



**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): May 28, 2008

**Yahoo! Inc.**

(Exact name of registrant as specified in its charter)

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Delaware	000-28018	77-0398689
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(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)
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701 First Avenue Sunnyvale, California	94089
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(Address of principal executive offices)	(Zip Code)
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Registrant's telephone number, including area code: (408) 349-3300

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:

- Written 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)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### **Item 8.01 Other Events.**

On May 28, 2008, Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., were interviewed during the Wall Street Journal's "D6: All Things Digital" executive conference. A transcript of the interview is filed with this Form 8-K and attached hereto as Exhibit 99.1.

### **Item 9.01 Financial Statements and Exhibits.**

#### **(d) Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., at the "D6: All Things Digital" Conference on May 28, 2008.

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**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: May 29, 2008

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
99.1	Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., at the “D6: All Things Digital” Conference on May 28, 2008.

Transcript of interview of Jerry Yang and Sue Decker, Chief Executive Officer and President, respectively, of Yahoo! Inc., by Walt Mossberg at the "D6: All Things Digital" Conference on May 28, 2008

Yahoo! will be filing a definitive proxy statement and accompanying WHITE proxy card with the SEC in connection with the solicitation of proxies for its 2008 annual meeting of stockholders. Stockholders are strongly advised to read Yahoo!'s 2008 definitive proxy statement when it becomes available because it will contain important information. Stockholders will be able to obtain copies of Yahoo!'s 2008 definitive proxy statement and other documents filed by Yahoo! with the SEC in connection with its 2008 annual meeting of stockholders at the SEC's website at [www.sec.gov](http://www.sec.gov) or at the Investor Relations section of Yahoo!'s website at [yhoo.client.shareholder.com](http://yhoo.client.shareholder.com). Yahoo!, its directors, and certain of its officers may be deemed participants in the solicitation of proxies from stockholders in connection with Yahoo!'s 2008 annual meeting of stockholders. Information concerning Yahoo!'s directors and officers is available in its preliminary proxy statement filed with the SEC on May 22, 2008.

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1 MR. MOSSBERG: Jerry Yang and Sue Decker.  
2 MR. YANG: I see the bits with Steve and  
3 Bill didn't make it on the video.  
4 MR. MOSSBERG: You didn't supply it to us.  
5 MS. DECKER: We thought you did some fast  
6 editing.  
7 MR. MOSSBERG: You have got director's cut.  
8 MR. YANG: You did some editor cut there.  
9 MR. MOSSBERG: Obviously, I mean, it was a  
10 funny film, and I certainly enjoyed it, but it shows  
11 you have a lot of time on your hands to make films.  
12 That's what is going on, right?  
13 MR. YANG: We have a lot of friends.  
14 MS. DECKER: We have a lot of people giving  
15 us advice.  
16 MR. MOSSBERG: Well, it has been an  
17 interesting, what, month, two months, three months for  
18 you?  
19 MR. YANG: It all started on January 31st.  
20 It is almost four months.  
21 MR. MOSSBERG: Yeah. And I have to ask you,  
22 where do you stand right now in terms of negotiating  
23 with Microsoft and Google or whoever else you may be  
24 negotiating with?  
25 MS. DECKER: Didn't take you very long.

1       MR. MOSSBERG: You can delineate them.  
2     Let's start with Microsoft.  
3       MR. YANG: You know, first of all, it has  
4     been a very interesting process, obviously. We read  
5     more about it than we probably should. It has been  
6     interesting in the sense that it seems like  
7     The Journal knows about everything we are doing before  
8     we know what we are doing.  
9       MR. MOSSBERG: That is our job.  
10      MR. YANG: But obviously I think it has been  
11     fairly well documented that Microsoft is no longer  
12     interested in buying the company, and they are  
13     discussing various other partnerships or ideas with  
14     us, and we are listening, as we would for everything.  
15       So we are listening and trying to understand  
16     and trying to see if there is something we do.  
17      MR. MOSSBERG: But that's it? You are just  
18     listening. You are not actually working on a possible  
19     partnership?  
20      MR. YANG: I think that as companies in our  
21     position, we definitely have to understand more of  
22     what people are proposing to us, and they clearly have  
23     an interest in Yahoo! in some way, shape, or form that  
24     we are doing our best to understand.  
25      MR. MOSSBERG: You are at the understanding

1 stage; is that right?

2 MS. DECKER: Maybe not quite.

3 MR. MOSSBERG: I would have thought you  
4 would have actually had months to understand them, you  
5 know, even though maybe the terms of the discussions  
6 are different.

7 MS. DECKER: It keeps changing a little bit.

8 MR. YANG: I think it is fair to say that as  
9 you look at this whole time span here — and it is  
10 nothing to joke about, obviously.

11 It is becoming quite a bit evolved, but it  
12 is fair to say that the process started in a way that  
13 is very public. None of us were sure — I'm sure they  
14 knew, but we weren't, the different twists and turns  
15 they were going to take. And it certainly could have  
16 been a more friendly transaction. They could have  
17 done a number of things.

18 They mentioned that they may lower the bid  
19 at one point. They ended up dropping the bid, and now  
20 they are interested in a partnership. And I think we  
21 are — we have been fairly consistent.

22 MR. MOSSBERG: Instead of running a proxy  
23 war, which they could have done that and all that...

24 MR. YANG: Right. There's a number of  
25 things they could have done. I think in the meantime

1 we have always had dialogues in trying to understand  
2 what was it they would like to do, and we obviously  
3 had a point of view.

4 And I think our board and our company have  
5 always had a couple things in mind. One is almost day  
6 one we have said we are open to a transaction.

7 We are a public company. We have a very  
8 strong view on how we feel about Yahoo! and how  
9 passionate we are about what we are doing. But  
10 clearly if the right terms are there and the right  
11 deal was there to be done, we would do a deal. That  
12 has been public and we mean that.

13 The second thing is we felt there needed to  
14 be the right circumstances, not only price but deal  
15 terms. This is a transaction that could have been  
16 quite involved. We made that clear to them. I think  
17 they wouldn't say anything that we said any different.

18 But I think over a period of time, whether  
19 it is the deal dynamics or whether it's time or  
20 whatever it is — and probably the reason they know  
21 better than I do they have chosen not to pursue the  
22 acquisition, but they have come back with some other  
23 discussions.

24 MR. MOSSBERG: Well, they said —

25 MR. YANG: You heard them last night.

1       MR. MOSSBERG: Well, they said last night  
2 what they have said many times, which was, you know,  
3 you couldn't come to a price that you both agreed  
4 upon, that that was the principle issue.

