

DO YOU YAHOO!?

fax message

date: March 30, 2007

to: Jing Zhao /
Andrew Zhao

fax#: 408-549-9989

from: Michelle P. Cunanan
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pages: 8

Urgent For Review Please Comment Please Reply

COMMENTS:



March 30, 2007

VIA FAX AND OVERNIGHT COURIER

Mr. Jing Zhao
160 Maidenhair Ct.
San Ramon, California 94582

Mr. Andrew Zhao
160 Maidenhair Ct.
San Ramon, California 94582

Re: Yahoo! Inc.

Gentlemen:

As you know, Yahoo! Inc. has requested confirmation from the Securities and Exchange Commission (the "SEC") that it will not recommend enforcement action against the Company if, in reliance on Rule 14a-8, the Company excludes your proposal and supporting statement from its proxy materials for its 2007 Annual Meeting. The Company has also submitted the same request to the SEC with respect to a similar proposal submitted by the New York City Office of the Comptroller on behalf of various New York City retirement and pension funds (the "NYCERS Proposal"). As of this date, the Company's requests are still pending at the SEC.

If the SEC subsequently grants our request with respect to your proposal, Yahoo! hereby reaffirms its intention to exclude your proposal and supporting statement from its proxy materials. However, in the event that the SEC denies our request with respect to your proposal, I am transmitting to you herewith copies of two alternate versions of the Company's statement in opposition to your proposal. In such event, the Company intends to include in its proxy materials one of these alternate versions as follows:

- If the SEC grants Yahoo!'s request to exclude the NYCERS Proposal from its proxy materials (*i.e.*, such that your proposal will appear in the proxy statement without the NYCERS Proposal), then Yahoo! intends to include the version of the opposition statement to your proposal identified as Alternative A; or
- If the SEC denies Yahoo!'s request to exclude the NYCERS Proposal from its proxy materials (*i.e.*, such that both the NYCERS Proposal and your proposal will be included in the Company's proxy statement), then Yahoo! intends to include the abbreviated version of the opposition statement to your proposal identified as Alternative B.

You will note that the two alternate versions of the opposition statement to your proposal are substantively the same. The only difference is that the version identified as Alternative B,



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which the Company will include in the event both your proposal and the NYCERS Proposal appear in the proxy statement, cross references to similar portions of the Company's opposition statement to the NYCERS Proposal (*i.e.*, rather than repeating the same information in both opposition statements). For your reference, we are also enclosing with this letter a copy of the Company's statement in opposition to the NYCERS Proposal.

Please contact me if you have any questions.

Very truly yours,



Christina Lai
Senior Legal Director

Enclosures

cc: Ms. Ann Lau, Visual Artists Guild
Michael J. Callahan, Senior Vice President and General Counsel, Yahoo! Inc.
Thomas J. Leary, Esq., O'Melveny & Myers LLP

*Opposition Statement to Zhao Proposal
Alternative A*

Board of Directors Statement AGAINST Stockholder Proposal

Yahoo! is committed to preserving and advancing the fundamental principles of free speech and expression, and as acknowledged by the proponents, has already adopted policies to promote open access to information and communication and to protect the privacy interests of users of the Company's services around the world. The board of directors believes the Company's existing policies, which were carefully developed by Yahoo!'s management team, provide the Company with the flexibility and resources to comply with applicable laws and, at the same time, protect and advance these important freedoms. Yahoo! has also already taken steps to assure that these policies are transparent to its users, stockholders and the public generally. Accordingly, while Yahoo! shares many of the proponents' concerns and objectives, the board of directors believes, in light of the policies, practices and initiatives already in place at the Company, as well as the Company's transparency on these matters, the proponents' suggestions are both unnecessary and counter to the best interests of the Company and its users, and therefore urges stockholders to vote AGAINST the proposal.

