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

Form 10-Q

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

For the quarterly period ended March 31, 2015

or

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

For the transition period from to

Commission File Number 000-28018

Yahoo! Inc.
(Exact name of Registrant as specified in its charter)

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

701 First Avenue
Sunnyvale, California 94089
(Address of principal executive offices, including zip code)

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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 2015
Common Stock, $0.001 par value	938,442,668

YAHOO! INC.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited)

YAHOO! INC.

Condensed Consolidated Balance Sheets

	December 31, 2014	March 31, 2015
	(Unaudited, in thousands except par values)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,664,098	$ 1,174,657
Short-term marketable securities	5,327,412	4,109,789
Accounts receivable, net	1,032,704	924,411
Prepaid expenses and other current assets	671,075	813,790
Total current assets	9,695,289	7,022,647
Long-term marketable securities	2,230,892	1,618,544
Property and equipment, net	1,487,684	1,483,772
Goodwill	5,163,654	5,140,270
Intangible assets, net	470,842	441,869
Other long-term assets and investments	554,616	510,418
Investment in Alibaba Group	39,867,789	31,927,985
Investments in equity interests	2,489,578	2,346,201
Total assets	$ 61,960,344	$ 50,491,706
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 238,018	$ 269,160
Income taxes payable related to sale of Alibaba Group ADSs	3,282,293	—
Other accrued expenses and current liabilities	671,307	858,353
Deferred revenue	336,963	270,886
Total current liabilities	4,528,581	1,398,399
Convertible notes	1,170,423	1,185,880
Long-term deferred revenue	20,774	22,228
Other long-term liabilities	143,095	130,826
Deferred tax liabilities related to investment in Alibaba Group	16,154,906	12,919,754
Deferred and other long-term tax liabilities	1,156,973	1,130,993
Total liabilities	23,174,752	16,788,080
Commitments and contingencies (Note 12)		
Yahoo! Inc. stockholders' equity:		
Common stock, $0.001 par value; 5,000,000 shares authorized; 949,771 shares issued and 936,838 shares outstanding as of December 31, 2014 and 954,399 shares issued and 937,235 shares outstanding as of March 31, 2015	945	950
Additional paid-in capital	8,496,683	8,585,941
Treasury stock at cost, 12,933 shares as of December 31, 2014 and 17,164 shares as of March 31, 2015	(712,455)	(914,218)
Retained earnings	8,937,036	8,958,235
Accumulated other comprehensive income	22,019,628	17,027,988
Total Yahoo! Inc. stockholders' equity	38,741,837	33,658,896
Noncontrolling interests	43,755	44,730
Total equity	38,785,592	33,703,626
Total liabilities and equity	$ 61,960,344	$ 50,491,706

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

YAHOO! INC.

Condensed Consolidated Statements of Income

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
	(Unaudited, in thousands except per share amounts)	
Revenue	$ 1,132,730	$ 1,225,970
Operating expenses:		
Cost of revenue — traffic acquisition costs	45,909	183,139
Cost of revenue — other	293,603	285,263
Sales and marketing	302,325	275,357
Product development	268,264	326,747
General and administrative	164,623	173,513
Amortization of intangibles	18,340	20,073
Gain on sale of patents	—	(2,000)
Restructuring charges, net	9,487	51,232
Total operating expenses	1,102,551	1,313,324
Income (loss) from operations	30,179	(87,354)
Other expense, net	(13,453)	(31,063)
Income (loss) before income taxes and earnings in equity interests	16,726	(118,417)
(Provision) benefit for income taxes	(4,217)	40,900
Earnings in equity interests, net of tax	301,402	99,690
Net income	313,911	22,173
Net income attributable to noncontrolling interests	(2,333)	(975)
Net income attributable to Yahoo! Inc.	$ 311,578	$ 21,198
Net income attributable to Yahoo! Inc. common stockholders per share — basic	$ 0.31	$ 0.02
Net income attributable to Yahoo! Inc. common stockholders per share — diluted	$ 0.29	$ 0.02
Shares used in per share calculation — basic	1,009,890	934,748
Shares used in per share calculation — diluted	1,031,420	947,976
Stock-based compensation expense by function:		
Cost of revenue — other	$ 24,651	$ 6,009
Sales and marketing	50,674	38,121
Product development	13,927	48,221
General and administrative	19,929	23,345
Restructuring charges, net	—	2,705

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

YAHOO! INC.

Condensed Consolidated Statements of Comprehensive Income

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
	(Unaudited, in thousands)	
Net income	$ 313,911	$ 22,173
Available-for-sale securities:		
Unrealized gains (losses) on available-for-sale securities, net of taxes of $(898) and $3,238,133 for the three months ended March 31, 2014 and 2015, respectively	6,728	(4,713,620)
Reclassification adjustment for realized (gains) losses on available-for-sale securities included in net income, net of taxes of $8 and $(50) for the three months ended March 31, 2014 and 2015, respectively	(12)	84
Net change in unrealized gains on available-for-sale securities, net of tax	6,716	(4,713,536)
Foreign currency translation adjustments ("CTA"):		
Foreign CTA gains (losses), net of taxes of $(7,186) and $582 for the three months ended March 31, 2014 and 2015, respectively	(146,857)	(271,242)
Net investment hedge CTA gains (losses), net of taxes of $8,432 and $(1,591) for the three months ended March 31, 2014 and 2015, respectively	(14,049)	2,634
Net foreign CTA losses, net of tax	(160,906)	(268,608)
Cash flow hedges:		
Unrealized gains (losses) on cash flow hedges, net of taxes of $304 and $376 for the three months ended March 31, 2014 and 2015, respectively	(506)	(11,156)
Reclassification adjustment for realized (gains) losses on cash flow hedges included in net income, net of taxes of $273 and $189 for the three months ended March 31, 2014 and 2015, respectively	(454)	1,660
Net change in unrealized losses on cash flow hedges, net of tax	(960)	(9,496)
Other comprehensive loss	(155,150)	(4,991,640)
Comprehensive income (loss)	158,761	(4,969,467)
Less: comprehensive income attributable to noncontrolling interests	(2,333)	(975)
Comprehensive income (loss) attributable to Yahoo! Inc.	$ 156,428	$ (4,970,442)

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

YAHOO! INC.

Condensed Consolidated Statements of Cash Flows

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
	(Unaudited, in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 313,911	$ 22,173
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	123,185	117,061
Amortization of intangible assets	34,349	34,478
Accretion of convertible notes discount	14,666	15,457
Stock-based compensation expense	109,181	118,401
Non-cash restructuring charges	—	(859)
Loss from sales of investments, assets, and other, net	3,550	34,308
Gain on sale of patents	—	(2,000)
Loss on Hortonworks warrants	—	11,909
Earnings in equity interests	(301,402)	(99,690)
Tax benefits from stock-based awards	57,667	32,822
Excess tax benefits from stock-based awards	(59,556)	(37,470)
Deferred income taxes	14,488	17,009
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	98,404	89,923
Prepaid expenses and other	(9,211)	(64,245)
Accounts payable	19,492	30,613
Accrued expenses and other liabilities	(240,175)	89,934
Income taxes payable related to sale of Alibaba Group ADSs	—	(3,282,293)
Deferred revenue	(39,488)	(65,002)
Net cash provided by (used in) operating activities	139,061	(2,937,471)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment, net	(84,655)	(134,921)
Purchases of marketable securities	(912,097)	(712,818)
Proceeds from sales of marketable securities	168,926	172,352
Proceeds from maturities of marketable securities	281,662	2,359,767
Acquisitions, net of cash acquired	(21,661)	(23,073)
Proceeds from sales of patents	—	20,000
Purchases of intangible assets	(1,190)	(1,160)
Proceeds from settlement of derivative hedge contracts	2,801	19,627
Payments for settlement of derivative hedge contracts	(600)	(2,151)
Payments for equity investments in privately held companies	(10,399)	—
Other investing activities, net	(566)	(38)
Net cash (used in) provided by investing activities	(577,779)	1,697,585
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	78,977	36,189
Repurchases of common stock	(449,578)	(203,771)
Excess tax benefits from stock-based awards	59,556	37,470
Tax withholdings related to net share settlements of restricted stock units	(125,403)	(97,426)
Other financing activities, net	(3,093)	(4,573)
Net cash used in financing activities	(439,541)	(232,111)
Effect of exchange rate changes on cash and cash equivalents	(1,315)	(17,444)
Net change in cash and cash equivalents	(879,574)	(1,489,441)
Cash and cash equivalents at beginning of period	2,077,590	2,664,098
Cash and cash equivalents at end of period	$1,198,016	$ 1,174,657

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

YAHOO! INC.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Note 1 The Company And Summary Of Significant Accounting Policies

***The Company*.** Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo" or the "Company"), is a guide focused on informing, connecting, and entertaining our users. By creating highly personalized experiences for its users, the Company keeps people connected to what matters most to them, across devices and around the world. In turn, the Company creates value for advertisers by connecting them with the audiences that build their businesses. For advertisers, the opportunity to be a part of users' digital habits across products and platforms is a powerful tool to engage audiences and build brand loyalty. Advertisers can build their businesses by advertising to targeted audiences on the Company's online properties and services ("Yahoo Properties") and through a distribution network of third-party entities ("Affiliates") who integrate the Company's advertising offerings into their Websites or other offerings ("Affiliate sites"). The Company manages and measures its business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific.

***Basis of Presentation*.** The condensed consolidated financial statements include the accounts of Yahoo! Inc. and its majority-owned or otherwise controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in entities in which the Company can exercise significant influence, but does not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the condensed consolidated balance sheets. The Company has included the results of operations of acquired companies from the date of the acquisition. Beginning in the three months ended March 31, 2015, the Company classifies editorial costs as cost of revenue — other rather than including such costs in sales and marketing expense. To conform to the current period presentation, the Company reclassified $13 million in certain website editorial costs previously included in sales and marketing expense to cost of revenue — other for the three months ended March 31, 2014. Also, beginning in the three months ended March 31, 2015, the Company classifies non-datacenter facilities-related costs within general and administrative expense. To conform to the current period presentation, the Company reclassified $13 million in facilities-related costs previously included in product development expense and $15 million previously included in sales and marketing expense to general and administrative expense for the three months ended March 31, 2014. Certain prior period amounts have been reclassified to conform to the current period presentation.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring items, which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods.

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

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2014 was derived from the Company's audited financial statements for the year ended December 31, 2014, but does not include all disclosures required by U.S. GAAP. However, the Company believes the disclosures are adequate to make the information presented not misleading.

Cost of revenue — TAC. TAC consists of payments made to third parties that have integrated the Company's advertising offerings into their Websites or other offerings and payments made to companies that direct consumer and business traffic to Yahoo Properties. TAC is either recorded as a reduction of revenue or cost of revenue. TAC related to the Company's Search and Advertising Sales Agreement (as amended, the "Search Agreement") with Microsoft Corporation ("Microsoft") is recorded as a reduction of revenue. See Note 17 — "Search Agreement with Microsoft Corporation" for a description of the Search Agreement and License Agreement with Microsoft. TAC related to the Company's other offerings is recorded as cost of revenue — TAC. The Company also has an agreement to compensate a third party, Mozilla Corporation ("Mozilla"), to make the Company the default search provider on certain of Mozilla's products in the United States. The Company records these payments as cost of revenue – TAC.

Recent Accounting Pronouncements. In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition" and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early application not permitted. The Company is currently evaluating the effects, if any, that the adoption of this guidance will have on the Company's financial position, results of operations and cash flows.

Note 2 Marketable Securities, Investments And Fair Value Disclosures

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

	December 31, 2014			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 850,712	$ 82	$ (792)	$ 850,002
Corporate debt securities, commercial paper, time deposits, and bank certificates of deposit	6,711,683	612	(4,653)	6,707,642
Alibaba Group equity securities	2,713,484	37,154,305	—	39,867,789
Hortonworks equity securities	26,246	77,783	—	104,029
Other corporate equity securities	230	430	—	660
Total available-for-sale marketable securities	$ 10,302,355	$ 37,233,212	$ (5,445)	$ 47,530,122

	March 31, 2015			
	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Government and agency securities	$ 817,974	$ 392	$ (156)	$ 818,210
Corporate debt securities, commercial paper, time deposits, and bank certificates of deposit	4,908,876	2,012	(1,443)	4,909,445
Alibaba Group equity securities	2,713,484	29,214,501	—	31,927,985
Hortonworks equity securities	26,246	65,438	—	91,684
Other corporate equity securities	230	448	—	678
Total available-for-sale marketable securities	$ 8,466,810	$ 29,282,791	$ (1,599)	$ 37,748,002

	December 31, 2014	March 31, 2015
Reported as:		
Short-term marketable securities	$ 5,327,412	$ 4,109,789
Long-term marketable securities	2,230,892	1,618,544
Investment in Alibaba Group	39,867,789	31,927,985
Other long-term assets and investments	104,029	91,684
Total	$ 47,530,122	$ 37,748,002

Short-term, highly liquid investments of $2.0 billion and $533 million as of December 31, 2014 and March 31, 2015, respectively, included in cash and cash equivalents on the condensed consolidated balance sheets are not included in the table above as the gross unrealized gains and losses were immaterial as the carrying value approximates fair value because of the short maturity of those instruments. Realized gains and losses from sales of available-for-sale marketable debt securities were not material for both the three months ended March 31, 2014 and 2015.

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

	December 31, 2014	March 31, 2015
Due within one year	$ 5,327,412	$ 4,109,789
Due after one year through five years	2,230,892	1,618,544
Total available-for-sale marketable debt securities	$ 7,558,304	$ 5,728,333

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

	December 31, 2014					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$ 744,948	$ (792)	$ —	$ —	$ 744,948	$ (792)
Corporate debt securities, commercial paper, and bank certificates of deposit	2,601,288	(4,646)	3,234	(7)	2,604,522	(4,653)
Total available-for-sale marketable debt securities	$ 3,346,236	$ (5,438)	$ 3,234	$ (7)	$ 3,349,470	$ (5,445)

	March 31, 2015					
	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Government and agency securities	$ 317,476	$ (156)	$ —	$ —	$ 317,476	$ (156)
Corporate debt securities, commercial paper, and bank certificates of deposit	1,528,735	(1,440)	8,642	(3)	1,537,377	(1,443)
Total available-for-sale marketable debt securities	$ 1,846,211	$ (1,596)	$ 8,642	$ (3)	$ 1,854,853	$ (1,599)

The Company's investment portfolio includes equity securities of Alibaba Group Holdings Limited ("Alibaba Group") and Hortonworks, Inc. ("Hortonworks"), as well as liquid high-quality fixed income debt securities including government, agency and corporate debt, money market funds, and time deposits with financial institutions. The fair value of any equity investment will vary over time and is subject to a variety of market risks including: macro-economic, regulatory, industry, company performance, and systemic risks of the equity markets overall. Consequently, the carrying value of the Company's investment portfolio will vary over time as the value of its investment changes. Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Fixed income securities may have their fair value adversely impacted due to a deterioration of the credit quality of the issuer. The longer the term of the securities, the more susceptible they are to changes in market rates. Investments are reviewed periodically to identify possible other-than-temporary impairment. The Company has no current requirement or intent to sell the securities in an unrealized loss position. The Company expects to recover up to (or beyond) the initial cost of investment for securities held.

The following table sets forth the financial assets and liabilities, measured at fair value, by level within the fair value hierarchy as of December 31, 2014 (in thousands):

	Fair Value Measurements at Reporting Date Using			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds(1)	$ 373,822	$ —	$ —	$ 373,822
Available-for-sale marketable debt securities:				
Government and agency securities(1)	—	850,002	—	850,002
Commercial paper and bank certificates of deposit(1)	—	3,602,321	—	3,602,321
Corporate debt securities(1)	—	3,327,017	—	3,327,017
Time deposits(1)	—	1,361,165	—	1,361,165
Available-for-sale equity securities:				
Other corporate equity securities	660	—	—	660
Alibaba Group equity securities	39,867,789	—	—	39,867,789
Hortonworks equity securities(2)	104,029	—	—	104,029
Hortonworks warrants	—	—	98,062	98,062
Foreign currency derivative contracts(3)	—	202,928	—	202,928
Financial assets at fair value	$ 40,346,300	$ 9,343,433	$ 98,062	$ 49,787,795
Liabilities				
Foreign currency derivative contracts(3)	—	(6,157)	—	(6,157)
Total financial assets and liabilities at fair value	$ 40,346,300	$ 9,337,276	$ 98,062	$ 49,781,638

The following table sets forth the financial assets and liabilities, measured at fair value, by level within the fair value hierarchy as of March 31, 2015 (in thousands):

	Fair Value Measurements at Reporting Date Using			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market funds(1)	$ 465,991	$ —	$ —	$ 465,991
Available-for-sale marketable debt securities:				
Government and agency securities(1)	—	818,210	—	818,210
Commercial paper and bank certificates of deposit(1)	—	1,983,908	—	1,983,908
Corporate debt securities(1)	—	2,901,525	—	2,901,525
Time deposits(1)	—	90,857	—	90,857
Available-for-sale equity securities:				
Other corporate equity securities	678	—	—	678
Alibaba Group equity securities	31,927,985	—	—	31,927,985
Hortonworks equity securities(2)	91,684	—	—	91,684
Hortonworks warrants	—	—	86,153	86,153
Foreign currency derivative contracts(3)	—	205,406	—	205,406
Financial assets at fair value	$ 32,486,338	$ 5,999,906	$ 86,153	$ 38,572,397
Liabilities				
Foreign currency derivative contracts(3)	—	(9,846)	—	(9,846)
Total financial assets and liabilities at fair value	$ 32,486,338	$ 5,990,060	$ 86,153	$ 38,562,551

(1) The money market funds, government and agency securities, commercial paper and bank certificates of deposit, corporate debt securities, and time deposits are classified as part of either cash and cash equivalents or short or long-term marketable securities on the condensed consolidated balance sheets.

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

(3) Foreign currency derivative contracts are classified as part of either other current or noncurrent assets or liabilities on the condensed consolidated balance sheets. The notional amounts of the foreign currency derivative contracts were: $2.1 billion, including contracts designated as net investment hedges of $1.6 billion, as of December 31, 2014; and $2.4 billion, including contracts designated as net investment hedges of $1.9 billion, as of March 31, 2015.

The amount of cash and cash equivalents as of December 31, 2014 and March 31, 2015 included $702 million and $642 million, respectively, in cash.

The fair values of the Company's Level 1 financial assets and liabilities are based on quoted prices in active markets for identical assets or liabilities. The fair values of the Company's Level 2 financial assets and liabilities are obtained using quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices (e.g., interest rates and yield curves). The Company utilizes a pricing service to assist in obtaining fair value pricing for the marketable debt securities. The fair value of this Level 3 financial asset was determined using a Black-Scholes model.

Activity between Levels of the Fair Value Hierarchy

During the year ended December 31, 2014 and the three months ended March 31, 2015, the Company did not make any transfers between Level 1, Level 2, and Level 3 assets or liabilities.

Hortonworks Warrants

The estimated fair value of the Hortonworks warrants was $98 million and $86 million as of December 31, 2014 and March 31, 2015, respectively. During the three months ended March 31, 2015, the Company recorded a loss of $12 million due to the decline in fair value of the Hortonworks warrants, which was included within other expense, net in the Company's condensed consolidated statements of income. The fair value of the Company's Level 3 financial asset was determined using a Black-Scholes model.

Assets and Liabilities at Fair Value on a Nonrecurring Basis

Convertible Senior Notes

In 2013, the Company issued $1.4375 billion aggregate principal amount of 0.00% Convertible Senior Notes due 2018 (the "Notes"). The Notes are carried at their original issuance value, net of unamortized debt discount, and are not marked to market each period. The approximate estimated fair value of the Notes as of both December 31, 2014 and March 31, 2015 was $1.2 billion. The fair value of the Notes was determined on the basis of quoted market prices observable in the market and is considered Level 2 in the fair value hierarchy. See Note 11 — "Convertible Notes" for additional information related to the Notes.

Other Investments

As of December 31, 2014 and March 31, 2015, the Company held approximately $82 million of investments in equity securities of privately-held companies that are accounted for using the cost method. These investments are included within other long-term assets and investments on the condensed consolidated balance sheets. Such investments are reviewed periodically for impairment using fair value measurements.

Note 3 Consolidated Financial Statement Details

Accumulated Other Comprehensive Income

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

	December 31, 2014	March 31, 2015
Unrealized gains on available-for-sale securities, net of tax	$ 22,086,371	$ 17,373,280
Unrealized gains (losses) on cash flow hedges, net of tax	445	(9,496)
Foreign currency translation, net of tax	(67,188)	(335,796)
Accumulated other comprehensive income	$ 22,019,628	$ 17,027,988

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Noncontrolling Interests

Noncontrolling interests were as follows (in thousands):

	December 31, 2014	March 31, 2015
Beginning noncontrolling interests	$ 55,688	$ 43,755
Distributions to noncontrolling interests	(22,344)	—
Net income attributable to noncontrolling interests	10,411	975
Ending noncontrolling interests	$ 43,755	$ 44,730

Other Expense, Net

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

	Three Months Ended	
	March 31, 2014	March 31, 2015
Interest, dividend and investment income	$ 5,437	$ 8,845
Interest expense	(17,081)	(17,570)
Loss on Hortonworks warrants	—	(11,909)
Other expense, net	(1,809)	(10,429)
Total other expense, net	$ (13,453)	$ (31,063)

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

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

During the three months ended March 31, 2015, the Company recorded a loss of $12 million due to the decline in fair value of the Hortonworks warrants, which was included within other expense, net in the condensed consolidated statements of income.

Other expense, net consists of gains and losses from sales or impairments of marketable securities and/or investments in privately-held companies, foreign exchange gains and losses due to re-measurement of monetary assets and liabilities denominated in non-functional currencies, and unrealized and realized foreign currency transaction gains and losses, including gains and losses related to balance sheet hedges.

Other expense, net increased $9 million for the three months ended March 31, 2015, compared to the same period of 2014, primarily due to unrealized foreign exchange currency transaction losses of $36 million partially offset by foreign exchange gains from hedging activities of $24 million.

Reclassifications Out of Accumulated Other Comprehensive Income

Reclassifications out of accumulated other comprehensive income for the three months ended March 31, 2014 were as follows (in thousands):

	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
Realized gains on cash flow hedges, net of tax	$ (454)	Revenue
Realized gains on available-for-sale securities, net of tax	(12)	Other income, net
Total reclassifications for the period	$ (466)	

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

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

Note 4 Acquisitions

During the three months ended March 31, 2014, the Company acquired five companies, all of which were accounted for as business combinations. The total purchase price for these acquisitions was $23 million less cash acquired of $1 million, which resulted in a net cash outlay of $22 million. The purchase price for the assets and liabilities assumed was allocated based on their estimated fair values as follows: $9 million to amortizable intangibles; $1 million to cash acquired; and the remainder of $13 million to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

During the three months ended March 31, 2015, the Company acquired one company which was accounted for as a business combination. The total purchase price for this acquisition was $23 million. The preliminary purchase price allocation of the assets acquired and liabilities assumed based on their estimated fair values was as follows: $5 million to amortizable intangibles; $2 million to net liabilities assumed; and the remainder of $20 million to goodwill. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes.

The Company's business combinations completed during the three months ended March 31, 2014 and 2015 did not have a material impact on the Company's condensed consolidated financial statements and therefore actual and proforma disclosures have not been presented.

Note 5 Goodwill

The changes in the carrying amount of goodwill for the three months ended March 31, 2015 were as follows (in thousands):

	Americas(1)	EMEA(2)	Asia Pacific(3)	Total
Net balance as of January 1, 2015	$ 4,333,957	$ 531,815	$ 297,882	$ 5,163,654
Acquisitions and other	(7,239)	20,903	—	13,664
Foreign currency translation adjustments	(1,370)	(36,124)	446	(37,048)
Net balance as of March 31, 2015	$ 4,325,348	$ 516,594	$ 298,328	$ 5,140,270

(1) Gross goodwill balance for the Americas segment was $4.3 billion as of March 31, 2015.

(2) Gross goodwill balance for the EMEA segment was $1.1 billion as of March 31, 2015. The EMEA segment includes accumulated impairment losses of $630 million as of March 31, 2015.

(3) Gross goodwill balance for the Asia Pacific ("APAC") segment was $457 million as of March 31, 2015. The APAC segment includes accumulated impairment losses of $159 million as of March 31, 2015.

Note 6 Intangible Assets, Net

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

	December 31, 2014	March 31, 2015		
	Net	Gross Carrying Amount	Accumulated Amortization(*)	Net
Customer, affiliate, and advertiser related relationships	$ 281,596	$ 375,014	$ (105,631)	$ 269,383
Developed technology and patents	122,674	202,498	(93,068)	109,430
Trade names, trademarks, and domain names	66,572	107,939	(44,883)	63,056
Total intangible assets, net	$ 470,842	$ 685,451	$ (243,582)	$ 441,869

(*) Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, increased total intangible assets by approximately $17 million as of March 31, 2015.

For both the three months ended March 31, 2014 and 2015, the Company recognized amortization expense for intangible assets of $34 million, including $16 million and $14 million in cost of revenue — other for the three months ended March 31, 2014 and 2015, respectively. Based on the current amount of intangibles subject to amortization, the estimated amortization expense for the remainder of 2015 and each of the succeeding years is as follows: nine months ending December 31, 2015: $98 million; 2016: $107 million; 2017: $98 million; 2018: $80 million; 2019: $43 million; and cumulatively thereafter: $1 million.

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

Basic and diluted net income attributable to Yahoo! Inc. common stockholders per share is computed using the weighted average number of common shares outstanding during the period, excluding net income attributable to participating securities (restricted stock units granted under the Directors' Stock Plan (the "Directors' Plan")). Diluted net income per share is computed using the weighted average number of common shares and, if dilutive, potential common shares outstanding during the period. Potential common shares are calculated using the treasury stock method and consist of unvested restricted stock and shares underlying unvested restricted stock units, the incremental common shares issuable upon the exercise of stock options, and shares to be purchased under the 1996 Employee Stock Purchase Plan (the "Employee Stock Purchase Plan"). The Company calculates potential tax windfalls and shortfalls by including the impact of pro forma deferred tax assets.

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

Potentially dilutive securities representing approximately 2 million shares of common stock for both the three months ended March 31, 2014 and 2015 were excluded from the computation of diluted earnings per share for these periods because their effect would have been anti-dilutive.

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

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

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
Basic:		
Numerator:		
Net income attributable to Yahoo! Inc.	$ 311,578	$ 21,198
Less: Net income allocated to participating securities	(3)	—
Net income attributable to Yahoo! Inc. common stockholders — basic	$ 311,575	$ 21,198
Denominator:		
Weighted average common shares	1,009,890	934,748
Net income attributable to Yahoo! Inc. common stockholders per share — basic	$ 0.31	$ 0.02
Diluted:		
Numerator:		
Net income attributable to Yahoo! Inc.	$ 311,578	$ 21,198
Less: Net income allocated to participating securities	(3)	—
Less: Effect of dilutive securities issued by equity investees	(12,365)	(1,194)
Net income attributable to Yahoo! Inc. common stockholders — diluted	$ 299,210	$ 20,004
Denominator:		
Denominator for basic calculation	1,009,890	934,748
Weighted average effect of Yahoo! Inc. dilutive securities:		
Restricted stock units	15,670	10,913
Stock options and employee stock purchase plan	5,860	2,315
Denominator for diluted calculation	1,031,420	947,976
Net income attributable to Yahoo! Inc. common stockholders per share — diluted	$ 0.29	$ 0.02

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

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

	December 31, 2014	Percent Ownership	March 31, 2015	Percent Ownership
Yahoo Japan	$ 2,482,660	35.5%	$ 2,339,611	35.5%
Other	6,918	20%	6,590	20%
Total	$ 2,489,578		$ 2,346,201	

Equity Investment in Yahoo Japan

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

The Company makes adjustments to the earnings in equity interests line in the condensed consolidated statements of income for any differences between U.S. GAAP and International Financial Reporting Standards ("IFRS"), the standards by which Yahoo Japan's financial statements are prepared.

The fair value of the Company's ownership interest in the common stock of Yahoo Japan, based on the quoted stock price, was approximately $8 billion as of March 31, 2015.

In the three months ended March 31, 2014, the Company sold data center assets and assigned a data center lease to Yahoo Japan for cash proceeds of $11 million and recorded a net gain of approximately $5 million.

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

	Three Months Ended December 31, 2013	Three Months Ended December 31, 2014
	(In thousands)	
Operating data:		
Revenue	$ 1,031,656	$ 941,241
Gross profit	$ 843,926	$ 750,984
Income from operations	$ 489,442	$ 425,053
Net income	$ 307,112	$ 286,793
Net income attributable to Yahoo Japan	$ 304,345	$ 284,846

	September 30, 2014	December 31, 2014
	(In thousands)	
Balance sheet data:		
Current assets	$ 6,161,126	$ 5,693,613
Long-term assets	$ 1,908,379	$ 1,871,194
Current liabilities	$ 1,948,540	$ 1,725,200
Long-term liabilities	$ 35,418	$ 33,647
Noncontrolling interests	$ 66,998	$ 69,634

Under technology and trademark license and other commercial arrangements with Yahoo Japan, the Company records revenue from Yahoo Japan based on a percentage of advertising revenue earned by Yahoo Japan. The Company recorded revenue from Yahoo Japan of approximately $68 million and $60 million for the three months ended March 31, 2014 and 2015, respectively. As of December 31, 2014 and March 31, 2015, the Company had net receivable balances from Yahoo Japan of approximately $47 million and $39 million, respectively.