5       MR. YANG: I think that is the most public  
6 issue. I would also say that in a transaction like  
7 this, clearly there are other things that matter;  
8 whether it is regulatory issues, whether there is — a  
9 number of other things.

10      And I would say that we certainly did not  
11 have enough discussions about other things to make me  
12 feel like we could have had a deal, even if you agreed  
13 on a price.

14      MR. MOSSBERG: Even if you agreed on a  
15 price.

16      So it was not entirely the price?

17      MR. YANG: No.

18      MR. MOSSBERG: But if the price had been  
19 right, you might have been able to work out some of  
20 these other things? I know it is speculative.

21      MR. YANG: It is hard to say. I would say  
22 that, you know, it is like when you break up with your  
23 girlfriend in high school.

24      MR. MOSSBERG: Or she breaks up with you.

25      MR. YANG: Generally in the case with me is

1 she broke up with me. It pretty quickly becomes he  
2 said, she said. And I obviously feel like it is not  
3 constructive anymore to go backwards and say here is  
4 what happened. But I know — and I think they  
5 understand — both sides understand that there are  
6 reasons to do the deal, and there's a lot of good  
7 reasons to do the deal.

8 I am actually quite open about what happened  
9 as being — I am sort of mixed about what happened.  
10 Obviously I am more than happy — and I think Sue and  
11 I are more than happy to push out and move forward as  
12 an entity. But at the same time, I think we all felt  
13 and understood that a combination like that, done  
14 right, has a tremendous amount of power and leverage.

15 When you walk away like that, it is  
16 definitely not something — and clearly in their case  
17 they walked away because they withdrew their offer.  
18 It was clear that they took the step and decided not  
19 wanting to pursue this action.

20 And I would say to your point there is a  
21 number of reasons. There is not one defining reason.

22 MR. MOSSBERG: That is a somewhat different  
23 answer. And I am not saying they are mutually  
24 exclusive, but it is a somewhat different answer than  
25 we had last night where it was really focused very

1 much on price.

2 MS. DECKER: I think they are similar.

3 MR. YANG: You need to call them back and we  
4 can figure out a deal.

5 MR. MOSSBERG: Steve, are you here?

6 MS. DECKER: I mean, we never got through  
7 the price door. Once you are through the price door,  
8 then there is a bunch of other doors to open. There  
9 was a lot that was not finished.

10 MR. MOSSBERG: Right.

11 MS. DECKER: But price really was the first  
12 one to agree on.

13 MR. MOSSBERG: Got it. I understand.  
14 Google, you are still talking to them? If you  
15 can't — if you don't want to say exactly what is  
16 happening in that, what is the concept behind that?  
17 Why would you want to outsource your search  
18 advertising?

19 MR. YANG: Well, I will start. I think that  
20 if you look at what Yahoo!'s value is and what we  
21 would need to do maximize shareholder value, which is  
22 our job, there are a number of ways to do that.

23 We believe, first of all, we have very  
24 strong prospects as an independent company. And while  
25 a lot of that has not been easily understood through

1 all the drama that has occurred around the deal, we  
2 have been transforming the company since Sue and I  
3 were in place less than a year ago — in fact,  
4 nine months ago — a little over nine months now, but  
5 that transformation continues to take place.

6 The other obvious one that I think a lot of  
7 shareholders asked us even before any of this came up  
8 was what happens to the search inventory and what  
9 happens to the ability for us to monetize that search  
10 inventory.

11 We continue to feel very strongly about the  
12 way we monetize search. We gained quite a bit of RPS  
13 or gained quite a bit of pricing through our systems  
14 over the last year and a half. But also we have been  
15 clear that there is a value gap between us and the  
16 market leader in that —

17 MR. MOSSBERG: Can you say the name of the  
18 market leader? This is what Ballmer did last night.  
19 He kept not saying the name of the market leader.

20 MR. YANG: I like Google.

21 MR. MOSSBERG: Good. Okay.

22 MS. DECKER: You muffled that.

23 MR. MOSSBERG: It is like Voldemort. He  
24 that shall not be named.

25 MR. YANG: That's a Time Warner movie, isn't

1 it?

2 MR. MOSSBERG: Yeah. That's right.

3 MS. DECKER: It is supposed —

4 MR. YANG: We are just trying to set you up

5 for the next question. It is clear to our

6 shareholders — we want to make it clear to our

7 shareholders that besides executing independently,

8 which we feel very strongly about, very good about

9 what we could be doing, there are other untapped

10 values, sources of value that should we want to do

11 those things, it could mean significant value to our

12 shareholders.

13 So we talked about the gap between us and

14 Google. We talked about our inventory, what that

15 could be worth. And I think the last public thing

16 we've said — and Sue knows this better than I do —

17 the last public thing we said we conducted tests with

18 them and we, in fact, have some understanding of what

19 they could do for us and what we could do for them.

20 What I would say about the level of

21 discussion is that we are a very uniquely positioned

22 company. We have they principle position in search.

23 We have a very competitive and increasingly

24 competitive monetization system, and that should

25 anything be done between the two companies, I think it

1 is a very unique arrangement that is probably not well  
2 understood since we have not talked about it. So from  
3 that perspective our goal has —

4 MR. MOSSBERG: You are welcome, by the way,  
5 to talk about it here and now.

6 MR. YANG: I think from that perspective  
7 Yahoo!'s goal — I am going to get in in a roundabout  
8 way. But, yeah, I think the way we think about it is  
9 that Yahoo! has the ability to remain very competitive  
10 in the advertising space in that the level of — level  
11 and weight and flexibility in which we can partner  
12 with Google has not been fully understood by the  
13 marketplace.

14 So we read about what everybody writes.  
15 "It's a terrible thing." "It's a good thing." It  
16 might be something in between. I think until we get  
17 to something that we could talk about, it is all a lot  
18 of speculation. When we do something, if we do  
19 something, we will talk about it.

20 MR. MOSSBERG: But the facts are that you  
21 have been losing share in search. So is Microsoft, of  
22 course. And google continues to gain. Steve and Bill  
23 last night warned us that there was a danger of Google  
24 becoming a monopoly, which was —

25 MR. YANG: That is a word that they don't

1 say often.

2 MR. MOSSBERG: They don't, but they said it  
3 last night, you know, and that this was a great danger  
4 to the economy and the marketplace and all that.

5 So you have been slipping, they have been  
6 slipping. And I think Ask, which is, of course, much  
7 smaller, but they were gaining for a while on a low  
8 base and I think they have been slipping again.  
9 Everybody is slipping except Google.

10 So when you say you have a principle  
11 position in search, obviously you do have, you know,  
12 some critical mass there, but it is bone, isn't it?  
13 Doesn't that mean your opportunity to monetize that  
14 has fallen, until you could do something to reverse  
15 the trend?