Yahoo! is deeply concerned by efforts of some governments to restrict communication, control access to information and infringe on the privacy rights of users of the Company's services. Yahoo! also firmly believes the continued presence and engagement of companies like Yahoo! in these markets is a powerful force in promoting openness and reform. Yahoo! understands its responsibility to remain engaged on these issues on a global basis; however, Yahoo! believes private industry alone cannot effectively influence foreign government policies on issues like privacy, the free exchange of ideas and open access to information. Because state actors have the most leverage in this field, Yahoo! believes continued government-to-government dialogue in bilateral and multilateral forums is vital to achieve progress on these complex political and human rights issues.

As part of the Company's ongoing commitment to preserving the open availability of the Internet around the world, Yahoo! announced in February 2006 the policies and actions referenced in the proponents' supporting statement. Since this announcement, the Company has also established a multi-disciplinary and cross-functional team of Yahoo! employees worldwide to coordinate and support the Company's efforts to address privacy and free expression issues on a global basis. The team consists of Yahoo! employees from a variety of disciplines and departments, including legal, public and governmental relations, privacy, public policy, community affairs, global law enforcement and compliance, security, emerging markets and international operations. Members of the team consult regularly with Company officers and other personnel and respond to internal and external requests for information and feedback on foreign laws and Company practices and policies. Members of the team also consult with governmental agencies, such as the U.S. Department of State, and various outside professionals in the field, including experts at various academic institutions. Members of the team also collaborate with leaders and representatives of other technology and communications companies to seek solutions to free expression and privacy challenges these companies face when conducting business internationally.

To further advance thinking and practices around the promotion of free expression and privacy, Yahoo!, through such organizations as Business for Social Responsibility and the Center for Democracy & Technology, is actively engaged in a formal dialogue that includes: (i) industry counterparts such as Microsoft, Google and Vodafone; (ii) human rights groups such as Amnesty International, Human Rights Watch, Human Rights First, Human Rights in China, Reporters Without Borders and Committee to Protect Journalists; (iii) academic institutions such as the Berkman Center for Internet & Society at Harvard Law School and Boalt Hall School of Law at the University of California, Berkeley; and (iv)

socially responsible investors such as F&C Asset Management, The Calvert Group, Domini Social Investments and Boston Common Asset Management. This diverse group has made a formal and public commitment to creating a set of global principles and operating procedures on freedom of expression and privacy to guide company behavior when faced with laws, regulations and policies that interfere with human rights. The group's goals also include creating an implementation, accountability and governance framework, as well as a forum for sharing ideas.

The policies, practices and initiatives described above have been developed by Yahoo! management based on its thorough and careful consideration of the inherent complexities associated with operating under the laws of multiple foreign countries. These complicated issues require a detailed understanding of the Company's business (which is highly competitive and characterized by rapid change), user base and technologies, as well as an ability to conform to the various legal and regulatory systems of the countries in which the Company maintains operations. Yahoo! believes that the Company and its stockholders and users are best served by generalized policies that fully reflect the Company's commitment to the principles of free speech and user privacy and still afford the Company enough flexibility to design and implement procedures that comply with the various legal systems under which the Company chooses to operate.

Yahoo! also believes its existing policies appropriately recognize the different roles private industry and governments play with respect to the nature of the Internet and the flow of information, and that such policies properly allocate to the Company responsibility for working and maintaining a dialogue with governments, members of academia and other industry participants for the purpose of advancing and protecting these fundamental principles. The Company believes its existing policies, practices and initiatives, as described in more detail above, strike an appropriate balance in furthering these important objectives and will effectively position the Company to serve as a continued force in promoting openness and reform.

Recommendation of the Board of Directors

For all of the foregoing reasons, the board of directors unanimously recommends that stockholders vote AGAINST this proposal. Proxies received by the Company will be voted against this proposal unless the stockholder otherwise specifies in the proxy.