Alibaba Group

Equity Investment in Alibaba Group. Prior to the close of the initial public offering ("Alibaba Group IPO") by Alibaba Group of American Depositary Shares ("ADSs") in September 2014, the Company's investment in Alibaba Group was accounted for using the equity method, and the total investment, including net tangible assets, identifiable intangible assets and goodwill, was classified as part of investments in equity interests on the Company's consolidated balance sheets. Prior to the Alibaba Group IPO, the Company recorded its share of the results of Alibaba Group one quarter in arrears, within earnings in equity interests in the consolidated statements of income, including any related tax impacts related to the earnings in equity interest.

See Note 2 — "Marketable Securities, Investments and Fair Value Disclosures" for additional information.

Technology and Intellectual Property License Agreement (the "TIPLA"). As a result of the Alibaba Group IPO, the TIPLA will terminate on September 18, 2015 and Alibaba Group's obligation to make royalty payments under the TIPLA ceased on September 24, 2014. The remaining TIPLA deferred revenue of $129 million is now being recognized ratably over the remaining term of the TIPLA through September 18, 2015. For the three months ended March 31, 2014 and 2015, the Company recognized approximately $68 million and $69 million, respectively, related to the TIPLA.

Spin-Off of Remaining Holdings in Alibaba Group. On January 27, 2015, Yahoo announced a plan for a spin-off of all of the Company's remaining holdings in Alibaba Group into a newly formed independent registered investment company (referred to as "SpinCo"). The stock of SpinCo will be distributed pro rata to Yahoo stockholders, resulting in SpinCo becoming a separate publicly traded registered investment company. Following the completion of the transaction, SpinCo will own all of Yahoo's remaining 384 million Alibaba Group shares, and Yahoo Small Business, a current operating business of Yahoo that will also be transferred to SpinCo as part of the transaction.

The completion of the transaction is expected to occur in the fourth quarter of 2015 after the expiration of the Company's lock-up agreement relating to the Alibaba Group shares entered into in connection with the Alibaba Group IPO. The transaction is subject to certain conditions, including final approval by the Company's Board of Directors, receipt of a favorable ruling from the Internal Revenue Service with respect to certain aspects of the transaction and a legal opinion with respect to the tax-free treatment of the transaction, under U.S. federal tax laws and regulations, the effectiveness of an applicable registration statement with the Securities and Exchange Commission and compliance with the requirements under the Investment Company Act of 1940, and other customary conditions.

The composition of SpinCo's independent board of directors and management team, and other details of the transaction, including the distribution ratio, will be determined prior to the closing of the transaction.

Upon closing of the transaction, which is subject to the conditions specified above, the Company's consolidated financial position will be materially impacted as the Alibaba Group shares and related deferred tax liabilities will be removed from the Company's consolidated balance sheet with a corresponding reduction of its stockholders' equity balance. The Company would no longer hold any Alibaba Group shares and would no longer record changes in fair value within comprehensive income (loss).

Note 9 Foreign Currency Derivative Financial Instruments

The Company uses derivative financial instruments, primarily forward contracts, to mitigate risk associated with adverse movements in foreign currency exchange rates.

The Company records all derivatives in the condensed consolidated balance sheets at fair value, with assets included in prepaid expenses and other current assets or other long-term assets, and liabilities included in accrued expenses and other current liabilities or other long-term liabilities. The Company's accounting treatment for these instruments is based on whether or not the instruments are designated as a hedging instrument. The effective portions of net investment hedges are recorded in other comprehensive income as a part of the cumulative translation adjustment. The effective portions of cash flow hedges are recorded in accumulated other comprehensive income until the hedged item is recognized in revenue on the condensed consolidated statements of income when the underlying hedged revenue is recognized. Any ineffective portions of net investment hedges and cash flow hedges are recorded in other income, net on the Company's condensed consolidated statements of income. For balance sheet hedges, changes in the fair value are recorded in other income, net on the Company's condensed consolidated statements of income.

The Company enters into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. The Company presents its derivative assets and liabilities at their gross fair values on the condensed consolidated balance sheets. However, under the master netting arrangements with the respective counterparties of the foreign exchange contracts, subject to applicable requirements, the Company is allowed to net settle transactions. The Company is not required to pledge, and is not entitled to receive, cash collateral related to these derivative transactions.

Designated as Hedging Instruments

Net Investment Hedges. The Company hedges, on an after-tax basis, a portion of its net investment in Yahoo Japan with forward contracts and option contracts to reduce the risk that its investment in Yahoo Japan will be adversely affected by foreign currency exchange rate fluctuations. The total of the after-tax net investment hedge was less than the Yahoo Japan investment balance as of both December 31, 2014 and March 31, 2015. As such, the net investment hedge was considered to be effective.

Cash Flow Hedges. The Company entered into foreign currency forward contracts designated as cash flow hedges of varying maturities through December 31, 2015. All of the forward contracts designated as cash flow hedges that were settled were reclassified to revenue during the three months ended March 31, 2014 and 2015, respectively. All current outstanding cash flow hedges are expected to be reclassified into revenue during 2015. For the three months ended March 31, 2014 and 2015, the amounts recorded in other income (expense), net as a result of hedge ineffectiveness and the discontinuance of cash flow hedges because the forecasted transactions were no longer probable of occurring was not material.

Not Designated as Hedging Instruments

Balance Sheet Hedges. The Company hedges certain of its net recognized foreign currency assets and liabilities with foreign exchange forward contracts to reduce the risk that its earnings and cash flows will be adversely affected by changes in foreign currency exchange rates. These derivative instruments hedge assets and liabilities, including intercompany transactions, which are denominated in foreign currencies.

Notional amounts of the Company's outstanding derivative contracts as of December 31, 2014 and March 31, 2015 were as follows (in millions):

	December 31, 2014	March 31, 2015
Derivatives designated as hedging instruments:		
Net investment hedge forward and option contracts	$ 1,647	$ 1,917
Cash flow hedge forwards	$ 222	$ 162
Derivatives not designated as hedging instruments:		
Balance sheet hedges	$ 243	$ 281

Foreign currency derivative activity for the three months ended March 31, 2014 was as follows (in millions):

	Beginning Fair Value	Settlement Payment (Receipt)	Gain (Loss) Recorded in Other Income, Net	Gain (Loss) Recorded in Other Comprehensive Income	Gain (Loss) Recorded in Revenue	Ending Fair Value
Derivatives designated as hedging instruments:						
Net investment hedges	$ 209	$ —	$ —	$ (22)(*)	$ —	$ 187
Cash flow hedges	4	(1)	(1)	(2)	1	1
Derivatives not designated as hedging instruments:						
Balance sheet hedges	—	(1)	(1)	—	—	(2)

(*) This amount does not reflect the tax impact of $8 million recorded during the three months ended March 31, 2014. The $14 million after tax impact of the loss recorded within other comprehensive income was included in accumulated other comprehensive income on the Company's condensed consolidated balance sheets.

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

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

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

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

	Balance Sheet Location	December 31, 2014	March 31, 2015
Derivatives designated as hedging instruments:			
Net investment hedges	Asset(1)	$ 190	$ 191
	Liability(2)	$ (5)	$ (2)
Cash flow hedges	Asset(1)	$ 8	$ 3
	Liability(2)	$ —	$ (8)
Derivatives not designated as hedging instruments:			
Balance sheet hedges	Asset(1)	$ 5	$ 11
	Liability(2)	$ (1)	$ —

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

Note 10 Credit Agreement

The Company's credit agreement with Citibank, N.A., as Administrative Agent (as amended, the "Credit Agreement") provides for a $750 million unsecured revolving credit facility, subject to increase of up to $250 million in accordance with its terms. The Credit Agreement terminates on October 8, 2015, unless extended by the parties. As of March 31, 2015, the Company was in compliance with the financial covenants in the Credit Agreement and no amounts were outstanding.

Note 11 Convertible Notes

0.00% Convertible Senior Notes

As of March 31, 2015, the Company had $1.4 billion principal amount of Notes outstanding. The Notes are senior unsecured obligations of Yahoo, the Notes do not bear regular interest, and the principal amount of the Notes does not accrete. The Notes mature on December 1, 2018, unless previously purchased or converted in accordance with their terms prior to such date. The Company may not redeem the Notes prior to maturity. However, holders of the Notes may convert them at certain times and upon the occurrence of certain events in the future, as outlined in the indenture governing the Notes (the "Indenture"). Holders of the Notes who convert in connection with a "make-whole fundamental change," as defined in the Indenture, may require Yahoo to purchase for cash all or any portion of their Notes at a purchase price equal to 100 percent of the principal amount, plus accrued and unpaid special interest as defined in the Indenture, if any. The Notes are convertible, subject to certain conditions, into shares of Yahoo common stock at an initial conversion rate of 18.7161 shares per $1,000 principal amount of Notes (which is equivalent to an initial conversion price of approximately $53.43 per share), subject to adjustment upon the occurrence of certain events. Upon conversion of the Notes, holders will receive cash, shares of Yahoo's common stock or a combination thereof, at Yahoo's election. The Company's intent is to settle the principal amount of the Notes in cash upon conversion. If the conversion value exceeds the principal amount, the Company would deliver shares of its common stock with respect to the remainder of its conversion obligation in excess of the aggregate principal amount (conversion spread). As of March 31, 2015, none of the conditions allowing holders of the Notes to convert had been met.

The Notes consist of the following (in thousands):

	December 31, 2014	March 31, 2015
Liability component:		
Principal	$ 1,437,500	$ 1,437,500
Less: note discount	(267,077)	(251,620)
Net carrying amount	$ 1,170,423	$ 1,185,880
Equity component (*)	$ 305,569	$ 305,569

(*) Recorded on the condensed consolidated balance sheets within additional paid-in capital.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
Accretion of convertible note discount	$ 14,666	$ 15,457

The fair value of the Notes, which was determined based on inputs that are observable in the market (Level 2), and the carrying value of debt instruments (carrying value excludes the equity component of the Notes classified in equity) was as follows (in thousands):

	December 31, 2014		March 31, 2015	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	$ 1,175,240	$ 1,170,423	$ 1,217,250	$ 1,185,880

Note 12 Commitments And Contingencies

Lease Commitments. The Company leases office space and data centers under operating and capital lease agreements with original lease periods of up to 12 years which expire between 2015 and 2025.

A summary of gross and net lease commitments as of March 31, 2015 was as follows (in millions):

	Gross Operating Lease Commitments	Sublease Income	Net Operating Lease Commitments
Nine months ending December 31, 2015	$ 104	$ (13)	$ 91
Years ending December 31,			
2016	109	(11)	98
2017	81	(8)	73
2018	58	(6)	52
2019	47	(3)	44
2020	34	(1)	33
Due after 5 years	108	(2)	106
Total gross and net lease commitments	$ 541	$ (44)	$ 497

	Capital Lease Commitment
Nine months ending December 31, 2015	$ 14
Years ending December 31,	
2016	15
2017	10
2018	9
2019	5
2020	—
Due after 5 years	—
Gross lease commitment	$ 53
Less: interest	(9)
Net lease commitment included in capital lease and other long-term liabilities	$ 44

***Affiliate Commitments*.** The Company is obligated to make payments, which represent traffic acquisition costs ("TAC"), to its Affiliates. As of March 31, 2015, these commitments totaled $1,962 million, of which $380 million will be payable in the remainder of 2015, $401 million will be payable in 2016, $400 million will be payable in 2017, $375 million will be payable in 2018, $375 million will be payable in 2019, and $31 million will be payable thereafter.

***Non-cancelable Obligations*.** The Company is obligated to make payments under various non-cancelable arrangements with vendors and other business partners, principally for marketing, bandwidth, co-location, and content arrangements. As of March 31, 2015, these commitments totaled $202 million, of which $92 million will be payable in the remainder of 2015, $77 million will be payable in 2016, $20 million will be payable in 2017, $11 million will be payable in 2018, and $2 million will be payable in 2019.

***Intellectual Property Rights*.** The Company is committed to make certain payments under various intellectual property arrangements of up to $20 million through 2023.

***Other Commitments*.** In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, joint ventures and business partners, purchasers of assets or subsidiaries and other parties with respect to certain matters, including, but not limited to, losses arising out of the Company's breach of agreements or representations and warranties made by the Company, services to be provided by the Company, intellectual property infringement claims made by third parties or, with respect to the sale, lease, or assignment of assets, or the sale of a subsidiary, matters related to the Company's conduct of the business and tax matters prior to the sale, lease or assignment. In addition, the Company has entered into indemnification agreements with its directors and certain of its officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The Company has also agreed to indemnify certain former officers, directors, and employees of acquired companies in connection with the acquisition of such companies. The Company maintains director and officer insurance, which may cover certain liabilities arising from its obligation to indemnify its current and former directors and officers, and former directors and officers of acquired companies, in certain circumstances. It is not possible to determine the aggregate maximum potential loss under these indemnification agreements due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement. Such indemnification agreements might not be subject to maximum loss clauses. Historically, the Company has not incurred material costs as a result of obligations under these agreements and it has not accrued any material liabilities related to such indemnification obligations in the Company's condensed consolidated financial statements.

As of March 31, 2015, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly, the Company is not exposed to any financing, liquidity, market, or credit risk that could arise if the Company had such relationships. In addition, the Company identified no variable interests currently held in entities for which it is the primary beneficiary.

See Note 17—“Search Agreement with Microsoft Corporation” for a description of the Search Agreement and License Agreement with Microsoft.

Legal Contingencies

General. The Company is regularly involved in claims, suits, government investigations, and proceedings arising from the ordinary course of the Company’s business, including actions with respect to intellectual property claims, privacy, consumer protection, information security, data protection or law enforcement matters, tax matters, labor and employment claims, commercial claims, as well as actions involving content generated by users, stockholder derivative actions, purported class action lawsuits, and other matters.

Patent Matters. From time to time, third parties assert patent infringement claims against the Company. Currently, the Company is engaged in lawsuits regarding patent issues and has been notified of other potential patent disputes.

Stockholder and Securities Matters. Since May 31, 2011, several related stockholder derivative suits were filed in the Santa Clara County Superior Court (“California Derivative Litigation”) and the U.S. District Court for the Northern District of California (“Federal Derivative Litigation”) purportedly on behalf of the Company against certain officers and directors of the Company and third parties. The California Derivative Litigation was filed by plaintiffs Cinotto, Lassoff, Zucker, and Koo, and consolidated under the caption In re Yahoo! Inc. Derivative Shareholder Litigation on June 24, 2011 and September 12, 2011. The Federal Derivative Litigation was filed by plaintiffs Salzman, Tawila, and Iron Workers Mid-South Pension Fund and consolidated under the caption In re Yahoo! Inc. Shareholder Derivative Litigation on October 3, 2011. The plaintiffs allege breaches of fiduciary duties, corporate waste, mismanagement, abuse of control, unjust enrichment, misappropriation of corporate assets, or contribution, and seek damages, equitable relief, disgorgement, and corporate governance changes in connection with Alibaba Group’s restructuring of its subsidiary Alipay.com Co., Ltd. (“Alipay”) and related disclosures. On June 7, 2012, the courts approved stipulations staying the California Derivative Litigation pending resolution of the Federal Derivative Litigation, and deferring the Federal Derivative Litigation pending a ruling on the motion to dismiss filed by the defendants in the related stockholder class actions, which are discussed below. On December 16, 2013, the U.S. District Court for the Northern District of California granted the Company’s motion to stay the Federal Derivative Litigation pending resolution of the appeal filed by the plaintiffs in the related stockholder class actions.

Since June 6, 2011, two purported stockholder class actions were filed in the U.S. District Court for the Northern District of California against the Company and certain officers and directors of the Company by plaintiffs Bonato and the Twin Cities Pipe Trades Pension Trust. In October 2011, the District Court consolidated the two actions under the caption In re Yahoo! Inc. Securities Litigation and appointed the Pension Trust Fund for Operating Engineers as lead plaintiff. In a consolidated amended complaint filed December 15, 2011, the lead plaintiff purports to represent a class of investors who purchased the Company’s common stock between April 19, 2011 and July 29, 2011, and alleges that during that class period, defendants issued statements that were materially false or misleading because they did not disclose information relating to Alibaba Group’s restructuring of Alipay. The complaint purports to assert claims for relief for violation of Section 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and for violation of Rule 10b-5 thereunder, and seeks unspecified damages, injunctive and equitable relief, fees, and costs. On August 10, 2012, the court granted defendants’ motion to dismiss the consolidated amended complaint. Plaintiffs have appealed.

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

*Mexico Matters***.** On November 16, 2011, plaintiffs Worldwide Directories, S.A. de C.V. (“WWD”), and Ideas Interactivas, S.A. de C.V. (“Ideas”) filed an action in the 49th Civil Court of Mexico against the Company, Yahoo! de Mexico, S.A. de C.V. (“Yahoo! Mexico”), Yahoo International Subsidiary Holdings, Inc., and Yahoo Hispanic Americas LLC. The complaint alleged claims of breach of contract, breach of promise, and lost profits in connection with various commercial contracts entered into among the parties between 2002 and 2004, relating to a business listings service, and alleged total damages of approximately $2.75 billion. On December 7, 2011, Yahoo! Mexico filed a counterclaim against WWD for payments of approximately $2.6 million owed to Yahoo! Mexico for services rendered. On April 10, 2012, plaintiffs withdrew their claim filed against Yahoo International Subsidiary Holdings, Inc. and Yahoo Hispanic Americas LLC.

On November 28, 2012, the 49th Civil Court of Mexico entered a non-final judgment against the Company and Yahoo! Mexico in the amount of USD $2.75 billion and a non-final judgment in favor of Yahoo! Mexico on its counterclaim against WWD in the amount of $2.6 million. The judgment against the Company and Yahoo! Mexico purported to leave open for determination in future proceedings certain other alleged damages that were not quantified in the judgment.

On December 12, 2012 and December 13, 2012, respectively, Yahoo! Mexico and the Company appealed the judgment to a three-magistrate panel of the Superior Court of Justice for the Federal District (the “Superior Court”). On May 15, 2013, the Superior Court reversed the judgment, overturned all monetary awards against the Company and reduced the monetary award against Yahoo! Mexico to $172,500. The Superior Court affirmed the award of $2.6 million in favor of Yahoo! Mexico on its counterclaim.

Plaintiffs appealed the Superior Court’s decision to the Mexican Federal Civil Collegiate Court for the First Circuit (“Civil Collegiate Court”). The Company appealed the Superior Court’s decision not to award it statutory costs in the underlying proceeding. Yahoo! Mexico appealed the Superior Court’s award of $172,500, the Superior Court’s decision not to award it additional moneys beyond the $2.6 million award on its counterclaims, and the Superior Court’s decision not to award it statutory costs. On January 14, 2015, the Civil Collegiate Court denied all of the appeals.

On February 16, 2015, plaintiffs filed a petition for review by the Supreme Court of Mexico, where review is limited to constitutional questions under Mexican law. The plaintiff’s petition was denied. Plaintiffs are seeking to reverse the denial through further review by the Supreme Court of Mexico. The Company believes there is no basis to reverse the denial in the matter; however, we cannot assure the ultimate outcome of the matter.

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

The Company has determined, based on current knowledge, that the amount or range of reasonably possible losses, including reasonably possible losses in excess of amounts already accrued, is not reasonably estimable with respect to certain matters described above. The Company has also determined, based on current knowledge, that the aggregate amount or range of losses that are estimable with respect to the Company’s legal proceedings, including the matters described above other than the Mexico matters, would not have a material adverse effect on the Company’s consolidated financial position, results of operations or cash flows. Amounts accrued as of March 31, 2015 were not material. The Company did not accrue for the judgment in Mexico, which was reversed as explained above. The ultimate outcome of legal proceedings involves judgments, estimates and inherent uncertainties, and cannot be predicted with certainty. In the event of a determination adverse to Yahoo, its subsidiaries, directors, or officers in these matters, the Company may incur substantial monetary liability, and be required to change its business practices. Either of these events could have a material adverse effect on the Company’s financial position, results of operations, or cash flows. The Company may also incur substantial legal fees, which are expensed as incurred, in defending against these claims.

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Note 13 Stockholders' Equity And Employee Benefits

***Stock Options*.** The Company's Stock Plan, the Directors' Plan, and stock-based awards assumed through acquisitions (including stock-based commitments related to continued service of acquired employees, such as the holdback by Yahoo of shares of Yahoo common stock issued to Tumblr's founder in connection with the Company's acquisition of Tumblr in June 2013) are collectively referred to as the "Plans." Stock option activity under the Company's Plans for the three months ended March 31, 2015 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price Per Share
Outstanding at December 31, 2014[(1)]	9,225	$ 18.57
Options granted	—	$ —
Options assumed in acquisitions	—	$ —
Options exercised[(2)]	(584)	$ 16.41
Options expired	(530)	$ 18.95
Options cancelled/forfeited	(49)	$ 13.50
Outstanding at March 31, 2015[(1)]	8,062	$ 18.73

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

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

As of March 31, 2015, there was $48 million of unamortized stock-based compensation expense related to unvested stock options, which is expected to be recognized over a weighted average period of 1.7 years.

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

	Stock Options Three Months Ended March 31, 2014	Purchase Plan Three Months Ended March 31, 2014
Expected dividend yield	0.0%	0.0%
Risk-free interest rate	1.5%	0.1%
Expected volatility	36.2%	38.7%
Expected life (in years)	4.00	0.24

Restricted Stock Units

Restricted stock unit activity under the Plans for the three months ended March 31, 2015 is summarized as follows (in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value Per Share
Awarded and unvested at December 31, 2014[(1)]	40,677	$ 32.38
Granted[(2)]	11,634	$ 43.83
Assumed in acquisitions	—	$ —
Vested	(5,655)	$ 26.20
Forfeited	(3,508)	$ 30.83
Awarded and unvested at March 31, 2015[(1)]	43,148	$ 36.41

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

(2) Includes the maximum number of shares issuable under the performance-based restricted stock unit awards granted during the three months ended March 31, 2015 (including future-year tranches for which performance goals had not been set during the period); excludes tranches of previously granted performance-based restricted stock units for which performance goals were set during the three months ended March 31, 2015.

As of March 31, 2015, there was $969 million of unamortized stock-based compensation expense related to unvested restricted stock and restricted stock units, which is expected to be recognized over a weighted average period of 2.6 years.

During the three months ended March 31, 2014 and 2015, 8.5 million shares and 5.7 million shares, respectively, that were subject to previously granted restricted stock units vested. These vested restricted stock units were net share settled. During the three months ended March 31, 2014 and 2015, the Company withheld 3.3 million shares and 2.2 million shares, respectively, based upon the Company's closing stock price on the vesting date, to satisfy the Company's tax withholding obligation relating to the employees' minimum statutory obligation for the applicable income and other employment taxes. The Company then remitted cash to the appropriate taxing authorities.

Total payments for the employees' tax obligations to the relevant taxing authorities were $125 million and $97 million, respectively, for the three months ended March 31, 2014 and 2015 and are reflected as a financing activity within the condensed consolidated statements of cash flows. The payments were used for tax withholdings related to the net share settlements of restricted stock units. The payments had the effect of share repurchases by the Company as they reduced the number of shares that would have otherwise been issued on the vesting date and were recorded as a reduction of additional paid-in capital.

***Performance Options*.** The financial performance stock options awarded by the Company in November 2012 to Ms. Mayer and Mr. Goldman include multiple performance periods. The number of stock options that ultimately vest for each performance period will range from 0 percent to 100 percent of the target amount for such period stated in each executive's award agreement based on the Company's performance relative to goals. The financial performance goals are established at the beginning of each performance period and the portion (or "tranche") of the award related to each performance period is treated as a separate grant for accounting purposes. In March 2015, the Compensation Committee established performance goals under these stock options for the 2015 performance year. The 2015 financial performance metrics (and their weightings) under the performance stock options are GAAP revenue (one-third), revenue ex-TAC (one-third), and adjusted EBITDA (one-third). The grant date fair value of the 2015 tranche of the November 2012 financial performance stock options was $31 million, and is being recognized over the twelve-month service period. The Company began recording stock-based compensation expense for this tranche in March 2015, when the financial performance goals were established.

***Performance RSUs*.** In March 2015, the Compensation Committee approved additional annual financial performance-based restricted stock unit ("RSU") awards to Ms. Mayer and other senior officers, and established the 2015 annual performance goals for these awards as well as for the similar performance-based RSUs granted in February 2013 and February 2014. The 2013, 2014, and 2015 performance-based RSU awards are generally eligible to vest in equal annual target amounts over four years (three years for Ms. Mayer) based on the Company's attainment of annual financial performance goals as well as the executive's continued employment through each vesting date. The number of shares that ultimately vest each year will range from 0 percent to 200 percent of the annual target amount, based on the Company's performance. Annual financial performance metrics and goals are established for these RSU awards at the beginning of each year and the tranche of each RSU award related to that year's performance goal is treated as a separate annual grant for accounting purposes. The 2015 financial performance metrics (and their weightings) established for the performance RSUs are: GAAP revenue (one-third), revenue ex-TAC (one-third), and adjusted EBITDA (one-third). The grant date fair value of the first tranche of the March 2015 performance RSUs was $9 million, the grant date fair value of the second tranche of the February 2014 performance RSUs was $11 million, and the grant date fair value of the third tranche of the February 2013 performance RSUs was $19 million. These values are being recognized over the tranches' twelve-month service periods. The Company began recording stock-based compensation expense for these tranches in March 2015, when the financial performance goals were established.

***Stock Repurchases*.** In May 2012, the Board authorized a stock repurchase program allowing the Company to repurchase up to $5 billion of its outstanding shares of common stock. That repurchase program was exhausted during the first quarter of 2014. In November 2013, the Board authorized an additional stock repurchase program with an authorized level of $5 billion. The November 2013 program, according to its terms, will expire in December 2016. The aggregate amount available under the November 2013 repurchase program was approximately $726 million at March 31, 2015. In March 2015, the Board authorized an additional stock repurchase program with an authorized level of $2 billion. The March 2015 program, according to its terms, will expire in March 2018.

The aggregate amount available under the March 2015 repurchase program was $2 billion at March 31, 2015. Repurchases under the repurchase programs may take place in the open market or in privately negotiated transactions, including structured and derivative transactions such as accelerated share repurchase transactions, and may be made under a Rule 10b5-1 plan. During the three months ended March 31, 2015, the Company repurchased approximately 4 million shares of its common stock under its stock repurchase programs at an average price of $47.65 per share for a total of $204 million.

Note 14 Restructuring Charges, Net

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

	Three Months Ended	
	March 31, 2014	March 31, 2015
Employee severance pay and related costs	$ 3,591	$ 44,000
Non-cancelable lease, contract termination, and other charges	6,532	8,617
Reversals of previous charges	(636)	(3,231)
Non-cash accelerations of stock-based compensation expense	—	2,705
Other non-cash credits	—	(859)
Restructuring charges, net	$ 9,487	$ 51,232

The Company has implemented various restructuring plans to reduce its cost structure, align resources with its product strategy and improve efficiency, which have resulted in workforce reductions and the consolidation of certain real estate facilities and data centers. For the three months ended March 31, 2014, the Company recorded expense of $5 million and $4 million related to the Americas and EMEA segments, respectively. For the three months ended March 31, 2015, the Company recorded expense of $41 million, $7 million, and $3 million related to the Americas, EMEA, and Asia Pacific segments, respectively. The amounts recorded during the three months ended March 31, 2015 were primarily related to severance and other related costs pursuant to a restructuring plan initiated by the Company in 2015.

The Company's restructuring accrual activity for the three months ended March 31, 2015 is summarized as follows (in thousands):

Accrual balance as of December 31, 2014	$ 83,608
Restructuring charges	51,232
Cash paid	(35,287)
Non-cash accelerations of stock-based compensation expense	(2,705)
Foreign currency translation and other adjustments	275
Accrual balance as of March 31, 2015	$ 97,123

The $97 million restructuring liability as of March 31, 2015 consisted of $34 million for employee severance pay expenses, which the Company expects to pay out by the end of the third quarter of 2015, and $63 million relating to non-cancelable lease costs, which the Company expects to pay over the terms of the related obligations through the first quarter of 2019, less estimated sublease income.

Restructuring accruals by segment consisted of the following (in thousands):

	December 31, 2014	March 31, 2015
Americas	$ 65,949	$ 79,393
EMEA	16,797	14,927
Asia Pacific	862	2,803
Total restructuring accruals	$ 83,608	$ 97,123

Note 15 Income Taxes

The Company's effective tax rate is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Historically, the Company's provision for income taxes has differed from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense, non-deductible acquisition-related costs and adjustments to unrecognized tax benefits.

The effective tax rate reported for the three months ended March 31, 2015 was 35 percent compared to 25 percent for the same period in 2014. The rate in the period ended March 31, 2015 was equal to the U.S. federal statutory tax rate after an increase for non-deductible stock-based compensation expense and non-deductible acquisition-related costs, which was fully offset by foreign tax credits available for use. The rate in the period ended March 31, 2014 was lower than the U.S. federal statutory rate due to a reduction of tax reserves that was recorded as tax audit issues were favorably settled.

As of March 31, 2015, the Company does not anticipate repatriating its undistributed foreign earnings of approximately $3.0 billion. Those earnings are principally related to its equity method investment in Yahoo Japan. If those earnings were to be repatriated in the future, the Company may be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

The Company's gross amount of unrecognized tax benefits as of March 31, 2015 was $1,019 million, of which $966 million is recorded on the condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2015 decreased by $4 million from the recorded balance as of December 31, 2014.

The Company is in various stages of examination and appeal in connection with its taxes both in the U.S. and in foreign jurisdictions. Those audits generally span tax years 2005 through 2013. As of March 31, 2015, the Company's 2011 and 2012 U.S. federal income tax returns are currently under examination. The Company has protested the proposed California Franchise Tax Board's adjustments to the 2005 through 2008 returns, but no conclusions have been reached to date. While it is difficult to determine when the examinations will be settled or their final outcomes, certain audits in various jurisdictions related to multinational income tax issues are expected to be resolved in the foreseeable future. As a result, it is reasonably possible that the Company's unrecognized tax benefits could be reduced by up to approximately $154 million in the next twelve months. The Company believes that it has adequately provided for any reasonably foreseeable adjustment and that any settlement will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

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

Tax authorities from the Brazilian State of Sao Paulo have assessed certain indirect taxes against the Company's Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment is for calendar years 2008 through 2011 and, translated into U.S. dollars as of March 31, 2015, totals approximately $105 million. The Company currently believes the assessment is without merit. The Company believes the risk of loss is remote and has not recorded an accrual for the assessment.