16 MR. YANG: I think that — and this is  
17 something that Sue and I were both very — a big part  
18 of this we talked about. If you go back a couple of  
19 years, we understood the dynamics of search. We made  
20 the decision to invest in what became known as Panama.

21 We felt we needed to really start becoming  
22 more competitive in pricing as part of that search  
23 game. And over the last year or so we have closed —  
24 we think we have closed the gap against Google by  
25 quite a bit.

1       MR. MOSSBERG: In terms of the —  
2       MR. YANG: Price.  
3       MR. MOSSBERG: — efficiency of your  
4       advertising platform and pricing.  
5       MR. YANG: As pricing has come up, we have  
6       sort of the middle of last year shifted our focus back  
7       to driving query growth.  
8       And on an absolute basis, our query growth  
9       continues to grow in double digits, you know. I think  
10      last year it was 13 percent or something like that in  
11      terms of — yes, behind where Google was.  
12      But we feel that refocus now going from the  
13      pricing part to the volume part on the query growth  
14      part is really coming up with more innovation and  
15      differentiation.  
16      What we have seen over the last couple of  
17      months — and there is more to come here, is our  
18      strategy around becoming more open as a search  
19      platform and driving more disruptive kinds of  
20      innovation versus the past where we basically have  
21      been competing on the same basis against Google.  
22      So what we like to think and we like to see  
23      is that I think you will see us being a lot more  
24      aggressive about how to position the query growth  
25      game, not as the current game but as something that

1 changes over time. And the innovation that we started  
2 to put into it literally over nine months ago is  
3 starting to pay off.

4 And, look, I feel that the search game is  
5 pretty early in the sense that we feel that the way  
6 people find information and retrieve information and  
7 index information and get it back and pass it around,  
8 socialize that information, is still at an early  
9 stage.

10 I am a big believer — and I still think  
11 there is a lot more innovation left in that game. So  
12 the short answer is we are just starting to innovate.  
13 We are starting to have, I think, the kind of  
14 infrastructure, the kind of technology and kind of  
15 scalability that allows us to not just follow but  
16 follow at the right scale but start a differentiation.

17 MR. MOSSBERG: In order to innovate you need  
18 the right people; developers, engineers, marketing  
19 people, whatever you need. And I don't — what I am  
20 about to say — I don't know the details of this or  
21 the numbers. So feel free to say that if you think it  
22 is wrong, that it is just wrong. But you have been  
23 going through this sort of turmoil, not necessarily of  
24 your own causing, but it is happening, and the word is  
25 you have been losing some of those people.

1 Doesn't that actually make your task harder?  
2 Aren't you a little bit wounded in the process of  
3 going through these deals and negotiations? Doesn't  
4 it take your own — I mean, you are two really smart  
5 people, but you have to have had an enormous amount of  
6 your mental and physical energy zapped away or  
7 directed toward this takeover stuff.

8 We have not even said the words "Carl  
9 Icahn." I mean, that is still going on. So if you're  
10 really — if you've got Google continuing to gain  
11 share and everyone else including you losing it, you  
12 are feeling good about your advertising platform, that  
13 is good, but you need to innovate the query side. And  
14 you're dealing with Wall Street stuff and, you know,  
15 takeover stuff and efforts to throw out your board and  
16 all that stuff, and you are losing some people; how  
17 can you do it?

18 Well, I'm sorry. I am not trying to be  
19 mean.

20 MR. YANG: She gets this. You lost me at  
21 "losing." So I don't even know what the question was.

22 MS. DECKER: I would say we have had  
23 turnover over the years, new people coming in, other  
24 people leaving, and the right athletes in the right  
25 positions at the right time changes, since the company

1 evolves.

2 Our turnover rate really hasn't changed  
3 throughout this process. So it's gotten a little bit  
4 harder to hire because people are wondering what is  
5 the next thing. But we hired more than 600 people in  
6 the first quarter. So we have been — all during this  
7 public issue.

8 And I would say that one of the things that  
9 we are really excited about and our people are really  
10 proud of is that when Jerry and I came together last  
11 summer and set out the strategy and decided the  
12 priorities, we planted a lot of seeds at that time.

13 We have an incredible product out now that's  
14 launching right now. It would be a very different  
15 situation if we didn't have that and — whether it's  
16 Search Monkey, which opens up search on the  
17 algorithmic side.

18 As Jerry said, we spent a few years just  
19 trying to get to the size and scale of crawling and  
20 indexing to meet the market leader, Google.

21 Starting last fall we started launching  
22 things again; Search Assist, now Search Monkey. There  
23 is more to come very, very soon. So it is a really,  
24 really galvanizing and interesting time for our  
25 people. They kind of feel like they want to show what

1 they can do.

2 We have a brand new ad platform and display  
3 coming out; in “friends and family” right now, and  
4 broader, general release by the end of Q3. We made  
5 some major decisions in the last year to be in this  
6 position. So I think naturally there are questions and  
7 some concerns on the one hand, but on the other hand  
8 it has been a really uniting force for the employees  
9 to show what they can do.

10 We feel like we have a chance of a lifetime  
11 to show what Yahoo! can do with unbelievable assets  
12 that can be brought together in a way on the consumer  
13 side to narrow our focus around starting points and  
14 open them up and make them more social at a scale no  
15 one has ever done and on the advertising side to bring  
16 together the insights that we have across search and  
17 display. We have the largest owned and operating  
18 positions in both, and to change the game and buying  
19 display advertising, which is much, much, much more  
20 complicated in many ways. We are really excited.

21 MR. YANG: I think there is — I went to a  
22 board meeting, an excellent board meeting recently —  
23 not mine, another company’s. I walked in 10 minutes  
24 late. It was like walking into my own wake because  
25 everybody said, “Oh my god, Jerry, are you okay? Oh,

1 my God, the world must be falling part.”

2 You know, there’s a lot going on. I am not

3 going to deny that, but I think that the perception of

4 us being a company under siege is just not accurate.

5 I think, you know, I would like to have

6 clarity moving on and build a business going forward

7 which is — we are doing that and we are going to keep

8 doing that. But I think the process, as Sue said,

9 really has in many ways pulled Yahoo! together as

10 company and has pulled our leadership team together as

11 a company. Because this is a real-life exercise of

12 crisis management, dealing with different parties,

13 corporations in its essence are being debated at

14 Yahoo! every day.

15 What we do matters. And I think in a way

16 the morale and the culture at Yahoo! now is all about,

17 gosh, we are, for good reasons or bad reasons, at the

18 center of attention for a reason. The reason is can

19 we continue to build great products, and we keep the

20 move forward?