*Opposition Statement to Zhao Proposal
Alternative B*

Board of Directors Statement AGAINST Stockholder Proposal

The subject matter of this proposal is similar to that which is raised by stockholder proposal no. _____. We encourage stockholders to review the board of directors statement AGAINST stockholder proposal no. _____, because the board opposes adoption of this proposal for many of the same reasons.

Yahoo! is committed to preserving and advancing the fundamental principles of free speech and expression, and as acknowledged by the proponents, has already adopted policies to promote open access to information and communication and to protect the privacy interests of users of the Company's services around the world.

To further advance thinking and practices around the promotion of free expression and privacy, Yahoo!, through such organizations as Business for Social Responsibility and the Center for Democracy & Technology, is actively engaged in a formal dialogue that includes: (i) industry counterparts such as Microsoft, Google and Vodafone; (ii) human rights groups such as Amnesty International, Human Rights Watch, Human Rights First, Human Rights in China, Reporters Without Borders and Committee to Protect Journalists; (iii) academic institutions such as the Berkman Center for Internet & Society at Harvard Law School and Boalt Hall School of Law at the University of California, Berkeley; and (iv) socially responsible investors such as F&C Asset Management, The Calvert Group, Domini Social Investments and Boston Common Asset Management. This diverse group has made a formal and public commitment to creating a set of global principles and operating procedures on freedom of expression and privacy to guide company behavior when faced with laws, regulations and policies that interfere with human rights. The group's goals also include creating an implementation, accountability and governance framework, as well as a forum for sharing ideas.

The board of directors believes the Company's existing policies, which were carefully developed by Yahoo!'s management team, provide the Company with the flexibility and resources to comply with applicable laws and, at the same time, protect and advance these important freedoms. Yahoo! has also already taken steps to assure that these policies are transparent to its users, stockholders and the public generally. Accordingly, while Yahoo! shares many of the proponents' concerns and objectives, the board of directors believes, in light of the policies, practices and initiatives already in place at the Company, as well as the Company's transparency on these matters, the proponents' suggestions are both unnecessary and counter to the best interests of the Company and its users, and therefore urges stockholders to vote AGAINST the proposal.

Recommendation of the Board of Directors

For the foregoing reasons, the board of directors unanimously recommends that stockholders vote AGAINST this proposal. Proxies received by the Company will be voted against this proposal unless the stockholder otherwise specifies in the proxy.

*Statement in Opposition to NYCERS Proposal***Board of Directors Statement AGAINST Stockholder Proposal**

Yahoo! is committed to preserving and advancing the fundamental principles of free speech and expression, and as described in detail below, has already adopted policies to promote open access to information and communication for users of the Company's services around the world. The board of directors believes the Company's existing policies, which were carefully developed by Yahoo!'s management team, provide the Company with the flexibility and resources to comply with applicable laws and, at the same time, protect and advance these important freedoms. By contrast, Yahoo! believes certain of the standards suggested by the proponent would give the Company insufficient flexibility in responding to applicable legal requirements. Accordingly, while Yahoo! shares many of the proponent's concerns and objectives, the board of directors believes, in light of the policies, practices and initiatives already in place at the Company, the proponent's suggestions are both unnecessary and counter to the best interests of the Company and its users, and therefore urges stockholders to vote AGAINST the proposal.

Yahoo! is deeply concerned by efforts of some governments to restrict communication and control access to information. Yahoo! also firmly believes the continued presence and engagement of companies like Yahoo! in these markets is a powerful force in promoting openness and reform. Yahoo! understands its responsibility to remain engaged on these issues on a global basis; however, Yahoo! believes private industry alone cannot effectively influence foreign government policies on issues like the free exchange of ideas and open access to information. Because state actors have the most leverage in this field, Yahoo! believes continued government-to-government dialogue in bilateral and multilateral forums is vital to achieve progress on these complex political and human rights issues.