Note 16 Segments

The Company continues to manage its business geographically. The primary areas of measurement and decision-making are Americas, EMEA (Europe, Middle East, and Africa), and Asia Pacific. Management relies on an internal reporting process that provides revenue ex-TAC, which is defined as revenue less TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, the Company's segments.

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
Revenue by segment:		
Americas	$ 866,928	$ 984,721
EMEA	91,570	81,086
Asia Pacific	174,232	160,163
Total Revenue	$ 1,132,730	$ 1,225,970
TAC by segment:		
Americas	$ 34,094	$ 166,655
EMEA	9,193	11,704
Asia Pacific	2,622	4,780
Total TAC	$ 45,909	$ 183,139
Revenue ex-TAC by segment:		
Americas	$ 832,834	$ 818,066
EMEA	82,377	69,382
Asia Pacific	171,610	155,383
Total Revenue ex-TAC	1,086,821	1,042,831
Direct costs by segment(1) :		
Americas	59,688	55,730
EMEA	21,669	19,898
Asia Pacific	46,820	50,712
Global operating costs(2)	652,263	687,382
Gain on sale of patents	—	(2,000)
Depreciation and amortization	157,534	151,535
Stock-based compensation expense	109,181	115,696
Restructuring charges, net	9,487	51,232
Income (loss) from operations	$ 30,179	$ (87,354)

(1) Direct costs for each segment include certain cost of revenue-other and costs associated with the local sales teams. Prior to the fourth quarter of 2014, marketing, media, costs associated with Yahoo Properties and ad operation costs were managed locally and included as direct costs for each segment. Such costs are now included in global operating costs. Prior period amounts have been revised to conform to the current presentation.

(2) Global operating costs include product development, marketing, real estate workplace, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any particular segment. Beginning in the fourth quarter of 2014, marketing, media, costs associated with Yahoo Properties and other ad operation costs are managed globally and included as global costs. Prior period amounts have been revised to conform to the current presentation.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
Capital expenditures, net:		
Americas	$ 63,977	$ 122,382
EMEA	15,762	7,653
Asia Pacific	4,916	4,886
Total capital expenditures, net	$ 84,655	$ 134,921

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	December 31, 2014	March 31, 2015
Property and equipment, net:		
Americas:		
U.S.	$ 1,382,597	$ 1,381,676
Other	787	628
Total Americas	$ 1,383,384	$ 1,382,304
EMEA	34,649	35,408
Asia Pacific	69,651	66,060
Total property and equipment, net	$ 1,487,684	$ 1,483,772

See Note 5 — "Goodwill" and Note 14 — "Restructuring Charges, Net" for additional information regarding segments.

Enterprise Wide Disclosures

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

	Three Months Ended	
	March 31, 2014	March 31, 2015
Search	$ 444,767	$ 531,666
Display	453,224	463,733
Other	234,739	230,571
Total revenue	$ 1,132,730	$ 1,225,970

	Three Months Ended	
	March 31, 2014	March 31, 2015
Revenue:		
U.S.	$ 833,658	$ 963,511
International	299,072	262,459
Total revenue	$ 1,132,730	$ 1,225,970

Revenue is attributed to individual countries according to the online property that generated the revenue. No single foreign country was material to revenue for the three months ended March 31, 2014 and 2015.

Note 17 Search Agreement With Microsoft Corporation

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

On April 15, 2015, the Company and Microsoft entered into the Eleventh Amendment to the Search Agreement (the "Eleventh Amendment") pursuant to which the terms of the Search Agreement were amended. Previously under the Search Agreement, Microsoft was the exclusive algorithmic and paid search services provider to Yahoo on personal computers for Yahoo Properties and for search services provided by Yahoo to Affiliate Sites. Microsoft was the non-exclusive provider on mobile devices. Pursuant to the Eleventh Amendment, Microsoft will provide such services on a non-exclusive basis for Yahoo Properties and Affiliate sites on personal computers. Commencing on May 1, 2015, Yahoo agrees to request paid search results from Microsoft for 51 percent of its search queries originating from personal computers accessing Yahoo Properties and its Affiliate sites (the "Volume Commitment") and will display only Microsoft's paid search results on such search result pages.

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

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

Previously under the Search Agreement, Yahoo had sales exclusivity for both the Company's and Microsoft's premium advertisers. Pursuant to the Eleventh Amendment, this sales exclusivity will terminate on July 1, 2015. The Company and Microsoft will develop a plan to transition premium advertisers for Microsoft's paid search services to Microsoft commencing on July 1, 2015 and to be completed by January 31, 2016.

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

The Company reports as revenue the revenue share it receives from Microsoft under the Search Agreement as the Company is not the primary obligor in the arrangement with the advertisers and publishers. The underlying search advertising services are provided by Microsoft. Approximately 36 percent and 39 percent of the Company's revenue for the three months ended March 31, 2014 and 2015, respectively, was attributable to the Search Agreement.

Under the Search Agreement, Microsoft continues to be obligated to guarantee Yahoo's revenue per search on Yahoo Properties in Taiwan and Hong Kong for 18 months after the transition of paid search services to Microsoft's platform in those markets, which was completed during the fourth quarter of 2013. This guarantee will expire during the second quarter of 2015.

As of December 31, 2014 and March 31, 2015, the Company had collected total amounts of $52 million and $8 million, respectively, on behalf of Microsoft and Affiliates, which was included in cash and cash equivalents with a corresponding liability in accrued expenses and other current liabilities. The Company's uncollected revenue share in connection with the Search Agreement was $330 million and $296 million, which is included in accounts receivable, net, as of December 31, 2014 and March 31, 2015, respectively. There were no amounts classified as a part of prepaid expenses and other current assets on our condensed consolidated balance sheets as of December 31, 2014 and March 31, 2015 related to reimbursements not yet received from Microsoft.

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

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

Forward-Looking Statements

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

- expectations regarding our proposed spin-off of our remaining holdings in Alibaba Group Holding Limited ("Alibaba Group");
- expectations about revenue, including search, display, and other revenue;
- expectations about growth in users;
- expectations about changes in our earnings in equity interests and net income;
- expectations about changes in operating expenses;
- anticipated capital expenditures;
- expectations about our share repurchase activity;
- expectations about the financial and operational impacts of our Search and Advertising Services and Sales Agreement (the "Search Agreement") with Microsoft Corporation ("Microsoft");
- impact of recent acquisitions on our business and evaluation of, and expectations for, possible acquisitions of, or investments in, businesses, products, intangible assets and technologies;
- expectations about the growth of, the opportunities for monetization in and revenue from, the mobile industry and mobile devices;
- expectations about the growth of, the opportunities for monetization in and revenue from, our Mavens offerings;
- projections and estimates with respect to our restructuring activities and changes to our organizational structure;
- expectations about the amount of unrecognized tax benefits, the outcome of tax assessment appeals, the adequacy of our existing tax reserves, future tax expenditures, and tax rates;
- expectations about positive cash flow generation and existing cash, cash equivalents, and investments being sufficient to meet normal operating requirements; and
- expectations regarding the future outcome of legal proceedings in which we are involved, including the outcome of our efforts to sustain the reversal of a judgment entered against us and one of our subsidiaries in a proceeding in Mexico.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. You are urged to carefully review the disclosures made concerning risks and uncertainties that may affect our business or operating results, which include, among others, those listed in Part II, Item 1A. "Risk Factors" of this Report. We do not intend, and undertake no obligation, to update or revise any of our forward-looking statements after the date of this Report to reflect new information, actual results or future events or circumstances.

Overview

Yahoo! Inc., together with its consolidated subsidiaries ("Yahoo," the "Company," "we," or "us") is a guide focused on informing, connecting, and entertaining our users. By creating highly personalized experiences for our users, we keep people connected to what matters most to them, across devices and around the world. In turn, we create value for advertisers by connecting them with the audiences that build their businesses. For advertisers, the opportunity to be a part of users' digital habits across products and platforms is a powerful tool to engage audiences and build brand loyalty. Advertisers can build their businesses through advertising to targeted audiences on our online properties and services ("Yahoo Properties") or through a distribution network of third party entities ("Affiliates") who integrate our advertising offerings into their Websites or other offerings ("Affiliate sites"). Our revenue is generated principally from search and display advertising.

We continue to manage and measure our business geographically, principally in the Americas, EMEA (Europe, Middle East, and Africa) and Asia Pacific.

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

- Key Financial Metrics;
- Non-GAAP Financial Measures;
- Significant Transactions;
- Results of Operations;
- Liquidity and Capital Resources;
- Critical Accounting Policies and Estimates; and
- Recent Accounting Pronouncements.

Key Financial Metrics

The key financial metrics we use are as follows: revenue; revenue less traffic acquisition costs ("TAC"), or revenue ex-TAC; income from operations; adjusted EBITDA; net income attributable to Yahoo! Inc.; net cash provided by operating activities; and free cash flow. Revenue ex-TAC, adjusted EBITDA, and free cash flow are financial measures that are not defined in accordance with U.S. generally accepted accounting principles ("GAAP"). We use these non-GAAP financial measures for internal managerial purposes and to facilitate period-to-period comparisons. See "Non-GAAP Financial Measures" below for a description of each of these non-GAAP financial measures.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
	(dollars in thousands)	
Revenue	$ 1,132,730	$ 1,225,970
Revenue ex-TAC	$ 1,086,821	$ 1,042,831
Income (loss) from operations(1)	$ 30,179	$ (87,354)
Adjusted EBITDA	$ 306,381	$ 231,113
Net income attributable to Yahoo! Inc.	$ 311,578	$ 21,198
Net cash provided by (used in) operating activities	$ 139,061	$ (2,937,471)
Free cash flow(2)	$ 113,962	$ (3,034,922)
(1) Includes:		
Stock-based compensation expense	$ 109,181	$ 115,696
Restructuring charges, net	$ 9,487	$ 51,232

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

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

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015	2014-2015 % Change
	(dollars in thousands)		
Revenue	$ 1,132,730	$ 1,225,970	8%
Less: TAC	45,909	183,139	299%
Revenue ex-TAC	$ 1,086,821	$ 1,042,831	(4)%

For the three months ended March 31, 2015, revenue ex-TAC decreased $44 million, or 4 percent, compared to the same period of 2014, due to an increase in TAC primarily attributable to our agreement with Mozilla Corporation ("Mozilla").

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Adjusted EBITDA (a Non-GAAP Financial Measure)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015	2014-2015 % Change
	(dollars in thousands)		
Net income attributable to Yahoo! Inc.	$ 311,578	$ 21,198	(93)%
Depreciation and amortization	157,534	151,539	(4)%
Stock-based compensation expense	109,181	115,696	6 %
Restructuring charges, net	9,487	51,232	440 %
Other (expense) income, net	13,453	31,063	131 %
Provision for income taxes	4,217	(40,900)	N/M
Earnings in equity interests	(301,402)	(99,690)	(67)%
Net income attributable to noncontrolling interests	2,333	975	(58)%
Adjusted EBITDA	$ 306,381	$ 231,113	(25)%
Percentage of Revenue ex-TAC(1)(2)	28%	22%	

N/M = Not Meaningful

(1) Revenue ex-TAC is calculated as GAAP revenue less TAC.

(2) Net income attributable to Yahoo! Inc. as a percentage of GAAP revenue for the three months ended March 31, 2014 and 2015 was 28 percent and 2 percent, respectively.

For the three months ended March 31, 2015, adjusted EBITDA decreased $75 million, or 25 percent, compared to 2014, mainly due to higher TAC that was not offset by higher revenue as well as an increase in global operating costs.

Free Cash Flow (a Non-GAAP Financial Measure)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015
	(dollars in thousands)	
Net cash provided by (used in) operating activities	$ 139,061	$ (2,937,471)
Acquisition of property and equipment, net	(84,655)	(134,921)
Excess tax benefits from stock-based awards	59,556	37,470
Free cash flow(*)	$ 113,962	$ (3,034,922)

(*) During the three months ended March 31, 2015, we satisfied the $3.3 billion income tax liability related to the sale of Alibaba Group ADSs in September 2014.

Non-GAAP Financial Measures

Revenue ex-TAC. Revenue ex-TAC is a non-GAAP financial measure defined as GAAP revenue less TAC. TAC consists of payments made to Affiliates that have integrated our advertising offerings into their sites and payments made to companies that direct consumer and business traffic to Yahoo Properties.

***Adjusted EBITDA*.** Adjusted EBITDA is a non-GAAP financial measure defined as net income attributable to Yahoo! Inc. before taxes, depreciation, amortization of intangible assets, stock-based compensation expense, other income (expense), net (which includes interest), earnings in equity interests, net income attributable to noncontrolling interests, and certain gains, losses, and expenses that we do not believe are indicative of our ongoing results.

Free Cash Flow. Free cash flow is a non-GAAP financial measure defined as net cash provided by operating activities (adjusted to include excess tax benefits from stock-based awards), less (i) acquisition of property and equipment, net, and (ii) dividends received from equity investees.

For additional information about these non-GAAP financial measures, see “Non-GAAP Financial Measures” included in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Significant Transactions

Search Agreement with Microsoft Corporation

The term of the Search Agreement is 10 years from its commencement date, February 23, 2010, subject to earlier termination as provided in the Search Agreement. Previously under the Search Agreement, we were entitled to receive a percentage of the revenue (the “Revenue Share Rate”) generated from Microsoft’s services on Yahoo Properties and on Affiliate sites after deduction of the Affiliate sites’ share of revenue and certain Microsoft costs. The Revenue Share Rate was 88% for the first five years and then increased to 90% on February 23, 2015. Pursuant to the Eleventh Amendment of the Search Agreement effective as of April 15, 2015, the Revenue Share Rate increased to 93%, but Microsoft receives its 7% share before deduction of the Affiliate site’s share of revenue.

For search revenue generated from Microsoft’s services on Yahoo Properties and Affiliate sites, we report as revenue our revenue share, as we are not the primary obligor in the arrangement with the advertisers and publishers, and the amounts paid to Affiliates are recorded on a net basis as a reduction of revenue. The underlying search advertising services are provided by Microsoft. Revenue under the Search Agreement represented approximately 36 percent and 39 percent of our revenue for the three months ended March 31, 2014 and 2015, respectively.

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

Spin-Off of Remaining Holdings in Alibaba Group

On January 27, 2015, we announced a plan for a spin-off of all of our remaining holdings in Alibaba Group into a newly formed independent registered investment company (referred to as “SpinCo”). The stock of SpinCo will be distributed pro rata to our stockholders, resulting in SpinCo becoming a separate publicly traded registered investment company. Following the completion of the transaction, SpinCo will own all of Yahoo’s remaining 384 million Alibaba Group shares and Yahoo Small Business, a current operating business of Yahoo that will also be transferred to SpinCo as part of the transaction.

The completion of the transaction is expected to occur in the fourth quarter of 2015 after the expiration of our one-year lock-up agreement relating to the Alibaba Group shares entered into in connection with the initial public offering (“Alibaba Group IPO”) of Alibaba Group ADSs in September 2014. The transaction is subject to certain conditions, including final approval by our Board, receipt of a favorable ruling from the Internal Revenue Service with respect to certain aspects of the transaction and a legal opinion with respect to the tax-free treatment of the transaction under U.S. federal tax laws and regulations, the effectiveness of an applicable registration statement with the Securities and Exchange Commission and compliance with the requirements under the Investment Company Act of 1940, and other customary conditions.

The composition of SpinCo’s independent board of directors and management team, and other details of the transaction, including the distribution ratio, will be determined prior to the closing of the transaction.

Upon closing of the transaction, which is subject to the conditions specified above, our consolidated financial position will be materially impacted as the Alibaba Group shares and related deferred tax liabilities will be removed from our consolidated balance sheet with a corresponding reduction of our stockholders’ equity balance. We would no longer hold any Alibaba Group shares and would no longer record changes in fair value within comprehensive income (loss).

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Results of Operations

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2015	2014-2015 % Change
	(dollars in thousands)		
Revenue for groups of similar services:			
Search			
Yahoo Properties	$ 371,744	$ 475,494	28 %
Affiliate sites	73,023	56,172	(23)%
Total Search revenue	$ 444,767	$ 531,666	20 %
Display			
Yahoo Properties	$ 408,193	$ 340,544	(17)%
Affiliate sites	45,031	123,189	174 %
Total Display revenue	$ 453,224	$ 463,733	2 %
Other	$ 234,739	$ 230,571	(2)%
Total revenue	$ 1,132,730	$ 1,225,970	8 %
Cost of revenue — TAC	$ 45,909	$ 183,139	299 %
Cost of revenue — other	293,603	285,263	(3)%
Sales and marketing	302,325	275,357	(9)%
Product development	268,264	326,747	22 %
General and administrative	164,623	173,513	5 %
Amortization of intangibles	18,340	20,073	9 %
Gain on sale of patents	—	(2,000)	100 %
Restructuring charges, net	9,487	51,232	440 %
Total operating expenses	$ 1,102,551	$ 1,313,324	19 %
Income (loss) from operations	$ 30,179	$ (87,354)	(389)%
Includes:			
Stock-based compensation expense	$ 109,181	$ 115,696	6 %

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The following table sets forth selected information concerning our results of operations as a percentage of revenue for the period indicated:

	Three Months Ended March 31,	
	2014	2015
Revenue for groups of similar services:		
Search		
Yahoo Properties	33%	39 %
Affiliate sites	6%	4 %
Total Search revenue	39%	43 %
Display		
Yahoo Properties	36%	28 %
Affiliate sites	4%	10 %
Total Display revenue	40%	38 %
Other	21%	19 %
Total revenue	100%	100 %
Cost of revenue — TAC	4%	15 %
Cost of revenue — other	26%	23 %
Sales and marketing	27%	22 %
Product development	24%	27 %
General and administrative	14%	14 %
Amortization of intangibles	1%	2 %
Gain on sale of patents	0%	0 %
Restructuring charges, net	1%	4 %
Total operating expenses	97%	107 %
Income (loss) from operations	3%	(7)%
Includes:		
Stock-based compensation expense	10%	9 %

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Management Reporting

We continue to manage our business geographically. The primary areas of measurement and decision-making are currently the Americas, EMEA, and Asia Pacific. Management relies on an internal reporting process that provides revenue ex-TAC, direct costs excluding TAC by segment, and consolidated income from operations for making decisions related to the evaluation of the financial performance of, and allocating resources to, our segments.

	Three Months Ended March 31,		2014-2015
	2014	2015	% Change
	(dollars in thousands)		
Revenue by segment:			
Americas	$ 866,928	$ 984,721	14 %
EMEA	91,570	81,086	(11)%
Asia Pacific	174,232	160,163	(8)%
Total revenue	$1,132,730	$1,225,970	8 %
TAC by segment:			
Americas	$ 34,094	$ 166,655	389 %
EMEA	9,193	11,704	27 %
Asia Pacific	2,622	4,780	82 %
Total TAC	$ 45,909	$ 183,139	299 %
Revenue ex-TAC by segment:			
Americas	$ 832,834	$ 818,066	(2)%
EMEA	82,377	69,382	(16)%
Asia Pacific	171,610	155,383	(9)%
Total revenue ex-TAC	1,086,821	1,042,831	(4)%
Direct costs by segment(1):			
Americas	59,688	55,730	(7)%
EMEA	21,669	19,898	(8)%
Asia Pacific	46,820	50,712	8 %
Global operating costs(2)	652,263	687,378	5 %
Depreciation and amortization	157,534	151,539	(4)%
Stock-based compensation expense	109,181	115,696	6 %
Gain on sale of patents	—	(2,000)	100 %
Restructuring charges, net	9,487	51,232	440 %
Income (loss) from operations	$ 30,179	$ (87,354)	(389)%

(1) Direct costs for each segment include certain cost of revenue—other and other costs associated with the local sales teams. Prior to the fourth quarter of 2014, marketing, media, costs associated with Yahoo Properties and ad operation costs were managed locally and included as direct costs for each segment. Prior period amounts have been revised to conform to the current presentation.

(2) Global operating costs include product development, marketing, real estate workplace, general and administrative, and other corporate expenses that are managed on a global basis and that are not directly attributable to any particular segment. Beginning in the fourth quarter of 2014, marketing, media, costs associated with Yahoo Properties and other ad operation costs are managed globally and included as global costs. Prior period amounts have been revised to conform to the current presentation.

Revenue

We generate revenue principally from search and display advertising on Yahoo Properties and Affiliate sites, with the majority of our revenue coming from advertising on Yahoo Properties. Our margins on revenue from advertising on Yahoo Properties are higher than our margins on revenue from advertising on Affiliate sites, as we pay TAC to our Affiliates. Additionally, we generate revenue from other sources including listings-based services, facilitating commercial transactions, royalties, and consumer and business fee-based services.

Mavens Revenue

One of our primary strategies is to invest in and grow our offerings in mobile, video, native, and social ("Mavens"). Revenue from our Mavens offerings is generated from, without duplication: (i) mobile (as defined below), (ii) video ads and video ad packages, (iii) native ads, and (iv) Tumblr ads and fees. Mavens revenue for the three months ended March 31, 2015 increased 58 percent to $363 million, compared to $230 million for the three months ended March 31, 2014.

We expect our Mavens revenue will continue to increase in 2015. The Mavens revenue has been counteracting a decline in our legacy offerings that includes premium and audience (targeted display) advertising. We continue to do everything we can to stabilize and slow this decline.

Mobile Revenue

With the significant platform shift to mobile devices, including smartphones and tablets, we continue to focus on mobile products and mobile ad formats. We have refreshed the user experience on mobile across a number of Yahoo Properties, including the Yahoo app, Sports (including Fantasy Sports), and Tumblr. Mobile revenue is generated in connection with user activity on mobile devices, including smartphones and tablets (a "device-based" approach), regardless of whether the device is accessing a mobile-optimized service. Mobile revenue is primarily generated by search and display advertising. Mobile revenue also includes leads, listings and fees revenue and ecommerce revenue allocated to user activity on mobile devices. For additional information about how we generate and recognize revenue, see "**Results of Operations** — ***Revenue*** — *Mobile Revenue,* — *Search Revenue,* — *Display Revenue,* and —*Other Revenue*" included in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Mobile revenue for the three months ended March 31, 2015 increased 61 percent to $234 million, compared to $145 million for the three months ended March 31, 2014. Mobile revenue is included within Search, Display, and Other revenue that we have reported. As of March 31, 2015, we had more than 600 million monthly mobile users (including Tumblr). In the latter half of 2014, we saw a significant increase in the contribution of mobile revenue to our total revenue. We expect this trend to continue in 2015.

Search Revenue

Search revenue for the three months ended March 31, 2015 increased by 20 percent, compared to the same period of 2014, attributable to increased revenue on Yahoo Properties of $104 million resulting from higher revenue-per-search and higher volume on PC, primarily attributable to our agreement with Mozilla, as well as higher volume on mobile devices. This was partially offset by a decline in Affiliate revenue of $17 million primarily in the Asia Pacific and EMEA regions.

Display Revenue

Display revenue for the three months ended March 31, 2015 increased by 2 percent, compared to the same period of 2014. The increase in display revenue was driven by increased Affiliate revenue in the Americas region resulting primarily from an increase in video and native advertising, including incremental revenue from the BrightRoll and Flurry acquisitions, as well as increased revenue on Yahoo Properties from an increase in native advertising. This was partially offset by a decline in premium advertising on the Homepage and in audience advertising due to lower Price-per-Ad (as defined below).

Other Revenue

Other revenue for the three months ended March 31, 2015 decreased by 2 percent compared to the same period of 2014. The year-over-year decrease was primarily due to a decline in listings-based revenue of $16 million, partially offset by an increase in fees revenue of $12 million.

Search and Display Metrics

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

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

“Ads Sold” consist of display ad impressions for paying advertisers on Yahoo Properties (including mobile) and Affiliate sites (including Flurry and BrightRoll). “Price-per-Ad” is defined as display revenue from Yahoo Properties (including mobile) and Affiliate sites (including Flurry and BrightRoll) divided by our total number of Ads Sold. Our price and volume metrics for display are based on display revenue which we report on a gross basis (before TAC), and include data for graphical, sponsorship, and native ad units on Yahoo Properties (including mobile) and Affiliate sites (including Flurry and BrightRoll).

We periodically review, refine and update our methodologies for monitoring, gathering, and counting number of Paid Clicks and Ads Sold and for calculating search click-driven revenue, Price-per-Click, and Price-per-Ad. Commencing in the quarter ended March 31, 2015, our display volume and price metrics (Ads Sold and Price-per-Ad) include (a) results from Yahoo Properties worldwide (other than Japan, where Yahoo branded sites are operated by third-party licensees), whereas previously those metrics excluded countries and regions where historical data was not previously retained in a manner that would support period-to-period comparisons; (b) results from Affiliate sites (including Affiliates of Flurry and BrightRoll) and (c) historical Tumblr data commencing with the second quarter of 2013, whereas previously Tumblr data was limited to (i) native ad results commencing with the first quarter of 2014 and (ii) other display ad results commencing with the third quarter of 2014. Prior period amounts have been updated to conform to the current presentation.

Search Metrics

For the three months ended March 31, 2015, Paid Clicks and Price-per-Click increased 21 percent and 3 percent, respectively, compared to the same period of 2014. The increase in Paid Clicks was primarily attributable to an increase in Paid Clicks on Yahoo Properties in the Americas region, attributable to our agreements with Mozilla and other partners. This was partially offset by a decline in Paid Clicks from Affiliate traffic due to traffic quality improvements conducted by Yahoo. The increase in Price-per-Click was attributable to favorable mix shifts towards higher monetizing partners and from Affiliate traffic quality improvement initiatives conducted by Yahoo. Improvements in the search metrics resulted in year-over-year growth of 24 percent in search click-driven revenue.

Display Metrics

For the three months ended March 31, 2015, the number of Ads Sold increased 29 percent and Price-per-Ad decreased 17 percent, compared to the same period of 2014. The increase in Ads Sold year-over-year was attributable to an increase in native ad units sold which was partially offset by a decline in premium ad units sold. Native ad units represented approximately 39 percent of total Ads Sold for the three months ended March 31, 2015, as compared to 15 percent of total Ads Sold for the three months ended March 31, 2014. The decrease in Price-per-Ad was due to a shift in the mix of ads sold toward lower priced native ad units as well as declines in Price-per-Ad attributable to lower priced audience advertising.

Revenue ex-TAC by Segment

Americas

Americas revenue ex-TAC for the three months ended March 31, 2015 decreased $15 million, or 2 percent, compared to the same period of 2014. The decline in Americas revenue ex-TAC was primarily attributable to a decline in search revenue ex-TAC of $4 million and display revenue ex-TAC of $12 million. The decline in search revenue ex-TAC was primarily attributable to TAC growth associated with payments to distribution partners, including Mozilla, outpacing search click-driven revenue. The decline in display revenue ex-TAC was primarily attributable to a continued shift away from our legacy display offerings toward native advertising, which has lower Price-per-Ad compared to premium advertising.

Revenue ex-TAC in the Americas accounted for approximately 78 percent of total revenue ex-TAC for the three months ended March 31, 2015 compared to 77 percent for the three months ended March 31, 2014.

EMEA

EMEA revenue ex-TAC for the three months ended March 31, 2015 decreased $13 million, or 16 percent, compared to the same period of 2014, primarily due to declines in display and other revenue ex-TAC of $8 million and $3 million, respectively. The decline in display revenue ex-TAC was primarily attributable to a mix shift from premium advertising to native advertising. EMEA revenue ex-TAC was also impacted by unfavorable foreign exchange fluctuations of $7 million.

Revenue ex-TAC in EMEA accounted for approximately 7 percent of total revenue ex-TAC for both the three months ended March 31, 2015 and 2014.

Asia Pacific

Asia Pacific revenue ex-TAC for the three months ended March 31, 2015 decreased $16 million, or 9 percent, compared to the same period of 2014, primarily attributable to declines in display and search revenue of $7 million and $6 million, respectively. The decline in display revenue ex-TAC was primarily due to a mix shift from premium advertising to native advertising. The decline in search revenue ex-TAC was primarily attributable to a decline in Paid Clicks, which resulted from Affiliate traffic quality initiatives. Asia Pacific revenue ex-TAC was also impacted by unfavorable foreign exchange fluctuations of $11 million.

Revenue ex-TAC in Asia Pacific accounted for approximately 15 percent of total revenue ex-TAC for the three months ended March 31, 2015 compared to 16 percent for the three months ended March 31, 2014.

Direct Costs by Segment

Starting in the fourth quarter of 2014, we adopted a revised methodology for allocating costs between our regions and global operations. The change reflects how management views our business today. The revised methodology reflects the following costs in global operations: marketing, media, costs associated with Yahoo Properties, and ad operations. These costs historically were managed by each segment and are now managed globally. Prior period amounts and commentary related to our direct costs have been revised to conform to the current presentation.

Americas

For the three months ended March 31, 2015, direct costs attributable to the Americas segment decreased $4 million, or 7 percent, compared to the same period of 2014, primarily due to lower compensation costs of $4 million and content costs of $3 million, partially offset by higher other cost of revenue of $3 million.

Direct costs attributable to the Americas segment represented approximately 7 percent of Americas revenue ex-TAC for both the three months ended March 31, 2015 and 2014.

EMEA

For the three months ended March 31, 2015, direct costs attributable to the EMEA segment decreased $2 million, or 8 percent, compared to the same period of 2014 due to lower compensation costs, outside service provider expenses and travel and entertainment expense.