21 This is important to me because I think

22 there is a sense that Yahoo! is getting weaker, that

23 there is vulnerability. These guys, you know, can’t

24 be independent anymore.

25 I think we can’t be more clear that Yahoo!

1 was going through a period of time where we were going  
2 to transition the business from a place, you know —  
3 sort of last year we weren't ready for some of the  
4 challenges going forward into a place where we think  
5 we definitely can meet the challenges of growth going  
6 forward, some of the stuff Sue talked.

7       But the essence of Yahoo! is being defined  
8 together and over the last four months in a way that I  
9 think makes us a lot stronger. And I think that's  
10 been lost because obviously I live within the four  
11 walls of Yahoo!, but the people who are there now who  
12 are joining us today are joining us for the right  
13 reasons because they think we can be a much better  
14 company going forward.

15      MR. MOSSBERG: Well, I have to tell you  
16 that — and I don't think I am alone in this — there  
17 are a lot of people in the industry who, at the very  
18 same time, admire your products. I mean, you have  
19 seen me say that you have the best Web mail. A couple  
20 of times I have written that, and I think it is true.

21       I think you actually do very good Web  
22 applications, in many cases better than Google's.  
23 They have some good things, but you also have some  
24 very good things. I'm talking besides search.

25       But at the very same time I have to confess

1 that I am not exactly sure what you guys think Yahoo!  
2 is. We had Terry Semmel here twice. He is a very  
3 smart guy who did some very smart things, but when he  
4 was asked that question, he never could answer it in a  
5 way that was especially clear, at least to me, and I  
6 think to a lot of folks in the room.

7 So what, you know, we know what kind of —  
8 what the business of General Motors is. We know what  
9 the business of Microsoft is. We know what the  
10 business of Apple is.

11 What is the business of Yahoo!? Are you an  
12 applications company? Are you a search company? Are  
13 you an advertising sales company? Are you sort of a  
14 content aggregator, which is another thing you do a  
15 lot of? Are you an e-mail, an IM kind of  
16 communication company? And don't say "yes" or "all."  
17 What is it?

18 Seriously, what is it? I think it is fair  
19 to say that Google is overwhelmingly a search and  
20 advertising company. Although they have — I guess  
21 you could list 200 other products they have. What is  
22 Yahoo!?

23 MR. YANG: I think of Yahoo! as we have to  
24 be incredibly relevant and meaningful to consumers.  
25 We have defined that around the starting point mission.

1 We want you to start your day at Yahoo!. All right.  
2 That is home page. That is mail. That is  
3 search. That is mobile. But we want people to come  
4 to Yahoo! first thing of the day and multiple times a  
5 day.

6 That is an incredibly powerful position.  
7 That happens to be a position that we occupied for a  
8 lot of our history. So it is consistent with your  
9 roots, but also it is right for innovation, meaning  
10 that we can't be all things to all people.

11 In fact, we've — our new definition with  
12 Yahoo! strategy goes — we have actually become more  
13 focused. And one of our challenges in the past is how  
14 do you keep developing every vertical area or every  
15 channel in a way that is — that was never going to  
16 keep up with the growth of the web?

17 So the starting point focus of becoming your  
18 everyday place where people go to get the most out of  
19 the web, that is our consumer goal, dream, aspiration.

20 MS. DECKER: It's a little bit of a change.  
21 Because we still do hundreds of things, but we are  
22 really focusing on those four areas and defining  
23 Yahoo! as part of the journey, not necessarily part of  
24 the home page, search, mail, and mobile.

25 MR. MOSSBERG: Home page, search, mail, and

1 mobile.

2 MS. DECKER: These are the places people

3 come multiple times per day.

4 MR. MOSSBERG: By "home page" do you mean

5 Yahoo!.com, or do you mean Yahoo!News? Or do you mean

6 My Yahoo!?

7 MR. YANG: Yahoo!.com. There are many

8 anchors that will go to the home page to go to

9 finance, news and sports if finance, news and sports'

10 value is as a support for the home page.

11 But it has become a way to prioritize around

12 the things that we do best, the starting points of the

13 Web where 70, 80 percent of all the value accrues to

14 those few properties. That is a big change.

15 That is where we get our insights. That

16 drives the advertising strategy, which Jerry is about

17 to articulate. So that is a change. It's what we

18 have always done, but we have diluted our focus over

19 the last few years to do so many things. So we are

20 really trying to pull it back into those core areas

21 and differentiation by opening them up and making them

22 more social.

23 MR. MOSSBERG: Who — you can't be all

24 things to all people, but what people are you focused

25 on? Who do you want to start your day, Yahoo! through

1 those things?

2 MR. YANG: We already reached 70 percent of  
3 the Internet. So we do have a fairly large reach.  
4 Again, I think sometimes people need to be reminded  
5 that Yahoo! touches over half a billion people every  
6 month. So it is an incredible.

7 MR. MOSSBERG: The Justice Department would  
8 have figured that out if you do any one of these  
9 deals, but — yeah.

10 MR. YANG: Okay.

11 MR. MOSSBERG: I am not saying they are  
12 going to deny the deal, but they will look at it  
13 first.

14 MR. YANG: I think Yahoo! is a very powerful  
15 company. There is no question about it. So I agree  
16 with you.

17 I think they know that, and I think other  
18 people know that. But if you look at that base of  
19 people, we need to continue to be relevant to them as  
20 they grow up on the Web and on the Internet. This is  
21 why mobile is such an incredible focus for us.

22 We really do believe the link between mobile  
23 and the desktop is going to be much more fluid over  
24 time, dynamically over time, but also less — the  
25 modality is going to be a lot more similar to your

1 conversations with some of the other guests here.  
2 But I think one point that Sue talked about  
3 was that we really do believe that — and this is a  
4 part of a strategy we announced last month probably  
5 four headlines down from where all the deal  
6 speculation stuff was, but we talked about this Yahoo!  
7 open system strategy, open social strategy where we  
8 are rebuilding Yahoo! from a platform perspective to  
9 be a lot more open. So imagine being able to have a  
10 developer's program on Yahoo! as a canvass.

