. Because we affirm the injunctions, the motion for stay is rendered moot.

[HN1] In determining whether a preliminary injunction should be granted, a court should consider and balance four factors: (1) the likelihood that the moving party will be irreparably harmed absent the injunction; (3) the prospect that others will be harmed if the court grants the injunction; and (4) the public interest in granting the injunction. *State of Ohio v. NRC, et al.*, No. 86-4019, slip op. at 2 (6th Cir. February 24, 1987); *Frisch's Restaurant, Inc. v. Shoney's Inc., 759 F.2d 1261 (6th Cir. 1985)*; *In re DeLorean Motor Company, 755 F.2d 1223 (6th Cir. 1985)*; *Mason County Medical Ass'n v. Knebel, 563 F.2d 256 (6th Cir. 1977)*. [HN2] In determining whether a permanent injunction should be granted, a court should consider whether the party seeking the injunction has proved: (1) that it has prevailed [*2] on the merits; (2) that it will suffer continuing irreparable injury unless an injunction is issued; and (3) that it has no adequate remedy at law. *Newman v. State of Alabama, 683 F.2d 1312, 1319 (11th Cir. 1982), cert. denied, 460 U.S.1083 (1983)*. See also *Beacon Theatres, Inc. v. Westover, 359 U.S. 500, 506-07 (1959)*; *Ciba-Geigy Corp. v. Bolar Pharmaceutical Co., Inc., 747 F.2d 844, 850 (3d Cir. 1984), cert. denied, 471 U.S. 1137 (1985)*.

Upon consideration of the record and oral argument it is the opinion of the Court that the district court's factual findings are not clearly erroneous and that the district court has correctly applied the relevant legal standards. The district court correctly found that Ropak had prevailed on the merits with regard to those matters on which Ropak had moved for a permanent injunction, and the district court correctly found that Ropak had shown a substantial likelihood of success as to those matters covered by the preliminary injunction. Further, Ropak has made the requisite showing of irreparable injury and inadequacy of legal remedies. We agree with the district court that Buckhorn would not be substantially harmed if enjoined [*3] from carrying out its defensive measures. Finally, the interests of the shareholders and the public interest will be advanced by maintaining the injunctions.

The judgment of the district court is affirmed. It is further ordered that the mandate shall issue forthwith.

CERTIFICATE OF SERVICE

I, Edward B. Micheletti, hereby certify that I caused to be served the Public Version of the Letter by David Margules, Esq. that was filed on March 17, 2008 and the exhibits thereto on this 20th day of March, 2008 upon:

Joel Friedlander, Esq.
Bouchard Margules & Friedlander, P.A.
222 Delaware Ave.
Wilmington, DE 19801

Pamela S. Tikellis, Esq.
Chimicles & Tikellis LLP
One Rodney Square
Wilmington, DE 19801

Bruce Stargatt, Esq.
Young Conaway Stargatt & Taylor LLP
1000 West St.
Wilmington, DE 19801

R. Bruce McNew, Esq.
Taylor & McNew LLP
2710 Centerville Road, Suite 210
Greenville, Delaware 19808

Michael Hanrahan, Esq.
Prickett, Jones & Elliott, P.A.
1310 N. King Street
Wilmington, Delaware 19899

/s/ Edward B. Micheletti
Edward P. Welch (I.D. No. 671)
Edward B. Micheletti (I.D. No. 3794)
SKADDEN, ARPS, SLATE,
MEAGHER & FLOM LLP
One Rodney Square
P.O. Box 636
Wilmington, Delaware 19899-0636
(302) 651-3000

Attorneys for Defendant
Yahoo! Inc.