Direct costs attributable to the EMEA segment represented approximately 29 percent of EMEA revenue ex-TAC for the three months ended March 31, 2015 compared to 26 percent for the three months ended March 31, 2014.

Asia Pacific

For the three months ended March 31, 2015, direct costs attributable to the Asia Pacific segment increased $4 million, or 8 percent, compared to the same period of 2014, primarily attributable to an increase in other cost of revenue related to rich media serving costs.

Direct costs attributable to the Asia Pacific segment represented approximately 33 percent of Asia Pacific revenue ex-TAC for the three months ended March 31, 2015 compared to 27 percent for the three months ended March 31, 2014.

Operating Costs and Expenses

Cost of Revenue — TAC

TAC consists of payments made to third-party entities that have integrated our advertising offerings into their Websites or other offerings and payments made to companies that direct consumer and business traffic to Yahoo Properties. We also have an agreement to compensate Mozilla to make us the default search provider on certain of Mozilla's products in the United States. We record those payments as cost of revenue — TAC.

TAC for the three months ended March 31, 2015 increased $137 million, compared to the same period of 2014, primarily due to increased search and display TAC in the Americas region associated with payments to distribution partners.

TAC represented approximately 15 percent of GAAP revenue for the three months ended March 31, 2015, compared to 4 percent for the three months ended March 31, 2014.

Cost of Revenue — Other

Cost of revenue — other consists of bandwidth costs, and other expenses associated with the production and usage of Yahoo Properties, including amortization of developed technology and patents. Cost of revenue — other also includes costs for Yahoo's technology platforms and infrastructure, including depreciation expense and other operating costs, directly related to revenue generating activities.

Cost of revenue — other decreased $8 million, or 3 percent, for the three months ended March 31, 2015 compared to the same period of 2014. The decrease for the three months ended March 31, 2015, compared to 2014, was primarily due to a decrease in stock-based compensation expense of $19 million, and bandwidth costs of $10 million. This was partially offset by an increase in compensation costs of $7 million, credit card costs of $3 million and higher cost of revenue of $7 million related to rich media serving costs and a recent acquisition.

Cost of revenue — other represented approximately 23 percent of GAAP revenue for the three months ended March 31, 2015, compared to 26 percent for the three months ended March 31, 2014.

Sales and Marketing

Sales and marketing expenses consist primarily of advertising and other marketing-related expenses, compensation-related expenses (including stock-based compensation expense), sales commissions, and travel costs.

Sales and marketing expenses for the three months ended March 31, 2015 decreased $27 million, or 9 percent, compared to the same period of 2014, primarily attributable to decreases of $13 million in stock-based compensation expense and $19 million in other compensation costs, partially offset by an increase in marketing expenses of $6 million. The decline in stock-based compensation expense was primarily attributable to vesting accelerations upon executive terminations in the first quarter of 2014, for which we had no similar transactions in the first quarter of 2015. The decline in other compensation costs was primarily attributable to a 6 percent decrease in headcount year-over-year, as well as a decline in sales commissions.

Sales and marketing expenses represented approximately 22 percent of GAAP revenue for the three months ended March 31, 2015, compared to 27 percent for the three months ended March 31, 2014.

Product Development

Product development expenses consist primarily of compensation-related expenses (including stock-based compensation expense) incurred for the development of, enhancements to and maintenance of Yahoo Properties, classification and organization of listings within Yahoo Properties, research and development, and Yahoo's technology platforms and infrastructure. Depreciation expense and other operating costs are also included in product development.

Product development expenses for the three months ended March 31, 2015 increased $58 million, or 22 percent, compared to the same period of 2014, primarily attributable to increases of $17 million in compensation costs, $34 million in stock-based compensation expense, as well as a decline in capitalizable projects of $13 million. This was partially offset by a decline in telephone and maintenance expense of $6 million. The increase in compensation costs was primarily attributable to increases in costs from a shift in the location of employees, investments in our Mavens offerings, and headcount increases from the BrightRoll and Flurry acquisitions, slightly offset by decreases in our contractor workforce expenses. The increase in stock-based compensation expense was due to an increase in the number of awards granted at a higher fair value.

Product development expenses represented approximately 27 percent of GAAP revenue for the three months ended March 31, 2015, compared to 24 percent for the three months ended March 31, 2014.

General and Administrative

General and administrative expenses consist primarily of compensation-related expenses (including stock-based compensation expense) related to corporate departments and fees for professional services and includes costs related to our non-data center facilities.

General and administrative expenses for the three months ended March 31, 2015 increased $9 million, or 5 percent, compared to the same period of 2014, primarily attributable to increases of $3 million in compensation costs, $3 million in stock-based compensation expense, and $3 million in travel and entertainment expense.

General and administrative expenses represented approximately 14 percent of GAAP revenue for both the three months ended March 31, 2015 and 2014.

Gains on Sales of Patents

During the three months ended March 31, 2015, we sold certain patents and recorded gains on sales of patents of approximately $2 million.

Amortization of Intangibles

We have purchased, and expect to continue purchasing, assets and/or businesses, which may include the purchase of intangible assets. Intangible assets include customer, affiliate, and advertiser-related relationships and tradenames, trademarks and domain names. Amortization of developed technology and patents is included in the cost of revenue — other and not in amortization of intangibles.

Amortization of intangibles for the three months ended March 31, 2015 increased $2 million, or 9 percent, compared to the same period of 2014. The year-over-year increase in amortization of intangibles from 2014 to 2015 was primarily driven by incremental amortization of intangible assets related to BrightRoll, which we acquired in the fourth quarter of 2014, partially offset by a decline in expense for fully amortized assets.

Amortization of intangibles represented approximately 2 percent of GAAP revenue for the three months ended March 31, 2015, compared to 1 percent for the three months ended March 31, 2014.

Restructuring Charges, Net

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

	Three Months Ended	
	March 31, 2014	March 31, 2015
Employee severance pay and related costs	$ 3,591	$ 44,000
Non-cancelable lease, contract termination, and other charges	6,532	8,617
Reversals of previous charges	(636)	(3,231)
Non-cash accelerations of stock-based compensation expense	—	2,705
Other non-cash credits	—	(859)
Restructuring charges, net	$ 9,487	$ 51,232

We have implemented various restructuring plans to reduce our cost structure, align resources with our product strategy and improve efficiency, which have resulted in workforce reductions and the consolidation of certain real estate facilities and data centers. For the three months ended March 31, 2014, we recorded expense of $5 million and $4 million related to Americas and EMEA segments, respectively. For the three months ended March 31, 2015, we recorded expense of $41 million, $7 million, and $3 million related to Americas, EMEA, and Asia Pacific segments, respectively. The amounts recorded during the three months ended March 31, 2015 were primarily related to severance and other related costs pursuant to a restructuring plan that we initiated in 2015.

The $97 million restructuring liability as of March 31, 2015 consisted of $34 million for employee severance pay expenses, which we expect to pay out by the end of the third quarter of 2015, and $63 million relating to non-cancelable lease costs, which we expect to pay over the terms of the related obligations through the first quarter of 2019, less estimated sublease income.

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

Other Expense, Net

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

	Three Months Ended	
	March 31, 2014	March 31, 2015
Interest, dividend and investment income	$ 5,437	$ 8,845
Interest expense	(17,081)	(17,570)
Loss on Hortonworks warrants	—	(11,909)
Other expense, net	(1,809)	(10,429)
Total other expense, net	$ (13,453)	$ (31,063)

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

Interest expense was approximately flat for the three months ended March 31, 2015, compared to the same period of 2014. Interest expense is primarily related to the accreted non-cash interest expense related to the 0.00% Convertible Senior Notes due 2018 ("Notes") we issued in November 2013.

During the three months ended March 31, 2015, we recorded a loss of $12 million due to the decline in fair value of the Hortonworks warrants, which was included within other expense, net in the condensed consolidated statements of income.

Other expense, net increased $9 million for the three months ended March 31, 2015, compared to the same period of 2014, primarily due to unrealized foreign exchange currency transaction losses partially offset by foreign exchange gains from hedging activities.

Income Taxes

Our effective tax rate is the result of the mix of income earned in various tax jurisdictions that apply a broad range of income tax rates. Historically, our provision for income taxes has differed from the tax computed at the U.S. federal statutory income tax rate due to state taxes, the effect of non-U.S. operations, non-deductible stock-based compensation expense and adjustments to unrecognized tax benefits.

The effective tax rate reported for the three months ended March 31, 2015 was 35 percent compared to 25 percent for the same period in 2014. The rate in the period ended March 31, 2015 was equal to the U.S. federal statutory tax rate after an increase for non-deductible stock-based compensation expense and non-deductible acquisition-related costs, which was fully offset by foreign tax credits available for use. The rate in the period ended March 31, 2014 was lower than the U.S. federal statutory rate primarily due to the reductions of tax reserves that was recorded as tax audit issues were favorably settled.

As of March 31, 2015, we do not anticipate repatriating our undistributed foreign earnings of approximately $3.0 billion. Those earnings are principally related to our equity method investment in Yahoo Japan. If those earnings were to be repatriated in the future, we may be subject to additional U.S. income taxes (subject to an adjustment for foreign tax credits). It is not practicable to determine the income tax liability that might be incurred if these earnings were to be repatriated.

Our gross amount of unrecognized tax benefits as of March 31, 2015 was $1,019 million, of which $966 million is recorded on our condensed consolidated balance sheets. The gross unrecognized tax benefits as of March 31, 2015 decreased by $4 million from the recorded balance as of December 31, 2014.

We are in various stages of examination and appeal in connection with our taxes both in the U.S. and in foreign jurisdictions. Those audits generally span tax years 2005 through 2013. As of March 31, 2015, our 2011 and 2012 U.S. federal income tax returns are currently under examination. We have protested the proposed California Franchise Tax Board's adjustments to the 2005 through 2008 returns, but no conclusions have been reached to date. While it is difficult to determine when the examinations will be settled or their final outcomes, certain audits in various jurisdictions related to multinational income tax issues are expected to be resolved in the foreseeable future. As a result, it is reasonably possible that our unrecognized tax benefits could be reduced by up to approximately $154 million in the next twelve months. We believe that we have adequately provided for any reasonably foreseeable adjustment and that any settlement will not have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

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As of March 31, 2015, we have satisfied the $3.3 billion income tax liability related to the sale by Yahoo! Hong Kong Holdings Limited, our wholly-owned subsidiary, of Alibaba Group ADSs in the Alibaba Group IPO on September 24, 2014. As of March 31, 2015, we accrued deferred tax liabilities of $12.9 billion associated with the Alibaba Group shares that we retained. Such deferred tax liabilities will be subject to periodic adjustments due to changes in the fair value of the Alibaba Group shares.

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

Tax authorities from the Brazilian State of Sao Paulo have assessed certain indirect taxes against our Brazilian subsidiary, Yahoo! do Brasil Internet Ltda., related to online advertising services. The assessment is for calendar years 2008 through 2011 and, translated into U.S. dollars as of March 31, 2015, totals approximately $105 million. We currently believe the assessment is without merit. We believe the risk of loss is remote and have not recorded an accrual for the assessment.

Earnings in Equity Interests

Earnings in equity interests for the three months ended March 31, 2015 was $100 million compared to $301 million for the same period in 2014. The decrease for the three months ended March 31, 2015 was due primarily to Alibaba Group. Following the Alibaba Group IPO in September 2014, we no longer use the equity method to record our proportionate share of Alibaba Group's financial results in our condensed consolidated financial statements. Since we no longer use the equity method to account for our interest in Alibaba Group, our earnings in equity interests and net income will also be materially lower in future periods. See Note 8 — "Investments in Equity Interests Accounted for Using the Equity Method of Accounting" in the Notes to our condensed consolidated financial statements for additional information. We record earnings in equity interests one quarter in arrears.

Noncontrolling Interests

Noncontrolling interests represent the noncontrolling holders' percentage share of income or losses from the subsidiaries in which we hold a majority, but less than 100 percent, ownership interest and the results of which are consolidated in our condensed consolidated financial statements. Noncontrolling interests recorded in the three months ended March 31, 2014 and 2015 were related to the Yahoo!7 venture in Australia and New Zealand.

Liquidity and Capital Resources

	December 31, 2014	March 31, 2015
	(Dollars in thousands)	
Cash and cash equivalents	$ 2,664,098	$ 1,174,657
Short-term marketable securities	5,327,412	4,109,789
Long-term marketable securities	2,230,892	1,618,544
Total cash, cash equivalents, and marketable securities	$ 10,222,402	$ 6,902,990
Percentage of total assets	16%	14%

	Three Months Ended March 31,	
Cash Flow Highlights	**2014**	**2015**
	(In thousands)	
Net cash provided by (used in) operating activities	$ 139,061	$ (2,937,471)
Net cash (used in) provided by investing activities	$ (577,779)	$ 1,697,585
Net cash used in financing activities	$ (439,541)	$ (232,111)

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

As of March 31, 2015, we had cash, cash equivalents, and marketable securities (excluding Alibaba Group and Hortonworks equity securities) totaling $6.9 billion compared to $10.2 billion at December 31, 2014. During the three months ended March 31, 2015, we repurchased 4 million shares of our outstanding common stock for $204 million and we settled the $3.3 billion income tax liability related to the sale of Alibaba Group ADSs in September 2014.

Our foreign subsidiaries held $501 million of our total $6.9 billion of cash and cash equivalents and marketable securities (excluding Alibaba Group and Hortonworks equity securities) as of March 31, 2015. The cumulative earnings remaining in our consolidated foreign subsidiaries, if repatriated to the U.S., under current law, would be subject to U.S. income taxes with an adjustment for foreign tax credits. For the earnings that are considered indefinitely reinvested outside the U.S, principally related to our equity method investment in Yahoo Japan, we do not anticipate a need to repatriate these earnings for use in our U.S. operations.

We have a credit agreement with Citibank, N.A., as Administrative Agent (as amended, the “Credit Agreement) that provides for a $750 million unsecured revolving credit facility, subject to increase by up to $250 million in accordance with its terms. The Credit Agreement terminates on October 8, 2015, unless extended by the parties. As of March 31, 2015, we were in compliance with the financial covenants in the Credit Agreement and no amounts were outstanding.

We currently hedge a portion of our net investment in Yahoo Japan with forward and option contracts to reduce the risk that our investment in Yahoo Japan will be adversely affected by foreign currency translation exchange rate fluctuations. The forward contracts are required to be settled in cash and the amount of cash payment we receive or could be required to pay upon settlement could be material. The amount of cash paid or received on the option contracts would only be required if the exchange rate is outside a predetermined range.

We expect to continue to evaluate possible acquisitions of, or strategic investments in, businesses, products, and technologies that are complementary to our business, which acquisitions and investments may require the use of cash.

We use cash generated by operations as our primary source of liquidity and believe that existing cash, cash equivalents, and investments in marketable securities, together with any cash generated from operations, and borrowings under the Credit Agreement, will be sufficient to meet normal operating requirements and capital expenditures for the next twelve months.

Cash Flow Changes

Net cash used in operating activities. For the three months ended March 31, 2015, operating activities used $2,937 million in cash due to satisfying the $3.3 billion income tax liability related to the sales of Alibaba Group ADSs in September 2014. Net income for the three months ended March 31, 2015 was $22 million, which was adjusted for the following increases related to non-cash items: depreciation, amortization of intangibles and accretion of Notes discount of $167 million, stock-based compensation expense of $118 million, loss from sales of investments, assets, and other, net of $34 million, tax benefits from stock-based awards of $33 million, deferred income taxes of $17 million, and loss from Hortonworks warrants of $12 million, offset by reductions for non-cash items including: earnings in equity interests of $100 million, excess tax benefits from stock-based awards of $37 million, and gains on sale of patents of $2 million. Additionally, we had sources of cash from working capital of $210 million, offset by uses of cash from working capital of $3,412 million, which included the reduction of the income tax liability related to the sale of Alibaba Group shares in September 2014, as noted above.

For the three months ended March 31, 2014, operating activities provided $139 million in cash. Net income for the three months ended March 31, 2014 was $314 million, which was adjusted for the following increases related to non-cash items: depreciation, amortization of intangibles and accretion of Notes discount of $172 million, stock-based compensation expense of $109 million, tax benefits from stock-based awards of $58 million, deferred income taxes of $14 million, and loss from sales of investments, assets, and other, net of $4 million, offset by reductions for non-cash items including: earnings in equity interests of $301 million and excess tax benefits from stock-based awards of $60 million. Additionally, we had sources of cash from working capital of $118 million, offset by uses of cash from working capital of $289 million.

Net cash provided by investing activities. In the three months ended March 31, 2015, the $1,698 million provided by investing activities was due to proceeds from sales and maturities of marketable securities, net of purchases, of $1,819 million, $20 million proceeds from the sale of patents, and $17 million in net proceeds from settlement of derivative hedge contracts, partially offset by $135 million used for capital expenditures, and $23 million used for acquisitions.

In the three months ended March 31, 2014, the $578 million used in investing activities was due to purchases of marketable securities, net of disposals and maturities, of $462 million, $85 million used for capital expenditures, $22 million used for acquisitions, $10 million used for additional equity investments, and $1 million used for purchase of intangibles and other activities, partially offset by $2 million in net proceeds from settlement of derivative hedge contracts.

Net cash used in financing activities. In the three months ended March 31, 2015, the $232 million used in financing activities was due to $204 million used for the repurchase of 4 million shares of common stock at an average price of $47.65 per share and $102 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $36 million in cash proceeds received from employee stock option exercises and employee stock purchases made through our employee stock purchase plan, and an excess tax benefit from stock-based awards of $37 million.

In the three months ended March 31, 2014, the $440 million used in financing activities was due to $450 million used for the repurchase of 12 million shares of common stock at an average price of $37.65 per share and $127 million used for tax withholding payments related to net share settlements of restricted stock units and other activities. This was partially offset by $79 million in cash proceeds received from employee stock option exercises and employee stock purchases made through our employee stock purchase plan, and an excess tax benefit from stock-based awards of $60 million.

Stock Repurchases

In March 2015, the Board approved an additional share repurchase program of $2 billion (the "March 2015 Program"), which will expire in March 2018. The amount of shares of common stock authorized to be repurchased under the March 2015 Program is in addition to the amount of shares of common stock remaining available for repurchase under the November 2013 program. Repurchases under the March 2015 and the November 2013 Programs may take place in the open market or in privately negotiated transactions, including structured and derivative transactions such as accelerated share repurchase transactions, and may be made under a Rule 10b5-1 plan.

During the three months ended March 31, 2015, we repurchased approximately 4 million shares of our common stock at an average price of $47.65 per share for a total of $204 million. The following table provides the remaining authorization and repurchases by program:

	November 2013 Program	March 2015 Program	Total
	(dollars in millions)		
January 1, 2015	$ 930	$ —	$ 930
Authorized Share Repurchase amount under March 2015 Program	—	2,000	2,000
Total repurchases in the first quarter	(204)	—	(204)
March 31, 2015	$ 726	$ 2,000	$2,726

Capital Expenditures, Net

Capital expenditures are generally comprised of purchases of computer hardware, software, server equipment, furniture and fixtures, real estate, and capitalized software and labor for internal use software projects. Capital expenditures, net, were $135 million for the three months ended March 31, 2015 compared to $85 million in the same period of 2014. The increase in capital expenditures was primarily due to incremental investment in hardware to support Company initiatives, facilities expansions and improvements, partially offset by a decline in capitalizable software projects.

We expect capital expenditures, net to increase in 2015 from the amount recorded in 2014 as a result of increased investment activities.

Contractual Obligations and Commitments

The following table presents certain payments due under contractual obligations with minimum commitments as of March 31, 2015 (dollars in millions):

	Payments Due by Period				
	Total	Due in 2015	Due in 2016-2017	Due in 2018-2019	Thereafter
Convertible notes(1)	$1,438	$ —	$ —	$ 1,438	$ —
Operating lease obligations(2)	541	104	190	105	142
Capital lease obligation	53	14	25	14	—
Affiliate commitments(3)	1,962	380	801	750	31
Non-cancelable obligations(4)	202	92	97	13	—
Intellectual property rights(5)	20	5	9	2	4
Uncertain tax positions, including interest and penalties(6)	1,119	3	—	—	1,116
Total contractual obligations	$5,335	$ 598	$ 1,122	$ 2,322	$ 1,293

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

(2) We have entered into various non-cancelable operating lease agreements for our offices throughout the Americas, EMEA, and Asia Pacific regions with original lease periods up to 12 years, expiring between 2015 and 2025. See Note 12—"Commitments and Contingencies" in the Notes to our condensed consolidated financial statements for additional information.

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

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

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

(6) As of March 31, 2015, unrecognized tax benefits and potential interest and penalties resulted in accrued liabilities of $1,119 million, classified as other accrued expenses and current liabilities and deferred and other long-term tax liabilities, net on our consolidated balance sheets. It is difficult to determine when the examinations will be settled or their final outcomes. See Note 15 — “Income Taxes” in the Notes to our condensed consolidated financial statements for additional information.

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

As of March 31, 2015, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Accordingly we are not exposed to any financing, liquidity, market, or credit risk that could arise if we had such relationships. In addition, we identified no variable interests currently held in entities for which we are the primary beneficiary. In addition, as of March 31, 2015, we had no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Our estimates form the basis for our judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

For a discussion of our critical accounting policies and estimates, see “Critical Accounting Policies and Estimates” included in our Annual Report on Form 10-K for the year ended December 31, 2014 under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have made no significant changes to our critical accounting policies and estimates from those described in our Annual Report on Form 10-K for the year ended December 31, 2014.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial market risks, including changes in currency exchange rates and interest rates and changes in the market values of our investments. We may use derivative financial instruments to mitigate certain risks in accordance with our investment and foreign exchange policies.

We enter into master netting arrangements, which are designed to reduce credit risk by permitting net settlement of transactions with the same counterparty. We present our derivative assets and liabilities at their gross fair values on the condensed consolidated balance sheets.

Interest Rate Exposure

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

In November 2013, we issued $1.4375 billion of the Notes. We carry the Notes at face value less unamortized discount on our condensed consolidated balance sheets. The fair value of the Notes changes when the market price of our stock fluctuates.

Investments in fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have declined in market value due to changes in interest rates. A hypothetical 100 basis point increase in interest rates would result in a $31 million and $35 million decrease in the fair value of our available-for-sale debt securities as of December 31, 2014 and March 31, 2015, respectively.

Foreign Currency Exposure

The objective of our foreign exchange risk management program is to identify material foreign currency exposures and identify methods to manage these exposures to minimize the potential effects of currency fluctuations on our reported condensed consolidated cash flows and results of operations. All counterparties to our derivative contracts are major financial institutions. See Note 9 — “Foreign Currency Derivative Financial Instruments” in the Notes to our condensed consolidated financial statements for additional information on our hedging programs.

We transact business in various foreign currencies and have international revenue, as well as costs denominated in foreign currencies. This exposes us to the risk of fluctuations in foreign currency exchange rates.

We had net realized and unrealized foreign currency transaction losses of $2 million and $11 million for the three months ended March 31, 2014 and 2015, respectively, which include the impact of balance sheet hedging and remeasurements of foreign denominated assets and liabilities on the balance sheets of the Company and our subsidiaries.

Translation Exposure. We are also exposed to foreign exchange rate fluctuations as we convert the financial statements of our foreign subsidiaries and our investments in equity interests into U.S. dollars in consolidation. If there is a change in foreign currency exchange rates, the conversion of the foreign subsidiaries’ financial statements into U.S. dollars results in a gain or loss which is recorded as a component of accumulated other comprehensive income which is part of stockholders’ equity.

A Value-at-Risk (“VaR”) sensitivity analysis was performed on all of our foreign currency derivative positions to assess the potential impact of fluctuations in exchange rates. The VaR model uses a Monte Carlo simulation to generate thousands of random price paths assuming normal market conditions. The VaR is the maximum expected one day loss in fair value, for a given statistical confidence level, to our foreign currency derivative positions due to adverse movements in rates. The VaR model is used as a risk management tool and is not intended to represent either actual or forecasted losses. Based on the results of the model using a 99 percent confidence interval, we estimate the maximum one-day loss in the net investment hedge portfolio was $15 million and $22 million, respectively, at March 31, 2015 and December 31, 2014. The maximum one-day loss in the cash flow hedge portfolio was $2 million and $3 million, respectively, at March 31, 2015 and December 31, 2014. The maximum one-day loss in the balance sheet hedge portfolio was $4 million and $2 million, respectively, at March 31, 2015 and December 31, 2014. Actual future gains and losses associated with our derivative positions may differ materially from the sensitivity analysis performed as of March 31, 2015 due to the inherent limitations associated with predicting the timing and amount of changes in foreign currency exchange rates and our actual exposures and positions. In addition, the VaR sensitivity analysis may not reflect the complex market reactions that may arise from the market shifts modeled within this VaR sensitivity analysis.

Revenue ex-TAC and related expenses generated from our international subsidiaries are generally denominated in the currencies of the local countries. Primary currencies include Australian dollars, British pounds, Euros, Japanese yen, and Taiwan dollars. The statements of income of our international operations are translated into U.S. dollars at exchange rates indicative of market rates during each applicable period. To the extent the U.S. dollar strengthens against foreign currencies, the translation of these foreign currency-denominated transactions results in reduced consolidated revenue and operating expenses. Conversely, our consolidated revenue and operating expenses will increase if the U.S. dollar weakens against foreign currencies. Using the foreign currency exchange rates from the three months ended March 31, 2014, revenue ex-TAC for the Americas segment for the three months ended March 31, 2015 would have been higher than we reported by $2 million; revenue ex-TAC for the EMEA segment would have been higher than we reported by $7 million; and revenue ex-TAC for the Asia Pacific segment would have been higher than we reported by $11 million. Using the foreign currency exchange rates from the three months ended March 31, 2014, direct costs for the Americas segment for the three months ended March 31, 2015 would have been higher than we reported by $1 million; direct costs for the EMEA segment would have been higher than we reported by $2 million; and direct costs for the Asia Pacific segment would have been higher than we reported by $3 million.

Investment Exposure

We are exposed to investment risk as it relates to changes in the market value of our investments. We have investments in marketable securities and equity instruments of public and private companies. As of the date of the Alibaba Group IPO, we no longer account for our remaining investment in Alibaba Group using the equity method and no longer record our proportionate share of Alibaba Group's financial results in the consolidated financial statements. Instead, we now reflect our remaining investment in Alibaba Group as an available-for-sale equity security on the consolidated balance sheet and adjust the investment to fair value each quarterly reporting period with changes in fair value recorded within other comprehensive income (loss), net of tax. The change in the classification of our investment in Alibaba Group from an equity method investment to an available-for-sale marketable security exposes our investment portfolio to increased equity price risk. The fair value of the equity investment in Alibaba Group will vary over time and is subject to a variety of market risks including: company performance, macro-economic, regulatory, industry, and systemic risks of the equity markets overall.

Our cash and marketable securities investment policy and strategy attempts primarily to preserve capital and meet liquidity requirements. A large portion of our cash is managed by external managers within the guidelines of our investment policy. We protect and preserve invested funds by limiting default, market, and reinvestment risk. To achieve this objective, we maintain our portfolio of cash and cash equivalents and short-term and long-term investments in a variety of liquid fixed income securities, including both government and corporate obligations and money market funds. As of December 31, 2014, net unrealized losses on these investments were $5 million. As of March 31, 2015, net unrealized gains on these investments were not material.

A sensitivity analysis was performed on our marketable equity security portfolio to assess the potential impact of fluctuations in stock price. Hypothetical declines in stock price of ten percent, twenty percent, and thirty percent were selected based on potential near-term changes in the stock price that could have an adverse effect on our marketable equity security portfolio. As of March 31, 2015 and December 31, 2014, the fair value of our marketable equity security portfolio was approximately $32 billion and $40 billion, respectively. As of March 31, 2015, declines in stock prices of ten percent, twenty percent and thirty percent would have resulted in a $3 billion, $6 billion and $10 billion decline, respectively, in the total value of our marketable equity security portfolio.

We performed a separate sensitivity analysis on our Hortonworks warrants for which we estimate fair value using the Black-Scholes model. We have held all other inputs constant and determined the impact of hypothetical declines in stock price of ten percent, twenty percent, and thirty percent, based on potential near-term changes in the stock price that could have an adverse effect on the fair value of the warrants and result in a loss recorded to the consolidated statements of income. As of March 31, 2015 and December 31, 2014, the fair value of the Hortonworks warrants was approximately $86 million and $98 million, respectively. As of March 31, 2015, declines in stock prices of ten percent, twenty percent and thirty percent would have resulted in a $9 million, $18 million and $26 million decline, respectively, in the total value of the Hortonworks warrants.

Item 4. Controls and Procedures

***Disclosure Controls and Procedures*.** The Company's management, with the participation of the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Report. Based on such evaluation, the Company's principal executive officer and principal financial officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective.

***Internal Control Over Financial Reporting*.** There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our material legal proceedings, see the section captioned “Legal Contingencies” included in Note 12 — “Commitments and Contingencies” in the Notes to our condensed consolidated financial statements, which is incorporated by reference herein.

Item 1A. Risk Factors

We have updated the risk factors previously disclosed in Part I, Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the Securities and Exchange Commission on February 27, 2015 (“2014 Annual Report”), as set forth below. Other than changes to our risk factor discussing risks associated with our Search Agreement with Microsoft, we do not believe any of the changes constitute material changes from the risk factors previously disclosed in our 2014 Annual Report.

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

We face significant competition from online search engines, sites offering integrated internet products and services, social media and networking sites, e-commerce sites, and broadcast and print media. In a number of international markets, especially those in Asia, Europe, the Middle East and Latin America, we face substantial competition from local Internet service providers and other entities that offer search, communications, and other commercial services.