11 That is something that, done right, is a  
12 hugely attractive thing for developers, because Yahoo!  
13 has five hundred million plus that they can —

14 MR. MOSSBERG: This is similar to what  
15 Facebook did, and MySpace is doing, you know, creating  
16 these APIs and saying, "Hey, put your —

17 MR. YANG: But the applications on Yahoo!  
18 are very different, because we are —

19 MR. MOSSBERG: You're not going to have  
20 Scrabulous? I am going if you are not.

21 MR. YANG: For you maybe we will write one.  
22 But, you know, if you think about what you can do  
23 within Yahoo! mail — you like Yahoo! Web mail. But  
24 if Yahoo! mail had a group of developers that are  
25 producing mail apps that are an extension and making

1     Yahoo! mail more powerful, that is a very different  
2     route that you can imagine.  
3         Yahoo! home page, you could have social apps  
4     or you could have apps that are not suitable for home  
5     page and it would not work. People come to the Yahoo!  
6     home page to get content, to get communications, with  
7     some respect to try to just understand what is going  
8     on. If the apps there are targeted for the Yahoo!  
9     user, it's a very different dynamic.  
10      So I understand conceptually it is similar  
11     to what other people are doing, but the output of what  
12     people will have the opportunity to program the Yahoo!  
13     calendar is so much more rich and powerful.  
14      This really takes the notion that Sue talked  
15     about of we are more interested in providing the  
16     starting point, but we don't really care where people  
17     take their journey once they start on Yahoo! and go  
18     elsewhere. The more open we can be —  
19      MR. MOSSBERG: Just by being a starting  
20     point that gives you the opportunity to monetize your  
21     part of this — whatever I do during my day.  
22      MS. DECKER: The search metaphor, you go to  
23     search to go someplace else, but the economics accrue  
24     to the place you go back to each time. So that is how  
25     these starting points work.

1 It's different. We have 10 billion social  
2 connections on Yahoo!. We have not made it easy for  
3 people to unlock that in an easy way as Facebook has.  
4 The idea here is take all the profiles and unify them.  
5 Put the social graph together and then be able to  
6 search the best of the Web that is relevant. One of  
7 the ways we think we can add value, aside from the  
8 scale, which is very different from anything that  
9 exists today, is there is context around where you  
10 are.

11 So if you have a — if you are in sports and  
12 I see that Jerry has just picked a new — traded a new  
13 fantasy player, and I am in the regular sports side,  
14 that is going to influence my own choice of who I  
15 might want to pick.

16 So we have these areas of contextually  
17 relevant places that the social graph can be ignited.  
18 And that is very different. We think that that will  
19 create more relevance of — create a better ad model  
20 but also in some ways the social model, the larger it  
21 gets the less relevant the streams you get and the  
22 people knocking on your door are.

23 But if we can wrap it back into the context  
24 of the sites on Yahoo!, we think we can create both  
25 relevance and social connectivity. That is the —

1       MR. MOSSBERG: So it's a way of leveraging  
2 the fact that you have always had all this content on  
3 Yahoo!.

4       MS. DECKER: The relationships, we just had  
5 to tie them together.

6       MR. MOSSBERG: And you have all these people  
7 visiting, but you have not been able to — you tried.  
8 You had Yahoo!360. You have had a number — I have  
9 been briefed on — I can't remember how many things —  
10 they were trying to do this and then none of them  
11 work.

12      MS. DECKER: What we didn't do and what we  
13 are hoping to do is we have 250 million users with  
14 mail. Think about that address book. Think about  
15 groups. Think about Flickr. Think about all the  
16 social connections as you log in. If we can surface  
17 that immediately and ignite that graph, that is  
18 usually the path, and we have never done that. That  
19 is the rewiring of Yahoo!.

20      MR. MOSSBERG: One of the things we are  
21 doing a little differently this year at D is we are  
22 inviting people to submit questions, who are not here  
23 in the hall, either in writing or optionally on video.

24      There is this one woman who has been bugging  
25 me about asking a question. She just obsesses about

1     Yahoo!. The only way I could get her off my back was  
2     to let her ask a question.  
3       So can we bring up this obsessive woman on  
4     the screen.  
5       MR. YANG: You didn't warn us about this.  
6       MS. SWISHER: Hello, Jerry and Sue. How are  
7     you doing?  
8       MS. DECKER: Hi, Kara.  
9       MR. YANG: Hi, Kara.  
10      MS. SWISHER: You didn't imagine you could  
11     get away with it, being here at D and not seeing me,  
12     did you? Good to see you. I have a couple of  
13     questions. Two I think are very important. I have 53  
14     questions, actually.  
15      MS. DECKER: You locked her up somewhere.  
16      MR. YANG: She is wearing chains.  
17      MS. SWISHER: I am wearing chains and  
18     sunglasses. I am trying to avoid intimacy with the  
19     glasses with you because you melt me.  
20      MS. DECKER: You are doing a good job.  
21      MS. SWISHER: Here is the deal. I have one  
22     critically important question I think the entire room  
23     is probably thinking of right now, and that is exactly  
24     when, Jerry Yang, are you going to have lunch with me?  
25     Jerry refuses after many years to have lunch with me.

1 MR. YANG: That is not true.  
2 MS. SWISHER: I want a date and a time.  
3 MR. YANG: All right. Can I explain my side  
4 of the story.  
5 MS. SWISHER: It's a he said, she said  
6 situation.  
7 MR. YANG: I understand. We are raising  
8 money for Donors Choose, a fabulous nonprofit which  
9 really connects. It's a social — it the best social  
10 network I know for connecting teachers, students, and  
11 parents and their projects. You were not even — you  
12 were somewhat behind the other bidders.  
13 MS. SWISHER: No. I was No. 2.  
14 MR. YANG: You were No. 3. If you would  
15 agree to donate \$500 to Donors Choose, I will have  
16 lunch any time you want.  
17 MS. SWISHER: Done, done, done.  
18 MR. YANG: Done.  
19 MR. MOSSBERG: See; is that right? Right?  
20 You know, we could —  
21 MR. YANG: Deals can happen.  
22 MR. MOSSBERG: Deals can happen.  
23 MS. SWISHER: I am first going to get them  
24 to write that check. So, second question is actually  
25 a very serious question. Because you guys are talking

1 a lot about, you know, things are changing, things are  
2 rewiring.

3 You talked about diluting the social graph,  
4 not doing this. I want to know why — you were there  
5 for a lot of this decline. You were not a new team  
6 here at Yahoo!. First with Sue — because you have  
7 been a little too quiet over there, Sue.

8 Why are you the leaders to take Yahoo!  
9 forward if you became an independent company? And  
10 what has been your biggest mistake, each of you, over  
11 the last year from a leadership perspective?

12 I really want you to define why you are —  
13 you know, why you should have this office besides  
14 being the cofounder and big, large shareholder?

15 MR. MOSSBERG: Thank you, obsessive woman.

16 MS. SWISHER: Anytime.

17 MR. MOSSBERG: But it's a good question, the  
18 leadership question.

19 MS. DECKER: She hinted on you, cofounder  
20 and big, large shareholder.

21 MS. SWISHER: You too, Sue.

22 MS. DECKER: First — me first. So, yes, we  
23 both have been here in various roles over the years  
24 and, you know, without looking too much in the past, I  
25 think as a company we have made a few mistakes.