As part of the Company's ongoing commitment to preserving the open availability of the Internet around the world, Yahoo! announced in February 2006 it was undertaking the following actions:

- **Collective Action**: Yahoo! will work with industry, government, academia and non-governmental organizations to explore policies to guide industry practices in countries where content is treated more restrictively than in the United States and to promote the principles of freedom of speech and expression.
- **Compliance Practices**: Yahoo! will continue to employ rigorous procedural protections under applicable laws in response to government requests for information, maintaining its commitment to user privacy and compliance with the law.
- **Information Restrictions**: Where a government requests that Yahoo! restrict search results, Yahoo! will do so if required by applicable law and only in a way that impacts the results as narrowly as possible. If Yahoo! is required to restrict search results, it will strive to achieve maximum transparency to the user.
- **Government Engagement**: Yahoo! will actively engage in ongoing policy dialogue with governments with respect to the nature of the Internet and the free flow of information.

Since this announcement, the Company has also established a multi-disciplinary and cross-functional team of Yahoo! employees worldwide to coordinate and support the Company's efforts to address privacy and free expression issues on a global basis. The team consists of Yahoo! employees from a variety of disciplines and departments, including legal, public and governmental relations,

privacy, public policy, community affairs, global law enforcement and compliance, security, emerging markets and international operations. Members of the team consult regularly with Company officers and other personnel and respond to internal and external requests for information and feedback on foreign laws and Company practices and policies. Members of the team also consult with governmental agencies, such as the U.S. Department of State, and various outside professionals in the field, including experts at various academic institutions. Members of the team also collaborate with leaders and representatives of other technology and communications companies to seek solutions to free expression and privacy challenges these companies face when conducting business internationally.

To further advance thinking and practices around the promotion of free expression and privacy, Yahoo!, through such organizations as Business for Social Responsibility and the Center for Democracy & Technology, is actively engaged in a formal dialogue that includes: (i) industry counterparts such as Microsoft, Google and Vodafone; (ii) human rights groups such as Amnesty International, Human Rights Watch, Human Rights First, Human Rights in China, Reporters Without Borders and Committee to Protect Journalists; (iii) academic institutions such as the Berkman Center for Internet & Society at Harvard Law School and Boalt Hall School of Law at the University of California, Berkeley; and (iv) socially responsible investors such as F&C Asset Management, The Calvert Group, Domini Social Investments and Boston Common Asset Management. This diverse group has made a formal and public commitment to creating a set of global principles and operating procedures on freedom of expression and privacy to guide company behavior when faced with laws, regulations and policies that interfere with human rights. The group's goals also include creating an implementation, accountability and governance framework, as well as a forum for sharing ideas.

The policies, practices and initiatives described above have been developed by Yahoo! management based on its thorough and careful consideration of the inherent complexities associated with operating under the laws of multiple foreign countries. These complicated issues require a detailed understanding of the Company's business (which is highly competitive and characterized by rapid change), user base and technologies, as well as an ability to conform to the various legal and regulatory systems of the countries in which the Company maintains operations. Yahoo! believes that it would be imprudent for the Company to be constrained by a set of specific, static and highly prescriptive standards and policies that may not be workable and effective across countries and business lines. Instead, Yahoo!, its stockholders and its users are better served by more generalized policies that fully reflect the Company's commitment to the principles of free speech and user privacy and still afford the Company enough flexibility to design and implement procedures that comply with the various legal systems under which the Company chooses to operate.

Yahoo! also believes its existing policies appropriately recognize the different roles private industry and governments play with respect to the nature of the Internet and the flow of information, and that such policies properly allocate to the Company responsibility for working and maintaining a dialogue with governments, members of academia and other industry participants for the purpose of advancing and protecting these fundamental principles. The Company believes its existing policies, practices and initiatives, as described in more detail above, strike an appropriate balance in furthering these important objectives and will effectively position the Company to serve as a continued force in promoting openness and reform.

Recommendation of the Board of Directors

For all of the foregoing reasons, the board of directors unanimously recommends that stockholders vote AGAINST this proposal. Proxies received by the Company will be voted against this proposal unless the stockholder otherwise specifies in the proxy.