Several of our competitors offer an integrated variety of Internet products, advertising services, technologies, online services and content in a manner similar to Yahoo. We compete against these and other companies to attract and retain users, advertisers, developers, and third-party Website publishers as participants in our Affiliate network, and to obtain agreements with third parties to promote or distribute our services. We also compete with social media and networking sites which are increasingly used to communicate and share information, and which are attracting a substantial and increasing share of users, users’ online time, and online advertising dollars.

A key element of our strategy is focusing on mobile products and mobile advertising formats, as well as increasing our revenue from mobile. A number of our competitors have devoted significant resources to the development of products, services and apps for mobile devices. Several of our competitors have mobile revenue significantly greater than ours. If we are unable to develop products for mobile devices that users find engaging and that help us grow our mobile revenue, our competitive position, our financial condition and operating results could be harmed.

In addition, a number of competitors offer products, services and apps that directly compete for users with our offerings, including e-mail, search, video, social, sports, news, finance, micro-blogging, and messaging. Similarly, our competitors or other participants in the online advertising marketplace offer advertising exchanges, ad networks, demand side platforms, ad serving technologies, sponsored search offerings, and other services that directly compete for advertisers with our offerings. Additionally, as the use of programmatic advertising continues to increase, we compete with companies that have also invested in programmatic platform offerings. We also compete with traditional print and broadcast media companies to attract domestic and international advertising spending. Some of our existing competitors and possible entrants have greater brand recognition for certain products, services and apps, more expertise in particular market segments, and greater operational, strategic, technological, financial, personnel, or other resources than we do. Many of our competitors have access to considerable financial and technical resources with which to compete aggressively, including by funding future growth and expansion and investing in acquisitions, technologies, and research and development. Further, emerging start-ups may be able to innovate and provide new products, services and apps faster than we can. In addition, competitors may consolidate or collaborate with each other, and new competitors may enter the market. Some of our competitors in international markets have a substantial competitive advantage over us because they have dominant market share in their territories, have greater local brand recognition, are focused on a single market, are more familiar with local tastes and preferences, or have greater regulatory and operational flexibility due to the fact that we may be subject to both U.S. and foreign regulatory requirements.

If our competitors are more successful than we are in developing and deploying compelling products or in attracting and retaining users, advertisers, publishers, developers, or distributors, our revenue and growth rates could decline.

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

For the three months ended March 31, 2015, 81 percent of our total revenue came from search and display advertising. Our ability to retain and grow search and display revenue depends upon:

- maintaining and growing our user base and popularity as an Internet destination site;
- maintaining the popularity of our existing products, introducing engaging new products and making our new and existing products popular and distributable on mobile and other alternative devices and platforms;
- maintaining and expanding our advertiser base on PCs and mobile devices;
- achieving a better traffic mix from our Yahoo Properties and Affiliates and improving our monetization rates on such traffic;
- broadening our relationships with advertisers to small- and medium-sized businesses;
- successfully implementing changes and improvements to our advertising management platforms and formats and obtaining the acceptance of our advertising management platforms by advertisers, Website publishers, and online advertising networks;
- successfully acquiring, investing in, and implementing new technologies and strategic partnerships;
- successfully implementing changes in our sales force, sales development teams, and sales strategy;
- continuing to innovate and improve the monetization capabilities of our display and native advertising and our mobile products;
- effectively monetizing mobile and other search queries;
- continuing to innovate and improve users' search experiences;
- maintaining and expanding our Affiliate program for search and display advertising services; and
- deriving better demographic and other information about our users to enable us to offer better experiences to both our users and advertisers.

In most cases, our agreements with advertisers have a term of one year or less, and may be terminated at any time by the advertiser or by us. Search marketing agreements often have payments dependent upon usage or click-through levels. Accordingly, it is difficult to forecast search and display revenue accurately. In addition, our expense levels are based in part on expectations of future revenue, including any guaranteed minimum payments to our Affiliates in connection with search and/or display advertising, and in some cases, the expenses could exceed the revenue that we generate. The state of the global economy, growth rate of the online advertising market, and availability of capital impacts the advertising spending patterns of our existing and potential advertisers. Any reduction in spending by, or loss of, existing or potential advertisers would negatively impact our revenue and operating results. Further, we may be unable to adjust our expenses and capital expenditures quickly enough to compensate for any unexpected revenue shortfall.

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

The number of people who access the Internet through mobile devices rather than a PC, including mobile telephones, smartphones and tablets, is increasing and will likely continue to increase dramatically. More than 600 million of our monthly users are now joining us (including Tumblr) on mobile devices. In addition, search queries are increasingly being undertaken through mobile devices. As a result, our ability to grow advertising revenue is increasingly dependent on our ability to generate revenue from ads displayed on mobile devices.

A key element of our strategy is focusing on mobile devices and we expect to continue to devote significant resources to the creation and support of developing new and innovative mobile products, services and apps. However, if our new mobile products, services and apps, including new forms of Internet advertising for mobile devices, do not continue to attract and retain mobile users, advertisers and device manufacturers and to generate and grow mobile revenue, our operating and financial results will be adversely impacted. We are dependent on the interoperability of our products and services with mobile operating systems we do not control and we may not be successful in maintaining relationships with the key participants in the mobile industry that control such mobile operating systems. The manufacturer or access provider might promote a competitor's or its own products and services, impair users' access to our services by blocking access through their devices, make it hard for users to readily discover, install, update or access our products on their devices, or charge us for delivery of ads, or limit our ability to deliver ads or measure their effectiveness. If distributors impair access to or refuse to distribute our services or apps, or charge for or limit our ability to deliver ads or measure the effectiveness of our ads, then our user engagement and revenue could decline.

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

We plan to continue to manage costs to better and more efficiently manage our business. However, our operating expenses might increase as we expand our operations in areas of desired growth, continue to develop and extend the Yahoo brand, fund product development, build or expand data centers, acquire additional office space, and acquire and integrate complementary businesses and technologies. If our expenses increase at a greater pace than our revenue, or if we fail to effectively manage costs, our profitability will decline.

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

Internet search is characterized by rapidly changing technology, significant competition, evolving industry standards, and frequent product and service enhancements. Although we use Microsoft's paid search platform, we still need to continue to invest and innovate to improve our users' search experience to continue to attract, retain, and expand our user base and paid search advertiser base. We also need to continue to invest in and innovate on the mobile search experience. Pursuant to the Search Agreement with Microsoft, we are also dependent on Microsoft to continue to invest and innovate to maintain and improve its algorithmic and paid search services.

We generate revenue through other online products, services and apps, and continue to innovate the products, services and apps that we offer. The research and development of new, technologically advanced products is a complex process that requires significant levels of innovation and investment, as well as accurate anticipation of technology, market and consumer trends. If we are unable to provide innovative products and services which gain user acceptance and generate significant traffic to our Websites, or if we are unable to effectively monetize the traffic from new products and services, our business could be harmed, causing our revenue to decline.

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

Under our Search Agreement with Microsoft, Microsoft was the exclusive provider of algorithmic and paid search services for Yahoo Properties and Affiliate sites on personal computers and the non-exclusive provider of such services on mobile devices. As of April 15, 2015, Microsoft became the non-exclusive provider of such services on all devices. Commencing on May 1, 2015, the Company has agreed to request paid search results from Microsoft for 51 percent of its search queries originating from personal computers accessing Yahoo Properties and its Affiliate sites (the "Volume Commitment") and will display only Microsoft's paid search results on such search result pages. Approximately 39 percent and 35 percent of our revenue for the three months ended March 31, 2015, and the year ended December 31 2014, respectively, were attributable to the Search Agreement. Our business and operating results would be adversely affected by a significant decline in or loss of this revenue.

Pursuant to the Search Agreement with Microsoft, to maintain and grow a substantial portion of our search revenue, we are dependent on Microsoft continuing to invest and innovate to maintain and improve its algorithmic and paid search services and to be competitive with other search providers. If Microsoft fails to do this, our revenue and profitability could decline and our ability to maintain and expand our relationships with Affiliates for search and paid search advertising could be negatively impacted. Further, our competitors may continue to increase revenue, profitability, and market share at a higher rate than we do.

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

Our proposed plan to spin off all of our remaining holdings in Alibaba Group is subject to certain conditions and there can be no assurance that the spin-off will be completed or that the expected benefits from the proposed spin-off to Yahoo and its stockholders will be realized.

We have announced a plan for a spin-off of all of our remaining holdings in Alibaba Group and a current operating business of Yahoo, Yahoo Small Business, into a newly formed independent registered investment company (referred to as "SpinCo"). The stock of SpinCo will be distributed pro rata to our stockholders, resulting in SpinCo becoming a separate publicly traded registered investment company.

The completion of the spin-off is subject to certain conditions, including final approval by our Board, receipt of a favorable ruling from the Internal Revenue Service with respect to certain aspects of the transaction and a legal opinion with respect to the tax-free treatment of the transaction under U.S. federal tax laws and regulations, the effectiveness of an applicable registration statement with the Securities and Exchange Commission, and compliance with the requirements under the Investment Company Act of 1940. Possible delays or the failure in satisfying the above-described conditions or other factors, including adverse regulatory developments or determinations or adverse changes in, or interpretations of, U.S. or foreign tax laws, rules or regulations, or required third party consents, could delay or prevent completion of the proposed spin-off or cause the terms of the proposed spin-off to be materially modified. In addition, we expect that the process of completing the proposed spin-off will involve dedication of significant resources and the incurrence of significant costs and expenses. Further, there can be no assurance that the expected benefits from the proposed spin-off to Yahoo and its stockholders will be realized.

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

Our future success depends in part on our ability to aggregate compelling content and deliver that content through our online properties. We license from third parties much of the content and services on our online properties, such as news, stock quotes, sports and weather data, video, maps and photos. In addition, our users also contribute content to us. We believe that users will increasingly demand high-quality content and services. We may need to make substantial payments to third parties from whom we license or acquire such content or services. Our ability to maintain and build relationships with such third-party providers is critical to our success. In addition, as users increasingly access the Internet via mobile and other alternative devices, we may need to enter into amended agreements with existing third-party providers to cover new devices. We may be unable to enter into new, or preserve existing, relationships with the third-parties whose content or services we seek to obtain. In addition, as competition for compelling content increases both domestically and internationally, our third-party providers may increase the prices at which they offer their content and services to us, stop offering their content or services to us, or offer their content and services on terms that are not agreeable to us. An increase in the prices charged to us by third-party providers could harm our operating results and financial condition. Further, because many of our licenses for our content and services with third parties are non-exclusive, other media providers may be able to offer similar or identical content. This increases the importance of our ability to deliver compelling editorial content and personalization of this content for users in order to differentiate Yahoo from other businesses. If we are unable to license or acquire compelling content at reasonable cost, if other companies distribute content or services that are similar to or the same as that provided by us, if we do not develop or commission compelling editorial content (including personalized content), or if we do not receive compelling content from our users, the number of users of our services may not grow as anticipated, or may decline, or users' level of engagement with our services may decline, all or any of which could harm our operating results.

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

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

- the difficulty of integrating the operations, personnel, systems, and controls of acquired companies as a result of cultural, regulatory, systems, and operational differences;
- the potential disruption of our ongoing business and distraction of management;
- the incurrence of additional operating losses and operating expenses of the businesses we acquired or in which we invested;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to successfully further develop an acquired business or technology and any resulting impairment of amounts currently capitalized as intangible assets;
- the failure of strategic investments to perform as expected or to meet financial projections;
- the potential for patent and trademark infringement and data privacy and security claims against the acquired companies, or companies in which we have invested;
- litigation or other claims in connection with acquisitions, acquired companies, or companies in which we have invested;

- the impairment or loss of relationships with customers and partners of the companies we acquired or in which we invested or with our customers and partners as a result of the integration of acquired operations;
- the impairment of relationships with, or failure to retain, employees of acquired companies or our existing employees as a result of integration of new personnel;
- our lack of, or limitations on our, control over the operations of our joint venture companies;
- in the case of foreign acquisitions and investments, the impact of particular economic, tax, currency, political, legal and regulatory risks associated with specific countries; and
- the impact of known potential liabilities or liabilities that may be unknown, including as a result of inadequate internal controls, associated with the companies we acquired or in which we invested.

We are likely to experience similar risks in connection with our future acquisitions and strategic investments. Our failure to be successful in addressing these risks or other problems encountered in connection with our past or future acquisitions and strategic investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities, and harm our business generally.

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

We are required under generally accepted accounting principles to test goodwill for impairment at least annually and to review our amortizable intangible assets, investments in equity interests (including investments held by any equity method investee), and our other investments, for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill, amortizable intangible assets (including goodwill or assets acquired via acquisitions) and other investments include significant adverse changes in the business climate and actual or projected operating results (affecting our company as a whole or affecting any particular reporting unit) and declines in the financial condition of our business. Factors that could lead to impairment of investments in equity interests include a prolonged period of decline in the stock price or operating performance of, or an announcement of adverse changes or events by, the companies in which we invested or the investments held by those companies. Factors that could lead to an impairment of U.S. government securities, which constitute a significant portion of our current assets, include any downgrade of U.S. government debt or concern about the creditworthiness of the U.S. government. We have recorded and may be required in the future to record additional charges to earnings if our goodwill, amortizable intangible assets, investments in equity interests, including investments held by any equity method investee, or other investments become impaired. Any such charge would adversely impact our financial results.

Our business depends on a strong brand, and failing to maintain or enhance the Yahoo brands in a cost-effective manner could harm our operating results.

Maintaining and enhancing our brands is an important aspect of our efforts to attract and expand our user, advertiser, and Affiliate base. We believe that the importance of brand recognition will increase due to the relatively low barriers to entry in certain portions of the Internet market. Maintaining and enhancing our brands will depend largely on our ability to provide high-quality, innovative products, and services, which we might not do successfully. We have spent and expect to spend considerable money and resources on the establishment and maintenance of our brands, as well as advertising, marketing, and other brand-building efforts to preserve and enhance consumer awareness of our brands. Our brands may be negatively impacted by a number of factors such as service outages, product malfunctions, data protection and security issues, exploitation of our trademarks by others without permission, and poor presentation or integration of our search marketing offerings by Affiliates on their sites or in their software and services.

Further, while we attempt to ensure that the quality of our brands is maintained by our licensees, our licensees might take actions that could impair the value of our brands, our proprietary rights, or the reputation of our products and media properties. If we are unable to maintain or enhance our brands in a cost-effective manner, or if we incur excessive expenses in these efforts, our business, operating results and financial condition could be harmed.

We are regularly involved in claims, suits, government investigations, and other proceedings that may result in adverse outcomes.

We are regularly involved in claims, suits, government investigations, and proceedings arising from the ordinary course of our business, including actions with respect to intellectual property claims, privacy, consumer protection, information security, data protection or law enforcement matters, tax matters, labor and employment claims, commercial claims, as well as actions involving content generated by our users, stockholder derivative actions, purported class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of the outcome, such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in reputational harm, liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products or technologies, which could in the future materially and adversely affect our business, operating results, and financial condition. See Note 12 — “Commitments and Contingencies” in the Notes to our condensed consolidated financial statements.

On May 15, 2013, the Superior Court of Justice for the Federal District of Mexico reversed a judgment of U.S. $2.75 billion that had been entered against us and our subsidiary, Yahoo! Mexico, in a lawsuit brought by plaintiffs Worldwide Directories S.A. de C.V. and Ideas Interactivas, S.A. de C.V. On January 14, 2015, the plaintiffs’ appeal of that decision was denied. On February 16, 2015, the plaintiffs filed a petition for review by the Supreme Court of Mexico, where review is limited to constitutional questions under Mexican law. The plaintiffs’ petition was denied. Plaintiffs are seeking to reverse the denial through further review by the Supreme Court of Mexico. We believe there is no basis to reverse the denial in the matter; however, we cannot assure the ultimate outcome of the matter. If we are ultimately required to pay all or a significant portion of the judgment, together with any potential additional damages, interests and costs, it would have a material adverse effect on our financial condition, results of operations and cash flows. We will also be required to record an accrual for the judgment if we should determine in the future that it is probable that we will be required to pay the judgment.

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

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

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

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

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

We believe that these parties will continue to take steps such as seeking patent protection to protect these technologies. In addition, patent holding companies may continue to seek to monetize patents they have purchased or otherwise obtained. As a result, disputes regarding the ownership of technologies and rights associated with online businesses are likely to continue to arise in the future. From time to time, parties assert patent infringement claims against us. Currently, we are engaged in a number of lawsuits regarding patent issues and have been notified of a number of other potential disputes.

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

As we expand our business and develop new technologies, products and services, we may become increasingly subject to intellectual property infringement and other claims, including those that may arise under international laws. In the event that there is a determination that we have infringed third-party proprietary rights such as patents, copyrights, trademark rights, trade secret rights, or other third-party rights such as publicity and privacy rights, we could incur substantial monetary liability, or be required to enter into costly royalty or licensing agreements or be prevented from using such rights, which could require us to change our business practices in the future, hinder us from offering certain features, functionalities, products or services, require us to develop non-infringing products or technologies, and limit our ability to compete effectively. We may also incur substantial expenses in defending against third-party claims regardless of the merit of such claims. In addition, many of our agreements with our customers or Affiliates require us to indemnify them for some types of third-party intellectual property infringement claims, which could increase our costs in defending such claims and our damages. Furthermore, such customers and Affiliates may discontinue the use of our products, services, and technologies either as a result of injunctions or otherwise. The occurrence of any of these results could harm our brands or have an adverse effect on our business, financial position, operating results, and cash flows.

If our security measures are breached, our products and services may be perceived as not being secure, users and customers may curtail or stop using our products and services, and we may incur significant legal and financial exposure.

Our products and services involve the storage and transmission of Yahoo's users' and customers' personal and proprietary information in our facilities and on our equipment, networks and corporate systems. Security breaches expose us to a risk of loss of this information, litigation, remediation costs, increased costs for security measures, loss of revenue, damage to our reputation, and potential liability. Outside parties may attempt to fraudulently induce employees, users, or customers to disclose sensitive information to gain access to our data or our users' or customers' data. In addition, hardware, software or applications we procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise network and data security. Security breaches or unauthorized access have resulted in and may in the future result in a combination of significant legal and financial exposure, increased remediation and other costs, damage to our reputation and a loss of confidence in the security of our products, services and networks that could have an adverse effect on our business. We take steps to prevent unauthorized access to our corporate systems, however, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently or may be designed to remain dormant until a triggering event, we may be unable to anticipate these techniques or implement adequate preventative measures. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed and we could lose users and customers.

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

Federal, state, and international laws and regulations govern the collection, use, retention, disclosure, sharing and security of data that we receive from and about our users. The use of consumer data by online service providers and advertising networks is a topic of active interest among federal, state, and international regulatory bodies, and the regulatory environment is unsettled. Many states have passed laws requiring notification to users where there is a security breach for personal data, such as California's Information Practices Act. We face similar risks in international markets where our products, services and apps are offered. Any failure, or perceived failure, by us to comply with or make effective modifications to our policies, or to comply with any federal, state, or international privacy, data-retention or data-protection-related laws, regulations, orders or industry self-regulatory principles could result in proceedings or actions against us by governmental entities or others, a loss of user confidence, damage to the Yahoo brands, and a loss of users, advertising partners, or Affiliates, any of which could potentially have an adverse effect on our business.

In addition, various federal, state and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning privacy, data-retention and data-protection issues, including laws or regulations mandating disclosure to domestic or international law enforcement bodies, which could adversely impact our business, our brand or our reputation with users. For example, some countries are considering laws mandating that user data regarding users in their country be maintained in their country. Having to maintain local data centers in individual countries could increase our operating costs significantly. The interpretation and application of privacy, data protection and data retention laws and regulations are often uncertain and in flux in the U.S. and internationally. These laws may be interpreted and applied inconsistently from country to country and inconsistently with our current policies and practices, complicating long-range business planning decisions. If privacy, data protection or data retention laws are interpreted and applied in a manner that is inconsistent with our current policies and practices we may be fined or ordered to change our business practices in a manner that adversely impacts our operating results. Complying with these varying international requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and operating results.

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

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

- Our operations are susceptible to outages and interruptions due to fire, flood, earthquake, tsunami, other natural disasters, power loss, equipment or telecommunications failures, cyber attacks, terrorist attacks, political or social unrest, and other events over which we have little or no control. We do not have multiple site capacity for all of our services and some of our systems are not fully redundant in the event of delays or disruptions to service, so some data or systems may not be fully recoverable after such events.
- The systems through which we provide our products and services are highly technical, complex, and interdependent. Design errors might exist in these systems, or might be introduced when we make modifications, which might cause service malfunctions or require services to be taken offline while corrective responses are developed.
- Despite our implementation of network security measures, our servers are vulnerable to computer viruses, malware, worms, hacking, physical and electronic break-ins, router disruption, sabotage or espionage, and other disruptions from unauthorized access and tampering, as well as coordinated denial-of-service attacks. We may not be in a position to promptly address attacks or to implement adequate preventative measures if we are unable to immediately detect such attacks. Such events could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, including changes to security measures, to deploy additional personnel, to defend litigation or to protect against similar future events, and may cause damage to our reputation or loss of revenue.
- We rely on third-party providers over which we have little or no control for our principal Internet connections and co-location of a significant portion of our data servers, as well as for our payment processing capabilities and key components or features of certain of our products and services. Any disruption of the services they provide us or any failure of these third-party providers to handle higher volumes of use could, in turn, cause delays or disruptions in our services and loss of revenue. In addition, if our agreements with these third-party providers are terminated for any reason, we might not have a readily available alternative.

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

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

We are subject to numerous U.S. and foreign laws and regulations covering a wide variety of subject matters. New laws and regulations, changes in existing laws and regulations or the interpretation of them, our introduction of new products or forms of advertising (such as native advertising), or an extension of our business into new areas, could increase our future compliance costs, make our products and services less attractive to our users, or cause us to change or limit our business practices. We may incur substantial expenses to comply with laws and regulations or defend against a claim that we have not complied with them. Further, any failure on our part to comply with any relevant laws or regulations may subject us to significant civil or criminal liabilities, penalties, and negative publicity.

The application of existing domestic and international laws and regulations to us relating to issues such as user privacy and data protection, security, defamation, pricing, advertising, taxation, gambling, sweepstakes, promotions, billing, real estate, consumer protection, accessibility, content regulation, quality of services, law enforcement demands, telecommunications, mobile, television, and intellectual property ownership and infringement in many instances is unclear or unsettled. Further, the application to us or our subsidiaries of existing laws regulating or requiring licenses for certain businesses of our advertisers can be unclear. U.S. export control laws and regulations also impose requirements and restrictions on exports to certain nations and persons and on our business. Internationally, we may also be subject to laws regulating our activities in foreign countries and to foreign laws and regulations that are inconsistent from country to country.

The Digital Millennium Copyright Act (“DMCA”) is intended, in part, to limit the liability of eligible online service providers for caching, hosting, listing or linking to, third-party Websites or user content that include materials that give rise to copyright infringement. Portions of the Communications Decency Act (“CDA”) are intended to provide statutory protections to online service providers who distribute third-party content. We rely on the protections provided by both the DMCA and the CDA in conducting our business, and may be adversely impacted by future legislation and future judicial decisions altering these safe harbors or if international jurisdictions refuse to apply similar protections.

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

Fluctuations in foreign currency exchange rates may adversely affect our operating results and financial condition.

Revenue generated and expenses incurred by our international subsidiaries and any equity method investee are often denominated in the currencies of the local countries. As a result, our consolidated U.S. dollar financial statements are subject to fluctuations due to changes in exchange rates as the financial results of our international subsidiaries and any equity method investee are translated from local currencies into U.S. dollars. Our financial results are also subject to changes in exchange rates that impact the settlement of transactions in non-local currencies. The carrying values of our equity investments in any equity investee are also subject to fluctuations in the exchange rates of foreign currencies.

We use derivative instruments, such as foreign currency forward contracts and options, to partially offset certain exposures to fluctuations in foreign currency exchange rates. The use of such instruments may not offset any, or more than a portion, of the adverse financial effects of unfavorable movements in foreign currency exchange rates. Any losses on these instruments that we experience may adversely impact our financial results, cash flows and financial condition. Further, we hedge a portion of our net investment in Yahoo Japan Corporation ("Yahoo Japan") with currency forward contracts and option contracts. If the Japanese yen has appreciated at maturity beyond the contract execution rate, we would be required to settle the contract by making a cash payment which could be material and could adversely impact our cash flows and financial condition. See Part I, Item 3 — "Quantitative and Qualitative Disclosures About Market Risk" of this Annual Report.

Our international operations expose us to additional risks that could harm our business, operating results, and financial condition.

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

- tariffs, trade barriers, customs classifications and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- longer payment cycles;
- credit risk and higher levels of payment fraud;
- profit repatriation restrictions and foreign currency exchange restrictions;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, acts of war and terrorism;
- import or export regulations;
- compliance with U.S. laws such as the Foreign Corrupt Practices Act, and local laws prohibiting bribery and corrupt payments to government officials;
- antitrust and competition regulations;
- potentially adverse tax developments;
- seasonal volatility in business activity and local economic conditions;
- economic uncertainties relating to volatility in emerging markets and global economic uncertainty;
- laws, regulations, licensing requirements, and business practices that favor local competitors or prohibit foreign ownership or investments;
- different, uncertain or more stringent user protection, content, data protection, privacy, intellectual property and other laws; and

- risks related to other government regulation (including the potential for actions restricting access to our products), required compliance with local laws or lack of legal precedent.

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

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

We host and provide a wide variety of services and technology products that enable and encourage individuals and businesses to exchange information; upload or otherwise generate photos, videos, text, and other content; advertise products and services; conduct business; and engage in various online activities both domestically and internationally. The law relating to the liability of providers of online services and products for activities of their users is currently unsettled both within the U.S. and internationally. As a publisher and producer of original content, we may be subject to claims such as copyright, libel, defamation or improper use of publicity rights, as well as other infringement claims such as plagiarism. Claims have been threatened and brought against us for defamation, negligence, breaches of contract, plagiarism, copyright and trademark infringement, unfair competition, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information which we publish or to which we provide links or that may be posted online or generated by us or by third parties, including our users. In addition, we have been and may again in the future be subject to domestic or international actions alleging that certain content we have generated or third-party content that we have made available within our services violates laws in domestic and international jurisdictions. We arrange for the distribution of third-party advertisements to third-party publishers and advertising networks, and we offer third-party products, services, or content, such as stock quotes and trading information, under the Yahoo brand or via distribution on Yahoo Properties. We may be subject to claims concerning these products, services, or content by virtue of our involvement in marketing, branding, broadcasting, or providing access to them, even if we do not ourselves host, operate, provide, or provide access to these products, services, or content. While our agreements with respect to these products, services, and content may provide that we will be indemnified against such liabilities, the ability to receive such indemnification may be disputed, could result in substantial costs to enforce or defend, and depends on the financial resources of the other party to the agreement, and any amounts received might not be adequate to cover our liabilities or the costs associated with defense of such proceedings. Defense of any such actions could be costly and involve significant time and attention of our management and other resources, may result in monetary liabilities or penalties, and may require us to change our business in an adverse manner.

It is also possible that if any information provided directly by us contains errors or is otherwise wrongfully provided to users, third parties could make claims against us. For example, we offer Web-based e-mail services, which expose us to potential risks, such as liabilities or claims, by our users and third parties, resulting from unsolicited e-mail, lost or misdirected messages, illegal or fraudulent use of e-mail, alleged violations of policies, property interests, or privacy protections, including civil or criminal laws, or interruptions or delays in e-mail service. We may also face purported consumer class actions or state actions relating to our online services, including our fee-based services (particularly in connection with any decision to discontinue a fee-based service). In addition, our customers, third parties, or government entities may assert claims or actions against us if our online services or technologies are used to spread or facilitate malicious or harmful code or applications.

Investigating and defending these types of claims are expensive, even if the claims are without merit or do not ultimately result in liability, and could subject us to significant monetary liability or cause a change in business practices that could negatively impact our ability to compete.

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

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

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

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

- We maintain search and display advertising relationships with Affiliate sites, which integrate our advertising offerings into their Websites.
- We enter into distribution alliances with Internet service providers (including providers of cable and broadband Internet access) and software distributors to promote our services to their users.
- We enter into agreements with mobile phone, tablet, television, and other device manufacturers, electronics companies and carriers to promote our software and services on their devices.

In some markets, we depend on a limited number of distribution arrangements for a significant percentage of our user activity. A failure by our distributors to attract or retain their user bases would negatively impact our user activity and, in turn, reduce our revenue. In some cases, device manufacturers may be unwilling to pay fees to Yahoo in order to distribute Yahoo services or may be unwilling to distribute Yahoo services.

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

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

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

Certain of our metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

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

While our metrics are based on what we believe to be reasonable measurements and methodologies, there are inherent challenges in deriving our metrics across large online and mobile populations around the world. In addition, our user metrics may differ from estimates published by third parties or from similar metrics of our competitors due to differences in methodology.

If advertisers or publishers do not perceive our metrics to be accurate, or if we discover material inaccuracies in our metrics, it could negatively affect our reputation, business and financial results.

Any failure to scale and adapt our existing technology architecture to manage expansion of user-facing services and to respond to rapid technological change could adversely affect our business.

As some of the most visited sites on the Internet, Yahoo Properties deliver a significant number of products, services, page views, and advertising impressions to users around the world. We expect our products and services to continue to expand and change significantly and rapidly in the future to accommodate new technologies, new devices, new Internet advertising solutions, and new means of content delivery.