1 I think that Jerry and I are really excited  
2 to focus on — I am looking at the screen, where is  
3 she — excited to try to address them.  
4 I would say as a company I think — without  
5 being specific about who, or where, or why, one of the  
6 things that we did is — I think we started — during  
7 David's dream and — started as a place that people  
8 went to Web to find what they are looking for. We  
9 were really close in those early years to the users.  
10 Over time as we got bigger we started  
11 organizing around products; around mail and around  
12 search and around finance and sports, et cetera, and  
13 on the advertising side around display and search,  
14 advertising each with separate sales forces and  
15 separate go-to-market strategies.  
16 And I think what was lost in that is the  
17 core focus around the key ecosystem, which is the  
18 user, the advertiser, and the publisher, and the  
19 developers that drive that.  
20 So what Jerry and I have been trying to do  
21 in the last year is really rewire the company in that  
22 way that if we are focused on the user, then we should  
23 be focusing on the socially horizontal applications  
24 and Web services that are developing and opening up  
25 Yahoo instead on focusing on mail or search or any one

1 app.  
2 On the advertiser side, if you are focused  
3 on selling display or search, you may not be focusing  
4 on the fact that the advertiser does not care how they  
5 reach their target consumer. They want something that  
6 is easy to target. They want something that's easy to  
7 buy and sell. They want to find their target, whether  
8 they are on Yahoo! or whether they are anywhere else.

9 So by reorganizing the company in that way  
10 and rethinking everything we do in that way, we have  
11 been in a position to launch a lot of products this  
12 year that we never could have done.

13 So we are pretty — pretty excited about  
14 that, and I think that was a mistake of the past.

15 MR. YANG: You know, I have made no bones  
16 about it. I am a cofounder. I have been involved in  
17 the company the whole time. I am probably not going  
18 to be CEO of any other company unless I start another  
19 company. So I am not somebody that, you know — I  
20 have not gotten a lot of headhunting calls to go run  
21 GM or anything else. But I don't want an answer —  
22 okay, I think you are right.

23 I do think I am the best person to lead  
24 Yahoo!, not only because I bleed purple and bleed  
25 Yahoo!, but also I think there is a big opportunity

1 for Yahoo! to fulfill. It was not lightly that I came  
2 to a decision I want to be CEO.

3 I understand the challenges. I understand  
4 that I don't necessarily have all the experience,  
5 although I have admired Terry, and Tim Koogle before  
6 him and some just great leaders that helped us run the  
7 company. But I also felt it is my time to really take  
8 Yahoo! to the next level.

9 The dream that we are talking about here of  
10 really creating Yahoo! in a way that allows our  
11 audience to truly do what they can't do anywhere else  
12 other than Yahoo! — and we haven't spent a lot of  
13 time talking about our advertising strategy.

14 But our advertising strategy is beyond the  
15 current discussion of search and display. It really,  
16 I think, takes this notion of online advertising to  
17 the next level in terms of truly creating a broader,  
18 more choice-driven ecosystem. That is what I want to  
19 do.

20 I feel in so many ways that with the  
21 leadership team, I partnered with Sue, and follow our  
22 technology and our product and our sales, we can  
23 achieve that dream. I really think that is necessary,  
24 if not required, for us to lead the company into the  
25 next step.

1 I feel like I am most passionate and have  
2 the most vision about where we want to be. I know  
3 that people want to see results, and I think in this  
4 day and age a lot of people are more short-term  
5 oriented. But I think we are starting to show that  
6 Yahoo! can be on this path of being a very different  
7 entity in terms of what we do, how we do for users.

8 MR. MOSSBERG: But do you really think that  
9 is evident to users and, by the way, to your major  
10 shareholders?

11 MR. YANG: I think so. Look —

12 MR. MOSSBERG: I am not making a joke.

13 MR. YANG: No. Look, my view is this,  
14 right. I think that we made this clear, certainly  
15 with our employees, our leadership team and our board,  
16 is that we need to make some investments in order to  
17 make this happen.

18 We have been clear that we think sort of,  
19 you know, we came into this in the back half of '07,  
20 so the back half of '07 and through the first part of  
21 '08 and — you know, most of '08 was going to be a  
22 period in which you were going to start seeing some  
23 harvesting and some results, but there's still a lot  
24 of work to be done.

25 I never want people to think or expect that

1 this is a very quick thing. But at the same time —  
2 first of all, the size of Yahoo! and the way in which  
3 we can really change the Yahoo! experience is real.

4 It is really powerful if we do it, and it  
5 needs to be done. I just — I can't feel stronger  
6 about that, and it needs to done right.

7 Secondly, I think the financial results will  
8 follow if and when we are able to transform that  
9 experience and build the right advertising platform,  
10 which we are well on our way.

11 The friends and family program, as Sue  
12 talked about with our amp project, is starting to  
13 really ramp and definitely shows that — what we are  
14 talking about where we can partner with publishers,  
15 partner with sales forces, and partner across each  
16 other's network for better price discovery.

17 These are fundamental market-making types of  
18 moves that Yahoo! is doing right now. It is not being  
19 written about because of all the other dramas going  
20 on. But we really do think — we really do think that  
21 this is the beginning of a new Yahoo! that has got  
22 tremendous amount of potential.

23 MR. MOSSBERG: But if — Kara points out you  
24 have been there. You are now saying, "Okay, now, even  
25 though we have been here a long time, we have looked

1 at the situation. We have this idea for a new Yahoo!.

2 Give us some time and you'll see the financial

3 results."

4 You have shareholders ranging from people  
5 with one share to — I don't know, Carl Icahn, or  
6 whoever it is, who are saying, "Hey, we met these guys  
7 up in Seattle who will only pay you \$33 now and maybe  
8 you could have gotten, you know, you wanted \$37 or  
9 whatever it was, maybe you could have gotten them up  
10 another buck. That is a lot of money you have, you  
11 know. You can't catch Google anyway. So why should  
12 we wait all this time?"

13 MR. YANG: Look, I understand the situation  
14 that I think people are feeling and definitely there  
15 are shareholders that have that similar type of  
16 question.

17 But at the same time I think — first of  
18 all, we did not walk away from that proposal.  
19 Microsoft did.

20 I have always said that we are willing to do  
21 a deal under the right terms and history will somehow  
22 rewrite — you know, people will figure out whether,  
23 you know, they were there at the table or not at the  
24 table.

25 But all I can tell you — and I think we

1 have been consistent in that it was not clear to me  
2 that they want to finish the deal. So I am not going  
3 to go second guess their decision or not.  
4 We are moving on. These things are moving on. We are  
5 having, you know, fun discussions about other things,  
6 great. But it is not something that I can go revisit  
7 and take or not take. I understand our obligation to  
8 stockholders. Believe me, I get in friendly  
9 conversations with a number of them.

10       But I also think that the focus for us is  
11 how do we recognize more value for the company sooner  
12 if we can do it right?

13       But strategically I want to position Yahoo!  
14 to be in a much more successful position in the long  
15 term. Because I do think that when you are dealing  
16 with assets like Yahoo!, there are a lot of different  
17 ways to monetize the assets.

18       But at the end of the day, we have to do it  
19 for the right long-term reasons. If there is a way to  
20 do it — we talked about other alternatives, and those  
21 are things that we are obviously looking at.

22       But we are not going to go do something  
23 that, you know, forgoes our long-term prospects and  
24 favor something short-term. That, I don't think, real  
25 stockholders, in terms of long-term perspective, want

1 us to do.

2 MS. DECKER: The only thing I would add is,  
3 one of the things our board considered is, we start  
4 from this position of a huge, huge amount of inventory  
5 created by those 5-, 600 million people who come to us  
6 every month, whether they spent time or consumed page  
7 views, and we think that inventory — and our board  
8 thinks that inventory, is undervalued, period, by a  
9 lot.

10 We know how much it's undervalued in search.

11 We have publicly published that we felt that we had  
12 closed the gap with Google by 30 percent. We thought  
13 the gap when we first launched Panama was 100 percent.

14 So there is still 60, 70 percent of upside.

15 We ran a test to confirm what we thought, you know.  
16 We know how much value there is on the search side,  
17 either through Panama or through other means.

18 We also know that 90 percent of the Web's  
19 inventory is non-search, and it is growing faster than  
20 search. We are really good at that. We are about to  
21 launch a system that makes it easier to buy and sell  
22 display and target more effectively in the way that  
23 search is. There is probably a 10 to 100X difference  
24 in pricing in display versus search because of the  
25 friction in display.

1        So when we put this all together, we think  
2        about what the value is there from the board's  
3        perspective regardless of the, you know, back and  
4        forth of what could have happened or should have  
5        happened or will happen in the future. There is an  
6        enormous asset there. There is a reason why there is  
7        a lot of interest. And it is not a six-month job to  
8        turn it around based on where we were. Our scale is  
9        working against us. We are trying to move our scale  
10      to work for us, both in terms of the consumer side and  
11      on the advertiser side. You know, that is a question.  
12      Where is the value today versus what is the value in  
13      two years? That is a judgment call that boards have  
14      to make.

15        MR. MOSSBERG: Thanks. Questions from the  
16      audience? No one wants to ask a question? Oh, yeah,  
17      okay.

18        AUDIENCE MEMBER: Hi, this is Crawford from  
19      IDC. Quick question for you. You talked about your  
20      display ad strategy. I am just curious, as Web 2.0  
21      continues to take hold, people are participating a lot  
22      more, how do you see that changing in sort of as  
23      people lean forward and interact with their PC as  
24      opposed to lean back and consume content?

25        How does that change the display advertising

1 strategy? How do you see display advertising changing  
2 on the Web as a function of that?

3 MS. DECKER: When we call — when we say  
4 “display advertising,” what we mean is any inventory  
5 other than search. It could be any kind of Web, app,  
6 anything, any form of inventory that could run an ad.  
7 It could be a text ad. It could be a written display  
8 ad. It could be a video ad.

9 So fundamentally, what we see happening is  
10 the advertising becoming increasingly relevant as we  
11 have more and more insights on what you’re looking  
12 for.

13 You could take the extreme case where the  
14 advertising is the content if you’re looking for, you  
15 know, real estate or houses or jobs, kind of the  
16 classic categories.

17 But the ambition here is to be able to serve  
18 ads as relevant as the content based on what the user  
19 is looking for and what we know about the user. So  
20 you could imagine the right format changing depending  
21 on the context in which the user is engaging. That is  
22 ultimately the ambition.

23 AUDIENCE MEMBER: Hi, Josh Auerbach. I was  
24 wondering if beyond search and display, you could talk  
25 a little about your thoughts on Yahoo! getting into

1 advertising on television and other platforms.  
2 MR. YANG: Yeah. I think clearly our  
3 current focus is really around making sure the  
4 Web-based advertising infrastructure works and mobile  
5 is the main focus off of PC. There are a lot of  
6 things that we are currently doing, especially around  
7 video advertising, that could easily work over any IP  
8 network, especially after TV.

9 So those markets are small. But we are  
10 positioning our technology as well as product base to  
11 be easily transferable. We are probably not going to  
12 go in, rebuild AP systems for cable, you know, sort of  
13 non-IP infrastructure. But the goal here is to  
14 really — to the extent IP runs, our systems will run.

15 AUDIENCE MEMBER: Alison Sheridan from  
16 Ratheon. I would like you to elaborate a little bit  
17 on your mobile strategy. I was really excited to hear  
18 that you were going to be focusing on that.

19 So I went out and tried to go to yahoo.com  
20 on my iPhone, and it did not give me a mobile version.  
21 Okay.

22 So I went to mobile.yahoo.com, and it gave  
23 me a nonmobile version, but it offered to let me put  
24 in my phone number so I could be emailed a link. But  
25 it didn't work on the iPhone.

1        So then we went to pda.yahoo.com where we  
2        were allowed to enter our phone number and our — what  
3        device it was, but the iPhone was not on the list. So  
4        then I went over on my BlackBerry to pda.yahoo.com,  
5        and there I was allowed to download an application and  
6        it got a connection error. So what is the strategy?  
7        I mean, obviously that is not what you want the  
8        experience to be.

9        MR. YANG: No, no. Of all the questions I  
10      have been getting the last four months, I am glad to  
11      get a tech support question.

12       AUDIENCE MEMBER: I didn't even say  
13      Microsoft once.

14       MR. YANG: I — believe me, it should not be  
15      that hard, and I use my iPhone and I use Yahoo! all  
16      the time. So maybe use a mobile — did you have an  
17      iPhone?

18

19       MR. YANG: Yeah. See, we have an  
20      iPhone-friendly version. Maybe it is m.yahoo — I  
21      will give the URL. We could try — we should not make  
22      it that hard for you not to find it.