In addition, widespread adoption of new Internet, networking or telecommunications technologies, or other technological or platform changes, could require substantial expenditures to modify or adapt our services or infrastructure. The technology architectures and platforms utilized for our services are highly complex and may not provide satisfactory security features or support in the future, as usage increases and products and services expand, change, and become more complex. In the future, we may make additional changes to our existing, or move to completely new, architectures, platforms and systems, such as the changes we have made in response to the increased use of mobile devices such as tablets and smartphones. Such changes may be technologically challenging to develop and implement, may take time to test and deploy, may cause us to incur substantial costs or data loss, and may cause changes, delays or interruptions in service. These changes, delays, or interruptions in our service may cause our users, Affiliates and other advertising platform participants to become dissatisfied with our service or to move to competing providers or seek remedial actions or compensation. Further, to the extent that demands for our services increase, we will need to expand our infrastructure, including the capacity of our hardware servers and the sophistication of our software. This expansion is likely to be expensive and complex and require additional technical expertise. As we acquire users who rely upon us for a wide variety of services, it becomes more technologically complex and costly to retrieve, store, and integrate data that will enable us to track each user’s preferences. Any difficulties experienced in adapting our architectures, platforms and infrastructure to accommodate increased traffic, to store user data, and track user preferences, together with the associated costs and potential loss of traffic, could harm our operating results, cash flows from operations, and financial condition.

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

We rely on third parties to provide the technologies that we use to deliver the majority of the content, advertising, and services to our users. There can be no assurance that these providers will continue to license their technologies or intellectual property to us on reasonable terms, or at all. Providers may change the fees they charge users or otherwise change their business model in a manner that slows the widespread acceptance of their technologies. In order for our services to be successful, there must be a large base of users of the technologies necessary to deliver our content, advertising, and services. We have limited or no control over the availability or acceptance of those technologies, and any change in the licensing terms, costs, availability, or user acceptance of these technologies could adversely affect our business.

Our business depends on continued and unimpeded access to the Internet by us and our users. Internet access providers may be able to block, degrade, or charge for access to certain of our products and services, which could lead to additional expenses and the loss of users and advertisers.

Our products and services depend on the ability of our users to access the Internet, and certain of our products require significant bandwidth to work effectively. Currently, this access is provided by companies that have significant market power in the broadband and internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies, and government-owned service providers. Some of these providers may take, or have stated that they may take, measures that could degrade, disrupt, or increase the cost of user access to certain of our products by restricting or prohibiting the use of their infrastructure to support or facilitate our offerings, or by charging increased fees to us or our users to provide our offerings. Such interference could result in a loss of existing users and advertisers, and increased costs, and could impair our ability to attract new users and advertisers, thereby harming our revenues and growth. The adoption of any laws or regulations that limit access to the Internet by blocking, degrading or charging access fees to us or our users for certain services could decrease the demand for, or the usage of, our products, services and apps, increase our cost of doing business and adversely affect our operating results.

Technologies, tools, software, and applications could block our advertisements, impair our ability to deliver interest-based advertising, or shift the location in which advertising appears, which could harm our operating results.

Technologies, tools, software, and applications (including new and enhanced Web browsers) have been developed and are likely to continue to be developed that can block or allow users to opt out of display, search, and interest-based advertising and content, delete or block the cookies used to deliver such advertising, or shift the location in which advertising appears on pages so that our advertisements do not show up in the most monetizable places on our pages or are obscured. Most of our revenue is derived from fees paid by advertisers in connection with the display of graphical and non-graphical advertisements or clicks on search advertisements on Web pages. As a result, the adoption of such technologies, tools, software, and applications could reduce the number of search and display advertisements that we are able to deliver and/or our ability to deliver interest-based advertising and this, in turn, could reduce our advertising revenue and operating results.

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

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

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

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

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

We are subject to income taxes and other taxes in both the U.S. and the foreign jurisdictions in which we currently operate or have historically operated. The determination of our worldwide provision for income taxes and current and deferred tax assets and liabilities requires judgment and estimation. Our income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles.

In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. As a U.S. multinational corporation, we are subject to changing tax laws both within and outside of the U.S. We cannot predict the form or timing of potential legislative changes, but any newly enacted tax law could have a material adverse impact on our tax expense and cash flow. For example, several jurisdictions have sought to increase revenues by imposing new taxes on internet advertising or increasing general business taxes.

We earn a material amount of our income from outside the U.S. As of March 31, 2015, we had undistributed foreign earnings of approximately $3 billion, principally related to our equity method investment in Yahoo Japan. While we do not currently anticipate repatriating these earnings, any repatriation of funds in foreign jurisdictions to the U.S. could result in higher effective tax rates for us and subject us to significant additional U.S. income tax liabilities.

We are subject to regular review and audit by both domestic and foreign tax authorities as well as subject to the prospective and retrospective effects of changing tax regulations and legislation. Although we believe our tax estimates are reasonable, the ultimate tax outcome may materially differ from the tax amounts recorded in our condensed consolidated financial statements and may materially affect our income tax provision, net income, or cash flows in the period or periods for which such determination and settlement is made.

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

A large amount of information on the Internet is provided in proprietary document formats. These proprietary document formats may limit the effectiveness of search technology by preventing the technology from accessing the content of such documents. The providers of the software applications used to create these documents could engineer the document format to prevent or interfere with the process of indexing the document contents with search technology. This would mean that the document contents would not be included in search results even if the contents were directly relevant to a search. The software providers may also seek to require us to pay them royalties in exchange for giving us the ability to search documents in their format. If the search platform technology we employ is unable to index proprietary format Web documents as effectively as our competitors' technology, usage of our search services might decline, which could cause our revenue to fall.

Adverse macroeconomic conditions could cause decreases or delays in spending by our advertisers and could harm our ability to generate revenue and our results of operations.

Advertising expenditures tend to be cyclical, reflecting overall economic conditions and budgeting and buying patterns. Since we derive most of our revenue from advertising, adverse macroeconomic conditions have caused, and future adverse macroeconomic conditions could cause, decreases or delays in advertising spending and negatively impact our advertising revenue and short-term ability to grow our revenue. Further, any decreased collectability of accounts receivable or early termination of agreements, whether resulting from customer bankruptcies or otherwise due to adverse macroeconomic conditions, could negatively impact our results of operations.

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

The trading price of our common stock has been and may continue to be subject to broad fluctuations. During the three months ended March 31, 2015, the closing sale price of our common stock on the NASDAQ Global Select Market ranged from $42.50 to $50.23 per share and the closing sale price on April 30, 2015 was $42.57 per share. Our stock price may fluctuate in response to a number of events and factors, such as variations in quarterly operating results or announcements of technological innovations, significant transactions, or new features, products or services by us or our competitors; changes in financial estimates and recommendations by securities analysts; the operating and stock price performance of, or other developments involving, other companies that investors may deem comparable to us; trends in our industry; general economic conditions; and the operating performance and market valuation of Alibaba Group and Yahoo Japan in which we have investments. The equity valuation of our investment in Yahoo Japan may be impacted due to fluctuations in foreign currency exchange rates. We present our investment in Alibaba Group on our consolidated balance sheet as an available-for-sale marketable security. Consequently, the carrying value of this investment on our consolidated balance sheet will vary over time and fluctuations in its valuation may cause our stock price to fluctuate.

In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. A decrease in the market price of our common stock would likely adversely impact the trading price of the 0.00% Convertible Senior Notes due 2018 that we issued in November 2013 (the “Notes”). Volatility or a lack of positive performance in our stock price may also adversely affect our ability to retain key employees who have been granted stock options or other stock-based awards. A sustained decline in our stock price and market capitalization could lead to an impairment charge to our long-lived assets.

Delaware statutes and certain provisions in our charter documents could make it more difficult for a third-party to acquire us.

Our Board has the authority to issue up to 10 million shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. The rights of the holders of our common stock may be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deterring or preventing a change in control of Yahoo without further action by the stockholders and may adversely affect the voting and other rights of the holders of our common stock.

Some provisions of our charter documents, including provisions eliminating the ability of stockholders to take action by written consent and limiting the ability of stockholders to raise matters at a meeting of stockholders without giving advance notice, may have the effect of delaying or preventing changes in control or changes in our management, which could have an adverse effect on the market price of our stock and the value of the $1.4375 billion aggregate principal amount of the Notes we issued in November 2013. In addition, our charter documents do not permit cumulative voting, which may make it more difficult for a third-party to gain control of our Board. Further, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit us from engaging in a “business combination” with an “interested stockholder” for a period of three years after the date of the transaction in which the person became an interested stockholder, even if such combination is favored by a majority of stockholders, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change in control of us.

Any of these provisions could, under certain circumstances, depress the market price of our common stock and the Notes.

Risks Relating to the Notes

The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

We may not have the ability to raise the funds necessary to settle conversions of the Notes in cash or to repurchase the Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the Notes.

Holders of the Notes will have the right to require us to repurchase all or a portion of their Notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid special interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefore, or pay cash with respect to Notes being converted if we elect not to issue shares, which could harm our reputation and affect the trading price of our common stock.

The note hedge and warrant transactions may affect the value of the Notes and our common stock.

In connection with the pricing of the Notes, we entered into note hedge transactions with the option counterparties. The note hedge transactions are generally expected to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be. We also entered into warrant transactions with the option counterparties. However, the warrant transactions could separately have a dilutive effect to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants.

In connection with establishing their initial hedge of the note hedge and warrant transactions, the option counterparties or their respective affiliates have purchased shares of our common stock and/or entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Notes. In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the Notes (and are likely to do so during any observation period related to a conversion of Notes or following any repurchase of Notes by us on any fundamental repurchase date or otherwise). This activity could cause or avoid an increase or a decrease in the market price of our common stock or the Notes.

Any adverse change in the rating of the Notes or the Company may cause their trading price to decline.

While we did not solicit a credit rating on the Company or on the Notes, one rating service has rated both the Notes and the Company. If that rating service announces its intention to put the Company or the Notes on credit watch or lowers its rating on the Company or the Notes below any rating initially assigned to the Company or the Notes, the trading price of the Notes could decline.

The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification (“ASC”) 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet, and the value of the equity component would be treated as debt discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include the current period’s amortization of the debt discount, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

Item 2.Unregistered Sales of Equity Securities and Use of Proceeds

Share repurchase activity during the three months ended March 31, 2015 was as follows:

Period	Total Number of Shares Purchased (*)	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs (in 000s) (*)
January 1 — January 31, 2015	2,333,945	$ 51.04	2,333,945	$ 810,764
February 1 — February 28, 2015	—	$ —	—	$ 810,764
March 1 — March 31, 2015	1,942,232	$ 43.59	1,942,232	$ 2,726,112
Total	4,276,177	$ 47.65	4,276,177	

(*) The share repurchases in the three months ended March 31, 2015 were made under our stock repurchase program announced in November 2013 (the “November 2013 Program”) pursuant to which our Board of Directors authorized a stock repurchase program with an authorized level of $5 billion. The November 2013 Program, according to its terms, will expire in December 2016. In March 2015, the Board approved an additional share repurchase program of $2 billion (the “March 2015 Program”), which will expire in March 2018. The amount of shares of common stock authorized to be repurchased under the March 2015 Program is in addition to the November 2013 Program. Repurchases under the programs may take place in the open market or in privately negotiated transactions, including structured and derivative transactions such as accelerated share repurchase transactions, and may be made under a Rule 10b5-1 plan.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6.Exhibits

The exhibits listed in the Index to Exhibits (following the signatures page of this Report) are filed with, or incorporated by reference in, this Report.

SIGNATURES

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

	YAHOO! INC.	
Dated: May 7, 2015	By:	/s/ MARISSA A. MAYER **Marissa A. Mayer** **Chief Executive Officer** **(Principal Executive Officer)**
Dated: May 7, 2015	By:	/s/ KEN GOLDMAN **Ken Goldman** **Chief Financial Officer** **(Principal Financial Officer)**

Table of Contents

YAHOO! INC.

Index to Exhibits

Exhibit Number	Description
3.1(A)	Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.1 to the Registrant's Quarterly Report on Form 10-Q filed July 28, 2000 and incorporated herein by reference).
3.1(B)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant (previously filed as Exhibit 4.8 to the Registrant's Quarterly Report on Form 10-Q filed May 4, 2001 and incorporated herein by reference).
3.2	Amended and Restated Bylaws of the Registrant (previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed June 27, 2014 and incorporated herein by reference).
10.10(B)+*	Yahoo! Inc. Executive Incentive Plan for 2015.
10.13(N)*†	Tenth Amendment to Search and Advertising Services and Sales Agreement, effective as of March 23, 2015, by and between the Registrant and Microsoft Corporation.
10.13(O)*†	Eleventh Amendment to Search and Advertising Services and Sales Agreement, effective as of April 15, 2015, by and between the Registrant and Microsoft Corporation.
10.15(M)+*	Restricted Stock Unit Award Agreement, including the Notice of Grant, dated March 6, 2015, between the Registrant and Marissa A. Mayer.
10.15(N)+*	Performance Restricted Stock Unit Award Agreement, including the Notice of Grant, dated March 6, 2015, between the Registrant and Marissa A. Mayer.
10.15(O)+*	Letter Amendment, dated April 17, 2015, to Performance Stock Option Agreement (Retention Grant), between the Registrant and Marissa A. Mayer.
10.16(D)+*	Letter Amendment, dated April 17, 2015, to Performance Stock Option Agreement, between the Registrant and Ken Goldman.
31.1*	Certificate of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 7, 2015.
31.2*	Certificate of Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated May 7, 2015.
32**	Certificate of Chief Executive Officer and Chief Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(b) and 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated May 7, 2015.
101.INS*	XBRL Instance
101.SCH*	XBRL Taxonomy Extension Schema

Exhibit Number	Description
101.CAL*	XBRL Taxonomy Extension Calculation
101.DEF*	XBRL Taxonomy Extension Definition
101.LAB*	XBRL Taxonomy Extension Labels
101.PRE*	XBRL Taxonomy Extension Presentation

* Filed herewith.

** Furnished herewith.

+ Indicates a management contract or compensatory plan or arrangement.

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

Exhibit 10.10(B)

2015 Executive Incentive Plan

(March 2015)

I. Introduction

A. Applicability

1. The Employees eligible to participate in the Yahoo! Inc. 2015 Executive Incentive Plan (the “Executive Incentive Plan” or this “Plan”) are Marissa A. Mayer, Ken Goldman, David Filo, and Ronald S. Bell, as well as any other employee who is designated by the Board of Directors (the “Board”) of Yahoo! Inc. (“Yahoo” or the “Company”) as an “Executive Officer” (as defined in Rule 3b-7 under the Securities Exchange Act of 1934) and specifically designated as a Plan participant by the Compensation and Leadership Development Committee of the Board (the “Compensation Committee,” and any such other employee a “New Participant”). Any employee eligible to Participate in this Plan is referred to as a “Participant.”
2. The Compensation Committee reserves the right to amend, modify or terminate this Plan, in whole or in part, at any time, in its sole discretion including, without limitation, to comply with applicable local law, rules and regulations; provided that any such amendment will be consistent with the intent that each Participant’s bonus opportunity under this Plan qualify (except as otherwise provided by Section III.E) as performance-based compensation under Section 162(m) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”). The Compensation Committee may remove any individual from participation in this Plan at any time. All exceptions, adjustments, additions, or modifications to this Plan require the approval of the Compensation Committee.

B. Objectives of the Executive Incentive Plan

- To enhance the Company’s competitiveness and the Company’s ability to attract, motivate and retain top talent;
- To recognize the role of senior leadership in the success of the Company;
- To reward annual financial and individual performance that complements the Company’s longer-term strategic focus; and
- To encourage collaboration and teamwork across the Company.

II. Executive Incentive Plan Elements

A. Target Awards

A target cash bonus award (“Target Award”) has been established for each Participant by the Compensation Committee. Target Awards are typically expressed as a percentage of a Participant’s annual base salary rate as of the last day of the applicable year, where such salary rate does not include other forms of compensation (such as, without limitation, expense reimbursements, superannuation, bonus payments, long-term incentives, overtime compensation, and other variable compensation). Target Awards may also be a specified fixed dollar (or local currency) amount. Target Awards may be reviewed and revised in the sole discretion of the Compensation Committee.

This Plan and Target Awards do not constitute a guarantee of or entitlement to a bonus payment. A Participant’s actual bonus payment may vary from his or her Target Award.

B. Executive Incentive Plan Bonus Formula

Following the end of 2015, a “Company Performance Factor” (based on the Company’s financial and operational performance during 2015) and an “Individual Performance Factor” (evaluating the individual’s performance during the year) will be determined by the Compensation Committee. A Participant’s Executive Incentive Plan bonus for 2015, subject to the other terms and conditions of this Plan, will equal the Participant’s Target Award for 2015 multiplied by the Company Performance Factor and multiplied by the Participant’s Individual Performance Factor; provided, however, that each Participant’s Plan bonus shall not exceed 200% of his or her Target Award.

The metrics used to determine the financial performance of the Company in determining the Company Performance Factor will be GAAP Revenue, Revenue ex-TAC, Adjusted EBITDA, and Mavens Revenue (each as defined below) for 2015. The Compensation Committee will also assess (a) operational performance of the Company in determining the Company Performance Factor, and (b) individual performance in determining a Participant’s Individual Performance Factor.

- “Adjusted EBITDA” as to a particular year means the Company’s income from operations before depreciation, amortization, restructuring charges (and reversals), goodwill and intangible asset impairment charges, and stock-based compensation expense for such year, as such items are determined by the Company and reflected in its reporting of financial results.
- “GAAP” means U.S. generally accepted accounting principles.
- “GAAP Revenue” as to a particular year means the Company’s worldwide revenue for such year, as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.
- “Mavens Revenue” as to a particular year means the Company’s revenue for that period as determined by the Company in accordance with GAAP, that arises (without duplication) from:

  (a) Mobile (i.e., user activity on mobile devices, including mobile telephones, smartphones and tablets);

  (b) Video (i.e., products that take the form of a video);

  (c) Native (i.e., native advertising products); or

  (d) Social (i.e., all revenue from Tumblr).
- “Revenue ex-TAC” as to a particular year means the Company’s worldwide GAAP Revenue less TAC for such year, as determined by the Company and reflected in its reporting of financial results.
- “TAC” means traffic acquisition costs.

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

Notwithstanding the foregoing provisions, the Compensation Committee retains discretion (a) to reduce or eliminate the amount of any Executive Incentive Plan bonus otherwise payable, or (b) subject to Section II.C to below, to increase the amount of any Executive Incentive Plan bonus otherwise payable.

Any Executive Incentive Plan bonus payable to a Participant under this Plan shall not be considered as "salary" in any circumstance and shall not be included in calculations for overtime pay, retirement benefits, severance, or any other benefits under any applicable plan, policy, agreement or applicable law.

C. Bonus Limit

Subject to Section III.E, each Participant's Executive Incentive Plan bonus for 2015 is (notwithstanding anything to the contrary above) subject to the limitations of this Section C. The intent of this Section C is to structure Executive Incentive Plan bonus opportunities to qualify as performance-based compensation within the meaning of Section 162(m) of the Code ("Section 162(m)"). Accordingly, this Plan will be construed and interpreted consistent with that intent. The Participants' Executive Incentive Plan bonus opportunities are structured as performance-based awards under Appendix A to the Yahoo! Inc. Stock Plan, as amended (the "Stock Plan"). Any determination contemplated by this Plan for the applicable year will be made by the Compensation Committee, and no Executive Incentive Plan bonus may be paid unless and until the Compensation Committee certifies, by resolution or other appropriate action in writing, that the bonus is not more than the Participant's maximum bonus determined pursuant to this Section C and that any other material terms applicable to the bonus were in fact satisfied.

The maximum aggregate bonus pool for 2015 under this Plan will equal 3% of Yahoo! Inc.'s Adjusted EBITDA for 2015 (the "Section 162(m) Bonus Pool Limit"). The Compensation Committee established each Participant's maximum Executive Incentive Plan bonus for 2015 as follows (in each case expressed as a portion of the Section 162(m) Bonus Pool Limit for that year): Marissa A. Mayer—one-half; Ken Goldman—one-sixth; Ronald S. Bell—one-sixth; and David Filo—one-sixth. (For example, if the Compensation Committee allocated one-sixth of the Section 162(m) Bonus Pool Limit to a particular Participant, the Participant's maximum Executive Incentive Plan bonus will equal one-sixth of 3% of Yahoo! Inc.'s Adjusted EBITDA.) Notwithstanding the foregoing, in all cases each Participant's maximum Executive Incentive Plan bonus for 2015 will be subject to the limit of Section A.3 of the Stock Plan and any other maximum bonus amount established by the Compensation Committee for that Participant, in each case if lower than the amount determined pursuant to this Section C. The Compensation Committee has discretion to reduce (but not increase) the maximum amount of a Participant's bonus determined pursuant to this Section C. For purposes of clarity, if the Compensation Committee exercises its discretion to reduce the maximum amount of any Executive Incentive Plan bonus (or any Executive Incentive Plan bonus is otherwise not paid at the maximum amount), the amount of the difference may not be allocated to any other Participant.

When calculating GAAP Revenue, Revenue ex-TAC, Adjusted EBITDA, and Mavens Revenue for purposes of determining actual performance for 2015, the Company's actual GAAP Revenue, Revenue ex-TAC, Adjusted EBITDA, and Mavens Revenue for such year shall be adjusted (without duplication) for the following items to the extent such items were not included in the Financial Plan for 2015:

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP;

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

(f) increased or decreased to eliminate the financial statement impact of the proposed spin-off of the Company's remaining holdings in Alibaba Group Holding Limited and Yahoo Small Business, and costs associated with such transaction.

"Financial Plan" for 2015 means the Company's final financial plan for 2015 reviewed by the Board of Directors in advance of such year.

III. TERMS AND CONDITIONS

A. Executive Incentive Plan Effective Period

This Plan covers the period from January 1, 2015 to December 31, 2015. This Plan supersedes all previous executive cash incentive plans, management incentive plans (MIP), Yahoo Incentive Plans for Excellence and Execution (YIPEE), Sales Incentive Plans, or leadership bonus plans and agreements and all other previous or contemporaneous oral or written statements by the Company on this subject.

B. Date for Incentive Payments

Executive Incentive Plan bonuses paid under this Plan are not earned until paid and in all events remain subject to Section III.J. It is a condition for Executive Incentive Plan eligibility that Participants must be employed, and to the extent permitted by applicable law, not under notice of termination given by the Company or the Participant (if applicable), on the payment date of the Executive Incentive Plan bonuses (except as otherwise provided below in Section G). Payment will not occur until after financial results for 2015 are determined by the Company and the year end review process for 2015 is completed.

C. Form and Timing of Payment

If the conditions for payment described above are met, the Executive Incentive Plan bonus will be payable in a lump sum cash payment (in local currency), subject to required payroll deductions and tax withholdings no later than March 15, 2016 (except that, in the case of any Participants not on the United States payroll of the Company at the start of the applicable year and who are not added to the United States payroll of the Company during the applicable year, payment will occur not later than March 31, 2016).

D. Adjustments to Target Awards

The Compensation Committee in its sole discretion can approve adjustments to Target Awards for Participants during 2015. Any such changes will be communicated to the Participant in writing.

E. New Participants; Changes in Position; Other Prorations

If an employee is designated by the Board as an Executive Officer during 2015 (due to being newly hired, promoted, or otherwise), the Compensation Committee may select the employee for participation in this Plan by notifying the employee that he or she has been designated as a Participant under this Plan. Unless otherwise provided by the Compensation Committee at the time a New Participant is selected for participation in this Plan (in which case the Compensation Committee shall also, at such time, specify the applicable Section 162(m) limitation(s) applicable to the New Participant), any New Participant's Executive Incentive Plan bonus for 2015 will not be subject to the limitations of Section II.C and, accordingly, will not qualify as performance-based compensation within the meaning of Section 162(m).

The following rules shall also apply except as otherwise determined by the Compensation Committee with respect to a particular Participant:

- If a Participant's Target Award as to the year changes during the year, or if a New Participant is added during the year, his/her annual Target Award amount shall be prorated based on the number of days each amount was in effect during the year.
- If a Participant transfers mid-year from an Executive Incentive Plan-eligible position to one that is not Executive Incentive Plan eligible (for example, if a Participant ceases to be designated as an Executive Officer by the Board but remains employed by the Company), the Compensation Committee, in its sole discretion, shall award the employee an Executive Incentive Plan bonus based on a prorated Executive Incentive Plan Target Award. Any such payment will be paid at the same time as other Executive Incentive Plan payments are paid.

The Compensation Committee has the sole discretion to prorate, reduce, offset, or eliminate Executive Incentive Plan bonuses to account for advances or payouts to employees under other bonus plans in effect during the same year, or for other reasons as it deems appropriate.

F. Leaves of Absence

To the extent permitted by applicable law, the amount of the Executive Incentive Plan bonus may be prorated for Participants who have been on an approved leave of absence during the year.

G. Terminations of Employment

To the extent permitted by applicable law, and except as otherwise approved by the Compensation Committee or expressly set forth in a written agreement between the Participant and the Company, Participants whose employment is voluntarily or involuntarily terminated (with or without cause) by the Participant or the Company or are under notice of termination given by either party (if applicable) prior to the payment date of the Executive Incentive Plan bonus will not be eligible for and shall not receive any Executive Incentive Plan bonus.

Participants whose employment terminates due to the employee's total disability during 2015 will be eligible for a prorated Executive Incentive Plan bonus, based on the date of termination, and paid at the time other Executive Incentive Plan bonuses are paid under this Plan, to the extent permitted by applicable law. If a Participant dies during 2015, the Executive Incentive Plan bonus will be prorated based on the date of death and paid to the estate of the deceased Participant, at the time other Executive Incentive Plan bonuses are paid.

H. Executive Incentive Plan Interpretation

This Plan shall be interpreted by the Compensation Committee. The Compensation Committee has the sole discretion to interpret or construe ambiguous, unclear or implied (but omitted) terms and shall resolve any and all questions regarding interpretation and/or administration.

Participants who have issues regarding payments or the administration of this Plan may file a claim in writing to the Compensation Committee, c/o the Secretary of the Company, within 90 days of the date on which the Participant first knew (or should have known) of the facts on which the claim is based. The Compensation Committee or its designee(s) shall consider the claim and notify the Participant in writing of the determination and resolution of the issue. Claims that are not pursued through this procedure shall be treated as having been irrevocably waived. The determination of the Compensation Committee or its designee(s) as to any complaint or dispute will be final and binding and shall be upheld unless arbitrary or capricious or made in bad faith.

The provisions of this Plan are severable and if any provision is held to be unenforceable by any court of competent jurisdiction then such unenforceability shall not affect the enforceability of the remaining provisions of this Plan.

This Plan shall be construed and interpreted consistent with, and so as to avoid the imputation of any tax, penalty or interest under, Section 409A of the Code. However, other than the Company's right to withhold required payroll deductions and tax withholdings, each Participant is solely responsible for his or her tax liability that may result from the payment of any bonus under this Plan.

I. Employment At-Will (U.S. Employees only)

The employment of all Participants in the United States is "at will" and is terminable by either the Participant or Yahoo! at any time, with or without advance notice and with or without cause. This Plan shall not be construed to create a contract of employment for a specified period of time between Yahoo! and any U.S. Participant.

J. Recoupment

Notwithstanding any other provision herein, the recoupment or “clawback” policies adopted by the Compensation Committee and applicable to incentive awards, as such policies are in effect from time to time, shall apply to this Plan and any bonuses paid or payable under this Plan.

Exhibit 10.13(N)

TENTH AMENDMENT

TO SEARCH AND ADVERTISING SERVICES AND SALES AGREEMENT

This Tenth Amendment to Search and Advertising Services and Sales Agreement (this "Tenth Amendment") is entered into to be effective as of March 23, 2015 ("Tenth Amendment Effective Date") by and between Yahoo! Inc., a Delaware corporation ("Yahoo!") and Microsoft Corporation, a Washington corporation ("Microsoft").

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

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

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

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

2. Other Termination Rights. Section 19.3.4(a) of the Agreement is amended as follows:

- The first sentence of Section 19.3.4(a) of the Agreement is hereby deleted and replaced in its entirety with the following, "During the 60-day period following the fifth anniversary of the Commencement Date, if the trailing 12-month average of Yahoo!'s RPS for its primary United States Yahoo! Properties is less than [*]% of Google's trailing 12-month estimated average RPS then Yahoo! may terminate this Agreement. Any termination by Yahoo! within the 60-day period specified herein shall be deemed to have been made as of [*] for purposes of determining the trailing 12-month average of Yahoo!'s RPS for its primary United States Yahoo! Properties and Google's trailing 12-month estimated average RPS."
- The second sentence of Section 19.3.4(a) is amended by replacing the word "sentence" with the word "sentences."

3. Miscellaneous. This Tenth Amendment will be governed and construed, to the extent applicable, in accordance with the laws of the State of New York, without regard to its conflict of law principles. This Tenth Amendment may be executed in multiple textually identical counterparts, each of which constitutes an original and all of which collectively shall constitute one and the same instrument. This Tenth Amendment may be amended or modified

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

only by a written agreement executed by an authorized representative of each party. This Tenth Amendment binds the parties hereto and their respective personal and legal representatives, successors, and permitted assigns. Except as expressly set forth herein, the Agreement remains in full force and effect and this Tenth Amendment does not alter, amend or change any of the other terms or conditions set forth in the Agreement. To the extent of any conflict between this Tenth Amendment and any provisions of the Agreement, this Tenth Amendment shall control with respect to the subject matter hereof.

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

YAHOO! INC.	**MICROSOFT CORPORATION**
By: /s/ Marrisa A. Mayer	By: /s/ Frederik van der Kooi
Name: Marissa A. Mayer	Name: Frederik van der Kooi
Title: CEO	Title: VP Advertising
Date: 3/23/15	Date: 3/23/15

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

Execution Version

ELEVENTH AMENDMENT

TO SEARCH AND ADVERTISING SERVICES AND SALES AGREEMENT

This Eleventh Amendment to Search and Advertising Services and Sales Agreement (this "Eleventh Amendment") is entered into to be effective as of April 15, 2015 ("Eleventh Amendment Effective Date") by and between Yahoo! Inc., a Delaware corporation ("Yahoo!"), and Microsoft Corporation, a Washington corporation ("Microsoft").