23       MR. MOSSBERG: What she just said is right.  
24       You should — there are other people who look at what  
25      browser it is. They see it is the iPhone or the

1 BlackBerry or whatever, and they give the version that  
2 works well on that device.

3 MS. DECKER: I am not sure why it was so  
4 hard, but we should meet afterwards. One of the  
5 things that we have been working on is — that prior  
6 question to this question is we are really focusing on  
7 on the mobile first experience and search mail,  
8 experiences that take advantage of the form factor and  
9 the phone. They don't like exactly they way they are  
10 on the PC.

11 And opening it up in the same way we talked  
12 about opening up our starting points to third party  
13 developer's widgets, et cetera, we are actually kind  
14 of proud of our carousel and the Yahoo! Go and the  
15 various mobile apps.

16 We now are at 600 million homes past in a  
17 sense that can't have access. There is Marco.

18 MR. YANG: The leader of our mobile. Can  
19 you take care of her, please, Marco. You are killing  
20 me here.

21 AUDIENCE MEMBER: Thank you very much.

22 MS. DECKER: While we were praising our  
23 mail, Brad is out there somewhere.

24 MR. YANG: Hi, Brad. If we get a mail  
25 question, you are answering it.

1       MR. MOSSBERG: I am going to go to you and  
2       you are going to be the last question in the room, but  
3       I have to read the actual question submitted from the  
4       Internet from Jeff Schneider of Philadelphia. This is  
5       two weeks ago or whatever. He wanted us to ask you,  
6       Jerry.

7       He says, "I have been a Yahoo! user for a  
8       decade and used many of your premium products.  
9       Yahoo!'s deplorable customer service caused me to  
10      cancel them all. Is Yahoo! serious about premium  
11      offerings, or do you not regard them as critical to  
12      Yahoo!'s success?"

13      MR. YANG: Well, not knowing what the user  
14      canceled —

15      MR. MOSSBERG: I gave you all the  
16      information I had on the question.

17      MR. YANG: I understand. Look, I think — I  
18      will give you a bit of philosophy. And I know Sue and  
19      I both strongly believe in this. Whatever we are  
20      going to offer our customers, we better be serious  
21      about it.

22      There are transitional products that —  
23      products that we are phasing out from some of the  
24      changes that Sue and I have been making. I know  
25      premium music is one of those things that is being

1 phased out.

2 When you are phasing out projects like we  
3 are in terms of changing and focus in the company, we  
4 understand that there are people unhappy if that —  
5 for example, if that is a product that he is using, I  
6 can understand the frustration.

7 MS. DECKER: No, and I don't know when he  
8 did it or when he came in.

9 MR. YANG: Can I get his email address?

10 MS. DECKER: I would say our top three  
11 priorities — one is what we call get the basics  
12 right. We were starting on that. I will come back to  
13 that. No. 2 is transforming display advertising, and  
14 No. 3 is making Yahoo! more open and social. So we  
15 talked about No. 2 and 3, but getting the basics right  
16 is all about — if we can't have kickass products, we  
17 shouldn't be in it.

18 And the telltale signs we feel are pretty  
19 good. We have the best customer service stats in Q1  
20 that we have ever had. We are getting really good  
21 external staff measures. We are — we still have a  
22 lot of work to do, though. I think there have been  
23 historical problems, and that is a huge area of focus.  
24 And I think we are making progress, but I agree with  
25 his position. If he is not getting a good experience,

1 he should cancel, and we need to fix that and that is  
2 what we are doing.

3 MR. MOSSBERG: Last question.

4 AUDIENCE MEMBER: When people talk about the  
5 popular topic of what is the market cap of Yahoo!  
6 supposed to be, it seems like they over obsess about  
7 what is the market cap of Yahoo! as it relates to  
8 search.

9 It seems like there is a huge amount of  
10 value in the display market and in the vertical  
11 markets and community that you are in.

12 What percentage of the market cap are people  
13 applying to that?

14 MR. YANG: I totally understand the  
15 question. In fact, I think of the stories that we  
16 have not told well is the display business, as we  
17 envision it, beyond just a search type of dynamic but  
18 really looking at the inventory and looking at the way  
19 in which we monetize inventory in a highly liquid,  
20 highly efficient marketplace.

21 Because we are in many ways doing a very  
22 large business that is reinventing itself from a point  
23 in time last year to next — hopefully this year and  
24 next year a totally different business, we think it is  
25 a huge business.

1        Others don't think it is so huge because  
2        they obviously haven't valued us that way. There is a  
3        very broad spectrum of people believing in what this  
4        could be.

5        I happen to be a strong believer that the  
6        display business could be bigger than anything we have  
7        seen before on the Internet so far, and I have been  
8        around for a long time in the Internet terms. That is  
9        why I am so excited about it.

10      To your point, I think more value for Yahoo!  
11      over time is going to be in that business than search.  
12      But search is growing and so is display. It is hard  
13      to sort of say, okay, one versus the other because  
14      they are all related at the end on the technology  
15      level.

16      But from a market and from a valuation and  
17      from a growth rate, we certainly think display is as  
18      exciting a marketplace we have seen in Yahoo!'s  
19      history as anything we have ever seen.

20      MS. DECKER: Just to add and put some  
21      numbers on it, the market as a whole is more than  
22      40 billion dollars of online advertising. A little  
23      more of that is in display than in search today.

24      And the growth rates going forward are  
25      relatively comparable projected as the market is

1 projected to double in the next three years. Only  
2 10 percent of the industry's volume is search but  
3 close to half of its revenue is search. And the  
4 reason that is true is because it is relatively easy  
5 to buy and sell. The inventory is very concentrated  
6 with Google with north of 50 percent and Yahoo! with  
7 north of 20 percent, on a global basis 27 percent.

8 You only have to go two places to buy search  
9 inventory. There is very little friction in that  
10 process, pricing is transparent. That's an auction.  
11 It is very easy.

12 Display — the pricing structure is so much  
13 lower because it is so hard to buy and sell. We have  
14 the largest amount of inventory. We have 8 percent of  
15 the inventory, and it is getting more and more  
16 fragmented.

17 So imagine if there could be a Web based  
18 hosted app that advertisers could come in and they  
19 could buy any user they are looking for across any  
20 publisher and where publishers who have their in-house  
21 sales forces on display could actually bundle their  
22 inventory with other inventory that is similar in an  
23 easy to do way.

24 Today it takes two weeks to try to find your  
25 audiences across multiple publishers and faxes. This

1 is the opportunity. We think pricing and display is a  
2 few bucks per thousand and search is \$40, \$50.

3 Imagine if the entire pricing curve came up  
4 because you can reduce the friction and add the  
5 targetability of search, that is our opportunity. We  
6 are totally excited about that.

7 MR. MOSSBERG: Thank you so much. Thank you  
8 all.

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