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

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

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

1. Definitions. Capitalized terms used but not defined herein have the same meanings given in the Agreement. The following definitions either replace existing definitions in, or are added to, Exhibit A of the Agreement:

"Algorithmic Listings Serving Cost" means $[*] per 1,000 Algorithmic Requests for results requested for the United States, Canada, or the UK markets, and $[*] per 1,000 Algorithmic Requests for results requested from other markets.

"Algorithmic Request" means a Query, Non-Internet Search Query, or call delivered by Yahoo! to Microsoft for Algorithmic Listings from Microsoft's Algorithmic Search Services.

"Commercial Query" means a Query which, if sent to Microsoft, would be expected to generate (based on average historical performance or other quantifiable measures) at least one relevant Paid Listing from Microsoft's Paid Search Services and such Paid Listing has a bid of at least $[*] and a click-through-rate of no less than [*]%.

"Mobile Device" means (a) a mobile device used for any computing, communications or other services (e.g., mobile phones, tablets and wearable devices), (b) any device with a physical screen size of 9.7 inches or less, or (c) any other device that Microsoft and Yahoo! either agree in writing are Mobile Devices or both treat as mobile for purposes of rendering the user experience. Examples include, as of the Effective Date, devices such as the Apple iPhone, RIM Blackberry, Apple iPad, Samsung Galaxy, Nokia Nseries, Nokia Lumia, the Samsung Note, any other devices manufactured by other companies that are captured by this definition and, in the future, any devices that are captured by this definition. From time-to-time the parties shall engage in good faith discussions to modify this definition to take into account then-current trends in mobile consumer electronics and Microsoft and Yahoo!'s implementation of their respective mobile services.

"Paid Listing Request" means a Query, Non-Internet Search Query, or call delivered by Yahoo! to Microsoft for Paid Listings from Microsoft's Paid Search Services.

"Paid Listings Serving Cost" means $[*] per 1,000 Paid Listing Requests for results requested for the United States, Canada, or the UK markets, and $[*] per 1,000 Paid Listing Requests for results requested for other markets.

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

“Personal Computer” means a computer built around a microprocessor for use by one person at a time and can be a desktop or laptop device but does not include any Mobile Device or any device designed primarily to be connected to televisions and used for playing video games or streaming video (e.g., Xbox, Playstation, cable set top box, Apple TV).

2. Traffic Guarantee. A new Section 2.5 is added to the Agreement as follows:

“2.5 Yahoo! Volume Commitment and Other Commitments. Beginning on May 1, 2015, and for each calendar month thereafter, Yahoo! shall request (and display, if returned) Paid Listings from Microsoft’s Paid Search Services for a minimum of 51% of Queries and Non-Internet Search Queries originating from Personal Computers accessing Yahoo! Properties and Syndication Properties in each calendar month (the “Yahoo! Volume Commitment”). Notwithstanding the foregoing Yahoo! will be deemed not to have violated the requirements of this Section 2.5 to deliver the Yahoo! Volume Commitment in given month if Yahoo! delivers at least 95% of the Yahoo! Volume Commitment in a calendar month but in the subsequent calendar month Yahoo! makes good on the number of Queries and Non-Internet Search Queries in the shortfall. In response to Queries and Non-Internet Search Queries for the Yahoo! Volume Commitment, Yahoo! will ensure that it will display Paid Listings only from Microsoft’s Paid Search Services on results pages on Yahoo! Properties and Syndication Properties. For clarity, for Queries or Non-Internet Search Queries that are in excess of the Yahoo! Volume Commitment or other calls for Microsoft’s Paid Search Services, Yahoo! may, but is not required to, display Paid Listings returned from Microsoft’s Paid Search Services in response to such Queries, Non-Internet Search Queries and calls. Yahoo! also agrees that all Queries and Non-Internet Search Queries sent to Microsoft in connection with the Yahoo! Volume Commitment in each month will have (a) an average, aggregate traffic quality equal to or better than the average, aggregate traffic quality of Yahoo!’s overall Queries and (b) a ratio of Commercial Queries relative to total Queries in the Yahoo! Volume Commitment equal to or better than the ratio of Yahoo!’s total Commercial Queries relative to its total Queries, where the mix of Commercial Queries sent to Microsoft is reasonably comparable to the mix of Yahoo!’s total Commercial Queries. The (a) determination of what Queries are Commercial Queries and (b) selection of Queries and Non-Internet Search Queries for the Yahoo! Volume Commitment to satisfy Yahoo!’s obligations under this Section 2.5 will be determined by Yahoo! in a manner that is (i) transparent to Microsoft (with respect to both the methodology for the determination of what Queries are Commercial Queries and for the selection of Queries and Non-Internet Search Queries that are included in the Yahoo! Volume Commitment and the associated data for such determination and selection); (ii) reasonable and fair and (iii) consistently applied. Yahoo! will also provide additional information with respect to Microsoft’s reasonable requests to clarify how such Queries and Non-Internet Search Queries are included in the Yahoo! Volume Commitment occurs to ensure that the above is satisfied. In addition, Yahoo! will timely address (where appropriate) any questions and concerns that Microsoft raises regarding the Yahoo! Volume Commitment.”

3. Sales. Effective on July 1, 2015, Yahoo!’s sales exclusivity for Premium Direct Advertisers will terminate and the provisions relating to a non-exclusive sales relationship will commence under the terms set forth in Section 7.2.3(d) of the Agreement. Section 5 of the Agreement is amended to add new Sections 5.13, 5.14, 5.15 and 5.16 as follows:

“5.13 Transition of Sales Responsibilities. Microsoft and Yahoo! will develop a plan and schedule to transition sales responsibilities for Premium Direct Advertisers to Microsoft with such transition starting on July 1, 2015 and completed by January 31, 2016 (the “Sales Transition Period”); provided, however, the parties will use commercially reasonable efforts to migrate Premium Direct Advertisers representing at least [*]% of Net Revenues for Premium Direct Advertisers in the [*] (calculated using 2014 Net Revenues for these markets) by September 30, 2015 and the plan and schedule shall reflect such timing. The parties agree to work together in

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

good faith prior to and during the Sales Transition Period to reasonably facilitate an orderly transition of sales responsibilities from Yahoo! to Microsoft in a manner that preserves Premium Direct Advertisers' budgets and minimizes issues related to Microsoft assuming responsibility for sales of Microsoft Paid Search Services to Premium Direct Advertisers, including introductions by Yahoo! for Microsoft to Premium Direct Advertisers when requested, external communications regarding the intent of the parties that sales responsibilities will be transitioning to Microsoft, and migrating Premium Direct Advertisers to sales management by Microsoft's sales force for the Core Platform. The plan will include the providing of Customer data as defined by contact information, and terms and conditions. Microsoft and Yahoo! will use good faith efforts to develop a means to enable payment instruction information for Customers to be provided to Microsoft (e.g., where not limited by confidentiality obligations, such information may be directly provided by Yahoo!; where confidentiality obligations limit the direct provision of such information the parties will work to identify another means such as requesting Customer consent, requesting that a Customer provide information directly to Microsoft, providing Microsoft content information to request the information directly, etc.). In advance of the Sales Transition Period, the parties will work together to introduce Microsoft sales personnel to Premium Direct Advertisers, enable such Microsoft personnel to start engaging with Premium Direct Advertisers (but not sell Paid Search Services to such advertisers prior to July 1, 2015), and otherwise prepare for the transition.

The parties intend to address any individual markets other than [*] whereby Microsoft is unable to transition sales responsibilities within the Sales Transition Period by having Yahoo! continuing to provide sales services in such markets for a limited period of time, as requested by Microsoft, but not to exceed [*]. Upon the completion of the Sales Transition Period in a given market, (a) Yahoo!'s rights and obligations around sales of Microsoft's Paid Search Services to Premium Direct Advertisers, including those set forth in Section 5 of this Agreement, will cease in such market and (b) Microsoft shall assume exclusive rights and responsibilities (as between the parties) for sales of Microsoft Paid Search Services in such market (c) Microsoft's obligations to provide Yahoo! with Advertiser Data, PDA Listings Data, and other sales-related data and services will cease in such market, and (d) Section 5.1-5.12 will terminate with respect to such market (and will terminate completely following the last market transition) and all Microsoft sales, advertisers and marketplace reporting obligations provided in the Agreement to the extent provided for the primary purpose of managing sales for Customers will cease.

At Yahoo!'s request, Microsoft will discuss in good faith a potential reseller arrangement to enable Yahoo! to sell Microsoft's Paid Search Services under a separate agreement, including Microsoft providing Yahoo! with data and reporting capabilities for such an arrangement."

5.14 Addition of Premium Search Publishers to Combined Marketplace. Upon written notice, each party will have the right to add Premium Search Publishers (as defined below) with which they have signed new search distribution agreements to receive Algorithmic Search Services or Paid Search Services on their owned and operated properties to the combined marketplace of Microsoft O&O Properties and Yahoo! Properties (the "Combined Marketplace"). Thereafter, the Core Platform and sales efforts for the Services will promptly reflect such additions to the Combined Marketplace, at which point the additional Premium Search Publishers will receive appropriate Paid Listings. Microsoft will continue to enable distribution controls to allow Customers to opt out of having their Paid Listings from Microsoft's Paid Search Services appear on the Web pages of such Premium Search Publishers and continue to appear on Microsoft O&O Properties and Yahoo! Properties. Microsoft and Yahoo! will discuss and address, if needed, any issues of traffic quality and monetization based upon the inclusion of additional Premium Search Publishers to the Combined Marketplace, including but not limited to, appropriate discounting if necessary in accordance with Section 2.2.3(b) of the Agreement.

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At the conclusion of (i) the ninety day period immediately following the addition of a new Premium Search Publisher to the Combined Marketplace and (ii) each six month anniversary thereafter, Microsoft shall provide Yahoo! with the average Traffic Quality Score of such Premium Search Publisher during the immediately preceding ninety day period. To the extent that the Traffic Quality Score is below 90% of the average Traffic Quality Score of the Combined Marketplace excluding any such Premium Search Publishers, the parties must mutually agree to allow each new Premium Search Publisher to remain in the Combined Marketplace. Otherwise, the relevant, new Premium Search Publisher will be removed from the Combined Marketplace on a go forward basis.

"Premium Search Publishers" will include (i) [*], and (ii) other premium search publishers as mutually agreed to by the parties.

5.15 Non-Discrimination. During the Term, (a) neither Microsoft nor Yahoo! will knowingly discourage, inhibit or provide any disincentive to advertisers from having their Paid Listings from the Services and the Additional Services (as applicable) displayed on the other party's (or its distribution partners') Web pages; (b) neither party will issue a credit or refund for Paid Listings from the Services in order to increase an advertiser's spend outside of the Microsoft Paid Search Services, and (c) each party's rebates, credits practices and other policies and practices (i) related to the Bad Debt Rate and (ii) that give rise to the discounts included in clauses (a), (b) and (c) of the definition of Net Revenues, will be commercially reasonable and consistent with standard industry practices, except that the discounts in clause (c) of the definition of Net Revenues need only be commercially reasonable. Microsoft shall not provide less favorable treatment (including equal treatment when not merited) to Yahoo! or Syndication Partners or Yahoo! Customers than to Microsoft, any Microsoft partner or Microsoft Customers in connection with the delivery or operation of the Services, except when such treatment is transparent and based on reasonable and fair factors that are consistently applied to Microsoft O&O Properties as well.

5.16 Sales Tools. Yahoo! shall license to Microsoft its Sales Tools for Microsoft to use solely in connection with Microsoft's Paid Search Services on a perpetual, non-exclusive basis in accordance with the terms of the License Agreement. Yahoo! shall not have any support or other obligations with respect to such Sales Tools beyond the initial delivery to Microsoft of the source code and available documentation for such Sales Tools as set forth in the Supplemental Technology Schedule to the License Agreement to be entered into by the parties concurrently with this Agreement, and such training on the Sales Tools as reasonably necessary to facilitate the operation and maintenance of such Sales Tools by Microsoft."

4. Non-Exclusive. During the Term and in accordance with the terms and conditions of this Agreement, Microsoft will provide Yahoo! with Microsoft's Algorithmic Search Services and Paid Search Services and Yahoo! has the right, but not the obligation (other than Section 2.5 of the Agreement, as amended) to use, on a non-exclusive basis, Microsoft's Algorithmic Search Services and/or Paid Search Services on Yahoo! Properties and Syndication Properties. For the avoidance of doubt, all non-Personal Computers (e.g., mobile phones, tablets and wearable devices) are always non-exclusive and never subject to the Yahoo! Volume Commitment set forth in Section 2.5 of this Agreement. In addition, Section 3.4 of the Agreement continues to apply but Microsoft agrees to provide any applicable Services on a non-exclusive basis.

5. Exclusivity. Section 7 of the Agreement is deleted in its entirety with the exception of Sections 7.2.3(d) and 7.2.3(f) of the Agreement which remain in effect until the end of the Sales Transition Period.

6. Calculation of Payments. Section 9 of the Agreement is altered as follows to be applicable with respect to Services delivered after May 1, 2015:

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

(a) Section 9.1.1 through 9.1.4 of the Agreement are deleted in their entirety and replaced with the following:

"9.1.1 The "Rev Share Rate" shall be 93%.

9.1.2 Services and Additional Services Sold by Yahoo!.

(a) In connection with Paid Listings from Services and Additional Services sold by Yahoo! that, with respect to Paid Search Services, are displayed in response to Queries and Non-Internet Search Queries entered on Microsoft O&O Properties and Microsoft syndication properties, Yahoo! shall pay to Microsoft 100% of the Adjusted Net Revenues.

(b) In connection with Paid Listings from Services and Additional Services sold by Yahoo! that, with respect to Paid Search Services are displayed in response to Queries and Non-Internet Search Queries entered on Yahoo! Properties or Syndication Properties, Yahoo! shall pay to Microsoft an amount equal to (i) the Net Revenues less an amount equal to the Net Revenues multiplied by the Rev Share Rate less (ii) Net Revenues multiplied by Bad Debt Rate in excess of 1%. By way of example, if there was $100 in Net Revenues for Paid Search Services sold by Yahoo! displayed on Yahoo! Properties and Syndication Properties, 2% Bad Debt Rate and an 93% Rev Share Rate, then Yahoo! would pay to Microsoft $6 (i.e., $100 - ($100 x 93%) – ($100 x (2%-1%))).

9.1.3 Services and Additional Services Sold by Microsoft.

(a) In connection with Paid Listings from Services and Additional Services sold by Microsoft that with respect to Paid Search Services are displayed in response to Queries and Non-Internet Search Queries on Yahoo! Properties or Syndication Properties, Microsoft shall pay to Yahoo! an amount equal to (i) the Net Revenues multiplied by the Rev Share Rate less (ii) Net Revenues multiplied by Microsoft bad debt rate (calculated for Microsoft similar to the "Bad Debt Rate" as defined with respect to Yahoo!) in excess of 1%; provided, however, that Microsoft may offset any amounts owed pursuant to this Section 9.1.3(a) by any Serving Costs owed by Yahoo! pursuant to Section 9.1.5(a) below.

9.1.4 Other Ads. With respect to a specific Paid Listing Request, if Gemini ads or other Yahoo! or third party Paid Listings from Paid Search Services appear with Paid Listings from Microsoft's Paid Search Services on Yahoo! Properties or Syndication Properties (solely to the extent such Paid Listings from Paid Search Services were provided by Yahoo! to the relevant Syndication Partner), Yahoo! shall pay to Microsoft Net Revenues (calculated for such other Paid Listings from Paid Search Services in the same way as defined and calculated in the Agreement) ("Other Ad Revenues") less an amount equal to Other Ad Revenues multiplied by the Rev Share Rate. Yahoo! shall provide Microsoft with relevant information on Other Ad Revenues after the end of each month."

(b) For avoidance of doubt, payments relating to Services delivered to BOSS Syndication Partners will be determined pursuant to the terms of Sections 9.1.2, 9.1.3, 9.1.4 and 9.1.5 of this Agreement rather than pursuant to any payment provisions set forth in Section 2.1.6 of the Agreement.

(c) Section 9.1.5(a) of the Agreement is deleted in its entirety and replaced with the following:

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

"9.1.5 Reimbursements and Other Charges.

(a) Serving Costs. For each Algorithmic Request or Paid Listing Request, if

(i) Yahoo! makes an Algorithmic Request, but not a Paid Listing Request, Yahoo! shall pay Microsoft the Algorithmic Listing Serving Cost;

(ii) Yahoo! makes a Paid Listing Request, but not an Algorithmic Request, Yahoo! shall pay Microsoft the Paid Listings Serving Cost in the event Yahoo! does not display at least one Paid Listing delivered from Microsoft's Paid Search Services; and

(iii) Yahoo! makes both an Algorithmic Request and a Paid Listing Request, Yahoo! shall pay Microsoft the Algorithmic Listing Serving Cost and Paid Listings Serving Cost in the event Yahoo! does not display at least one Paid Listing delivered from Microsoft's Paid Search Services.

The reporting provided in Section 9.2.2(g) shall detail the above and include the amount due pursuant to this Section 9.1.5(a). For each Query or Non-Internet Search Query, Yahoo! will pay Microsoft either its revenue share or the relevant serving cost, and in no event will Microsoft be entitled to both a revenue share and serving costs for a single Query.

For clarity, Microsoft shall earn either a revenue share on Paid Listings from Microsoft's Paid Search Services or serving costs as illustrated in the table below:

	Yahoo! Request		
	Algorithmic Request and a Paid Listing Request	Algorithmic Request only	Paid Listing Request only
Yahoo! Receives Paid Listing(s) from Microsoft and displays a least one of such Paid Listing(s)	7% Revenue Share (including 7% of Other Ad Revenues, if any)	N/A	7% Revenue Share (including 7% of Other Ad Revenues, if any)
Yahoo! Receives Paid Listing(s) from Microsoft and does not display any such Paid Listing(s)	Algorithmic Listings Serving Cost + Paid Listings Serving Cost	N/A	Paid Listings Serving Cost
No Paid Listing(s) from Microsoft delivered	7% Revenue Share*	Algorithmic Listings Serving Cost	7% Revenue Share*

***** 7% revenue share applies but there's no revenue since Microsoft did not deliver a Paid Listing to Yahoo!."

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

(d) Starting on May 1, 2015, Yahoo!'s obligations to pay Covered Marginal Costs pursuant to the Agreement no longer apply with the exception of those obligations referenced in (i) Sections 2.1.5(b) and 2.1.5(c) of the Agreement in connection with the Web Crawl Cache and Web Content Derived Metadata and (ii) Section 2.4.7(a) in connection with test queries. For clarity and notwithstanding the preceding sentence, Yahoo! may owe serving costs under Section 9.1.5 (rather than Covered Marginal Costs) for Yahoo!'s use of the Services for (w) multiple API calls per Query as described in Section 2.4.6, (x) BOSS Syndication Partners as described in Section 2.1.6, (y) Non-Internet Search Queries as described in Section 3.1, and (z) China as described in Section 6.2.

(e) Sections 9.1.5(d), 9.1.5(g) and 9.1.5(o) of the Agreement are deleted in their entirety and replaced with "Intentionally Omitted".

7. Termination Rights. Section 19.3.1(b) of the Agreement is deleted in its entirety and replaced with "Intentionally Omitted". In addition, Section 19.3.4 of the Agreement is deleted in its entirety and replaced with the following:

"19.3.4 Other Termination Rights. Starting on October 1, 2015, either party may terminate this Agreement in its entirety for any reason or no reason by providing the other party with written notice ("Termination Notice"). For clarity, Section 19.7 remains effective in the event of such a termination."

8. Effect of Early Termination and Tail Transition Period. Section 19.5 of the Agreement is deleted in its entirety and replaced with the following:

"19.5 Effect of Early Termination and Tail Transition Period. If either party provides a termination notice prior to the expiration of the ten-year period defined in Section 19.1 (including pursuant to Section 19.3.4) then both parties will continue to perform all of their obligations and retain all rights for a period of four (4) months from the date of the termination notice so that the parties may prepare for Yahoo! to transition from the Services provided by Microsoft (the "Tail Transition Period"). The Yahoo! Volume Commitment shall not apply in the third and fourth month of the Tail Transition Period in order to allow for an orderly transition. During the Tail Transition Period, except as otherwise provided in this Section 19.5, all provisions of this Agreement will apply and the parties will still share revenues according to Section 19.5. This Agreement will terminate upon the conclusion of the Tail Transition Period."

9. Survival. Section 19.7 is amended so that Section 19.4 survives until the earlier of (a) the expiration of the Agreement if there is no earlier termination of the Agreement, or (b) the end of the Tail Transition Period, if there is a termination of the Agreement prior to its expiration. Notwithstanding the foregoing, if the Agreement is terminated prior to its expiration and the Tail Transition Period ends prior to [*], Section 19.4 shall survive until [*] and in the cases of Divestitures involving assets used or otherwise located solely in a jurisdiction other than [*] ("Limited Market Divestiture"): (i) Yahoo! must respond within [*] of the Divestiture Notice and indicate whether it wants to enter into an exclusive negotiation period to be the acquirer in the Limited Market Divestiture and include an offer describing material terms under which it would like to do so; (ii) the Negotiation Period for the Limited Market Divestiture will be only [*]; and (iii) Section 19.4.3 (Right of Last Offer) and the provisions in Sections 19.4.4 – 19.4.6 relating to the right of last offer described in Section 19.4.3 will not apply to Limited Market Divestitures. For clarity, worldwide divestitures or sales of all or substantially all of the assets used by Microsoft in the global Business are not Limited Market Divestitures. Limited Market Divestitures must be done on a non-exclusive basis.

10. SLA. Section 5b of the Exhibit B to the Agreement is altered so that the two references to "[*]%" in this subsection are replaced with "[*]%".

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

11. Discontinuing Services. Effective as of August 1, 2015, the parties' rights and obligations with respect to Contextual Advertising Services will cease.

12. Mapping Services. Section 3.2 and Exhibit G of the Agreement are deleted in their entirety and replaced with "Intentionally Omitted".

13. Mobile. The first, fifth and sixth sentences in Section 2.2.2 of Exhibit H to the Agreement are deleted in their entirety. As of the Eleventh Amendment Effective Date, any obligations to display Microsoft Mobile Paid Listings will cease. Yahoo! shall pay Microsoft for Mobile Paid Search Services in accordance with Section 9.1 of the Agreement.

14. Product Listing Ads. The parties agree that Microsoft's product listing ads displayed in response to a Query or Non-Internet Search Query are not Paid Listings from Microsoft's Paid Search Services.

15. License Agreement. The exclusive rights granted by Yahoo! to Microsoft to the Licensed Non-Patent IPR under the License Agreement will become non-exclusive as of the Eleventh Amendment Effective Date.

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

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

YAHOO! INC.	**MICROSOFT CORPORATION**
By: /s/ Marissa A. Mayer	By: /s/ Amy E. Hood
Name: Marissa A. Mayer	Name: Amy E. Hood
Title: President & CEO	Title: CFO

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

Exhibit 10.15(M)

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

Marissa A. Mayer

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

Date of Grant:	06-Mar-2015
Total Number of Restricted Stock Units Granted:	138,121
Type of RSU:	U.S. Executive RSU (Mayer Version)
Vesting Commencement Date:	06-Mar-2015

Vesting Schedule:

Shares	Vesting Date	Shares	Vesting Date	Shares	Vesting Date
3,836	06-Apr-2015	3,837	06-Apr-2016	3,837	06-Apr-2017
3,837	06-May-2015	3,836	06-May-2016	3,837	06-May-2017
3,837	06-Jun-2015	3,837	06-Jun-2016	3,836	06-Jun-2017
3,836	06-Jul-2015	3,837	06-Jul-2016	3,837	06-Jul-2017
3,837	06-Aug-2015	3,836	06-Aug-2016	3,837	06-Aug-2017
3,837	06-Sep-2015	3,837	06-Sep-2016	3,836	06-Sep-2017
3,836	06-Oct-2015	3,837	06-Oct-2016	3,837	06-Oct-2017
3,837	06-Nov-2015	3,836	06-Nov-2016	3,837	06-Nov-2017
3,837	06-Dec-2015	3,837	06-Dec-2016	3,836	06-Dec-2017
3,836	06-Jan-2016	3,837	06-Jan-2017	3,837	06-Jan-2018
3,837	06-Feb-2016	3,836	06-Feb-2017	3,837	06-Feb-2018
3,837	06-Mar-2016	3,837	06-Mar-2017	3,837	06-Mar-2018

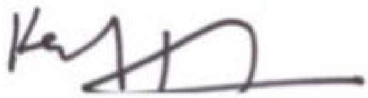
Manner of Payment by Company:	Stock
Governing Documents:	RSU Award Agreement for U.S. Executives (Mayer Version) (Mar 2015) Yahoo Stock Plan (the Plan) (2014)

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);

- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

GRANTEE:	YAHOO! INC.
Click here to accept	By: 
Signature	Kenneth Goldman
Marissa Mayer	Title: Chief Financial Officer
Name	
Supplemental Documents:	Insider Trading Policy Plan Prospectus (September 2014)

YAHOO! INC. STOCK PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(Mayer Version)

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the total number of RSUs set forth in the Notice of Grant, on the terms and conditions set forth in this Restricted Stock Unit Award Agreement for U.S. Executives (Mayer Version) (this "Agreement") and as otherwise provided in the Yahoo! Inc. Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. Stock Plan, as amended (the "Plan") are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. Terms and Conditions of Award

The grant of RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the RSUs.

(b) *Restrictions.* The RSUs and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any RSUs in contravention of the above restriction shall be null and void and without effect.

(c) *Lapse of Restrictions*. Subject to Sections 2(e) through 2(g) below, on each vesting date specified in the vesting schedule set forth in the Notice of Grant, the number of RSUs set forth opposite such vesting date shall vest and become non-forfeitable.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the "Payment Date"), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment; Leaves of Absence.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination During Annual Vesting Period*: subject to clause (ii)(B) below, in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as such term is defined in the Grantee's offer letter with the Company dated July 16, 2012 (the "Offer Letter")) or due to the Grantee's death or Total Disability (as defined in the Plan) and the Grantee complies with the release and other requirements described in Section 2(j), (2) the Termination Date is not a scheduled vesting date and is six months or less before the next scheduled vesting date, and (3) on the Termination Date the period of time between (x) the then-prior vesting date (or, if none, the date of grant specified in the Notice of Grant (the "Date of Grant") or any earlier vesting commencement date specified by the Administrator at the time of grant) and (y) the next scheduled vesting date is six months or more, then the RSUs that are scheduled to vest on the next scheduled vesting date (to the extent then outstanding and unvested) shall vest and become non-forfeitable on the later of the Termination Date or the date the Grantee's full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable. Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(A) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control (as defined below).

(B) *Front-Loaded Awards - Termination During Annual Vesting Period*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee's death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as "front loaded" in the Notice of Grant, then the number of RSUs that vest upon the later of the Termination Date or the date the Grantee's full release of any and all claims against the Company as contemplated by Section 2(j) becomes irrevocable shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited be the Grantee as of the Termination Date. For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(iii) *Leaves of Absence*. Unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator, and subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), in the event the Grantee takes an authorized leave of absence from the Company, Parent or Subsidiary (as applicable), each vesting date specified in the vesting schedule set forth in the Notice of Grant that has not occurred as of the commencement of such leave of absence shall be tolled for the number of calendar days in the period that the Grantee is on such leave of absence, beginning with the commencement date of such leave of absence, but not beyond the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). (For example, if the scheduled vesting date is January 1, 2014 and, prior to that date the Grantee commences a leave of absence spanning 365 calendar days, the vesting date shall (unless otherwise expressly provided in a Company leave of absence policy approved by the Administrator or otherwise by the Administrator) be tolled for 365 days and shall become January 1, 2015.)

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to all or any part of the Award, including RSUs as to which the Award would not otherwise be non-forfeitable.

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as defined below) prior to the date the RSUs have either become vested and non-forfeitable or have been forfeited pursuant to this Agreement:

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as such term is defined in the Offer Letter) and the Grantee complies with the release and other requirements described in Section 2(j), the RSUs subject to the Award, to the extent then outstanding and not vested, shall become fully vested and non-forfeitable as of the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable. Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next three sentences, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee's employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) ("Net Share Settlement"). In the event that the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or a combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (A) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (B) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined. Notwithstanding the foregoing, if the Grantee has been designated by the Company's Board of Directors as an "executive officer" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a "Cash Settlement"); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is earned only by continuing in the employ or service of the Company at the will of the Company (not through the act of being hired, being granted the RSUs or acquiring Shares under this Agreement). The Grantee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *Imposition of Other Requirements*. If the Grantee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Grantee's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

(k) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(l) *Entire Agreement.* This Agreement, the Notice of Grant, the Plan, and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(m) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(n) *Counterparts*. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(o) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee's online acceptance) of the Notice of Grant.

Exhibit 10.15(N)

YAHOO! INC.

NOTICE OF RESTRICTED STOCK UNIT GRANT

Marissa A. Mayer

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

Date of Grant:	06-Mar-2015
Total Number of Restricted Stock Units Granted:	138,121
Type of RSU:	U.S. Executive Performance RSU (Mayer Version)
Vesting Commencement Date:	06-Mar-2015
Vesting Schedule:	Shares / Vesting Date 46,041 / 26-Feb-2016 46,040 / 26-Feb-2017 46,040 / 26-Feb-2018
Manner of Payment by Company:	Stock
Governing Documents:	Performance RSU Award Agreement for U.S. Executive (Mayer Version) (Mar 2015) Yahoo Stock Plan (the Plan) (2014)

By your acceptance of this award through the Company's online acceptance procedure (or by your signature and the signature of the Company's representative below):

- you acknowledge receiving and reviewing the Governing Documents (listed above) and the Supplemental Documents (listed below);
- you agree that the Restricted Stock Units are granted under and governed by the terms and conditions of the Governing Documents and you agree to be bound by the terms of this agreement and the Governing Documents, all of which are hereby incorporated by reference into this agreement; and
- **you consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Governing Documents for the purpose of implementing, administering and managing your participation in the Plan.**

This agreement shall be construed and determined in accordance with the laws of the U.S. State of Delaware (without giving effect to the conflict of laws principles thereof) and shall be deemed to have been executed and delivered by the parties hereto as of the Date of Grant.

These RSUs are subject to performance-based vesting. The actual number of shares vesting will be 0% to 200% of the target amounts shown above depending on the achievement of performance goals and time-based vesting requirements as described in the award agreement. The vesting dates shown above are approximate.

GRANTEE:

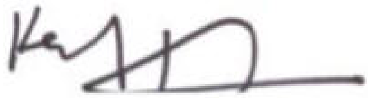
Click here to accept

Signature

Marissa Mayer

Name

YAHOO! INC.

By: 

Kenneth Goldman

Title: Chief Financial Officer

Supplemental Documents:

Insider Trading Policy

Plan Prospectus

YAHOO! INC. STOCK PLAN

PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT
FOR U.S. EXECUTIVES
(Mayer Version)

Section 1. Grant of Restricted Stock Unit Award

(a) *Grant of Restricted Stock Units ("RSUs").* Yahoo! Inc., a Delaware corporation (the "Company"), hereby grants to the grantee (the "Grantee") named in the Notice of Restricted Stock Unit Grant (the "Notice of Grant") the number of RSUs (such number, the "Target Number" of RSUs; and one-third of the Target Number being the "Annual Target Number" of RSUs for each "Performance Year" identified in Section 2(c)(i) hereof) set forth in the Notice of Grant, on the terms and conditions set forth in this Performance Restricted Stock Unit Award Agreement for U.S. Executives (Mayer Version) (this "Agreement") and as otherwise provided in the Yahoo! Inc. Stock Plan, as amended (the "Award").

(b) *Incorporation of Plan; Capitalized Terms.* The provisions of the Yahoo! Inc. Stock Plan, as amended (the "Plan") are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Administrator shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations thereunder, and its decision shall be binding and conclusive upon the Grantee and his/her legal representative in respect of any questions arising under the Plan or this Agreement.

Section 2. Terms and Conditions of Award

The grant of RSUs provided in Section 1(a) shall be subject to the following terms, conditions and restrictions:

(a) *Limitations on Rights Associated with RSUs.* The RSUs are bookkeeping entries only. The Grantee shall have no rights as a stockholder of the Company, no dividend rights and no voting rights with respect to the RSUs.

(b) *Restrictions.* The RSUs and any interest therein, may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent and distribution. Any attempt to dispose of any RSUs in contravention of the above restriction shall be null and void and without effect.

(c) *Performance-Based Requirements; Lapse of Restrictions*.

(i) Subject to Section 2(c)(ii) below, for each of 2015, 2016, and 2017 (each such year, a "Performance Year"), the Grantee shall be credited with a number of RSUs equal to the Annual Target Number of RSUs for the applicable Performance Year multiplied by a percentage that (A) will be determined by the Administrator after the Performance Year based on the Company's achievement of financial performance goals established for that Performance Year and (B) will be between 0% and 200%. The performance goals and the methodology for establishing the number of RSUs to be credited will be established by the Administrator not later than ninety (90) days after the start of the applicable Performance Year (and in any event at a time when it is substantially uncertain whether the performance targets will be achieved). The methodology to determine the RSU crediting percentage will be communicated to the Grantee after it is established by the Administrator. The Administrator shall, following the end of each Performance Year, determine whether and the extent to which the performance targets for that Performance Year have been satisfied and the RSU crediting percentage for that Performance Year. Such determinations by the Administrator shall be final and binding. The date of such determinations by the Administrator for the Performance Year is referred to as the "Determination Date." Any of the Annual Target Number of RSUs for a particular Performance Year that are not credited to the Grantee in accordance with the foregoing provisions of this Section 2(c)(i) shall terminate as of the last day of the Performance Year.

(ii) Subject to Sections 2(e) through 2(g) below, the RSUs credited to the Grantee pursuant to Section 2(c)(i) for a particular Performance Year shall vest and become non-forfeitable upon the Vesting Date for that Performance Year; provided, however, that if a Change in Control (as defined in Section 2(g)) occurs during the Performance Year, the Annual Target Number of RSUs for such Performance Year shall vest upon the final day of such Performance Year. The "Vesting Date" for a Performance Year shall be the Determination Date as to that Performance Year unless otherwise expressly provided in this Agreement.

(d) *Timing and Manner of Payment of RSUs.* As soon as practicable after (and in no case more than seventy-four days after) the date any RSUs subject to the Award become non-forfeitable (the "Payment Date"), such RSUs shall be paid by the Company delivering to the Grantee a number of Shares equal to the number of RSUs that become non-forfeitable upon that Payment Date (rounded down to the nearest whole share). The Company shall issue the Shares either (i) in certificate form or (ii) in book entry form, registered in the name of the Grantee. Delivery of any certificates will be made to the Grantee's last address reflected on the books of the Company and its Subsidiaries unless the Company is otherwise instructed in writing. The Grantee shall not be required to pay any cash consideration for the RSUs or for any Shares received pursuant to the Award. Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any further rights or interests in any RSUs that are so paid. Notwithstanding anything herein to the contrary, the Company shall have no obligation to issue Shares in payment of the RSUs unless such issuance and such payment shall comply with all relevant provisions of law and the requirements of any Stock Exchange.

(e) *Termination of Employment; Leaves of Absence.* The following provisions shall apply in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary, or should the Grantee take a leave of absence from employment with the Company, Parent or any Subsidiary:

(i) *General*. Except as expressly provided below in this Section 2(e) or Section 2(g), in the event of the termination of the Grantee's employment or service with the Company, Parent or any Subsidiary for any reason prior to the lapsing of the restrictions in accordance with Section 2(c) hereof with respect to any of the RSUs granted hereunder, such portion of the RSUs held by the Grantee shall be automatically forfeited by the Grantee as of the date of termination. (The date of any such termination of the Grantee's employment or service is referred to in this Agreement as the "Termination Date.") Neither the Grantee nor any of the Grantee's successors, heirs, assigns or personal representatives shall have any rights or interests in any RSUs that are forfeited pursuant to any provision of this Agreement.

(ii) *Termination Without Cause or Due to Death or Disability*. Notwithstanding the foregoing clause (i) but subject to Section 2(g) below:

(A) *Termination More Than Six Months After Start of Performance Year*: in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause (as such term is defined in the Grantee's offer letter with the Company dated July 16, 2012 (the "Offer Letter")) or due to the Grantee's death or Total Disability (as defined in the Plan) and the Grantee complies with the release and other requirements described in Section 2(j), and (2) the Termination Date occurs more than six (6) months after the start of a particular Performance Year and prior to the Vesting Date for that Performance Year, the number of RSUs that vest for that Performance Year shall equal (x) the number of RSUs (if any) that would have vested in accordance with Section 2(c) if the Grantee's employment had continued through the Vesting Date, multiplied by (y) a fraction (which shall not be greater than 1), the numerator of which is the number of whole months between January 1 of the Performance Year and the Termination Date, and the denominator of which is twelve (12). Any RSUs that vest pursuant to this clause (ii)(A) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(A) shall be automatically forfeited by the Grantee as of the Termination Date (or, in the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(A) will not apply to any such termination that occurs during the first half of the Performance Year or, other than a termination due to the Grantee's death or Total Disability, at any time within the 12-month period following a Change in Control.

(B) *Front-Loaded Awards - Termination More Than Six Months After Start of Performance Year*: notwithstanding the foregoing clause (ii)(A), in the event (1) the termination of the Grantee's employment is by the Company, Parent or Subsidiary without Cause or due to the Grantee's death or Total Disability and the Grantee complies with the release and other requirements described in Section 2(j), and (2) this award is designated as "front loaded" in the Notice of Grant, then the number of RSUs that vest upon the Termination Date shall equal the quotient of (x) any RSUs that would have vested under clause (ii)(A) if this were not a front-loaded award, divided by (y) the number of years of annual awards this grant represents, as stated in the Notice of Grant. Any RSUs that vest pursuant to this clause (ii)(B) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the later of the last day of the Performance Year or the Termination Date (provided, that if the period for the Grantee to consider and revoke the release contemplated by Section 2(j) spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years). Any RSUs that do not vest in accordance with the foregoing provisions of this clause (ii)(B) shall be automatically forfeited by the Grantee as of the Termination Date (or, in the case of a termination during the Performance Year, as of the last day of the Performance Year). For avoidance of doubt, this clause (ii)(B) will not apply to any such termination (other than a termination due to the Grantee's death or Total Disability) that occurs at any time within the 12-month period following a Change in Control.

(iii) *Leaves of Absence*. The provisions of this paragraph are subject to compliance with all applicable laws relating to the Grantee's employment by the Company, Parent or Subsidiary (as applicable), and shall apply to the Award unless otherwise expressly provided in a Company leave of absence vesting policy approved by the Administrator or otherwise by the Administrator. In the event the Grantee is on an authorized leave of absence from the Company, Parent or Subsidiary (as applicable) at any time on or after the first day of a Performance Year, the Vesting Date for that Performance Year shall be the date that is X days following the Determination Date for that Performance Year (where "X" equals the total number of calendar days that the Grantee is on such a leave of absence in the period of time commencing with the first day of that Performance Period through and including the Determination Date for that Performance Period or, if the Grantee is on such a leave of absence on the Determination Date for that Performance Period, through and including the last day of such leave of absence), but in no event shall the Vesting Date be later than the last day of the maximum term of this Award as provided in the Plan (and any RSUs that have not vested and become non-forfeitable when such maximum term is reached shall be automatically forfeited by the Grantee). In the event Section 2(e)(ii)(A) applies, in determining the fraction referenced in Section 2(e)(ii)(A), the numerator (which is generally the number of whole months between January 1 of the applicable Performance Year and the Termination Date) shall be determined by assuming that the Grantee's Termination Date occurred X days earlier than it actually occurred (with "X" determined as provided in the preceding sentence).

(f) *Corporate Transactions.* The following provisions shall apply to the corporate transactions described below:

(i) In the event of a proposed dissolution or liquidation of the Company, the Award will terminate and be forfeited immediately prior to the consummation of such proposed transaction, unless otherwise provided by the Administrator.

(ii) In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, the Award shall be assumed or substituted with an equivalent award by such successor corporation, parent or subsidiary of such successor corporation; provided that the Administrator may determine, in the exercise of its sole discretion in connection with a transaction that constitutes a permissible distribution event under Section 409A(a)(2)(A)(v) of the Code, that in lieu of such assumption or substitution, the Award shall be vested and non-forfeitable and any conditions or restrictions on the Award shall lapse, as to a number of RSUs equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which such transaction occurs (to the extent not previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which such transaction occurs and any subsequent Performance Year(s).

(g) *Change in Control.* The following provisions shall apply in the event of a Change in Control (as defined below) prior to the fourth anniversary of the date of grant specified in the Notice of Grant (the "Date of Grant"):

(i) In the event that, during the period of twelve (12) months following the Change in Control, the Grantee's employment is terminated by the Company, Parent or any Subsidiary without Cause or by the Grantee for Good Reason (as such term is defined in the Offer Letter) and the Grantee complies with the release and other requirements described in Section 2(j), a number of RSUs shall vest upon the later of the Grantee's Termination Date or the date any such release becomes final and irrevocable equal to the sum of (A) the number of RSUs (if any) that would have vested in accordance with Section 2(c) with respect to any Performance Year ended prior to the year in which the Change in Control occurs (to the extent not previously paid and assuming the Grantee's employment had continued through the applicable Vesting Date), and (B) the Annual Target Number of RSUs for the Performance Year in which the Change in Control occurs and any subsequent Performance Year(s). Any RSUs that vest pursuant to this clause (i) shall be paid as soon as practicable after (and in no case more than seventy-four days after) the Termination Date (provided, that if the period for the Grantee to consider and revoke any such release spans two different calendar years, payment of such RSUs will be made within such prescribed time period, but in the second of those two years).

(ii) For purposes of this Agreement, "Change in Control" shall mean the first of the following events to occur after the Date of Grant:

(A) any person or group of persons (as defined in Section 13(d) and 14(d) of the Exchange Act) together with its Affiliates (as defined below), but excluding (i) the Company or any of its subsidiaries, (ii) any employee benefit plans of the Company or (iii) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company (individually a "Person" and collectively, "Persons"), is or becomes, directly or indirectly, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding securities (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or its Affiliates);

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

(C) the stockholders of the Company approve a plan of complete liquidation or winding-up of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, provided, however, that a sale of the Company's search business shall not constitute a Change in Control, regardless of whether stockholders approve the transaction.

(iii) For purposes of this Agreement, "Affiliate" means, with respect to any individual or entity, any other individual or entity who, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, such individual or entity.

This Award of RSUs shall not be subject to the acceleration of vesting provisions of Section 2.5 of the Amended and Restated Yahoo! Inc. Change in Control Employee Severance Plan for Level I and Level II Employees.

(h) *Income Taxes.* Except as provided in the next three sentences, the Company shall withhold and/or reacquire a number of Shares issued in payment of (or otherwise issuable in payment of, as the case may be) the RSUs having a Fair Market Value equal to the taxes that the Company determines it or the Grantee's employer is required to withhold under applicable tax laws with respect to the RSUs (with such withholding obligation determined based on any applicable minimum statutory withholding rates) ("Net Share Settlement"). In the event that the Company cannot (under applicable legal, regulatory, listing or other requirements, or otherwise) satisfy such tax withholding obligation in such method, the Company may satisfy such withholding by any one or a combination of the following methods: (i) by requiring the Grantee to pay such amount in cash or check; (ii) by deducting such amount out of any other compensation otherwise payable to the Grantee; and/or (iii) by allowing the Grantee to surrender shares of Common Stock of the Company which (A) in the case of shares initially acquired from the Company (upon exercise of a stock option or otherwise), have been owned by the Grantee for such period (if any) as may be required to avoid a charge to the Company's earnings, and (B) have a Fair Market Value on the date of surrender equal to the amount required to be withheld. For these purposes, the Fair Market Value of the Shares to be withheld or repurchased, as applicable, shall be determined on the date that the amount of tax to be withheld is to be determined. Notwithstanding the foregoing, if the Grantee has been designated by the Company's Board of Directors as an "executive officer" (as such term is defined in Rule 3b-7 under the Securities Exchange Act of 1934, as amended) the Administrator may (but is under no obligation to) allow the Grantee, during such times and under such terms as the Administrator may provide, to elect in advance whether tax withholding obligations in connection with the RSUs will be satisfied (1) by Net Share Settlement, or (2) by the Grantee making a payment in cash to the Company (a "Cash Settlement"); and if the Grantee has a Cash Settlement election in effect on the Date of Grant as to other Company RSU awards, such election shall also apply to this Award, unless and until such election is modified in accordance with its terms.

(i) *No Advice Regarding Award*. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Grantee's participation in the Plan, or the Grantee's acquisition or sale of the underlying Shares. The Grantee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(j) *Conditions of Accelerated Vesting; Exclusive Remedy*. The accelerated vesting provisions specified in Sections 2(e) and 2(g) above are conditioned on (1) the Grantee's signing a full release of any and all claims against the Company in a release form acceptable to the Company (within the period specified in it by the Company, which in no event shall be more than fifty days following the Grantee's Termination Date) and the Grantee's not revoking such release pursuant to any revocation rights afforded by applicable law, and (2) the Grantee's compliance with the Grantee's obligations under his or her Employee Confidentiality and Assignment of Inventions Agreement, or similar agreement. The Grantee agrees that such accelerated vesting benefits specified in this Agreement (and any applicable severance benefits provided under a written agreement with the Company then in effect in accordance with its terms) will constitute the exclusive and sole remedy for any termination of the Grantee's employment and the Grantee covenants not to assert or pursue any other remedies, at law or in equity, with respect to the Grantee's termination and/or employment.

Section 3. Miscellaneous

(a) *Notices.* Any and all notices, designations, consents, offers, acceptances and any other communications provided for herein shall be given in writing and shall be delivered either personally or by registered or certified mail, postage prepaid, which shall be addressed, in the case of the Company to both the Chief Financial Officer and the General Counsel of the Company at the principal office of the Company and, in the case of the Grantee, to the Grantee's address appearing on the books of the Company or to the Grantee's residence or to such other address as may be designated in writing by the Grantee. Notices may also be delivered to the Grantee, during his or her employment, through the Company's inter-office or electronic mail systems.

(b) *No Right to Continued Employment.* The Grantee understands and agrees that the vesting of Shares pursuant to Section 2 above is not earned through the act of being hired, being granted the RSUs or being credited Shares under this Agreement. The Grantee further acknowledges and agrees that nothing in this Agreement, nor in the Plan which is incorporated in this Agreement by reference, shall confer upon the Grantee any right with respect to continuation as an employee or consultant with the Company, a Parent or any Subsidiary, nor shall it interfere with or restrict in any way the right of the Company, a Parent or any Subsidiary, which is hereby expressly reserved, to remove, terminate or discharge the Grantee at any time for any reason whatsoever, with or without Cause and with or without advance notice.

(c) *Bound by Plan.* By signing this Agreement, the Grantee acknowledges that he/she has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan.

(d) *Successors.* The terms of this Agreement shall be binding upon and inure to the benefit of the Company, its successors and assigns, and of the Grantee and the beneficiaries, executors, administrators, heirs and successors of the Grantee.

(e) *Headings.* The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

(f) *Section 409A.* This Agreement and the Award are intended to comply with or be exempt from, as the case may be, Section 409A of the Code so as to not result in any tax, penalty or interest thereunder. This Agreement and the Award shall be construed and interpreted accordingly. Except for the Company's tax withholding rights, the Grantee shall be solely responsible for any and all tax liability with respect to the Award.

(g) *Invalid Provision.* The invalidity or unenforceability of any particular provision hereof shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision had been omitted.

(h) *Governing Law/Choice of Venue.*

(i) This Agreement and the rights of the Grantee hereunder shall be construed and determined in accordance with the laws of the State of Delaware (without giving effect to the conflict of laws principles thereof), as provided in the Plan.

(ii) For the purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by the Award or this Agreement, the parties hereby submit and consent to the exclusive jurisdiction of the State of California where this grant is made and/or to be performed and agree that such litigation shall be conducted only in the courts of Santa Clara County, California, or the federal court of the United States for the Northern District of California, and no other courts.

(i) *Imposition of Other Requirements*. If the Grantee relocates to another country after the Date of Grant, the Company reserves the right to impose other requirements on the Grantee's participation in the Plan, to the extent the Company determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

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

(k) *Recoupment*. Notwithstanding any other provision herein, the recoupment or "clawback" policies adopted by the Administrator and applicable to equity awards, as such policies are in effect from time to time, shall apply to the Award and any Shares that may be issued in respect of the Award.

(l) *Entire Agreement.* This Agreement, the Notice of Grant, the Plan, and the Offer Letter contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and therein and supersede all prior communications, representations and negotiations in respect thereto.

(m) *Modifications.* No change, modification or waiver of any provision of this Agreement shall be valid unless the same is in writing and signed by the parties hereto.

(n) *Counterparts*. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(o) *Signature.* This Agreement shall be deemed executed by the Company and the Grantee as of the Date of Grant upon execution by such parties (or upon the Grantee's online acceptance) of the Notice of Grant.

YAHOO!

April 17, 2015

Marissa A. Mayer

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

Dear Marissa:

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

The Compensation Committee has established GAAP revenue, revenue ex-TAC and adjusted EBITDA as the Option's new Performance Metrics. Accordingly, effective with the 2015 Performance Year, Appendix A to the Original Agreement is amended and restated in its entirety to read as set forth on Appendix A to this letter agreement.

This letter agreement does not modify any other terms of the Original Agreement except as expressly set forth above. (For the avoidance of doubt, no amendment is made to the vesting provisions of the Original Agreement as applicable to any Performance Period prior to 2015).

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

YAHOO! INC.

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

Acknowledged and Agreed:

By: /s/ Marissa A. Mayer
Marissa A. Mayer

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

Appendix A - 2012 Performance Option *(Mayer Retention Grant)*

<u>Vesting of Option</u>

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

Performance Year	Vesting Date
2015	January 26, 2016
2016	January 26, 2017

- For each Performance Year, the "Performance Metrics" and "Weightings" shall be as follows: GAAP Revenue (one-third), Revenue ex-TAC (one-third), and Adjusted EBITDA (one-third).
- For each Performance Metric, the Administrator has established a performance target ("Goal") for the 2015 Performance Year. At the start of 2016, the Administrator will establish Goals for the 2016 Performance Year. The Goals will be communicated to the Optionee after they are established by the Administrator.
- After the end of each year, the Company's actual results for each Performance Metric shall be adjusted for purposes of this Option as set forth in "Definitions and Adjustments," below.
- For each Performance Metric, a vesting percentage (each, a "Component Vesting Percentage") shall be calculated based on the Company's actual performance (as adjusted) for the Performance Year as follows (with actual performance expressed as a percentage of the applicable Goal):

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

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

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

- If the Company's actual performance (as adjusted), as to a particular Performance Metric, is between two levels specified in the applicable table above, the Component Vesting Percentage for such metric shall be determined by linear interpolation between the vesting percentages specified for those two levels in such table (without rounding the result).
- For each Performance Metric, a weighted vesting percentage (each, a "Weighted Vesting Percentage") shall be calculated by multiplying such metric's Component Vesting Percentage by such metric's Weighting, and rounding the product to the nearest one-hundredth of one percent. In no event shall any Weighted Vesting Percentage exceed 43.33 percent.
- The overall vesting percentage applicable to an Annual Tranche (the "Overall Vesting Percentage") shall equal the sum of the three Weighted Vesting Percentages, with such sum rounded to the nearest one percent; provided, however, that the Overall Vesting Percentage shall not exceed 100 percent.
- For each year's Annual Tranche, the number of options that vest shall be determined by applying the Overall Vesting Percentage for such year to the number of shares underlying such year's Annual Tranche, and rounding down to the nearest whole share.
- Regardless of the vesting dates shown above, the vested portion of each Annual Tranche shall become exercisable on the date of the Administrator's vesting determination described below.

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

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

<u>Definitions and Adjustments</u>

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

- "Adjusted EBITDA" as to a particular year means the Company's income from operations before depreciation, amortization, restructuring charges (and reversals), goodwill and intangible asset impairment charges, and stock-based compensation expense for such year, as such items are determined by the Company and reflected in its reporting of financial results.
- "Annual Tranche" means the twenty percent (20%) of the "Total Number of Shares Granted" (as set forth in the Notice of Grant) that are eligible to vest with respect to a particular Performance Year.
- "Financial Plan" for a particular year means the Company's final financial plan for such year reviewed by the Board of Directors in advance of such year.
- "GAAP" means U.S. generally accepted accounting principles.
- "GAAP Revenue" as to a particular year means the Company's worldwide revenue for such year, as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.
- "Performance Year" means, as applicable, the Company's 2015 or 2016 fiscal year.

- “Revenue ex-TAC” as to a particular year means the Company’s worldwide GAAP Revenue less TAC for such year, as determined by the Company and reflected in its reporting of financial results.
- “TAC” means traffic acquisition costs.

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

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP;

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

(f) increased or decreased to eliminate the financial statement impact of the proposed spin-off of the Company’s remaining holdings in Alibaba Group Holding Limited and Yahoo Small Business, and costs associated with such transaction.

Exhibit 10.16(D)

April 17, 2015

Ken Goldman

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

Dear Ken:

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

The Compensation Committee has established GAAP revenue, revenue ex-TAC and adjusted EBITDA as the Option's new Performance Metrics. Accordingly, effective with the 2015 Performance Year, Appendix A to the Original Agreement is amended and restated in its entirety to read as set forth on Appendix A to this letter agreement.

This letter agreement does not modify any other terms of the Original Agreement except as expressly set forth above. (For the avoidance of doubt, no amendment is made to the vesting provisions of the Original Agreement as applicable to any Performance Period prior to 2015).

If this letter accurately sets forth our agreement with respect to the foregoing matters, please sign the enclosed copy of this letter and return it to me.

YAHOO! INC.

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

Acknowledged and Agreed:

By: /s/ Ken Goldman
Ken Goldman

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

Appendix A - 2012 Performance Option

Vesting of Option

Subject to Sections 6 and 7 of the Original Agreement, the Annual Tranche for 2015 shall be eligible to vest in accordance with this Appendix A.

Performance Year	Vesting Date
2015	January 26, 2016

- For the Performance Year, the "Performance Metrics" and "Weightings" shall be as follows: GAAP Revenue (one-third), Revenue ex-TAC (one-third), and Adjusted EBITDA (one-third).
- For each Performance Metric, the Administrator has established a performance target ("Goal") for the Performance Year. The Goals will be communicated to the Optionee.
- After the end of 2015, the Company's actual results for each Performance Metric shall be adjusted for purposes of this Option as set forth in "Definitions and Adjustments," below.
- For each Performance Metric, a vesting percentage (each, a "Component Vesting Percentage") shall be calculated based on the Company's actual performance (as adjusted) for the Performance Year as follows (with actual performance expressed as a percentage of the applicable Goal):

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

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

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

- If the Company's actual performance (as adjusted), as to a particular Performance Metric, is between two levels specified in the applicable table above, the Component Vesting Percentage for such metric shall be determined by linear interpolation between the vesting percentages specified for those two levels in such table (without rounding the result).

- For each Performance Metric, a weighted vesting percentage (each, a "Weighted Vesting Percentage") shall be calculated by multiplying such metric's Component Vesting Percentage by such metric's Weighting, and rounding the product to the nearest one-hundredth of one percent. In no event shall any Weighted Vesting Percentage exceed 43.33 percent.
- The overall vesting percentage applicable to the 2015 Annual Tranche (the "Overall Vesting Percentage") shall equal the sum of the three Weighted Vesting Percentages, with such sum rounded to the nearest one percent; provided, however, that the Overall Vesting Percentage shall not exceed 100 percent.
- For the 2015 Annual Tranche, the number of options that vest shall be determined by applying the Overall Vesting Percentage to the number of shares underlying the Annual Tranche, and rounding down to the nearest whole share.
- Regardless of the vesting dates shown above, the vested portion of the Annual Tranche shall become exercisable on the date of the Administrator's vesting determination described below.

The Administrator shall, following the end of the 2015 Performance Year, determine whether and the extent to which the applicable Goals have been satisfied and the vesting percentage of the 2015 Annual Tranche. Such determinations by the Administrator shall be final and binding. Any portion of the 2015 Annual Tranche that is not vested after giving effect to the Administrator's determination for the Performance Year shall terminate as of the final day of such Performance Year.

Definitions and Adjustments

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

- "Adjusted EBITDA" as to a particular year means the Company's income from operations before depreciation, amortization, restructuring charges (and reversals), goodwill and intangible asset impairment charges, and stock-based compensation expense for such year, as such items are determined by the Company and reflected in its reporting of financial results.
- "Annual Tranche" means the one-third (1/3) of the "Total Number of Shares Granted" (as set forth in the Notice of Grant) that are eligible to vest with respect to the Performance Year.
- "Financial Plan" for a particular year means the Company's final financial plan for such year reviewed by the Board of Directors in advance of such year.
- "GAAP" means U.S. generally accepted accounting principles.
- "GAAP Revenue" as to a particular year means the Company's worldwide revenue for such year, as determined by the Company in accordance with GAAP and reflected in its reporting of financial results.
- "Performance Year" means the Company's 2015 fiscal year.
- "Revenue ex-TAC" as to a particular year means the Company's worldwide GAAP Revenue less TAC for such year, as determined by the Company and reflected in its reporting of financial results.
- "TAC" means traffic acquisition costs.

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

(a) increased or decreased to eliminate the financial statement impact of acquisitions with a GAAP purchase price of $500 million or more and costs associated with such acquisitions;

(b) increased or decreased to eliminate the financial statement impact of divestitures with a GAAP sale price of $500 million or more and costs associated with such divestitures;

(c) increased or decreased to eliminate the financial statement impact of any new changes in accounting standards announced during the year that are required to be applied during the year in accordance with GAAP;

(d) increased or decreased to eliminate the financial statement impact of legal settlements that have an impact on revenues or expenses under GAAP;

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

(f) increased or decreased to eliminate the financial statement impact of the proposed spin-off of the Company's remaining holdings in Alibaba Group Holding Limited and Yahoo Small Business, and costs associated with such transaction.

EXHIBIT 31.1

Certification of Chief Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Marissa A. Mayer, certify that:

1. I have reviewed this Form 10-Q of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2015

By: /s/ MARISSA A. MAYER
Marissa A. Mayer
Chief Executive Officer

EXHIBIT 31.2

**Certification of Chief Financial Officer Pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Ken Goldman, certify that:

1. I have reviewed this Form 10-Q of Yahoo! Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 7, 2015

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

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

In connection with the Quarterly Report on Form 10-Q of Yahoo! (the “Company”) for the quarter ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Marissa A. Mayer, as Chief Executive Officer of the Company, and Ken Goldman, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of her or his knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/s/ MARISSA A. MAYER
Name:	**Marissa A. Mayer**
Title:	**Chief Executive Officer**
Dated:	**May 7, 2015**

	/s/ KEN GOLDMAN
Name:	**Ken Goldman**
Title:	**Chief Financial Officer**
Dated:	**May 7, 2015**

The foregoing certification is being furnished pursuant to 18 U.S.C. Section 1350. It is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and it is not to be incorporated by reference into any filing of the Company, regardless of any general incorporation language in such filing.